

PENSION PLAN

FOR NON-TEACHING EMPLOYEES OF
PUBLIC SCHOOL BOARDS IN MANITOBA



TABLE OF CONTENTS

1.	Report of the Chairperson	1
2.	Investment Summary	2
3.	Summary of Retirements	4
4.	Retirement Income Options	5
5.	Financial Statements	9
6.	Pension Plan Trustees and Advisors	22

1: Report of the Chairperson

May 2011

To: All Pension Plan Members
Participating School Divisions/Districts

In 2010, plan members saw a 9.88% return on their investment. Actual investment return, before year-end adjustments, was 10.7%. This follows on the heels of a 14.7% return in 2009. Active plan membership grew by 322 during 2010.

The investment climate, financial markets and world events were tumultuous during 2010 and continued in this fashion into 2011 with the triple disaster in Japan and the evolving crises in both Egypt and particularly, Libya.

The Investment Report section provides a look back at 2010 as well as a glimpse into 2011.

As was reported in the 2009 annual report, a comprehensive review of the plan's investment policy, structure and risk profile, and investment manager performance is well underway. Completion of the review is anticipated by the end of 2011.

As a plan member, you should have received separate information with your individual member statement indicating copies of the 2010 annual report will be provided electronically. Each school division will be sent an electronic file of the annual report, and as in past years the 2010 annual report can be accessed from the Manitoba School Boards' Association's website: www.mbschoolboards.ca.

Should you prefer a print copy of the 2010 annual report, your school division office has been provided with a limited supply.

I hope you find the 2010 annual report both informative and helpful.

Sincerely,



Vince Mariani
Chair, Pension Trustees

2: 2010 Investment Summary

RBC Dexia Survey: Canadian Pensions Surge Ahead of Pre-Crisis Levels

Strength in Canadian equities have helped Canadian pension plans surge ahead of their pre-financial crisis levels of 2008, according to a survey just released by RBC Dexia Investor Services, which maintains the industry's most comprehensive universe of Canadian pension plans and money managers.

Within the \$340 billion RBC Dexia universe, pension assets earned 4.3 per cent in the quarter ending December 2010, improving the full year performance to 10.4 per cent, making this a second consecutive year of double digit returns.

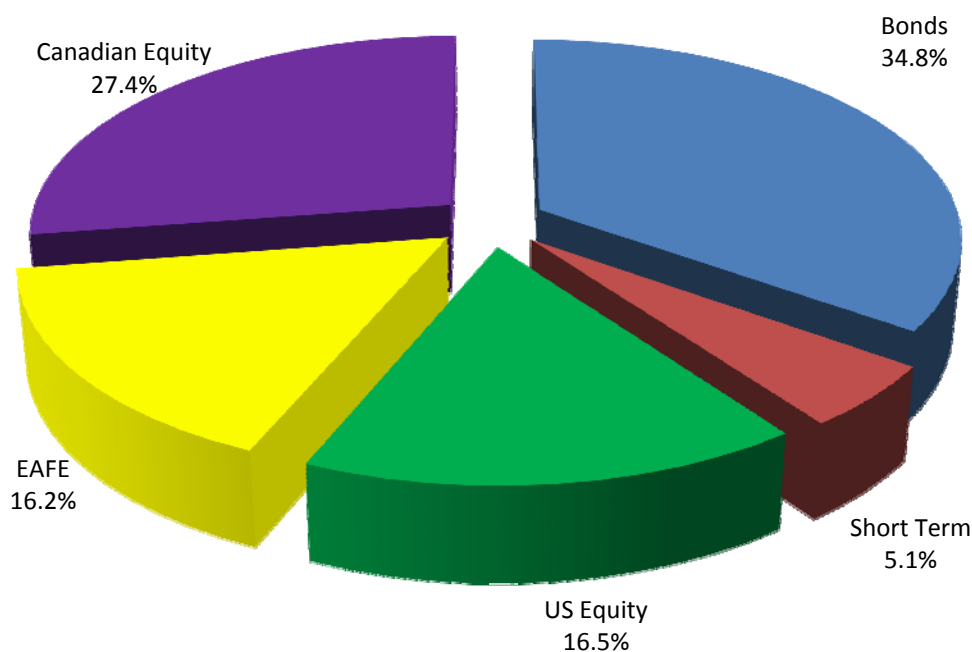
Despite the volatility in the global markets during the past ten years, Canadian pension plans have achieved an average annualized return of 5.4 per cent. "What the last decade has taught us is that diversification and disciplined investing is key over the long run," noted Fay Coroneos, Global Head of Risk & Investment Analytics for RBC Dexia.

Canadian equity markets flourished as nine out of ten TSX sectors experienced double digit annual gains. Even though Canadian Pension plans underperformed the index by 0.4, "it was encouraging to see strong returns not only in energy and materials but also in industrials and the consumer discretionary sectors" added Coroneos.

Foreign equities increased 6.3 per cent over one year. "Returns were muted by the soaring loonie, which gained significantly against the US dollar and was one of the best performers among major world currencies," reported Coroneos. The MSCI World index in local currency increased 10.0 per cent for the year, but was reduced to 5.9 per cent when translated into Canadian dollars.

For the year, domestic bond holdings within Canadian pension plans advanced 7.8 per cent, surpassing the DEX Universe index by 1.1 per cent. "Long-term bonds, with maturity of over ten years, continue to dominate short-term and mid-term bonds in 2010," said Coroneos. "The growing focus on asset-liability matching has resulted in pension plans shifting into the longer end of the yield spectrum, increasing demand for long-term bonds. In light of this, we believe a governance structure which includes the use of a liability-based benchmark will be of great interest for pension plans in 2011."

TOTAL PLAN ASSET MIX - DECEMBER 31, 2010



RATES OF RETURN 2010

Addenda (\$168.4 million)

The 10.7% one-year return (rank: 34th percentile) was 0.7% ahead of the median return and 1.7% ahead of the benchmark target. This rank was higher than the 68th percentile result of the prior year. Attribution analysis versus the benchmark showed that Addenda's asset mix through the year added 0.5%. The contributions of above-index Canadian equity and bond returns offset the impact of the below-index US and Canadian equity returns to leave a 1.2% positive contribution from asset class returns, i.e., selection. Over the past year, the strongest relative performance came from Europe, Asia, Foreign East (EAFE) equities whose 12.6% return ranked at the 6th percentile. Third quartile performances came from Canadian equities and bonds. Despite a strong quarter return, the Canadian equity return was 2.1% below the S&P/TSX Composite due to the negative impact of sector allocations, which detracted 0.2%, and stock selection which detracted an additional 1.9%.

Bissett (\$168.3 million)

A series of relatively strong prior results produced the 42nd percentile, 10.5% one-year return. This result exceeded the median and benchmark returns by 0.6% and 1.5% respectively. This was the third consecutive annual return that achieved an above-median ranking. Unlike the quarter, both asset allocation and asset class returns contributed toward the 1.5% added value to the benchmark, Specifically, asset class results, especially Canadian and US equities, added 1.4% while asset mix added 0.1%. The low relative result from EAFE equities was the only significant drag on performance, The 22.5% Canadian equity return and 13.1% US equity return were strong enough to rank in the first quartile within their respective peer groups, and bonds provided a median-like return. The high-ranking Canadian equity return (rank: 2nd percentile) reflected the stock performance that added 7.1% versus the overall negative impact of sector weights, notable the very low exposure to the strong performing materials sector, that detracted 2.2%.

3: Summary of Retirements

During 2010 Mercer (Canada) Limited has continued to use Group Plans to assist members retiring.

The total number of group life annuities placed in 2010 was 91, representing over \$7,240,000 in single premiums. There were also 28 different members with a premium of approximately \$797,000 that made use of the Group LIF, RRIF or RRSP in 2010.

Total number of personal retirement counselling sessions (January 1, 2010 to December 31, 2010)	124
---	-----

Total number of written retirement quotations* (January 1, 2010 to December 31, 2010)	512
---	-----

In addition, there were four separate group educational presentations made to the members of the pension plan in 2010 (Brandon, Seven Oaks, Red River Valley and the Manitoba School Boards Association Office). There were also Administration Guide presentations delivered to payroll and Human Resources staff in Brandon and Winnipeg. There was one more presentation made via the web.

*** A written retirement quotation may be requested by an individual plan member when they are approaching a possible retirement date (within 2 years).**

4: Retirement Income Options

Life Annuity

A life annuity can only be purchased from a life insurance company. To purchase a life annuity a lump sum is transferred from your registered pension plan or Locked-in Retirement Account (LIRA) directly to the life insurance company. In return, the life insurance company issues a contract which guarantees to pay you a set amount each month for as long as you live. The amount of the monthly payment is determined based on the amount of the lump sum transferred, your age, the form of annuity you choose, and the annuity purchase rates in effect at the time of transfer.

You may elect any one of a number of different forms of life annuity. For example, you could purchase a lifetime annuity guaranteed to pay a minimum of 120 monthly payments. If you die before 120 payments have been made the remaining payments will be made to your beneficiary until a total of 120 payments have been made.

If you have a spouse when you convert your pension account or LIRA to a life annuity, you will be required to choose a form of annuity that provides at least a 2/3 survivor income benefit to your spouse unless properly waived by both spouses. The exact details will depend upon which province had jurisdiction over the original pension plan account.

If you retire before age 65, you can choose a life annuity that is integrated with Canada Pension Plan (CPP) and Old Age Security (OAS) government pensions. This form of annuity pays out a higher amount until you are eligible to start CPP (at age 60) and /or OAS (at age 65), reducing to a lower pension for your remaining lifetime, in order to provide a level income from these sources.

The retirement counsellor will provide you with more information on other forms of annuity payment. It should be noted that once you have elected a form of annuity and you have started receiving payments you will not be allowed to change the form or the amount of your monthly payments.

For comparison, Table 1 illustrates some of the forms of annuity payment available and the corresponding amount of monthly payment that might be received. This example was calculated using unisex rates for a member aged 65 and his or her spouse, aged 62 who transferred \$100,000 to an insurance company for the purchase of an annuity.

It should be noted that the price of a life annuity is very sensitive to long term interest rates. A small change in interest rates can have a significant effect on the lifetime income provided. Also, the annuity market can be quite competitive. It is in your own best interest to obtain quotes from several insurance companies when you are ready to buy. Special group rates are available for members of the MSBA Pension Plan, and your retirement counsellor will obtain quotations from several insurance companies based on the group rates when you are ready to retire, to ensure that you receive the most competitive rate.

Table 1

\$100,000

Member Aged 65/Spouse Aged 62

Annuity Available

Form of Annuity	Monthly Payment
Single Life Guaranteed 5 years	\$610
Single Life Guaranteed 10 years	\$595
Single Life Guaranteed 15 years	\$570
Joint Reducing to 66 2/3%	\$546
Joint Not Reducing with Guaranteed 15 years	\$504

An explanation of these various forms of annuities follows.

Explanation of Optional Forms of Pension

Life Pension, Guaranteed 5, 10, or 15 Years	This pension is payable monthly for as long as you live. If you die within 5, 10, or 15 years after your retirement date, your beneficiary will receive the balance of the 5, 10, or 15 years' payments.
Joint & Survivor Pension Reducing to 66 2/3%	This pension is payable monthly for as long as you live, and after your death, if your Spouse is still living, monthly pension payments equal to 66 2/3% of the amount you were receiving will be continued to your Spouse for his/her lifetime.
Joint & Survivor Pension Not Reducing and Guaranteed 15 Years	This pension is payable monthly for as long as you live with a minimum of 180 payments. If your Spouse is still living after your death and after the 180 guaranteed payments have been made, monthly pension payments equal to the amount you were receiving will be continued to your Spouse for his/her lifetime.

The purchase of a life annuity provides certainty for your retirement income because 100% of the investment risk is borne by the insurance company. However, the purchase of an annuity allows no flexibility to change the amount of your retirement income.

Life Income Fund (LIF)

You have the option to transfer your locked-in account balance in the MSBA Pension Plan to a financial institution to provide a LIF (Life Income Fund). The LIF allows some flexibility in the amount of income you receive in a given year. You maintain control of the principal and make the investment decisions for your LIF account. Each year you decide how much you wish to withdraw, subject to a legislated minimum and maximum amount. Payments in future years would be dependent on the investment earnings on your fund and the underlying prescribed interest rate used to determine the maximum payment.

You may purchase a life annuity from an insurance company with the balance in your LIF account at any time, or transfer the remaining balance to an RRIF. If you die prior to purchasing a life annuity, the remaining balance in your LIF account shall be paid as follows.

- a) Your surviving Spouse could transfer the remaining LIF account to his or her RRIF and receive payments from the RRIF.
- b) If there is no surviving Spouse, the remaining LIF account is paid in a lump sum to your designated beneficiary or estate. The lump sum is taxable at your marginal rate of tax in your year of death.

The following table shows the minimum and maximum payments from a LIF as a percentage of the LIF account at sample ages based on the prescribed interest rate for 2011.

Minimum and Maximum Payments in 2011

Age at Start of Year	Minimum Withdrawal as % of LIF Account at the Start of Year	Maximum Withdrawal as % of LIF Account at the Start of Year
55	2.86%	6.4%
60	3.33%	6.7%
65	4.00%	7.2%
70	5.00%	7.9%
75	7.85%	9.1%
80	8.75%	11.5%
85	10.33%	16.0%
90	13.62%	20.0%

LIF with FIXED Rate of Investment Income

Table 2 shows LIF maximum income payments starting at age 55 and age 65 **assuming a fixed rate of interest at 4.0%** and assuming you elect to take the maximum payments. The illustration in **Table 2** assumes the maximum withdrawal percentages at each age do not change from year to year.

Table 2

Maximum Payments Assuming 4.0% Interest

<i>January 2011</i> <i>Age: 55</i> <i>Account Value: \$100,000</i>		Life Income Fund (LIF) Assumed Interest Return 4.0% Monthly Payments
Year	Maximum Income	
1	\$ 533 per month	
5	\$ 502 per month	
10	\$ 458 per month	
15	\$ 417 per month	
20	\$ 383 per month	
25	\$ 352 per month	

<i>January 2011</i> <i>Age: 65</i> <i>Account Value: \$100,000</i>		Life Income Fund (LIF) Assumed Interest Return 4.0% Monthly Payments
Year	Maximum Income	
1	\$ 600 per month	
5	\$ 556 per month	
10	\$ 512 per month	
15	\$ 469 per month	
20	\$ 414 per month	
25	\$ 267 per month	

5: Financial Statements

Financial Statements of

**MANITOBA SCHOOL BOARDS
ASSOCIATION PENSION PLAN FOR
NON-TEACHING EMPLOYEES OF
PUBLIC SCHOOL BOARDS IN
MANITOBA**
(FORMERLY MANITOBA ASSOCIATION OF
SCHOOL TRUSTEES PENSION PLAN FOR
NON-TEACHING EMPLOYEES OF PUBLIC
SCHOOL BOARDS IN MANITOBA)

Year ended December 31, 2010



KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Trustees of Manitoba School Boards Association Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba

We have audited the accompanying financial statements of the Manitoba School Boards Association Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba (formerly Manitoba Association of School Trustees Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba), which comprise the statement of net assets available for benefits as at December 31, 2010, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Manitoba School Boards Association Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba as at December 31, 2010, and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Signed “**KPMG LLP**”

Chartered Accountants

April 26, 2011
Winnipeg, Canada

MANITOBA SCHOOL BOARDS ASSOCIATION PENSION PLAN FOR NON-TEACHING EMPLOYEES OF PUBLIC SCHOOL BOARDS IN MANITOBA


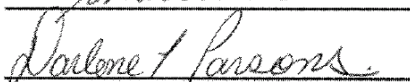
Statement of Net Assets Available for Benefits

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Investments (note 3)	\$ 362,662,168	\$ 317,126,217
Dividends and interest receivable	1,052,624	1,143,528
Contributions receivable (note 4)	3,162,983	2,506,317
Receivable from Administration Fund	-	1,699,566
	366,877,775	322,475,628
Liabilities		
Benefits payable	578,785	669,644
Payable to Administration Fund (note 5)	418,862	197,971
Payable to School Divisions (note 6)	45,771	81,505
	1,043,418	949,120
Net assets available for benefits	\$ 365,834,357	\$ 321,526,508

See accompanying notes to financial statements.

On behalf of the Trustees:

 <hr style="width: 100%;"/>	Trustee
 <hr style="width: 100%;"/>	Trustee

MANITOBA SCHOOL BOARDS ASSOCIATION PENSION PLAN FOR NON-TEACHING EMPLOYEES OF PUBLIC SCHOOL BOARDS IN MANITOBA

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Investment income:		
Interest on bonds and debentures	\$ 5,197,289	\$ 5,664,809
Dividends	3,746,495	4,173,005
Interest on short-term notes and deposits	81,000	62,962
Investment administration fee regarding deferred members (note 5)	(220,891)	(197,971)
	<u>8,803,893</u>	<u>9,702,805</u>
Realized gain (loss) on disposal of investments	7,671,252	(8,040,644)
Unrealized increase in market value of investments	15,579,791	41,392,933
	<u>23,251,043</u>	<u>33,352,289</u>
	<u>32,054,936</u>	<u>43,055,094</u>
Contributions (note 6):		
Participants	14,301,099	13,159,208
Sponsors	13,741,070	12,836,158
	<u>28,042,169</u>	<u>25,995,366</u>
Allocation of forfeited contributions to the School Divisions	45,771	81,505
	<u>27,996,398</u>	<u>25,913,861</u>
	<u>60,051,334</u>	<u>68,968,955</u>
Benefits:		
Retirements	15,743,485	11,063,053
Refund on withdrawals	-	7,812,050
	<u>15,743,485</u>	<u>18,875,103</u>
Increase in net assets available for benefits	44,307,849	50,093,852
Net assets available for benefits, beginning of year:	321,526,508	271,432,656
Net assets available for benefits, end of year	<u>\$ 365,834,357</u>	<u>\$ 321,526,508</u>

See accompanying notes to financial statements.

MANITOBA SCHOOL BOARDS ASSOCIATION PENSION PLAN FOR NON-TEACHING EMPLOYEES OF PUBLIC SCHOOL BOARDS IN MANITOBA

Notes to Financial Statements

Year ended December 31, 2010

1. Nature of plan:

The Manitoba School Boards Association Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba (formerly the Manitoba Association of School Trustees Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba) (the Plan) is a defined contribution pension plan for Non-Teaching Employees of Public School Boards in Manitoba and is registered for purposes of the Income Tax Act. The current pension plan took effect August 1, 1974.

All administrative expenses of the Plan are paid for by the Manitoba School Boards Association Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba - Administration Fund. The School Boards contribute an additional 1.2 percent of the Plan members' pensionable earnings to fund these expenses and the disability benefit. Commencing July 1, 2010, the pension trustees granted the school boards a fourteen month contribution holiday from the 1.2 percent contributions.

All investment functions are administered on a balanced mandate, by Bisset & Associates and Addenda Capital.

2. Significant accounting policies:

(a) Basis of preparation:

These financial statements present only the net assets under the control of the Trustees of the Plan.

(b) Investments:

The assets of the Plan are held by RBC Dexia Investor Services Limited. Investments are stated at market value. The change in the difference between the market value and cost of investments at the beginning and end of each year is reflected as an unrealized increase or decrease in the statement of changes in net assets available for benefits.

Market value of investments are determined as follows:

Bonds, debentures and equities are valued using published market quotations. Short-term notes with maturities between one and six months and money market funds are valued at cost which approximates market value.

Pooled investment funds are valued at the unit values, which represents the Plan's proportionate share of underlying net assets at market values determined using year end closing market prices.

MANITOBA SCHOOL BOARDS ASSOCIATION PENSION PLAN FOR NON-TEACHING EMPLOYEES OF PUBLIC SCHOOL BOARDS IN MANITOBA

Notes to Financial Statements, continued

Year ended December 31, 2010

2. Significant accounting policies (continued):

(c) Contributions:

Participants' contributions are based on participants' earnings less required contributions to the Canada Pension Plan. The participants' basic contributions are matched by the School Boards. Participants may voluntarily make additional contributions in excess of their compulsory contributions.

(d) Foreign currency translation:

The fair value of foreign currency denominated investments included in the statement of net assets available for benefits is translated into Canadian dollars at year end rates of exchange. Gains and losses arising from translation are included in the statement of changes in net assets available for benefits. Foreign currency denominated transactions are translated into Canadian dollars at the rates of exchanges on the dates of the related transactions.

(e) Transaction costs:

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs incurred are expensed and included in unrealized increase (decrease) in market value of investments.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

MANITOBA SCHOOL BOARDS ASSOCIATION PENSION PLAN FOR NON-TEACHING EMPLOYEES OF PUBLIC SCHOOL BOARDS IN MANITOBA

Notes to Financial Statements, continued

Year ended December 31, 2010

3. Investments:

		2010			2009	
	Yield	Cost	Market value	Yield	Cost	Market value
Bonds and debentures:						
Government and government guaranteed	4.48%	\$ 62,613,898	\$ 63,925,231	4.71%	\$ 67,393,890	\$ 67,330,737
Corporate	5.14%	48,926,812	50,726,272	5.53%	52,421,065	53,677,480
Mortgage pooled funds	5.45%	1,396,416	1,436,346	5.89%	1,327,259	1,323,115
		112,937,126	116,087,849		121,142,214	122,331,332
Equities:						
Canadian		121,624,366	148,219,426		108,386,972	124,166,638
Foreign		52,764,976	54,199,168		49,000,367	48,795,024
		174,389,342	202,418,594		157,387,339	172,961,662
Short-term notes and deposits		43,896,130	43,861,892		21,642,500	21,641,724
Cash and cash equivalents		293,833	293,833		191,499	191,499
		44,189,963	44,155,725		21,833,999	21,833,223
		\$ 331,516,431	\$ 362,662,168		\$ 300,363,552	\$ 317,126,217

4. Contributions receivable:

Contributions receivable include \$1,706,596 (2009 - \$1,267,471) from participants and \$1,456,387 (2009 - \$1,238,846) from sponsors. These receivables also include voluntary and disability contributions.

5. Investment administration fee regarding deferred members:

Certain participants who are no longer employed with the School Divisions have chosen to leave their funds in the Plan and a fee was charged by the Administration Fund at the end of the 2010 and 2009 fiscal years to administer the funds. This fee is charged as an offset to investment income. The fee was calculated based on \$30 total annual fee plus 0.5 percent of the account balance maintained per deferred member. The fiscal 2010 fee has not been paid to the Administration Fund as at December 31, 2010.

MANITOBA SCHOOL BOARDS ASSOCIATION PENSION PLAN FOR NON-TEACHING EMPLOYEES OF PUBLIC SCHOOL BOARDS IN MANITOBA

Notes to Financial Statements, continued

Year ended December 31, 2010

6. Contributions:

	2010	2009
Participants' contributions:		
Compulsory	\$ 13,510,267	\$ 12,644,798
Voluntary	790,832	514,410
	<u>14,301,099</u>	<u>13,159,208</u>
Sponsors' contributions:		
Compulsory	13,515,989	12,645,350
Disability	225,081	190,808
	<u>13,741,070</u>	<u>12,836,158</u>
	<u>\$ 28,042,169</u>	<u>\$ 25,995,366</u>

Unallocated funds regarding participants' forfeitures are returned to the School Division which made the sponsor contribution.

Forfeitures of \$45,771 related to the Plan's 2010 fiscal year are payable at December 31, 2010 to the applicable School Divisions. Forfeitures of \$81,505 related to the Plan's 2009 fiscal year were paid to the applicable School Divisions in 2010.

7. Guaranteed accounts:

Guaranteed accounts for participants over age 55 were established in 1994. The guaranteed accounts are credited with interest based on 91 day Government of Canada treasury bill yields. On retirement, the participant receives the pension that can be purchased by the greater of the participant's regular pension account and the participant's guaranteed account calculated from January 1 of the year following the participant's 55th birthday to retirement. The additional interest, if any, credited in this way to retiring participants is deducted from the interest credited to all regular pension accounts only after such additional interest is paid out of the Plan.

At December 31, 2010, there were participants whose guaranteed accounts exceeded their regular accounts by nil (2009 - \$1,542,360).

MANITOBA SCHOOL BOARDS ASSOCIATION PENSION PLAN FOR NON-TEACHING EMPLOYEES OF PUBLIC SCHOOL BOARDS IN MANITOBA

Notes to Financial Statements, continued

Year ended December 31, 2010

8. Financial instruments and risk management:

(a) Market risk:

(i) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Plan invests in interest-bearing financial assets. The Plan is exposed to the risk that the value of such financial assets will fluctuate due to changes in the prevailing levels of market interest rates. The Plan's exposure to interest rate risk is concentrated in its investments in bonds and debentures and short-term notes and deposits. To manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for fixed income investments are set by the Pension Trustees and monitored by the investment managers on a quarterly basis. As at December 31, 2010, if the prevailing interest rates were raised or lowered by 100 basis points, with all other factors held constant, net assets would likely have decreased or increased, respectively, by approximately \$1,147,000 (2009 - \$1,200,000).

(ii) Foreign currency risk:

Foreign currency exposure arises from the Plan holding investments denominated in U.S. currency. Fluctuations in the relative value of the Canadian dollar against this currency can result in a positive or a negative effect on the fair value of investments. The Plan's foreign currency risk is monitored by the investment managers on a quarterly basis. As at December 31, 2010, the plan's actual exposure to the U.S. dollar converted to Canadian dollars is \$54,199,168 (US\$53,906,493) (2009 - \$48,795,024 (US\$46,471,451)).

A 10 percent increase or decrease in exchange rates at December 31, 2010, with all other variables held constant, would have resulted in a change in unrealized gains (losses) of approximately US\$5,420,000 (2009 - \$4,650,000).

(iii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

To manage the Plan's other price risk, appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks are set by the Pension Trustees and monitored by the investment managers on a quarterly basis. As at December 31, 2010, a decline of 10 percent in equity values, with all other variables held constant, would have impacted the Plan's equity investments by an approximate unrealized loss of \$20,242,000 (2009 - \$17,296,000).

MANITOBA SCHOOL BOARDS ASSOCIATION PENSION PLAN FOR NON-TEACHING EMPLOYEES OF PUBLIC SCHOOL BOARDS IN MANITOBA

Notes to Financial Statements, continued

Year ended December 31, 2010

8. Financial instruments and risk management (continued):

(b) Credit risk:

The Plan is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. All transactions in listed securities are settled upon delivery using approved investment managers. The risk of default is considered minimal, as delivery of securities sold is only made once the investment manager has received payment. Payment is made on a purchase once the securities have been received by the investment manager. The trade will fail if either party fails to meet its obligation. The Plan uses multiple counterparties and those that have a high credit rating in order to minimize credit risk. The breakdown of the Plan's bonds and debentures fixed income portfolio by credit ratings from various rating agencies is presented below:

Credit rating	2010		2009	
	Market value		Market value	
AAA	\$ 40,574,356	35%	\$ 49,554,635	41%
AA	34,191,376	29%	30,742,480	25%
A	33,190,391	29%	33,165,698	27%
BBB	8,131,726	7%	7,208,856	6%
BB	-	0%	336,496	0%
Not rated	-	0%	1,323,167	1%
	\$ 116,087,849	100%	\$ 122,331,332	100%

Credit risk associated with contributions receivable is minimized due to their nature. Contributions are collected from participating members through the payroll process. No provision for doubtful contributions and other receivables has been recorded in either 2010 or 2009.

(c) Liquidity risk:

Liquidity risk is the possibility that investments of the Plan cannot be readily converted into cash when required. The Plan may be subject to liquidity constraints because of insufficient volume in the markets for the securities of the Plan or the securities may be subject to legal or contractual restrictions on their resale. Liquidity risk is managed by investing the majority of the Plan's assets in investments that are traded in an active market and can be readily disposed.

MANITOBA SCHOOL BOARDS ASSOCIATION PENSION PLAN FOR NON-TEACHING EMPLOYEES OF PUBLIC SCHOOL BOARDS IN MANITOBA

Notes to Financial Statements, continued

Year ended December 31, 2010

8. Financial instruments and risk management (continued):

The table below summarizes the market value by the earliest contractual maturity of the Plan's fixed income investments:

	2010	2009
Less than two years	\$17,138,209	\$21,199,606
Two to five years	30,439,342	31,328,458
After five years	68,510,298	69,803,268
Total market value	\$ 116,087,849	\$ 122,331,332

9. Fair value disclosure:

The fair value of dividends and interest receivable, contributions receivable, receivable from Administration Fund, benefits payable, payable to Administration Fund and payable to School Divisions approximates their carrying values due to the short-term nature of these instruments.

The Plan's assets which are recorded at fair value have been categorized into one of three levels, depending on the inputs used for valuation. The hierarchy of inputs is summarized below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

MANITOBA SCHOOL BOARDS ASSOCIATION PENSION PLAN FOR NON-TEACHING EMPLOYEES OF PUBLIC SCHOOL BOARDS IN MANITOBA

Notes to Financial Statements, continued

Year ended December 31, 2010

9. Fair value disclosure (continued):

2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and short-term investments	\$ 293,833	\$ 43,861,892	\$ -	\$ 44,155,725
Bonds	-	114,651,503	-	114,651,503
Mortgages	-	1,436,346	-	1,436,346
Canadian equities	148,219,426	-	-	148,219,426
U.S. equities	54,199,168	-	-	54,199,168
	\$ 202,712,427	\$ 159,949,741	\$ -	\$ 362,662,168

2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and short-term investments	\$ 191,499	\$ 21,641,724	\$ -	\$ 21,833,223
Bonds	-	121,008,217	-	121,008,217
Mortgages	-	1,323,115	-	1,323,115
Canadian equities	124,166,638	-	-	124,166,638
U.S. equities	48,795,024	-	-	48,795,024
	\$ 173,153,161	\$ 143,973,056	\$ -	\$ 317,126,217

At December 31, 2010 and 2009, there were no transfers between Level 1, Level 2 and Level 3.

6: Plan Trustees and Advisors Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba

Pension Plan Board of Trustees

Appointed by the Manitoba School Boards Association

Colleen Carswell, Trustee, River East Transcona

Doug Karnes, Trustee, Brandon

Louise Johnston, Trustee, Louis Riel

Floyd Martens, Trustee, Mountain View

Wayne Sutherland, Trustee, Lord Selkirk

Appointed by the Manitoba Association of School Business Officials

Vince Mariani, Secretary-Treasurer, River East Transcona (Chair, Pension Trustees)

Appointed by the Canadian Union of Public Employees

Darlene Parsons

Dave Spender

Appointed by the Non-Teaching Association

Lydia Lawson

Advisors/Administrators

Manitoba School Boards Association Staff

Kelly Henderson, Manager, Finance and Administration

Craig Wallis, Labour Relations Consultant

Plan Administration

Tyler Smith, Mercer

Edith Samuels, Mercer

Christine Rudachek, Mercer

Plan Custodian

RBC Dexia Investor Services Limited

Measurement Service

RBC Dexia Investor Services Limited

Investment Managers

Bissett Investment Management

Addenda Capital

If you have any questions about the Plan, your first source of information should always be the Plan Booklet. The Plan Booklet can be found on our website at [www.mbschoolboards.ca \(/whatwedo/documents/Pension Plan.htm\)](http://www.mbschoolboards.ca/whatwedo/documents/Pension%20Plan.htm)

If you need further information, you should contact your school division office.

Additional assistance is also available from:

Kelly Henderson

Manitoba School Boards Association
191 Provencher Boulevard
Winnipeg, Manitoba R2H 0G4
Telephone: 233-1595 or 1-800-262-8836 (Outside Winnipeg)
email: khenderson@mbschoolboards.ca

If you need more assistance because of a termination, death or retirement you can contact:

Christine Rudachek

Mercer (Canada) Limited
1410 – One Lombard Place
Winnipeg, Manitoba R3B 0X5
Telephone: 957-7349 or 1-888-833-0633 (Outside Winnipeg)
email: MSBA.pension@mercer.com

For help in planning your retirement benefits contact:

Edith Samuels

Mercer (Canada) Limited
1410 - One Lombard Place
Winnipeg, Manitoba R3B 0X5
Telephone: 934-4822 or 1-888-258-1186 (Outside Winnipeg)
email: MSBA.pension@mercer.com