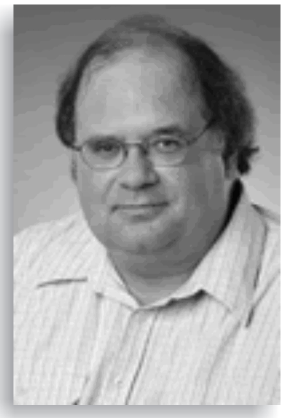
MESSAGE TO MEMBERS OF THE ACADEMIC AND ADMINISTRATIVE PENSION AND BENEFIT PLANS



On behalf of the Academic and Administrative Benefits Committee (AABC), I am pleased to present to members the 2005 annual report.

The AABC met on nine occasions in 2005. In addition, the Joint Pension and Investment Committee (JPIC) met eight times during the year. The JPIC oversees all aspects of the investment of the Master Trust Fund, including monitoring investment performance with the assistance of external consultants and meeting with representatives of the investment companies employed by the Fund.

In 2005, the AABC and JPIC:

- Amended the investment policy to adjust to the removal of the 30% foreign content limit on pension funds. Prior to its removal, the JPIC had effectively surpassed this limit through the use of a synthetic index fund that mimics the U.S. S&P 500 index. With the removal of the limit, the JPIC switched that investment to a regular index fund, with lower management fees. Additionally, the JPIC recommended a change in the investment policy that would allow investment in foreign bonds.
- Amended the investment policy to take into account the increased importance of income trusts in the TSX index.
- Investigated the future of the Master Trust Fund and the implications of enabling individual investment choice for Defined Contribution members of the plan.
- Finalized our governance document.

In 2005, the pension plan continued to meet or exceed actuarial expectations and the financial position of the plan strengthened on a going-concern basis. The annual return of the Master Trust was 9.01%. While this was below the rates of return earned during the previous two years, it exceeded the rate of return assumptions that form the basis of the assessment of the financial position of the plan. The assumed rate of return is 7% and, more importantly, the 6.81% real (net of inflation) rate of return exceeded the actuarial assumption of 3%. There are, unfortunately, two caveats to this optimistic assessment. The first is that with the introduction of asset smoothing last year, the four year average rate of return that we use still includes 2002, the investment "annus horribilis" for our Master Trust. The total fund annualized real rate of return for the four year period of 2002 to 2005, before expenses, results in a 3.6% return that also exceeds the 3% target.

Second, new standards have been introduced to assess the financial position of the plan on a wind-up basis *i.e.* if the plan was ended today.

Investment performance will be discussed in depth in subsequent sections of this report.

Plan Valuation Wind-up Basis

Members who regularly read these reports would be aware of one recurring theme - the difficulty inherent in running a defined benefit pension plan within the strict regulatory environment (this issue does not apply to the Defined Contribution Members in the Plan). The crux of the problem is that there are two regulators. In general, provincial regulations are there to ensure that the pension promises will be kept so they work to establish minimum amounts that must be in the pension fund. In contrast, the federal regulations reflect the view that pension plans are tax deferrals and therefore limit the amount that can be held in a pension fund in excess of the plans' funding liabilities. The problem is that the "window" between the two amounts is very small, about 10% of plan assets evaluated on a going-concern basis.

Given the volatility of investment returns, it is difficult to stay within these narrow bounds. Last year, the Committee recommended and the Board approved the use of an asset smoothing method that should hopefully reduce the variation in the surplus/deficit position of the plan caused by changes in economic circumstances. Our smoothing method is based on real rates of return. Actuarial valuations are based in part on the assumption that the plan will earn

7% per year on average into the future and that inflation will average 4% per year. The difference, 3%, is the assumed *real* rate of return. If the plan earns a real rate of return higher than 3%, the financial position of the plan will be strengthened, other things being equal. Of course, a real rate of return of less than 3% would weaken the financial position of the plan. Our smoothing method takes variations between the real rate of return that is earned and 3% and allocates the differences in equal amounts over a four-year period - the same length of time the plan uses to determine the interest rates credited to members' accounts. Our method also limits the amount of asset smoothing that may occur to no more than 10% of the actual market value of the plan's assets. The Committee will continue to monitor the effect of the smoothing method utilized by the plan.

This year, a change in how pension plans are evaluated on a wind-up basis came into effect. The valuation technique, viewed out of context, makes sense. It assumes that if there is a pension wind-up (for example, if the plan sponsor goes bankrupt), the plan trustees will purchase annuities from life insurance companies to meet their pension obligations, with the cost of those annuities based on the rate of return on long maturity bonds.

The problem is that with current low interest rates, this rule substantially increases the minimum amount provincial regulators want in the pension fund. The “window” between this minimum and the maximum allowed by the federal government is narrowing. An interesting example of the impact of this change is the Ontario Teachers Pension Plan, which, despite achieving a rate of return of 17.2%, saw their funding position fall from 84% to 77% of pension liabilities.

Some provinces (not including Saskatchewan) have responded by exempting larger public sector and university pension plans from the wind-up basis test, since these sponsors are unlikely to enter bankruptcy. Recently on behalf of the University and the AABC, Kathryn Laurin (Acting) Vice-President, Administration and I sent a letter to the Superintendent of Pensions for Saskatchewan asking for reconsideration of the application of this new standard.

It takes a variety of skills and knowledge to run a large pension plan efficiently in a complex and ever-changing investment and regulatory environment. In order for our voluntary committee to be able to perform this task, it needs to rely on the expertise of a number of consultants. The AABC has been well-served by the people who we have contracted to assist us and are pleased to pay tribute to:

- Brent Sutton and his colleagues at Phillips, Hager and North of Vancouver, our primary investment manager;
- Janet Julé and her colleagues at James P. Marshall, who assist the Committee in assessing investment performance;
- Don Ireland, the Plan's actuary, and the staff of Aon Consulting Inc., in Saskatoon who provided actuarial and benefit advice;
- Ryan Duesing and his associates at Aon Consulting Inc., in Regina for their benefits expertise.

Special thanks go to the Committee's recording secretary, Darlene Marchuk, who is also Manager of Pension and Benefits in Human Resources. Darlene and her associates in Human Resources, Jeanette Pageot and Temple Maurer have provided efficient day-to-day administration of the pension and benefit plans.

I would also like to thank our two departing members of the AABC and welcome their replacements on the AABC.

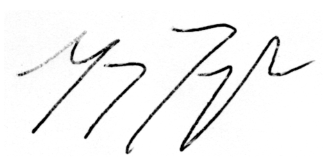
Bonnie Dobni has been a long time member/recording secretary of the AABC and returned for a brief second term. With the reorganization in Human Resources, she has been replaced on the Committee by Kelly Kummerfield, Associate Vice-President (Human Resources). Jim Tomkins, a long-time member and former Chair of the AABC was replaced by Kathryn Laurin, the new (Acting) Vice President, Administration. I welcome both Kathryn and Kelly to the Committee and look forward to their contributions.

A comprehensive assessment of Jim Tomkins' contributions to the University through his participation on the AABC and JPIC would be lengthy and is therefore beyond the scope of this report. The operation of the benefit plans at the University of Regina, particularly the defined benefit pension plan that began in 1965, has been successful by any measure. Jim Tomkins' leadership has meant that the ongoing operation of the pension plan has been an example of the benefits of cooperative and inclusive management. The culture of the AABC that has developed over the years has been conducive to that result. Representatives of both URFA and the Board have felt that their opinions and ideas were listened to and considered seriously and that the entire Committee was there to promote the well-being of members of the plan. The work of the AABC and JPIC is also made much easier by the confidence that all stakeholders of the plan, Board, URFA and plan members have in these Committees.

This situation also puts a great responsibility on committee members to continue to work together effectively, especially when pension is such an important aspect of the compensation system but one that many of our busy members think about infrequently. Jim deserves a great deal of credit for creating and sustaining this culture and I hope that I and other members of the Committees are up to the task of maintaining the confidence that all plan stakeholders have in the AABC and JPIC.

As a measure of the respect for Jim's knowledge, experience and dedication to the work of the committees, both the AABC and JPIC invited him to be an observer for both committees and we are pleased that he accepted our invitation.

Finally, I would like to thank all committee members for their dedicated and effective service to the membership of the plan and the University as a whole.



Gary Tompkins, Chair
Academic and Administrative Benefits Committee

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QUICK REFERENCE

GOVERNANCE OF THE ACADEMIC AND ADMINISTRATIVE BENEFITS COMMITTEE

The Academic and Administrative Benefits Committee (AABC) is a sub-committee of the Human Resources Committee of the Board of Governors. The mandate of the AABC is to advise the Board on matters relating to benefit plans for academic and administrative staff, including the:

- Academic and Administrative Pension Plan
- Group Life Insurance Plan
- Salary Continuance Plan
- Travel Insurance Plan
- Extended Health Plan
- Dental Plan

Master Trust

For investment purposes, the assets of the Academic and Administrative Pension Plan are combined with those of the Non-Academic Pension plan into a single fund called the Master Trust Fund. The investment of funds in the Master Trust Fund is overseen by the Joint Pension Investment Committee (JPIC), which is comprised of all members of the AABC and the Non-Academic Benefits Committee (NABC). Each plan has its own investment policy statement and a separate accounting for its assets.

Members of the Committee

Norm Beirnes, Math and Stats (retired)
Kelly Kummerfield, Human Resources
Gaynor Kybett, Computing Services
Kathryn Laurin, President's Office
Larry Miller, Math and Stats
Dale Schoffer, Financial Services
Jim Tomkins, Math and Stats (observer)
Gary Tompkins, Economics (chair)

Recording Secretary:
Darlene Marchuk, Human Resources

Actuary:
Don Ireland, Aon Consulting Inc., Saskatoon

Pension Consulting Services and Performance Management:
James P. Marshall Inc., a Hewitt Company, Regina

Investment Management Firms:
Phillips, Hager and North Investment Management Limited
Bentall Investment Management
Franklin Templeton Investments
Barclays Global Investors Canada Inc.

Custodian:
CIBC Mellon Trust, Calgary

THE ACADEMIC AND ADMINISTRATIVE PENSION PLAN
About the Pension Plan

The Academic and Administrative Pension Plan was established on July 1, 1965. Until January 1, 2000, the plan was solely a defined-benefit plan, meaning that a member's pension was calculated using a formula based on the member's salary history and years of service at retirement. The plan also allowed the transfer of entitlements - including the portion of an individual's account arising from the accumulated contributions of University - out of the plan upon retirement, death or resignation. As of January 1, 2000, the University closed the defined benefit component of the pension plan to new members and introduced a defined contribution component for eligible individuals who joined the University on or after January 1, 2000. Members of the defined benefit component were allowed to choose between remaining with defined benefit or transferring either future service or past and future service to the defined contribution component.

Membership in the plan is compulsory for academic and administrative staff. As of December 31, 2005 the plan had 561 defined contribution members, 307 defined benefit members, and 25 defined contribution/defined benefit members. Approximately 26% retired members are receiving pension benefits under the plan. The market value of the Academic and Administrative Pension Plan at year end totalled $250 million, with approximately 88% of the assets attributed to the defined benefit component and 12% of the assets attributed to the defined contribution component.

REVIEW OF 2005 INVESTMENT PERFORMANCE
Market Overview

The Canadian equity market completed its third straight year of double digit growth. Other markets, in particular, offshore equity markets, Canadian real estate and real return bonds produced tremendous returns for investors as well.

The S&P/TSX Composite Index returned 24.1% with four consecutive quarters of positive returns. Seven of the ten sectors in the index posted positive returns. Oil prices finished the year at $61.04 US, below the record highs hit in September, but still 40% higher than the 2004 close. This increase in oil prices was the driver of the stellar Energy (63.4%) performance in the year. The Information Technology (-15.8%) and Health Care (-2.6%) were the weakest sectors. In December, the Canadian dollar hit a 14-year high versus the US dollar due to interest rate expectations, a stronger than expected trade surplus and a record U.S. deficit. The unemployment rate finished the year at 6.5%, down 0.5% from last year after hitting 6.4% in November, the lowest level in over three decades.

Value stocks as measured by the Barra Large Cap Value Index (25.6%) outperformed growth stock as measured by the Barra Large Cap Growth Index (23.4%). Small cap stocks (19.7%) underperformed large cap stocks over the year.

The S&P 500 Index was up 4.9% (US$), however, the return decreased to 2.3% (C$) as the Canadian dollar strengthened relative to the US dollar. Only four of the ten sectors in the index posted positive returns for the year. Energy (25.9%) led the sectors on the upside, as oil prices increased over the year. Telecommunications (-11.3%) and Consumer Discretionary (-9.7%) led on the downside.

The Canadian equity market completed its third straight year of double digit growth.

Due to inflationary concerns, the U.S. Federal Reserve Bank increased interest rates eight times in the year, marking 13 consecutive increases, although they indicated the tightening may be coming to an end. The continued rise in interest rates and rising gas prices, have cut into spending leaving Consumer Discretionary (-9.7%) the second worst performing sector.

Large capitalization stocks underperformed both small (5.0%) and mid-cap stocks (9.7%) for the sixth year in a row. Growth stocks (0.7%) underperformed value stocks (3.4%).

Non-North American equities, as measured by the MSCI EAFE Index, soared 29.0% in local currency terms and 10.7% in Canadian dollars. In contrast to the Canadian and U.S. equity markets, the Information Technology sector posted a positive return in non-North American equity markets in the year. The Energy sector ending the year at 15.2%, was also among the top sectors for the year. Telecommunications (-14.6%), was the only negative sector for the year.
Riding the global growth in demand for commodities and energy, the Canadian

dollar appreciated relative to the currencies of every nation in the EAFE index. Even the commodity driven Australian dollar depreciated versus the Loonie. The level of appreciation ranged from 24.6% versus the Swedish krona to 2.4% versus the Hong Kong dollar.

Japan (22.4%) was the leading country in the EAFE index, strongly outperforming other Pacific and European markets. New Zealand, another Pacific market, was among the worst performers posting a -0.8% return.

The Scotia Capital Universe Bond Index rose 6.5% this year. The Bank of Canada renewed its commitment to restraining inflation. Despite benign core inflation readings, the overnight rate was raised by a total of .75% in late 2005, and the Bank indicated that further increases are likely in 2006.

Over the course of the year the yield curve flattened. Long-term interest rates fell, while mid-term yields saw a marginal decrease and short-term rates increased significantly. Normally, to compensate for increased risk, investors expect to receive higher interest payments from bonds with a long time to maturity, as compared to interest rates on shorter term bonds. However, at year-end, the interest rates on 2-, 10- and 30-year Government of Canada bonds were all about 4%.

The University of Regina Master Trust generated a 9.0% result in 2005, which fell short of the 9.8% benchmark return.

The yields on federal and corporate bonds rose, hurting performance. Provincial yields declined slightly, mostly due to the prevalence of longer term issues in the provincial sector.

University Plans Overview

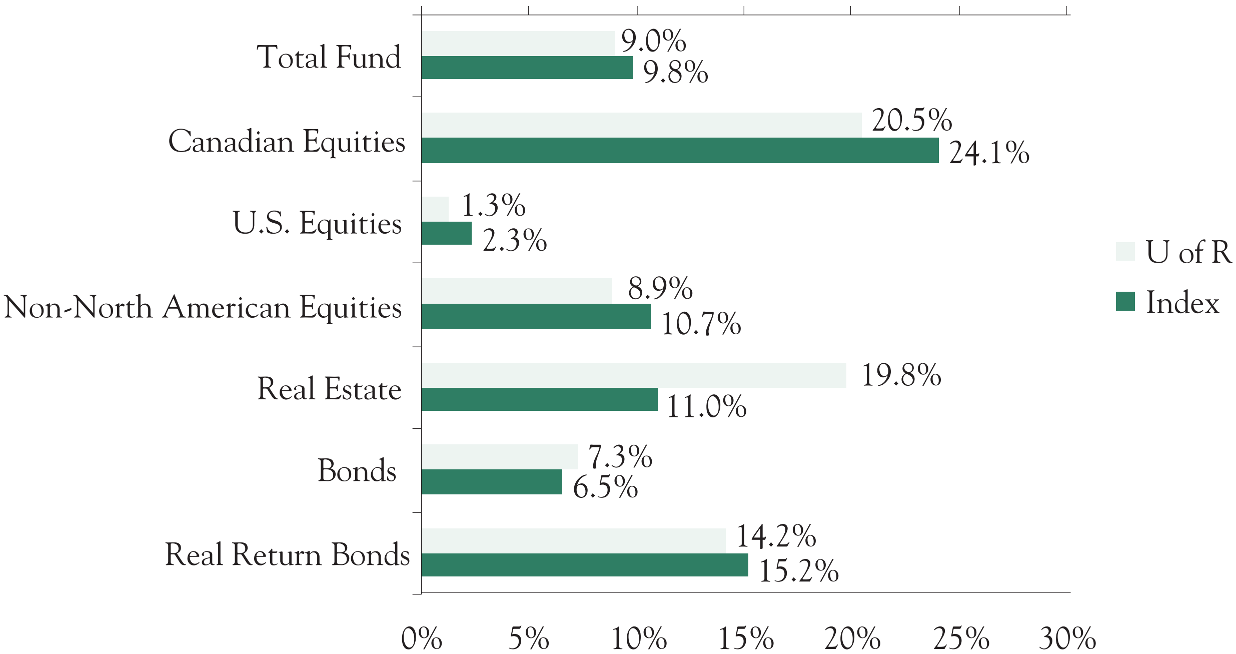
The Plan's primary investment objective is to exceed the benchmark return over rolling four-year periods. Over the past four years, the Total Fund return exceeded the objective by 0.2% per year.

The University of Regina Master Trust generated a 9.0% result in 2005, which fell short of the 9.8% benchmark return. The underperformance is partially attributable to the balanced manager, Phillips, Hager & North (PH&N). PH&N's performance was below index in Canadian and U.S. equities. Templeton, the non-North American equities manager, also subtracted value from the EAFE index.

The Master Trust received some positive value added from active managers. PH&N was successful in outperforming its benchmarks in bonds and mortgages.

A remarkable source of value added came from the real estate holdings. Both Westpen and Penreal had strong years. The Westpen portfolio grew by 19.8% in 2005, nearly matching the performance of Canadian equities.

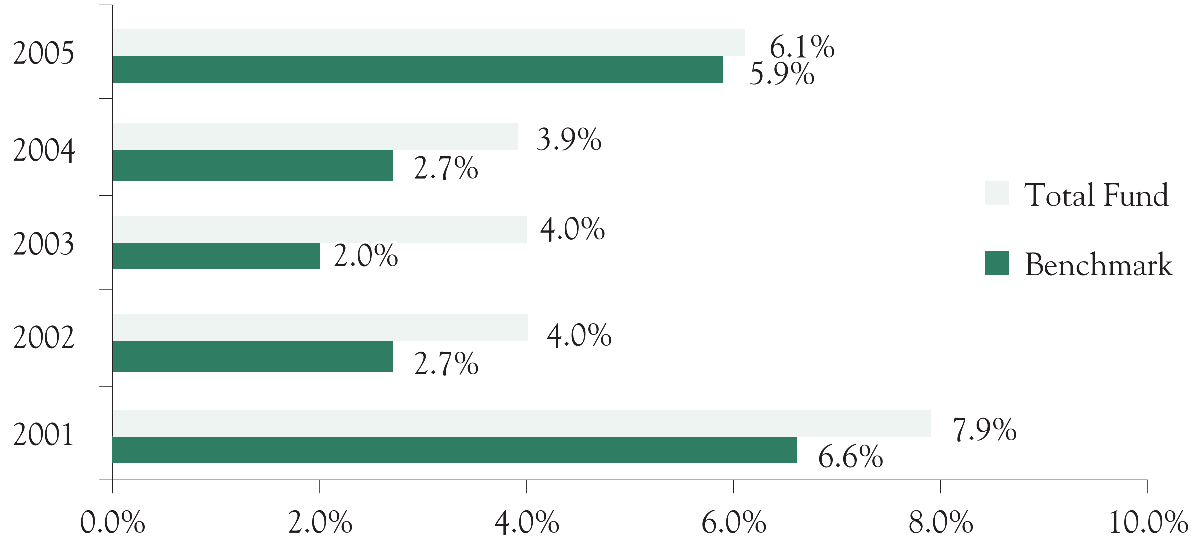
Investment Performance
For the Year Ended December 31, 2005



Over the past 10 years, the Academic and Administrative Plan return has been 9.0%, which was above the 8.2% policy benchmark return.

The Plan's primary investment objective is to exceed the benchmark return over rolling four-year periods. Over the past four years, the Total Fund return exceeded the objective by 0.2% per year. The following chart provides the longer-term track record of the Fund. Over the past 10 years, the Academic and Administrative Plan return has been 9.0%, which was above the 8.2% policy benchmark return.

Investment Performance
Academic and Administrative Plan Rolling Four-Year Return



In addition to monitoring performance relative to the benchmark return, the Fund performance can be put in perspective by comparing the result against those of a universe of institutional funds. The table on the following page shows the Total Fund return relative to the Russell/Mellon Canadian Trust Universe and individual asset class returns relative to other funds in the Principia Universe for Pooled Funds over the past year and four-year periods.

The 2005 result of 9.0% did not keep pace with the 12.3% earned by the median fund in the Russell/Mellon Canadian Trust Universe. Over the past four years, the Fund trailed the 7.6% median with a 6.1% result.

For the past year, the equity portfolios produced below median results. Strong relative results continued in the bond portfolio, with a first quartile result (top 25% of funds in the survey) in the year and four-year period. Despite turning in a 20.5% performance in the year, Canadian equities placed in the fourth quartile. Commodity prices hit new record highs (notably oil, gas and copper) boosting Canadian exports and lifting the stock market near to an all-time high. As the Canadian market is heavily overweight in the energy and materials sectors (approximately 40%), any fund that is unwilling to commit just as heavily to investments in these sectors will have lagged the index in 2005. The prudent management by our investment manager avoided taking this kind of risk.

Therefore the portfolio could not overcome the value lost from an underweight to the soaring Energy sector. Over four years, the 12.7% Canadian equity was ahead of the 12.2% Principia median and the 12.1% index return.

The overall U.S. equity portfolio return was below the index and median return for the year and four-year periods. In an effort to reverse the fortunes of their U.S. equity product, PH&N hired the U.S. equity team of Bona Vista Asset Management as part of the acquisition of the entire firm.

Templeton, the non-North American equity manager, did not fully participate in the index's growth in 2005. Although the year's return (8.9%) was strong on an absolute basis, it was below the 10.7% index return and the 10.6% median manager return. Disappointing returns in 2002 and 2005, kept the four-year return below index. Historically, Templeton has been a strong manager and has achieved excellent results as compared to the EAFE index over the past decade.

2005 Relative Performance

Asset Class [2]	2005 Quartile [1]	4-Year Quartile [1]
Canadian equities	4	2
U.S. equities	3	4
Non-North American equities	3	3
Bonds	1	1
Total Fund [1]	4	4

[1] Indicates the placement of the return relative to the Principia Universe for the asset classes. The Russell/Mellon Canadian Trust Universe is used for the Total Fund. Quartile 1 includes the top 25% of funds by return, Quartile 2 represents firms in the 26-49% range, M is the median return, and so on.

[2] Real estate and mortgages are not shown, as universe comparisons are not available.

Investment Performance Objective

A number of performance objectives are set out for the pension plans. The primary objective is that the Total Fund return exceeds a benchmark portfolio return over rolling four-year periods.

Benchmark Portfolio Return:

The benchmark portfolio return is calculated by using index returns and asset class weights. The current target weights have been in place since July 1, 2003. Investing outside of Canada carries with it an additional investment risk. Foreign investments are usually denominated in the local currency, and that leads to the possibility that the investment returns will be affected by currency exchange rate fluctuations. One way to eliminate currency risk is to "hedge" the currency, in effect guaranteeing the future currency exchange rate. In 2005, the AABC decided that effective January 1, 2006, one-half of the fund's U.S. equity exposure will be hedged. As the fund's largest currency exposure is the on the US dollar, this strategy has been incorporated in the investment policy to mitigate the currency risk.

Current Target Weights by Asset Class:

Within the various asset classes illustrated below, the objective is to exceed the relevant index return. The pension plans also have a long-term objective of earning a real return (net of inflation) of 3% per year. In addition, the returns are evaluated on a relative basis to a universe of other pension plan returns.

Asset Class	*December 2005*	*January 1, 2006*
Canadian equities	18%	18%
U.S. equities	18%	9%
U.S. Equities-Hedged to Canadian $		9%
Non-North American equities	18%	18%
Real estate & Real return bonds	5%	5%
Nominal bonds	38%	38%
Short-term investments	3%	3%

MASTER TRUST

The University of Regina pension plans' assets are jointly invested in a Master Trust, which in turn are invested by the various managers under different mandates. At the end of 2005, the Master Trust assets had a market value of $314 million, of which over $250 million was attributable to the Academic and Administrative Pension Plan.

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Academic and Administrative Pension Plan Market Value:

The market value of the Academic and Administrative Pension Plan assets increased by $10.8 million over the past year. Income from fixed income interest and capital gains in Canadian and offshore equities were more than sufficient to cover members' pension and withdrawals and the Plan's expenses. At December 2005, the market value of the Academic and Administrative Pension Plan was $250,500,953, an increase from the December 2004 market value of $239,663,132.

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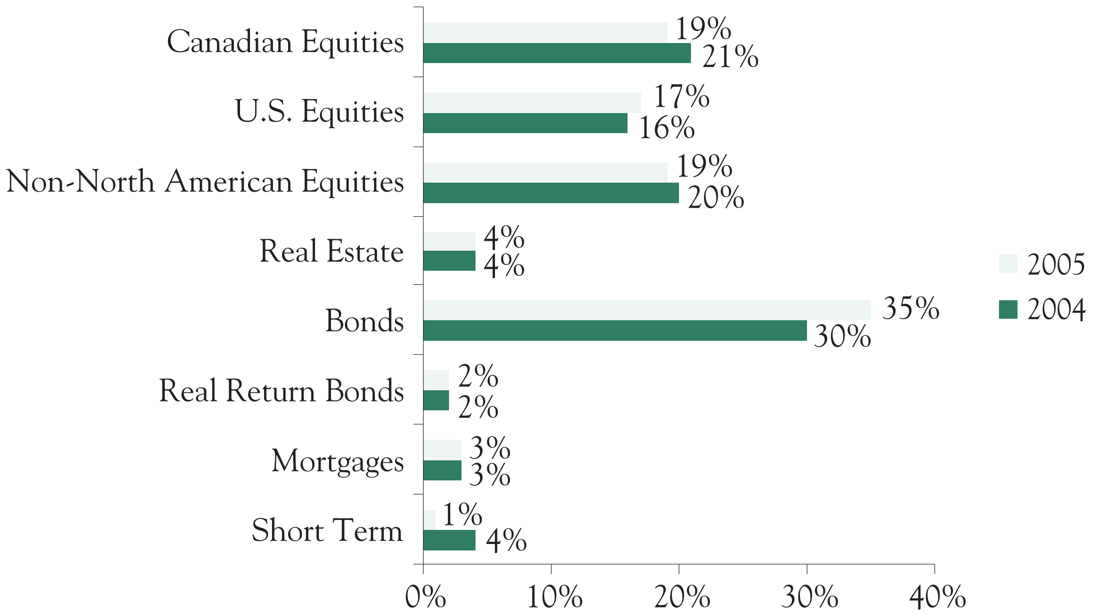
Master Trust Asset Mix Summary:

In the second half of 2005, the federal government removed the foreign content limit. As a result of this long awaited move, a need for synthetic exposure to foreign markets disappeared. The Plan was able to take advantage of the tighter tracking and lower investment management fees available through physical market indexing. In September, the Master Trust moved $20.8 million from the BGI synthetic U.S. equity index product to the BGI physical U.S. equity index product. A further change was made in U.S. equities in December 2005 to implement a policy decision to hedge one-half of the U.S. equity exposure.

In the second half of 2005, the federal government removed the foreign content limit.

In the year, the amount of cash in the Master Trust rose to a high of 5.9% in July as the balanced manager reduced Canadian equity exposure. The cash weight was later used to allocate additional funds to U.S. equity and bonds. The Master Trust asset mix during the year was generally overweight equities and underweight bonds, which was positive for the Trust, given the higher returns from equities in 2005. Large cash balances and exposure to mortgages, however, neutralized the positive effect of the equity overweight.

Distribution of Assets
(as a percentage of year-end market values)



Distribution of Assets by Manager:

Throughout 2005, Phillips, Hager & North continued to manage a balanced mandate and most of the Master Trust assets. Templeton manages non-North American equities. Barclays manages a passive U.S. equity mandate. Bentall Investment Management oversees Westpen, which buys and manages commercial and industrial properties and Penreal Property Trust, which is a real estate financing vehicle. An allocation to real return bonds was established three years ago as a cost-effective way of gaining exposure to inflation-sensitive assets.

	2005	2004	2003
Phillips, Hager & North	**66.9%**	66.2%	67.7%
Real Return Bonds	**2.1%**	1.9%	1.7%
Penreal Property Trust	**1.6%**	1.7%	1.8%
Westpen Properties Ltd.	**2.1%**	2.0%	2.0%
Templeton	**18.8%**	20.5%	18.8%
Barclays	**8.5%**	7.7%	8.0%
	100.0%	100.0%	100.0%

PENSION PLAN INTEREST RATE

For Defined Contribution members with entitlements at December 31, 2005, interest will be credited on account balances at a rate of 8.47%.

For Defined Benefit members with entitlements under the pension plan on December 31, 2006, interest will be credited on account balances at a rate of 5.06% on that date. As required by the plan document, this rate is equal to the annualized rate of return over the four calendar years from 2002 to 2005, less .5 percentage point, less administrative expenses.

For Defined Contribution members with entitlements at December 31, 2005, interest will be credited on account balances at a rate of 8.47%.

INVESTMENT POLICY REVIEW

The pension plan maintains a Statement of Investment Policies and Goals (SIP&G). The SIP&G includes:

- a summary of benefits under the plan;
- statistical characteristics of the membership;
- a benchmark portfolio of assets and limits on how much investment managers can deviate from the benchmarks; and,
- limitations on instruments in which pension funds may be invested and on the proportion of the fund's assets that can be invested in a particular security.

For Defined Benefit members with entitlements under the pension plan on December 31, 2006, interest will be credited on account balances at a rate of 5.06% on that date.,

The SIP&G is shared with our investment managers, who are required to report quarterly on their compliance with the policies. The SIP&G must be reviewed annually by the Committee. On the advice of the Committee, the University's Board of Governors approved a revised SIP&G in December 2005, including several key changes:

On the advice of the Committee, the University's Board of Governors approved a revised SIP&G in December 2005, including several key changes.

Investment and Risk Philosophy: This new section provides background about the rationale for a benchmark portfolio in which most assets are invested in stock markets, the diversification of investments among various asset classes, and the use of both active and passive management of the funds in the Master Trust. This section also addresses the need to achieve an acceptable rate of return without taking undue risk.

Asset Mix: With the recent legislative changes removing foreign content restrictions, all references to these restrictions have been deleted.

Permitted Investments - Income Trusts and Limited Partnerships: The Master Trust is permitted to invest in income trusts which are established in provinces that provide limited liability. The investment manager would be required to advise the University if and when the income trust exposure exceeds 1.5 times the weight of income trusts in the (new) S&P/TSX Composite Index. In addition, the limited partnerships listed on the TSX have been added to the list of permitted investments. The previous policy did not allow investment of Master Trust funds in income trusts or limited partnerships.

Foreign Issuer Bonds: The 2005 SIP&G allows investment in bonds issued by foreign issuers. Total exposure to foreign issues would be limited to 20% of the bond portfolio. Total exposure to foreign currencies is limited to 10% of the bond portfolio, net of currency hedging, in order to mitigate the risk of investment losses due to a rise in the Canadian dollar.

Foreign Currency Hedging: The policy includes a 50% currency hedge ratio in the US dollar exposure (9% of the total 18% U.S. equity exposure) within the passively-managed U.S. equity mandate. This ensures that the rate of return on that mandate in any given year will be the average of the Canadian dollar and US dollar returns. The rationale for the focus on the US dollar hedge was (i) the Master Trust has a relatively large exposure to this single currency and (ii) that hedging in the US dollar is cost effective.

Other: Wording was updated around the use of derivatives. With the elimination of the Foreign Property Rule, there is no longer any need for investment in the U.S. market via so-called "synthetic" (i.e. derivative-based) vehicles and it is therefore proposed to eliminate this use of derivatives. However, some managers have indicated that there may be opportunities to use interest rate futures and credit swaps to enhance yields in the bond portfolio. The section on the use of derivatives has been rewritten to anticipate and permit such opportunities.

The revised document stipulates that no one stock may constitute more than 10% of the market value of the equity portfolio. Previously, this 10% restriction applied only at the time that the stock was purchased, but a particular stock could constitute as much as 15% of the equity portfolio if there was a substantial increase in its market value.

The current SIP&G allows investment in private-placement bonds. Previously, such bonds were prohibited because they were generally difficult to sell. However, the growth in the private-placement bond market has enhanced the liquidity of such bonds.

It should be further noted that as a result of the removal of the foreign content limits for pension plans, the Committees are considering including alternative investments designed to add value.

It should be further noted that as a result of the removal of the foreign content limits for pension plans, the Committees are considering including alternative investments designed to add value.

ACTUARIAL VALUATION OF THE PENSION PLAN

Provincial law requires the University to file an actuarial valuation with the Superintendent of Pensions every three years, or more often, at the University's option. It is the intent of the Committee to recommend filing an actuarial valuation at December 31, 2005 by the September 30, 2006 deadline. An actuarial valuation determines:

- ***If the plan had been wound up on a certain date, would the plan's assets have been sufficient to pay the benefits earned by members up to that date?***

To answer this question, the Actuary determines how much money the plan would have needed to make lump-sum termination payments to members and to pay lifetime pensions to those members eligible for early retirement or already retired. This amount is then compared with the value of the funds in the pension fund to determine whether there is a solvency surplus or a solvency deficiency.

- ***Is the current rate of contributions sufficient to ensure payment of the Defined Benefit pension promise over the long term?***

To answer this question, the Actuary makes an estimate of the present value of benefits to be earned in the future by existing members, and adds this amount to the value of benefits earned to date to obtain an estimate of the total liabilities of the plan. The Actuary then estimates the present value of investment earnings and all future contributions to the plan by and on behalf of current members, and adds these amounts to the current value of the plan's assets to determine the total current and future assets of the plan. There is a going-concern surplus if the total assets meet or exceed the total liabilities of the plan; otherwise, there is a going-concern deficiency.

The 2003 valuation showed that the plan had a solvency surplus of $28,686,000, being the difference between assets of $226,125,000 and liabilities of $197,439,000 as of December 31, 2003.

PENSION INDEXING

The Plan provides for indexing to be granted each year that is equal to the increase in the previous year's inflation as measured by the Consumer Price Index. However, in years that the Actuary is of the opinion that the full increase would impair the Plan's financial integrity, a lesser increase may be provided. Effective July 1, 2005, eligible pensioners received an increase of 1.83% to their pension benefit.

PENSION PLAN AMENDMENT

The Board of Governors approved a plan amendment that incorporates changes from *The Saskatchewan Pension Benefits Amendment Regulations, 2005*. The regulations:

- allow a surviving spouse to receive pre-retirement death benefits in cash;
- permit a Member's spouse to waive entitlement to pre-retirement death benefits; and,
- revise the small benefit provisions. This will allow a pension plan to make a lump sum payment when an individual ceases to be a member of the plan if the

individual's pension entitlement does not exceed 20% of the Year's Maximum Pension Earnings ($8,220 in 2005) or if the annual pension does not exceed 4% of the Year's Maximum Pensionable Earnings ($1,644 in 2005).

AUDITED STATEMENTS

The Provincial Auditor audits the financial statements of the pension plan each year. The Provincial Auditor provided an unqualified opinion of the 2004 financial statements of the Master Trust and the University's three pension plans. Any member who would like to receive a copy of any of the audited statements should contact Human Resources at 585-4167 or consult the Financial Services Website at: http://www.uregina.ca/fs/financial_statements.shtml.

The audited statements for 2005 should be available in late August, 2006.

BENEFIT PLANS UPDATE

The benefit plans for Life Insurance, Dental, Extended Health and Salary Continuance are renewed at July 1 each year. The following summarizes the outcome of the annual renewal process:

- Basic and Optional Life Insurance: Premiums for Basic Life Insurance increased by approximately 55%, with the cost per thousand dollars of coverage increasing from $.185/$1,000 to $.285/$1,000; while Optional Life Insurance premiums decreased slightly;
- Dental: Premiums increased by 8.1%, resulting in additional annual premium costs of approximately $60,000;
- Extended Health Care: Premiums decreased by 7.6%, resulting in an estimated cost savings of $49,000;
- Salary Continuance: The premium rate remained unchanged at 1.7% of payroll.

All of the above noted plan premiums, with the exception of Optional Life Insurance, are currently paid for by the University.

For more information about academic and administrative pension
and benefits, please call Pension and Benefits,
Human Resources Department at 585-4167
or visit the website at
http://www.uregina.ca/hr/Benefits/Academic.html