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1: Report of the Chairperson

June 2001

TO: All Plan Members
All Participating School Divisions and Districts

Enclosed is the Annual Report of the Manitoba Association of School Trustees Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba. This Report covers the period January 1 to December 31, 2000.

While I invite you to review the Annual report at your leisure I would like to draw your attention to some of the financial highlights of the past Plan year.

- As at December 31, 2000, fund net assets reached a total of $211,505,229.
- For the period under review, the Plan earned a 13.88% return on investments.
- On December 31, 2000, active plan membership totaled 6,173. This is a net increase of 262 members from December 31, 1999.
- In addition to the active membership, 895 members held deferred benefits as at December 31, 2000.
- In 2000, 110 active and 8 deferred plan members retired.
- Employees in 47 of Manitoba's school divisions and districts participate in the MAST Non-Teaching Pension Plan.

During 2000, Pat Thorsteinson and James Ralko of William M. Mercer conducted individual retirement counselling sessions for 90 Plan members, and provided written retirement quotations for 418 members. As well, they have continued updating written information on topics such as retirement income options for RRSP funds, tax tips for retirement, and government pension programs, which have proven useful for Plan members approaching retirement. In 2000, Pat also made educational presentations to specific employee groups about the pension plan and retirement income options.

Should you have any comments or questions concerning this Annual Report, please forward them to the Board of Pension Trustees, in care of the MAST office.

Yours Sincerely,

Vince Mariani, Chair
MAST Non-Teaching Pension Plan Trustees

2: Pension Trustees and Advisors

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

(as of December 31, 2000)

Pension Plan Board of Trustees

Appointed by the Trustees' Association

Colleen Carswell, Trustee, Transcona-Springfield S.D. #12
Don Dunnigan, Trustee, Kelsey S. D. #45
Murray Enns, Trustee, Garden Valley S.D. #26
Greg Floyde, Trustee, Turtle River S. D. #32
Roy Schellenberg, Trustee, St. Boniface S. D. #4

Appointed by the Manitoba Association of School Business Officials

Vince Mariani, Chair, Secretary-Treasurer, River East S. D. #9

Appointed by the Canadian Union of Public Employees

Dave Spender
Darlene Parsons

Appointed by the Non-Teaching Associations

Aldis Brett

Advisors and Agents

MAST Staff
Craig Wallis, Director of Labour Relations
Sheila Raffey, Comptroller

Plan Administration
Doug Poapst, William M. Mercer
Pat Thorsteinson, William M. Mercer
James Ralko, William M. Mercer

Plan Custodian
Royal Trust

Measurement Service
Royal Trust

Investment Managers
Seamark Asset Management
Co-operators Investment
Bissett & Associates

3: Summary of the MAST Pension plan

The following paragraphs summarize information contained in the booklet "The Manitoba Association of School Trustees Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba (January 1998)." This booklet has been distributed to all plan members. For more information about the plan, please consult your pension booklet, or visit the MAST website at www.mast.mb.ca.

Employee Contributions

During each year of membership you will contribute to the plan a percentage of your salary, less your contributions for that year to the Canada Pension Plan. Contributions are calculated on your regular salary or wage, excluding bonuses or other remuneration. The percentage varies according to your age at the beginning of the plan year.

In addition to your required contributions you may, at your option, contribute additional amounts by payroll deduction to provide extra pension. You may elect to begin these additional contributions in January of each year; they will not be matched by the School Division.

Your contributions are tax deductible and the maximum you may contribute each year (including any additional voluntary contribution) is limited. The sum of your contributions and the School Division's contributions on your behalf each year are limited to 18% of your salary for the year. Also, these contributions must not exceed the Money Purchase Limit prescribed by the Federal Government. From 1996 to 2002 inclusive, the Money Purchase Limit has been set at $13,500.

The sum of your contributions and the School Division's contributions on your behalf will be reported on your T-4 slip as your Pension Adjustment (PA) for the year. Your Pension Adjustment is used to determine how much you are permitted to contribute to an RRSP in the following year. For example, your 2000 PA is used to determine how much you are permitted to contribute to an RRSP in 2001.

School Division Contributions

Your required contributions will be matched by equal contributions by the School Division. In addition, the School Division will contribute additional amounts necessary to pay all costs of administration of the plan and to provide the Disability Waiver of Contribution benefit.

Investment of Contributions

Your contributions and those of the School Division on your behalf will be invested in a fund managed by professional investment managers. Investment earnings will be allocated to each individual's contributions as well as to the School Division's contributions on each individual's behalf.

Guaranteed Investment Account

On each January 1, a Guaranteed Pension Account is established for each member who attained age 55 in the year prior to that January 1. An amount equal to the member's contributions and the contributions made by the school board on that member's behalf, both with interest, will be allocated to the member's Guaranteed Pension Account when it is first established. On each January 1 following the January 1 on which the member's Guaranteed Pension Account is first established, that account will be increased by the contributions made in the prior year by the member and by the school board on the member's behalf, and interest at the guaranteed rate for the prior year. The guaranteed rate for a year is equal to the average yield on 91 day treasury bills during that year.

Retirement Date

You may begin receipt of your pension upon retirement anytime after age 55 and before the end of the calendar year in which you attain age 69. This is the latest retirement age permitted under the Income Tax Act. Upon attainment of age 65, should you continue employment with your School Division, you will have the right to discontinue contributions and either begin receipt of your pension or defer receipt to a later date. Should you instead elect to continue to contribute after age 65, your School Division will also contribute a matching contribution on your behalf.

Retirement Pension

At your retirement date, your contributions plus investment income, together with your School Division's contributions made on your behalf, plus investment income, will be applied to purchase a pension on your behalf.

In addition, the value at retirement of any contributions by you and the School Division on your behalf to the prior plan, and the value of any voluntary contributions you may have made or other monies transferred from previous plans will be used to purchase additional pension for you at the best rate then available.

Forms of Pension

The normal form is a pension for life but guaranteed for 120 months (10 years) in any event. A full range of optional forms of pension is available to suit your individual needs. These include, but are not limited to, the following:

(1) a lifetime pension guaranteed for 15 years in any event;
(2) a pension payable for your lifetime and continuing in whole or in part to your Spouse after your death for the lifetime of your Spouse;
(3) a pension integrated with the Canada Pension Plan and Old Age Security to provide you with a total level of pension from all sources, should you elect to retire before your government pensions begin.

Transfer of Pension Account

In lieu of purchasing a lifetime pension directly from an insurance company at retirement, you may elect to transfer the value of your account to a locked-in retirement account (LIRA). Government legislation does not permit registered pension funds to be invested in a Registered Retirement Income Fund (RRIF). However, the Manitoba Pension Benefits Act permits you to transfer your registered pension funds to a Life Income Fund

(LIF), and beginning in 1998, a new retirement option called a Locked-In Retirement Income Fund (LRIF) was offered. For an explanation of these various options, see Appendix 1.

LIRA's, LIF's and LRIF's are available from authorized financial institutions. Under each of these arrangements, you direct the investment of your funds; however, investments must comply with those permitted under the Income Tax Act.

Summary of Disability Provision

Subject to certain qualifications, a member who becomes disabled due to illness or injury will be credited with contributions as if the member had continued working and contributing to the Plan. Contributions under this provision will not be made for an absence due to maternity leave.

All employees who are members of the pension plan and continue their employment with the Division are eligible for this benefit regardless of whether they are also eligible for sickness or disability benefits such as Salary Continuance or Workers Compensation. In order to qualify for this benefit, a member must be absent from work, for reason of disability due to illness or injury, for a period of 80 consecutive working days, i.e., 16 consecutive weeks.

Commencing on the 81st working day of disability, the member's pension account will be credited with an amount equal to the contributions that would have been made by the member and School Board had the member continued working during this period. The amount of contributions to be credited to the member's account will be determined based on the member's earnings level immediately prior to the member's date of disability.

The benefit will continue up to the earlier of:

i) the date the member returns to work or
ii) the date the member ceases to be an employee of the School Division, i.e., terminates or retires,
subject to a maximum benefit of 24 months duration for any one disability.

Members Employed by Another Participating School Division

The Pension Plan allows school divisions flexibility in applying both the initial and any subsequent eligibility waiting period such as would be the case where a member terminates with one division and is employed by another division.

Deferred Members

All deferred members whose benefits are maintained in the Pension Fund are assessed an annualized administration fee equal to $30 plus 0.5% of the account balance maintained.

4: Management Report

During 2000, William M. Mercer has continued to negotiate attractive group rates with several insurance company providers. A summary of life annuity placement activity in this area for 2000 is as follows.

Summary of Annuity Placements

Insurance Company	January 1, 2000 to December 31, 2000	
	Lives Placed	Premium
Canada Life	16	$1,431,234
Clarica	0	0
Imperial Life	8	197,658
Industrial Alliance	45	2,373,175
Manulife	0	0
Standard Life	0	0
Sun Life	48	2,372,852
Total	**117**	**$6,374,919**

Total number of life annuities placed (January 1 to December 31, 2000):..117
Total number of personal retirement counseling sessions (January 1 to December 31, 2000): 90
Total number of written retirement quotations (January 1 to December 31, 2000): 418

In addition, numerous retirement counseling sessions are conducted on the toll free line.

A Group LIF/LRIF and Group RRSP/RRIF are available to all members of the MAST Pension Plan and their spouses. The Group Plan offers lower fees and more flexibility than individual LIF/LRIF and RRSP/RRIF plans. More information on the Group Plan will be provided before your retirement date.

5: Financial Report as at December 31, 2000

Royal Trust summed up the 2000 Canadian financial market environment in the following manner.

“Canadian equities staggered in the fourth quarter as the TSE 300 dropped 13.6% leaving the one-year return at 7.4% (down from 50.4% for the year ending September). By year end, the -21 % meltdown of the heavily weighted Industrial Products sector (re: Nortel Networks) was mitigated by impressive displays within the Oil and Gas (+47%), Financial Services (+52%) and Utilities (+30%) sectors. Further evidence of the impact of the Nortel implosion is illustrated by the strong showing of the TSE 300 Capped Index posting an annual return of 19.0%.

“In a reversal of fortune, Large Cap Value returned to its winning ways, after a two year hiatus, against its Large Cap Growth brethren (31.7% vs. -4.3%, respectively) extending its out performance to 3 consecutive quarters (breaking the string of 6 for growth). In like fashion, the Small Cap Value Index outpaced its Growth counterpart, 5.3% vs. 3.4%, respectively.

“Small caps were unable to escape the carnage or extend their 8-quarter winning streak as the Nesbitt Burns Small Cap Weighted Index fell 11.6% on the quarter, dissipating their earlier gains to a year ending 7.3% return.

“U.S. equity markets remained weak with the S&P 500 declining 8.2% for the quarter and 5.7% over the year (down 9.1 % in U.S. dollars). This represented the worst calendar year return for the index since 1974. Results varied across capitalization segments with the S&P SmallCap 600 (+16.2) and the S&P MidCap 400 (+22.1 %) widely outperforming the S&P 500 index over one year. Technology, Communication Services and Consumer Cyclicals were the worst performing sectors over the last twelve months. The NASDAQ suffered a record loss falling 36.9% over the year.

“Non-North American equity markets were down in the December quarter with the MSCI EAFE index dropping 2.9%. Of the major markets, the UK (+1.1 %) and Germany (+1.1 %) posted the only positive returns. Over one-year, the MSCI EAFE index dropped 11.2%. Japan was the weakest performing market over one-year, down 25.7%.

“On year, the Canadian bond market witnessed a steepening yield curve, albeit a paltry 14 bps increase in the average yield of the Long Bond Index over the Short Bond Index. Nevertheless, the SCM Universe managed a respectable 10.2% gain over the year, thanks largely to the drop in interest rates across the ‘curve’ (66 bps drop in the average yield of the Universe). The long end of the curve contributed the most, posting a 13.0% return, followed by the Mid Term Bond Index at 10.9% and finally the short bonds adding 8.2% for the year. Among Government issues, Municipals and Provincials outpaced their Federal counterpart by 132 bps and 107 bps, respectively, as demand for higher current yield accelerated amid equity turmoil and lessening Federal supply. We witnessed a widening of credit spreads on Corporates as fears began to mount over the possibility of a recession south of the border. The All Corporates sector represented a drag on the Universe with a 9.1 % return for the year.

“The brightest spot in the fixed income domain belonged to Real Return Bonds. Falling long rates coupled with rising inflation combined to produce an annual gain of 16.6% for the RRB Index. Inflation moved higher in 2000 with the CPI posting a 3.2% rise versus 2.6% in 1999. Over the last four years the CPI has posted an annual average increase of 1.9%.”

Source: Investment Highlights to December 31, 2000, prepared by Royal Trust for the MAST Pension Plan for Non-Teaching Employees.

Distribution of Assets

Investment managers try to maximize the overall return on members' money by adjusting how much of the total fund is held in various asset classes. They make these adjustments in response to changing market conditions. Over the course of 2000, the percentage the MAST Non-Teaching Pension Fund held in Canadian equities and bonds increased, while foreign equities and cash holdings decreased. The following chart shows the changes that occurred in the distribution of the assets of the Plan in 2000.

Asset Growth Summary
MAST Pension Plan for Non-Teaching Employees
For Period Ending December 31, 2000

	Beginning Market		*Net External Growth*	*Income Received*	*Gain/Loss*	*Ending Market*	
	$	%	$	$	$	$	%
Total Fund	185,054,942		200,056	7,825,545	17,644,031	210,724,574	
Canadian Equities	61,202,211	33.1	-6,940,520	964,611	15,928,694	71,154,997	33.8
Foreign Equities	37,209,152	20.1	2,623,052	1,032,839	-1,226,165	39,638,878	18.8
Bonds	71,963,142	38.9	4,758,449	5,035,816	2,856,287	84,613,693	40.2
Cash and Cash Eq.	14,680,438	7.9	-240,925	792,278	85,215	15,317,005	7.3

Source: Royal Trust Funds Evaluation Report, MAST Pension Plan for Non-Teaching Employees, Total Plan, December 31, 2000.

Rates of Return

Overall, members saw a rate of return of 13.88% on their funds invested through the MAST Non-Teaching Pension Plan in 2000. This overall number reflects the percentage of the total plan holdings held in each asset class, and the performance of each of those asset classes. For example, at the end of 2000, 33.8% of the Plan's holdings were in Canadian equities, which returned 28.8% on the year. Foreign equities accounted for 18.8% of holdings, and returned –0.7%, while bonds (40.2% of holdings) returned 10.8%. In combination, these investments returned 13.88% to the Pension Plan.

The table below provides for one, four, and five-year periods:

- the rates of return of the Plan as a whole, and of the various asset classes and their indices;
- an indication of how these rates of return compare with those of other plans; and
- the Consumer Price Index.

Investment Performance Summary: Rates of Return
for Periods Ending December 31, 2000
MAST Pension Plan for Non-Teaching Employees

Asset Class/Index	One Year Rate	Four Year Rate	Five Year Rate
Total Fund	13.88	11.5	12.6
C.P.I.	3.2	1.9	1.9
Canadian Equities	28.8	14.2	16.2
Median	18.6	14.2	17.5
T.S.E. 300	7.4	12.5	15.5
Foreign Equities	-0.7	17.9	16.7
Median	-6.0	15.4	16.4
MSCI World	-10.1	14.4	14.3
Bonds	10.8	6.9	7.9
Median	10.5	7.0	8.0
SCM Universe	10.2	6.9	7.9

Source: Royal Trust Funds Evaluation Report, MAST Pension Plan for Non-Teaching Employees, Total Plan, December 31, 2000.

Appendix 1: 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 a survivor income 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 counselor 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 $40,000 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 MAST Pension Plan, and your retirement counselor will obtain quotations from several insurance companies based on the group rates when you are ready to retire.

Table 1

Member Aged 65/Spouse Aged 62	$40,000

Annuity Available

Form of Annuity	**Monthly Payment**
Single Life Guaranteed 5 years	$300
Single Life Guaranteed 10 years	$290
Single Life Guaranteed 15 years	$275
Joint Reducing to 66 2/3%	$267
Joint Not Reducing with Guaranteed 10 years	$252

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 10 Years	This pension is payable monthly for as long as you live with a minimum of 120 payments. If your Spouse is still living after your death and after the 120 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, to offset this lack of risk, 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 MAST 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 up to age 80. 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. The financial institution holding your LIF will advise you of the precise minimum and maximum withdrawal amounts at the beginning of each year.

You may purchase a life annuity from an insurance company with the balance in your LIF account at anytime, but no later than the end of the calendar year in which you turn age 80. 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, 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.

LIF with FIXED Rate of Investment Income and FIXED Payments

Table 2 shows LIF minimum and maximum income payments starting at age 55 and age 65 **using a fixed rate of interest at 5.0% for the entire term to age 80.** It is possible to purchase this type of LIF with a guaranteed interest rate for the entire term of the contract to age 80, and 5.0% is a current approximate interest rate on this type of LIF. The illustration in **Table 2** assumes the maximum withdrawal percentages at each age do not change from year to year during the entire term to age 80. Please note that if you switch between the minimum and maximum payment in any year, this would affect all subsequent payments from the fund.

The remaining balance in the LIF account at the end of the year in which you attain age 80, shown as the Value at Age 80 in Table 2, is the amount which must be applied to purchase a life annuity from an insurance company if you survive to age 80. The LIF provides a payment on death equal to the remaining fund balance.

Table 2

Minimum and Maximum Payments Using 5% Investment Income and Fixed Payments

January 2001 *Age: 55* *Account Value: $40,000*	**Life Income Fund (LIF)** **Guaranteed Interest Return 5.0%** **Monthly Payments**	
Year	**Minimum Income**	**Maximum Income**
1	**$ 0 per month**	**$ 210 per month**
5	**$ 120 per month**	**$ 206 per month**
10	**$ 153 per month**	**$ 200 per month**
15	**$ 196 per month**	**$ 195 per month**
20	**$ 293 per month**	**$ 191 per month**
25	**$ 275 per month**	**$ 188 per month**
Value at Age 80	**$ 35,737**	**$ 16,339**

January 2001 *Age: 65* *Account Value: $40,000*	**Life Income Fund (LIF)** **Guaranteed Interest Return 5.0%** **Monthly Payments**	
Year	**Minimum Income**	**Maximum Income**
1	**$ 0 per month**	**$ 239 per month**
5	**$ 169 per month**	**$ 234 per month**
10	**$ 253 per month**	**$ 229 per month**
15	**$ 237 per month**	**$ 225 per month**
Value at Age 80	**$30,841**	**$ 19,627**

LIF with Variable Investment Income and Payments

You could also invest your LIF in market based investments (e.g., mutual funds), and the payment would fluctuate based on the investment returns each year. Short-term GIC type investments could also be used, and once again, the payment would fluctuate based on the underlying interest rates of the GIC's at each renewal of the GIC terms.

You should note that the LIF payments are initially lower than a life annuity would provide, but depending on the investment income, LIFs can provide increasing income as the years go by. You can generally change both the underlying investments and the payment rate, within certain limits. However, along with this flexibility comes greater uncertainty with regard to the amount of income that can be withdrawn each year from your LIF account since withdrawals are calculated as a percentage of your remaining LIF account each December 31st. If the value of your underlying investment decreases during a year, your withdrawal amounts will likely decrease for the following year. If you select this type of LIF investment, you should be very aware that any estimated payments quoted by financial institutions will not be guaranteed. You would be well advised to appoint a financial advisor to assist you in selecting appropriate investments, and making re-investment decisions, etc.

It is not possible to illustrate the payments each year under this type of LIF since the payments will fluctuate each year, but the following **Table 3** shows the minimum and maximum payments from a LIF at sample ages, using the maximum withdrawal rates set for year 2001.

Table 3

Minimum and Maximum Payments in 2001
Based on Variable Investment Income

Age at Start of Year	Years to End of Age 90	Minimum Withdrawal as % of LIF Account at the Start of Year	Maximum Withdrawal as % of LIF Account at the Start of Year
55	35	2.86%	6.31%
60	30	3.33%	6.65%
65	25	4.00%	7.17%
70	20	5.00%	8.02%
75	15	7.85%	9.51%
80	10	8.75%	12.64%

Locked in Retirement Income Fund - LRIF

You also have the option to transfer your locked-in account balance in the MAST Pension Plan to a financial institution to provide a Locked-in Retirement Income Fund (LRIF). The LRIF is a restricted form of a RRIF (subject to both the Income Tax Act and provincial pension legislation).

The LRIF is similar to the LIF option except there is no requirement to purchase a life annuity at age 80, and the payment amounts are somewhat more flexible after the first year of the contract.

The maximum withdrawal in the first year of the contract is 6.0% (adjusted in proportion to the number of months you are in the contract the first year) of the value of funds transferred to the LRIF. The maximum payment in the following years is related to the investment income earned in the previous calendar year. The income paid in any year cannot be less than the minimum amount from a RRIF. The financial institution holding your LRIF will advise you of the minimum and maximum withdrawal amounts each year.

The LRIF option allows the most flexibility but also includes the most risk to you. The LRIF allows you to maintain control of your funds at all times and provides the ability to change both the underlying investments and thus the income rate, within certain limits. Along with this flexibility comes greater uncertainty with regard to the amount of income which will be available each year from your LRIF. Since your withdrawals are calculated based on the investment income earned in the previous calendar year, if the value of your underlying investments decreases during a year, your withdrawal amounts will decrease as well.

You are not irrevocably committed to this form of income. You may transfer the remaining balance from your LRIF to purchase a life annuity at any time or to a LIF prior to age 80.

If you die before all amounts in your LRIF have been withdrawn, the remaining balance of the LRIF account shall be paid as follows:

a) Your surviving Spouse could transfer the remaining LRIF account to his or her RRIF and receive payments from the RRIF.

b) If there is no surviving Spouse, in a lump sum to your designated beneficiary or estate. The lump sum is taxable at <u>your</u> marginal rate of tax in your year of death.

APPENDIX 2: Financial Statements

Financial Statements of

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

Year ended December 31, 2000

kpmg

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AUDITORS' REPORT

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

We have audited the statement of net assets available for benefits of the Manitoba Association of School Trustees Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba as at December 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits as at December 31, 2000 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

"KPMG LLP"

Chartered Accountants

Winnipeg, Canada
May 8, 2001

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

Statement of Net Assets Available for Benefits

December 31, 2000, with comparative figures for 1999

	2000	1999
Assets		
Investments (note 3)	$ 211,971,869	$ 186,260,812
Dividends and interest receivable	1,073,057	1,084,268
Contributions receivable (note 4)	1,844,158	1,380,734
	214,889,084	188,725,814
Liabilities		
Benefits payable	$ 3,260,309	$ 1,975,369
Due to Administration Fund	98,712	82,744
Due to School Divisions (note 6)	42,718	44,186
	3,401,739	2,102,299
Net assets available for benefits	$ 211,487,345	$ 186,623,515

See accompanying notes to financial statements.

On behalf of the Trustees:

______________________________ Trustee

______________________________ Trustee

MANITOBA ASSOCIATION OF SCHOOL TRUSTEES 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, 2000, with comparative figures for 1999

	2000	1999
Investment income:		
Interest on bonds	$ 4,952,416	$ 4,510,852
Dividends	2,198,919	1,260,363
Interest on short-term notes and deposits	978,644	626,758
Interest on cash and equivalents	403	22,989
Investment administration fee regarding deferred members (note 5)	(98,712)	(82,744)
	8,031,670	6,338,218
Realized gain on disposal of investments	9,331,036	1,008,870
Unrealized increase in market value of investments	8,273,940	10,365,090
	17,604,976	11,373,960
	25,636,646	17,712,178
Contributions (note 6):		
Participants	7,306,116	6,569,730
Sponsors	7,031,270	6,605,637
	14,337,386	13,175,367
Allocation of forfeited contributions to the School Divisions	(42,718)	(44,186)
	14,294,668	13,131,181
	39,931,314	30,843,359
Benefits:		
Pension payments	8,345,489	6,325,313
Refund on withdrawals	6,721,995	6,703,652
	15,067,484	13,028,965
Increase in net assets available for benefits	24,863,830	17,814,394
Net assets available for benefits, beginning of year	186,623,515	168,809,121
Net assets available for benefits, end of year	$ 211,487,345	$ 186,623,515

See accompanying notes to financial statements.

1. Nature of plan:

The Manitoba Association of School Trustees Pension Plan is a defined contribution pension plan for Non-Teaching Employees of Public School Boards in Manitoba. The current pension plan took effect August 1, 1974.

All administrative expenses of the Plan are paid for by the Administration Fund. The School Boards contribute an additional .8% of the Plan participants' pensionable earnings to fund these expenses and the disability benefit.

Effective May 1, 1998, the Trustees approved a change in investment managers. All investment functions will be administered in equal portions, on a balanced mandate, by Bisset & Associates, Co-operators Investment Counselling and Seamark Asset Management.

2. Significant accounting policies:

(a) Basis of preparation:

These financial statements present only the net assets under the control of the Trustees of the Manitoba Association of School Trustees Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba.

(b) Investments:

The assets of the Plan are held by Royal Trust. 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 operations.

Market value of investments are determined as follows:

Bonds and 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 book value.

The Plan monitors price and credit risk through the establishment of investment policies.

(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.

2. Significant accounting policies (continued):

(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.

(e) Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from those estimates.

3. Investments:

	2000		1999	
	Cost	Market value	Cost	Market value
Bonds and debentures:				
Government and government guaranteed	$63,378,474	$63,768,814	$ 57,481,742	$ 54,725,054
Corporate	20,234,010	20,106,519	18,117,799	17,265,123
	83,612,484	83,875,333	75,599,541	71,990,177
Equities:				
Canadian	56,611,788	71,524,628	55,591,248	61,662,268
Foreign	37,110,500	39,638,879	30,140,084	37,048,176
	93,722,288	111,163,507	85,731,332	98,710,444
Short-term notes and deposits	16,703,419	16,744,557	15,311,415	15,356,323
Cash and cash equivalents	188,472	188,472	203,868	203,868
	16,891,891	16,933,029	15,515,283	15,560,191
	$ 194,226,663	$ 211,971,869	$ 176,846,156	$ 186,260,812

4. Contributions receivable:

Contributions receivable include $938,647 (1999 - $623,856) from participants and $905,511 (1999 - $756,878) 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 2000 fiscal year to administer the funds. This fee is charged as an offset to investment income. The fee per deferred member was calculated based on $30 plus 0.5% of the account balance maintained.

6. Contributions:

	2000	1999
Participants' contributions:		
Compulsory	$ 6,881,606	$ 6,470,384
Voluntary	424,510	99,382
	$ 7,306,116	$ 6,569,730
Sponsors' contributions:		
Compulsory	$ 6,881,606	$ 6,470,384
Voluntary	149,664	135,289
	$ 7,031,270	$ 6,569,730
	$14,337,386	$13,175,367

Prior to 1995, unallocated funds regarding participants' forfeitures were applied as sponsors' contributions and were allocated to the Administration Fund. Effective January 1, 1995, forfeitures occurring after this date are to be returned to the school division which made the sponsor contribution.

Forfeitures of $42,718 that relate to the Plan's 2000 year are payable at December 31, 2000 to the applicable school divisions. Forfeitures of $44,186 that related to the Plan's 1999 year were paid to the applicable school divisions in 2000.

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.

7. Guaranteed accounts (continued):

At December 31, 1994, the guaranteed accounts in excess of regular accounts were calculated at $1,453,116. An amount of $285,308 was paid to participants who retired in 1995 and the amount paid was deducted from the investment income allocated to participants at December 31, 1995. At December 31, 1996, 1997, 1998, 1999 and 2000 the regular pension accounts exceeded the guaranteed accounts due to the Plan's performance in 1995 through 2000 as compared to the treasury bill yield.

8. Financial instruments:

The fair values of investments are as described in note 2 (b). The fair values of other financial assets and liabilities, being dividends and interest receivable, contributions receivable, benefits payable, due to administration fund and due to school divisions approximate their carrying values due to the short-term nature of these instruments.

Financial Statements of

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

Year ended December 31, 2000

kpmg

KPMG LLP
Chartered Accountants
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AUDITORS' REPORT

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

We have audited the statement of financial position of the Manitoba Association of School Trustees Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba - Administration Fund as at December 31, 2000 and the statements of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Fund's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

“KPMG LLP”

Chartered Accountants

Winnipeg, Canada

May 1, 2001

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

Statement of Financial Position

December 31, 2000, with comparative figures for 1999

	2000	1999
Assets		
Cash	$ 98,428	$ 206,742
Prepaid insurance	9,750	–
Investments (note 3):		
Diversified funds	697,984	672,576
Government bonds	209,319	195,933
Accrued interest receivable	3,766	4,775
Receivable from school divisions	88,568	74,518
Receivable from Pension Plan	98,712	82,744
GST receivable	10,136	16,496
	$ 1,216,663	$ 1,253,784
Liabilities and Fund Balance		
Liabilities:		
Accounts payable and accrued liabilities	$ 170,540	$ 145,944
Payable to school divisions	149,665	135,289
Payable to Pension Plan	154,968	153,490
Payable to M.A.S.T.	6,325	5,605
	481,498	440,328
Fund Balance:		
Internally restricted	735,165	813,456
	$ 1,216,663	$ 1,253,784

See accompanying notes to financial statements.

On behalf of the Trustees:

______________________________ Trustee

______________________________ Trustee

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

Statement of Operations

Year ended December 31, 2000, with comparative figures for 1999

	2000	1999
Revenues:		
Administration fees (note 1)	$ 917,810	$ 878,586
Investment administration fee regarding deferred members	98,712	82,744
Investment income	69,165	55,100
Unrealized increase (decrease) in market value of investments	(11,901)	13,915
	1,073,786	1,030,345
Expenses:		
Administration fees:		
M.A.S.T (note 5)	188,350	184,051
William M. Mercer Limited	119,863	114,992
Connor, Clark & Lunn Investment Management Ltd.	6,795	5,642
Annual information return	10,000	10,000
Consulting fees:		
Comstat Consulting	877	–
William M. Mercer Limited	4,649	16,497
Mercer's Retirement Consulting	5,892	1,590
Custodial fees - Royal Trust	114,068	83,628
Disability waiver	149,665	135,289
Fiduciary insurance premium	9,750	9,750
GST, not recoverable	48,760	54,389
Investment fees:		
Bisset & Associates	137,117	123,585
Seamark Asset Management	150,213	133,975
Co-operators Investment Counselling	147,965	126,094
SEI Financial Services Limited measurement fee	16,000	16,000
Audit fees	13,020	12,390
Legal fees	–	2,495
Printing	4,478	3,883
Professional development	15,092	3,480
Subscriptions	943	798
Trustee fees	2,858	2,354
Committee and travel	5,722	5,012
	1,152,077	1,045,894
Deficiency of revenues over expenses	$ (78,291)	$ (15,549)

See accompanying notes to financial statements.

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

Statement of Changes in Fund Balances

Year ended December 31, 2000, with comparative figures for 1999

	Unrestricted	Internally restricted	2000 Total	1999 Total
Fund balances, beginning of year	$ –	$ 813,456	$ 813,456	$ 829,005
Deficiency of revenues over expenses	(78,291)	–	(78,291)	(15,549)
Inter-fund transfer	78,291	(78,291)	–	–
Fund balances, end of year	$ –	$ 735,165	$ 735,165	$ 813,456

See accompanying notes to financial statements.

1. General:

The Manitoba Association of School Trustees Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba - Administration Fund was established January 1, 1991 to provide administrative services to the pension plan. The contributions of participating school divisions to the Administration Fund are based on .8% of the plan members pensionable earnings.

2. Significant accounting policies:

(a) Investments:

Investments are stated at market value, except for government bonds which are stated at the lower of cost and market value if there is a permanent impairment in 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 operations.

Market value of diversified funds are valued using published market quotations.

The Administration Fund monitors price and credit risk through the establishment of investment policies.

(b) Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

3. Investments:

The cost of diversified funds held at December 31, 2000 aggregated $669,249 (1999 - $631,940) with a fair market value of $697,984 (1999 - $672,576). The cost of government bonds held at December 31, 2000 aggregated $209,319 (1999 - $195,933) with fair market value aggregating $208,349 (1999 - $191,731) with a weighted average effective yield of 5.8% (1999 - 5.7%).

4. Internally restricted fund:

The Administration Fund has retained contributions made by participating school divisions in excess of those required for funding of the Pension Plan. Excess contributions aggregating $1,759,613 were received in previous years. These excess contributions have been designated as internally restricted funds and are being applied in years when expenses exceeded revenues. To December 31, 2000, $1,011,941 has been transferred from the internally restricted fund to the unrestricted fund to eliminate deficiencies that have occurred leaving $747,672 in the internally restricted fund balance.

5. Administration fee - M.A.S.T.:

Manitoba Association of School Trustees is paid an administrative fee to recover costs incurred in administering the Plan. The annual fee is calculated as $100,000 plus $12.50 per active and deferred member.

6. Statement of cash flows:

A separate statement of cash flows is not presented since cash flows from operations are readily apparent from the other financial statements.

7. Financial instruments:

The fair values of diversified funds and government bonds are described in note 3. The fair values of receivable/payable to school divisions, receivable/payable to Pension Plan, GST receivable, accounts payable and accrued liabilities, and payable to M.A.S.T. approximate their carrying values due to the short-term nature of these instruments.

If you have any questions about the Plan, please consult the Plan Summary booklet, which is regularly distributed to all members. If you need further information, you should contact your school division office. Additional assistance is also available from:

Sheila Raffey
The Manitoba Association of School Trustees
191 Provencher Boulevard
Winnipeg, Manitoba R2H 0G4
Telephone: 233-1595 or
1-800-262-8836 (Outside Winnipeg)

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

Katherine Foot
William M. Mercer Limited
1410 - One Lombard Place
Winnipeg, Manitoba, R3B 0X5
Telephone: 934-4847

For help in planning your retirement benefits contact:

Patricia Thorsteinson (Licensed Representative)
William M. Mercer Limited
1410 - One Lombard Place
Winnipeg, Manitoba, R3B 0X5
Telephone: 957-7340
1-888-258-1186 (Outside Winnipeg)