MEMORIAL
UNIVERSITY

Annual Report

2006/2007

THE MEMORIAL UNIVERSITY PENSION PLAN

DEPARTMENT OF HUMAN RESOURCES, MEMORIAL UNIVERSITY OF NEWFOUNDLAND

MEMORIAL
UNIVERSITY

Board of Regents

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March 3, 2008

Honourable Joan Burke
Minister of Education
West Block, Confederation Building
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Minister Burke:

I am pleased to submit the 2006-07 Annual Activity Report of the Memorial University of Newfoundland Pension Plan. This report covers the period April 1, 2006 to March 31, 2007. My signature below is on behalf of the Board of Regents and is indicative of our accountability for the actual results reported.

Respectfully submitted,

Gil Dalton
Chair, Board of Regents

Annual Report of
The Memorial University Pension Plan

April 1, 2006 to March 31, 2007

Department of Human Resources
Memorial University of Newfoundland
St. John’s, NL
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The Memorial University Pension Plan

Mission ...

The Memorial University Pension Plan, administered by the Department of Human Resources at Memorial University, is dedicated to the provision of secure, affordable and competitive retirement incomes for employees of Memorial University of Newfoundland.

Department of Human Resources
Mission Statement

Our Purpose ...

The Department of Human Resources is dedicated to supporting the University's commitment to excellence in teaching, research and scholarship, and service to the general public. Our goal is to establish and sustain Memorial University's reputation as an employer of choice, and to maintain a workplace culture in which all employees feel valued and able to contribute their personal best to the achievement of the University's mandate.

Our Strategies ...

We will demonstrate human resources leadership by ...

- ❖ Developing and implementing high quality programs and services that are responsive to the challenging needs of our evolving workplace and which support the university's strategic framework;
- ❖ Acting as a strong, influential advocate for employees and fairness within the University workplace;
- ❖ Developing and promoting the adoption of progressive "best practices" in all areas of human resource management and organizational development; and
- ❖ Developing and sustaining meaningful partnerships that are supportive of the diverse needs of the University community.

Our Values ...

We will place a high value on the following in the pursuit of our goals and strategies …

- ❖ Leadership - Managers who are highly effective teachers, coaches, and motivators of people;

- ❖ Integrity - High standards of personal integrity, and respect for the capabilities and views of others;

- ❖ Client Focus - Seeking to always understand our clients' needs, circumstances and points of view;

- ❖ Quality Focus - High standards of quality, and an ongoing focus on innovation and continuous improvement.

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ANNUAL REPORT
THE MEMORIAL UNIVERSITY PENSION PLAN
MARCH 31, 2007

The Memorial University Pension Plan (the Plan), is a contributory defined-benefit pension plan, established in 1950 under statute of the provincial legislature. It is designed to provide retirement benefits to full-time permanent employees and qualifying contractual employees of Memorial University of Newfoundland. In addition, employees of certain separately incorporated entities of Memorial are also eligible to participate in the Plan. Benefits, which are integrated with the Canada Pension Plan, are based upon employees' years of pensionable service, best five-year average pensionable salary and a two per cent accrual factor.

PLAN OVERVIEW

Authority and Administration

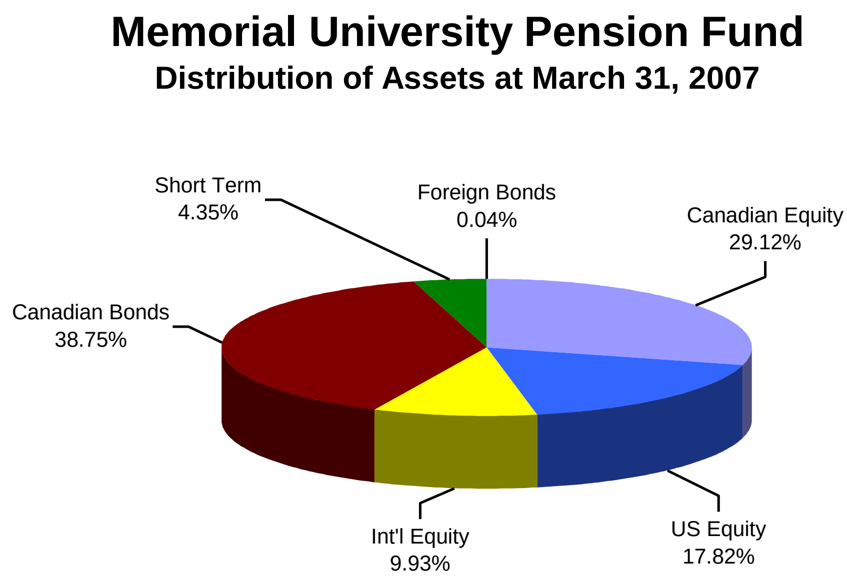
The Plan operates under authority of the *Memorial University Pensions Act*, which prescribes the Board of Regents of Memorial University as trustee. To assist with its responsibilities as trustee, the Board has established a University Pensions Committee to provide advice on matters relating to the Plan. This advisory committee, which has representation from across the entire University community, operates under terms of reference set out by the Board. The actual administration of the Plan is carried out by the University's Department of Human Resources.

Investments

All contributions of employees and the University are paid into the Memorial University Pension Fund for investment by five external investment managers. The Statement of Investment Policy and Objectives, developed to guide the investment of the Fund, sets out a policy asset mix with the objective of maintaining predictable and stable benefit costs and contributions. The implementation of the policy asset mix has resulted in a benchmark distribution amongst the managers as follows:

Manager	Mandate	% Allocation
Jarislowsky Fraser Limited Investment Counsel	Canadian Balanced	25%
Greystone Managed Investments Inc.	Canadian Balanced	25%
CIBC Global Asset Management Inc.	Indexed Bonds	20%
Alliance Bernstein Institutional Investments	U.S. Equity	20%
Putnam Investments	International Equity	10%

The relative distribution of assets across the entire Fund, as at March 31, 2007, is illustrated in the following chart:



For the year ended March 31, 2007, the Fund achieved a rate of return on invested assets of 10.9 per cent. The Net Assets Available for Benefits increased by approximately $74 million – from $659 million at March 31, 2006 to $733 million at March 31, 2007.

Actuarial Valuation

An actuarial valuation of the Plan was performed by the University's actuary, Eckler Limited (Eckler), as at March 31, 2007. While valuations are generally required at least once every three years, annual valuations of the Plan are being performed in each of the years 2006 through 2010. These valuations have been requested by the provincial Office of the Superintendent of Pensions as a condition of granting a solvency funding exemption to December 31, 2010, under the *Pension Benefits Act, 1997*, *Regulations*.

In addition to reporting on the solvency position of the Plan, an actuarial valuation is performed to determine the ability of the Plan to meet its obligations or "pension promises", on a going-concern basis. It is also used to project the cost of benefits that will accrue to active plan members in the years following the valuation. The results of the March 31, 2007 actuarial valuation are highlighted in the table below, together with comparative figures at the last valuation date, March 31, 2006.

Actuarial Balance Sheet				
	March 31, 2007 ($ Millions)		March 31, 2006 ($ Millions)	
	Going-Concern	Solvency	Going-Concern	Solvency
Actuarial Value of Assets	706.28	710.02	635.85	668.85
Actuarial Liabilities	764.17	843.16	727.19	806.24
Deficit	(57.89)[1]	(133.14)	(91.34)	(137.39)

[1] The going concern deficit, as at March 31, 2007, includes an unfunded liability of approximately $53.75 million associated with the introduction of indexing in July 2004. A financing plan is in place to amortize this amount over a remaining period of 37.25 years.

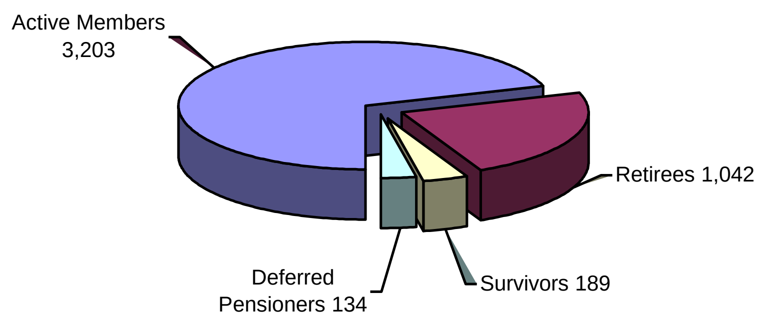
In accordance with the *Pension Benefits Act, 1997* (the PBA), Memorial University, as employer, is required to liquidate going-concern deficiencies within 15 years of the valuation date. The total going-concern deficiency at March 31, 2007 was calculated by Eckler to be $57,893,000. Of this amount, approximately $53,747,000 is in respect of past service costs associated with the introduction of indexing in 2004. By special provision of the PBA, the University and employees are financing the indexing liability over a remaining period of 37.25 years through contributions equivalent to 1.2 per cent of pensionable payroll (shared equally by the University and employees). The balance, namely $4,146,000 ($57,893,000 - $53,747,000), must be liquidated by the University. This compares to $39,899,000 at March 31, 2006.

During the year ended March 31, 2007, the University made a special payment of approximately 3.94% of pensionable payroll, or $6,859,000, as its required installment toward the unfunded liability identified in the 2006 valuation. The rate of amortization of the unfunded liability was first established with a valuation performed at March 31, 2005. The PBA indicates that where the unfunded position of a plan improves and there exists no solvency deficiency, the level of special payments may be reduced, however, because the plan continues to have a solvency deficiency, payments must be maintained at 3.94 per cent of annual pensionable payroll. At this rate, the March 31, 2007 going-concern deficiency, excluding the indexing liability, will be fully liquidated during the 2007/08 Plan year.

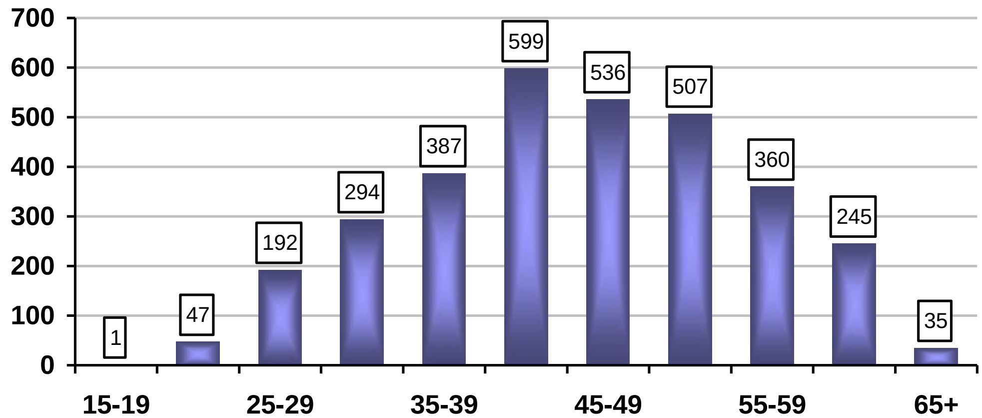
Plan Membership Statistics

	March 31		
	2007	**2006**	**2005**
Active Members	3,203	3,055	2,987
Retirees (incl. survivors)	1,231	1,165	1,067
Deferred Pensioners	149	134	121
Average Age at Retirement	60.46	60.50	60.42

Plan Membership
March 31, 2007



Age Distribution - Active Members
March 31, 2007



HIGHLIGHTS 2006-07

Benefit Provisions - Indexing

On July 1, 2006, 838 retirees and survivors received a 1.2 per cent indexation adjustment to their pensions. Indexing was introduced under the Plan in July 2004, with the maximum increase of 1.2 per cent being granted. Indexing adjustments are calculated as 60 per cent of the annual change in the consumer price index, as measured by Statistics Canada, to a maximum annual increase of 1.2 per cent.

Financial Highlights

		March 31	
		2007	**2006**
Net Assets Available for Benefits		733,558,000	659,494,000
One-Year Annual Rate of Return		10.9%	12.5%
Investment Income		37,744,000	29,716,000
Pensions Paid		29,999,000	26,984,000
Current Contributions:	Employee	13,761,000	13,208,000
	Employer	20,840,000 [2]	20,241,000

[2] For 2007, Current Contributions – Employer includes a matching employee amount plus a special payment of $6,859,000 (2006 - $6,745,000) toward the unfunded liability revealed in the March 31, 2006 actuarial valuation, plus $220,000 (2007- $287,000) in respect of the solvency deficiency associated with refunds paid.

SIGNIFICANT ACTIVITIES 2006-07

Actuarial Valuation of Plan

An actuarial valuation of the Plan was performed as at March 31, 2007. While much of the work related to this valuation was actually done after the period covered by this report, the results have been included in the Plan Overview section to outline the actuarial financial position of the Plan at its measurement date.

Communications to Employees and Retirees

The annual "Report to Plan Members", a pocket-sized brochure detailing financial and administrative aspects of the Plan, for the year ended December 31, 2006, was provided to active pension plan members and retirees in the Spring of 2007. Active plan members also received their annual pension plan statement.

Elimination of Mandatory Retirement

On May 26, 2006, the Newfoundland Human Rights Code was amended to prohibit age discrimination beyond the age of 65 for purposes of employment. Employers were given a one-year time period to make the necessary changes to comply with the amended legislation.

Shortly after the announcement of the Code changes, the Board of Regents requested a report detailing the implications for Memorial University. While the report was being prepared, the Board approved, as an interim measure, one-year employment extensions for employees who would otherwise have been required to retire at August 31, 2006. These extensions are authorized under the *Memorial University Pensions Act*.

The report was tabled at a meeting of the Board in February 2007. It recommended, and the Board approved, the abolition of mandatory retirement effective May 27, 2007, the date upon which the Code changes became effective.

The process of identifying the necessary changes to the *Memorial University Pensions Act* is underway.

Approval to Provide Pension Statement by Electronic Means Only

In August 2006, the Deputy Superintendent of Pensions advised that the provision of annual pension statements by electronic means, at the option of employees, would be in compliance with the *Newfoundland Pension Benefits Act, 1997*. In the future, employees will be given the choice of either receiving paper copies of their pension statements or viewing them on-line over the University's secure web portal.

New Chair Appointed to University Pensions Committee

The Board of Regents appointed Ms. Eleanor Swanson to the position of Chair of the University Pensions Committee. Ms. Swanson succeeded outgoing Chair, Ms. Anne Marie Hann.

Review of Statement of Investment Policies and Objectives

The Statement of Investment Policies and Objectives for the pension plan was reviewed and confirmed during the year with a modification to the industry exposure limitations of the investment guidelines. The University Pensions Committee also embarked upon a comprehensive study of the implications of expanding the asset mix to include investment in real estate and mortgages.

LOOKING FORWARD TO 2007-08

During the year ahead, the focus with respect to the Plan will be concentrated in a number of areas including:

- Formulating plan amendments to remove mandatory retirement provisions;
- Sourcing personal financial planning services for employees to assist them with decisions around voluntary retirement;
- Coordinating education sessions for members of the University Pensions Committee;
- Adopting changes to the Statement of Investment Policy and Objectives that would allow investment in real estate and mortgages;
- Assessing and responding to the implications of the March 31, 2007 actuarial valuation;
- Continued monitoring of the investment performance of fund managers and ongoing review of the Statement of Investment Policy and Objectives; and
- Providing retirement planning seminars.

The Memorial University Pension Plan
Financial Statements
March 31, 2007

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Auditors' Report

To the Board of Regents of
Memorial University of Newfoundland

We have audited the statement of net assets available for benefits of the Pension Plan of Memorial University of Newfoundland as at March 31, 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Pension 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. These 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 of the Pension Plan as at March 31, 2007 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
June 14, 2007.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Statement of Net Assets Available for Benefits

As at March 31, 2007 with comparative figures for 2006
(in thousands of dollars)

	2007	2006
	$	$
Assets		
Investments (note 3):		
Cash and cash equivalents	**30,069**	29,516
Bonds and debentures	**284,854**	261,441
Equities	**415,624**	368,955
	730,547	659,912
Receivables:		
Contributions receivable (employees)	**793**	255
Accrued interest and dividends	**2,433**	2,092
Amounts due from pending trades	**2,558**	1,860
Due from Memorial University of Newfoundland	**1,086**	1,237
	6,870	5,444
Total assets	**737,417**	665,356
Liabilities		
Accounts payable and accrued expenses	**479**	658
Accrued pension refunds	**837**	421
Amounts payable from pending trades	**2,543**	4,783
Total liabilities	**3,859**	5,862
Net assets available for benefits	**733,558**	659,494

On behalf of the Board:

Chair of the Board of Regents

Chair of the Finance Committee

(see accompanying notes to financial statements)

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

For the year ended March 31, 2007 with comparative figures for 2006
(in thousands of dollars)

	2007	2006
	$	$
Increase in assets		
Investment income:		
Interest income	**9,928**	6,413
Dividend income	**5,976**	6,969
Gain on sale of investments	**21,840**	16,334
	37,744	29,716
Current period increase in fair value of investments	**34,484**	43,088
Contributions (note 5):		
Employees'	**13,761**	13,208
Employer's	**20,840**	20,241
Past service contributions and transferred service	**1,882**	662
	36,483	34,111
Total increase in assets	**108,711**	106,915
Decrease in assets		
Administrative expenses	**2,270**	2,170
Benefits paid	**29,999**	26,984
Refunds of contributions	**2,378**	2,251
Total decrease in assets	**34,647**	31,405
Increase in net assets	**74,064**	75,510
Net assets available for benefits, beginning of year	**659,494**	583,984
Net assets available for benefits, end of year	**733,558**	659,494

(see accompanying notes to financial statements)

These financial statements follow the guidelines established by the Canadian Institute of Chartered Accountants (CICA) for pension plans.

1. Description of Plan

The following description of the Memorial University of Newfoundland Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the *Memorial University Pensions Act*.

(a) General

The Plan is a contributory defined-benefit pension plan covering eligible employees of Memorial University of Newfoundland (the "University") in accordance with the *Memorial University Pensions Act*.

Where differences exist between the provisions of the *Memorial University Pensions Act* and the Newfoundland *Pensions Benefits Act, 1997* (the PBA), the minimum standards prescribed by the PBA will prevail unless the Plan provisions exceed these standards.

(b) Funding Policy

The Plan is subject to the funding provisions of section 35 of the PBA and section 12 of the PBA Regulations which require that the employer contribute an amount equal to the normal actuarial cost allocated to the employer in the most recent actuarial valuation. In addition, where the Plan experiences a solvency deficiency, the employer is required to contribute an amount sufficient to liquidate the solvency deficiency within 5 years of the solvency valuation date. Likewise, going concern unfunded liabilities are required to be liquidated by the employer over a period not exceeding 15 years.

(c) Provincial Guarantee

The Plan is being underwritten by the Province of Newfoundland. Section 6 of the *Memorial University Pensions Act* states:

All pensions, payments, and refunds and all expenses of the administration of this Act are a charge upon and payable out of the fund and if at any time there is not sufficient money at the credit of the fund for those purposes as they fall due for payment the Minister of Finance shall pay into the fund an amount to cover the deficiency.

1. Description of Plan (cont'd.)

(d) Service Pensions

A service pension is available based on the number of years of service times two percent of the best five-year average pensionable salary. Pensions are indexed, from age 65, at the rate of 60% of the annual change in the Consumer Price Index, as measured by Statistics Canada, to a maximum annual increase of 1.2%.

(e) Survivors' Pensions

A survivor pension is paid to a surviving principal beneficiary or dependent child, as defined in the *Memorial University Pensions Act*, of a member who has a minimum of two years credited service.

(f) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a contributor where no survivor pension is paid.

(g) Refunds

Upon application and subject to locking-in provisions, a terminated employee may withdraw their contributions and accumulated interest.

(h) Income Taxes

The Plan is a Registered Pension Trust as defined in the *Income Tax Act* and is not subject to income taxes.

2. Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(b) Basis of Presentation

These financial statements are prepared on the going concern basis and present the information of the Plan as a separate financial reporting entity independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period, but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(c) Investments

Investments are stated at fair value and transactions are recorded as of the trade date. In determining fair value, adjustments have not been made for transaction costs as they are not considered to be significant. The change in the difference between the fair value and cost of investments, at the beginning and end of each fiscal year, is reflected in the statement of changes in net assets available for benefits as current period increase/decrease in fair value of investments.

Fair value of investments is determined as follows:

Bonds, debentures and equities are valued at year-end quoted market prices where available. Where quoted prices are not available, estimated fair value is calculated using comparable securities.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which, together with accrued interest income, approximates fair value given the short-term nature of these instruments.

2. **Significant Accounting Policies** (cont'd.)

(c) **Investments** (cont'd.)

Guaranteed investment certificates and term deposits maturing after a year are valued at the present value of estimated future cash flows discounted at interest rates in effect on the last business day of the year for investments of a similar type, quality, and maturity.

Pooled fund investments are valued at the unit value supplied by the pooled fund administrator, which represents the Plan's proportionate share of underlying net assets at fair value determined using closing market prices.

(d) **Gain on Sale of Investments**

The realized gain on sale of investments is the difference between proceeds received and the average cost of investments sold.

(e) **Investment Income**

Investment income, which is recorded on the accrual basis, includes interest income and dividends.

(f) **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 translations are included in the current period increase/decrease in fair value of investments.

Foreign currency denominated transactions, as well as cost amounts included in note 3(b) to the financial statements, are translated into Canadian dollars at the rates of exchange in effect on the dates of the related transactions.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Notes to the Financial Statements

For the year ended March 31, 2007
(in thousands of dollars)

3. Investments

(a) The following table summarizes the fair value of investments as at March 31st by the earlier of contractual re-pricing or maturity dates, as well as average effective yields by class of investment.

	2007 $							2006 $	
	Within 1 Year	**1-5 Years**	**5-10 Years**	**Over 10 Years**	**No Specific Maturity**	**Total**	**Average Effective Yield (%)**	Total	Average Effective Yield (%)
Cash and short-term investments	**30,069**					**30,069**	**3.77**	29,516	3.58
Canadian bonds and debentures	**-**	**44,646**	**47,219**	**51,939**	**141,050**	**284,854**	**4.32**	261,441	4.50
						314,923		290,957	
Canadian equities:									
Common stock						**205,167**		188,712	
Pooled funds						**7,519**		6,710	
Foreign equities:									
Common stock						**130,276**		113,475	
Pooled funds						**72,662**		60,058	
						415,624		368,956	
	30,069	**44,646**	**47,219**	**51,939**	**141,050**	**730,547**		659,912	

The average effective yield reflects the result obtained by dividing estimated annual income from a security (based on its coupon or interest rate) into its fair value as at March 31st.

(in thousands of dollars)

3. Investments (cont'd.)

(b) The following table summarizes investments at cost:

	2007	2006
	$	$
Cash and short-term investments	**30,086**	29,523
Bonds and debentures:		
Federal	**56,497**	56,787
Provincial	**31,992**	29,944
Corporate	**52,753**	40,577
Pooled funds	**140,796**	133,089
	282,038	260,397
Canadian equities:		
Common stock	**119,037**	110,024
Pooled funds	**6,308**	5,492
	125,345	115,516
Foreign equities:		
Common stock	**115,157**	108,356
Pooled funds	**51,857**	50,522
	167,014	158,878
	604,483	564,314

(c) Realized losses arising from foreign currency translation amounted to $4,026,504 for the year ended March 31, 2007 (2006 - $6,800,489). For financial statement presentation purposes, these amounts have been netted against interest income.

(in thousands of dollars)

4. Obligations for Pension Benefits

The present value of accrued pension benefits was determined using the projected benefit method pro-rated on service and the administrator's best estimate assumptions. Eckler Ltd., a firm of consulting actuaries, performed an actuarial valuation as at March 31, 2007.

The actuarial present value of benefits as at March 31, 2007 and the principal components of change in actuarial present value during the year were as follows:

	2007	2006
	$	$
Actuarial present value of accrued pension benefits at beginning of the year	**727,194**	695,144
Experience gains	**(8,540)**	(12,332)
Interest accrued on benefits	**50,721**	48,515
Benefits accrued	**27,173**	25,102
Benefits paid	**(32,377)**	(29,235)
Actuarial present value of accrued pension benefits at end of the year	**764,171**	727,194

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

Discount Rate	**Salary Escalation Rate**
7% Pre- and Post-retirement	4.5% per annum

(in thousands of dollars)

4. Obligations for Pension Benefits (cont'd.)

The actuarial value of net assets available for benefits has been determined at amounts that reflect long-term market trends (consistent with assumptions underlying the valuation of the accrued pension benefits). The fair value is the underlying basis and incorporates an investment reserve calculated as the unamortized difference between expected and actual investment returns over a period of 3 years.

The actuarial asset values used in both the 2007 and 2006 valuations were as follows:

	2007	2006
	$	$
Net assets available for benefits	**733,558**	659,494
Fair value changes not reflected in actuarial value of net assets	**(27,280)**	(23,644)
Actuarial value of net assets available for benefits	**706,278**	635,850

5. Funding Policy

Pursuant to the *Memorial University Pensions Act,* employees are required to contribute to the Plan in accordance with the following schedule:

- 9.20% of pensionable earnings up to the Year's Basic Exemption (YBE) under the Canada Pension Plan;
- 7.40% of pensionable earnings above the YBE up to and including the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan;
- 9.20% of pensionable earnings above the YMPE.

The University is required to contribute an amount equal to the contributions paid by employees and any additional amounts required to be paid by an employer under the PBA. In addition to its matching contributions, the University deposited a special payment of $6,859,000 into the Plan during the year. This was the second of a series of annual payments required to liquidate the unfunded liability identified in the March 31, 2005 actuarial valuation of the plan.

5. Funding Policy (cont'd)

The most recent actuarial valuation for funding purposes was prepared by Eckler Ltd. as at March 31, 2007. This valuation revealed a going concern unfunded liability of $57,893,000 as at March 31, 2007 based on current Plan provisions and PBA requirements. Of this amount, approximately $53,747,000 relates to the past service costs of indexing, introduced under the Plan, effective July 1, 2004. A financing arrangement was implemented coincident with the introduction of indexing to liquidate this unfunded liability over a period of 40 years. At March 31, 2007, approximately 37.25 years are remaining in the amortization schedule. Due to the nature of the amortization method, which is based upon 1.2% of annual pensionable payroll, and the impact of valuation assumptions, it is not unexpected that the unamortized balance could increase during the first few years that the payment schedule is in place. The balance of the unfunded liability, namely, $4,146,000 must be liquidated by the University in accordance with note 1(b).

In addition, Eckler Ltd. prepared a solvency valuation, at March 31, 2007 which disclosed a solvency deficiency of $133,141,000 based upon PBA requirements. The Memorial University Pension Plan is exempt from the solvency funding provisions of the PBA for the period January 1, 2006 to December 31, 2010.

6. Contingencies

At March 31, 2007, 98 employees who had terminated their membership in the Plan, with employee contributions and accrued interest totaling $302,469 had not indicated to the Department of Human Resources their intentions regarding the disposition of their pension. The financial statements have reflected this liability; however, should these employees be eligible to transfer their pensionable service, the actual liability to the Plan could increase to approximately twice this amount.

7. Financial Instruments

The fair value of investments is as described in note 2(c). The fair value of other financial assets and liabilities, being: contributions receivable (employees); accrued interest and dividends; due from Memorial University of Newfoundland; accounts payable and accrued expenses; and accrued pension refunds, approximates their carrying value due to the short-term nature of these instruments. The fair value of amounts due from pending trades and amounts payable from pending trades is represented by the fair value of the underlying securities.

8. Comparative Figures

Certain amounts for 2006 have been reclassified to conform with the presentation adopted for 2007.

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