REPORT OF THE AUDIT COMMITTEE

Contents	Consent Agenda
Retirement Income Funds Financial Statement for the Year Ended December 31, 2011	**No**
Western Retirement Plans – Report to the Audit Committee for the Year Ended December 31, 2011	**No**
Harassment and Discrimination Report	**Yes**

FOR APPROVAL

1. **Retirement Income Funds Financial Statement for the Year Ended December 31, 2011**

Recommended: That the Board of Governors approve the audited financial statements for the University of Western Ontario Retirement Income Funds for the calendar year 2011, as attached in **Annex 1**.

Background:

The UWO Retirement Income Funds are individual retirement products administered by the University for former faculty and staff and their spouses. The program was initiated in 2000 and the investments are selected and monitored by the academic and administrative staff pension boards in a manner consistent with the pension plans sponsored by the University. There are currently 356 former faculty and staff for whom the University administers individual Retirement Income Funds. The market value of the accounts amount to $197 million as at December 31, 2011. The University recovers the administrative expenses by charging a flat dollar fee per member per month. Fees are set on a non-profit basis. In 2011 approximately $299,000 was recovered to cover the costs of internal salaries, systems and other non-investment costs. *The expenses are outlined in* **note 9 of the Retirement Income Fund financial statements.**

FOR INFORMATION

2. **Western Retirement Plans – Report to the Audit Committee for the Year Ended December 31, 2011**

The academic and administrative staff pension boards have been delegated the authority by the Board of Governors to approve the Master Trust financial statements and the financial statements for each of the pension plans. On May 22 , 2012, the Joint Pension Board approved the audited financial statements for the Master Trust, the academic staff pension plan and the administrative staff pension plan. The annual report on the Western Retirement Plans is attached as **Annex 2**.

3. **Harassment and Discrimination Report**

See **Annex 3**.

DRAFT Financial Statements of

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

Years ended December 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of The University of Western Ontario

We have audited the accompanying financial statements of the University of Western Ontario Retirement Income Fund, which comprise the statement of net assets as at December 31, 2011 and December 31, 2010, the statement of changes in net assets available for retirement income payments for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Canadian accounting standards for pension plans; this includes determining that the basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the statement of net assets of the University of Western Ontario Retirement Income Fund as at December 31, 2011 and December 31, 2010 and its changes in net assets available for retirement income payments for the years then ended in accordance with Canadian accounting standards for pension plans.

Chartered Accountants, Licensed Public Accountants

June 5, 2012

London, Canada

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

Statement of Net Assets

DRAFT

December 31, 2011 and 2010

	2011	2010
Assets		
Cash	$ 2,147,917	$ 2,516,950
Accrued income	63,954	50,928
Investment in Master Trust (note 4(a))	196,495,611	200,081,047
	198,707,482	202,648,925
Liabilities		
Accrued expenses	435,901	412,524
Retirement income payments payable	1,230,502	1,675,693
	1,666,403	2,088,217
Net assets available for retirement income payments	$ 197,041,079	$ 200,560,708

See accompanying notes to financial statements.

On behalf of the Board of Governors:

_____ Chair _____ Secretary

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

Statement of Changes in Net Assets Available for Retirement Income Payments

DRAFT

Years ended December 31, 2011 and 2010

	2011	2010
Investment income (loss) (note 4(b))	$ (231,739)	$ 16,412,191
Increase in net assets:		
Transfers (note 6)	18,988,819	21,063,242
Transfers in to fund	877	1,100
	18,989,696	21,064,342
Decrease in net assets:		
Benefit payments (note 7)	(21,637,129)	(22,885,624)
Fund managers' fees (note 10)	(102,140)	(382,360)
Agency fees	(113,000)	(110,855)
Administrative costs recovered by the University (note 9)	(298,834)	(252,457)
Custodian fees	(99,116)	(107,460)
Transaction costs	(27,367)	(49,609)
	(22,277,586)	(23,788,365)
Net increase (decrease) for the year	(3,519,629)	13,688,168
Net assets available for retirement income payments, beginning of year	200,560,708	186,872,540
Net assets available for retirement income payments, end of year	$ 197,041,079	$ 200,560,708

See accompanying notes to financial statements.

1. Description of program:

The University of Western Ontario Retirement Income Fund (the "UWO RIF", "RIF" or "Fund") is a periodic payment program that provides income to former members of the University of Western Ontario Pension Plans for Academic Staff and Administrative Staff (the "University pension plans"). The Northern Trust Company, Canada is the trustee of the Fund which is managed by The University of Western Ontario (the "University"). The Fund was initiated effective October 1, 2000. The following description of the Fund is a summary only. For more complete information, reference should be made to the Declaration of Trust, registered under the Income Tax Act, Canada, registration number RIF 1220.

Former members of the University pension plans may allocate all or a portion of their entitlement accrued under the pension plans to either a Registered Retirement Income Fund ("RRIF"), a Life Income Fund ("LIF") or a Locked in Retirement Income Fund ("LRIF"). These transfers may be made directly from the pension plans or from another registered retirement vehicle trusteed by another financial institution, provided the funds originated in the University pension plans. Surviving spouses and former spouses of the former members of the University pension plans may also make transfers to the Fund, provided the funds originated from the University pension plans. Funds held in the pension plans and that transferred in from outside the Province of Ontario are subject to the transfer requirements of their originating province's pension legislation and as such may not be eligible for transfer into the UWO RIF.

Upon death, the annuitant's total accumulated entitlement is equal to the amount allocated plus the pro-rata share of net investment earnings less cumulative retirement income payments that have been made. If the annuitant has a spouse at the date of death, that individual may continue to receive periodic payments or may transfer the funds to another registered retirement vehicle on a tax deferred basis. If there is no spouse at the date of death, the balance of the funds are payable to the last named beneficiary in a taxable lump sum payment. At any time, the annuitant may choose to transfer his or her funds to a registered retirement vehicle trusteed by another financial institution or use the funds to purchase a life annuity.

1. Description of program (continued):

Funds are invested at the discretion of the annuitant into units of the Master Trust for the Academic and Administrative Staff Pension Plans and Retirement Income Fund Program (the "Master Trust"). The investment policies of the Master Trust are determined jointly by the Academic and Administrative Pension Boards. The Master Trust consists of eighteen separate investment pooled funds as follows:

- Money Market Fund
- Target Date Fund 2012
- Target Date Fund 2014
- Target Date Fund 2016
- Balanced Income Fund
- Balanced Growth Fund
- Diversified Bond Fund
- Canadian Bond Fund
- Canadian Long Term Bond Fund
- Immunized Bond Fund - Admin
- Immunized Bond Fund - Academic
- Diversified Equity Fund
- Canadian Equity Fund
- U.S. Equity Hedged Fund
- U.S. Equity Unhedged Fund
- Non-North American Equity Fund
- Socially Responsible Global Equity Fund
- Liquidating Trust Fund

The Balanced Income Fund and the Balanced Growth Fund are portfolios that hold units of the Diversified Bond Fund and Diversified Equity Funds. They were established in September, 2001.

The Master Trust holds units in each of the eighteen investment pooled funds. These pooled funds contain investments in units of external pooled funds and individual securities.

Some of these investment funds are not available for the annuitants of the UWO RIF since they do not yet qualify as registered investments under the Income Tax regulations (Balanced Funds, Diversified Bond Fund, Immunized Funds, and Non-North American Equity Fund). The investment options that are offered to the annuitants of the RIF have all been registered effective October 1, 2000 with Canada Revenue Agency as Quasi-Mutual Fund Trusts.

The contributions or transfers of each annuitant are credited to an individual account in the annuitants' name and accumulated together with pro-rata net investment earnings. This account is fully vested and payable to the annuitant on termination of retirement income fund or to the annuitants' beneficiary on death.

1. Description of program (continued):

Annuitants can choose, as frequently as each month, the proportion of his or her personal account which is to be invested in any of the active investment funds. The valuation of each investment fund is established by the fund manager at the end of each month based on policies set by the Pension Board.

2. Basis of presentation:

(a) Basis of presentation:

The Fund is a participant in the University of Western Ontario Master Trust which was established by the University to facilitate the collective management of investment assets for the Pension Plans for the Academic and Administrative Staff and the Retirement Income Fund of the University.

The Fund has prepared these financial statements in accordance with Canadian accounting standards for pension plans.

In selecting or changing accounting policies that do not relate to its investment portfolio, Canadian accounting standards for pension plans require the Fund to comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") in Part I of The Canadian Institute of Chartered Accountants' ("CICA") Handbook - Accounting or Canadian accounting standards for private enterprises ("ASPE") in Part II of the CICA Handbook - Accounting. The Fund has chosen to comply on a consistent basis with ASPE.

Canadian accounting standards for pension plans also require the Fund to follow general standards for financial statement presentation with respect to comparative information and retrospectively apply accounting changes. Accordingly, these standards were applied retrospectively by management to the comparative information in these financial statements including the statement of net assets as at December 31, 2010, and the statement of changes in net assets available for retirement income payments for the year ended December 31, 2010 and related disclosures. No retrospective adjustments were required to be made to the comparative information presented in the statement of net assets and statement of changes in net assets available for retirement income payments.

2. Basis of presentation (continued):

(a) Basis of presentation (continued):

These financial statements have been prepared by management in accordance with Canadian accounting standards for pension plans and present the information of the Fund as a separate financial reporting entity independent of the University and the Fund's annuitants.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for investments and derivative financial instruments which are measured at fair value through the statement of changes in net assets available for retirement income payments.

3. Significant accounting policies:

(a) Revenue:

Interest earned on investments, within the pooled funds held by the Master Trust, is recorded on an accrual basis. Dividends are recorded as income, within the pooled funds held by the Master Trust, on the date the dividend is declared. Investment income is allocated each month among the annuitants' accounts under the assumption that all interfund transfers of assets occurred at the month end following the request for transfer. Transfers into the Fund are allocated to annuitants' records effective the end of the month in which the transfer occurs.

(b) Financial assets and financial liabilities:

Under a management and administration agreement for the Fund, the Academic and Administrative Staff Pension Boards of the University of Western Ontario have been delegated the responsibility for investing the Fund's assets. The assets available for investment are pooled with the Academic Staff Pension Plan and the Administrative Staff Pension Plan in the Master Trust.

Investment transactions are recorded on the trade date of the transactions, which is the date that the Master Trust becomes a party to the contractual provisions of the instrument. Transaction costs are recognized in the statement of changes in net assets available for retirement income payments when incurred.

3. Significant accounting policies (continued):

(b) Financial assets and financial liabilities (continued):

The assets of the Master Trust are exposed to market, interest rate, exchange rate and liquidity risks. The Master Trust uses derivatives with the primary investment objective to gain market exposure on a passive basis and to manage currency risk at the portfolio level. As a policy, the Master Trust does not speculate in currencies when using derivatives. The notional amounts of these derivative financial instruments is not recognized in the financial statements when initiated. Unrealized gains or losses on these instruments are recognized in the financial statements. The Master Trust's present use of derivative financial instruments is restricted to pooled funds that invest in exchange traded, unleveraged, U.S. and foreign equity index futures, currency forwards and swaps.

Investments are stated at their fair value. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for retirement income payments as net unrealized change in fair value of investments. On sale of an investment, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for retirement income payments as a net realized gain (loss) on sale of investments.

All other financial assets and liabilities, being cash, accrued income, accrued expenses and retirement income payments payable are measured at amortized cost.

(c) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In determining fair value, the Master Trust has early adopted the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"), in Part I of the CICA Handbook. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Master Trust uses closing market price as a practical expedient for fair value measurement.

When available, the Master Trust measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

3. Significant accounting policies (continued):

(c) Fair value measurement (continued):

If a market for a financial instrument is not active, then the Master Trust establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Within the Master Trust all changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for retirement income payments as a change in net unrealized gains. Fair values are determined as follows:

(i) Publicly traded bonds, debentures and equities are valued at published closing market quotations where available.

(ii) 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 investments.

(iii) Guaranteed investment certificates, term deposits maturing after a year, mortgages and real estate debentures 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.

(iv) Units in pooled funds are valued based on published unit values supplied by the pooled fund administrator, which represents the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

(v) Illiquid securities are valued based on a calculation performed by the investment manager using a discounted cash flow model.

3. Significant accounting policies (continued):

(d) Unit valuation:

Annuitants are issued units in the Master Trust based on the unit value at the end of the month in which any transfers are made. Investment income, net of custodian fees and fund managers' fees, is credited to unit holders each month. Redemptions are made each month to recover trustee fees and operating costs.

Fund units are redeemed at net asset market value per unit at the end of the month in which the request for redemption is made by the annuitant. The redemption amount is paid in the following month and includes interest for the interim period.

(e) Foreign exchange:

These financial statements are presented in Canadian dollars, which is the Fund's functional currency. Transactions in foreign currencies are accounted for using the exchange rates in effect at the transaction date. At year end, investments in foreign currencies are accounted for at the rates of exchange in effect at year end and the resulting unrealized gains or losses are included in the net unrealized change in fair value of investments.

(f) Capital risk management:

The main objective of the Fund is to sustain a certain level of net assets in order to meet the retirement income obligations of the University. The Fund fulfills its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the "SIPP"), which is reviewed annually by the University. The Fund manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds transferred in to the Fund in accordance with the approved SIPP. The main use of the net assets is for retirement income payments to annuitants. There are no regulatory requirements relating to the level of net assets to be maintained by the Fund.

(g) Related party transactions:

Related party transactions with the University, in the form of administrative cost recoveries, are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

3. Significant accounting policies (continued):

(h) Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for retirement income payments during the year. Actual amounts could differ from these estimates.

4. Investments and investment income:

(a) The following table provides details of the underlying investments held within the Master Trust, representing a 18.5% (2010 - 18.1%) position in the Master Trust based on units held by individual members of the Fund:

	2011		2010	
	Cost	Market	Cost	Market
Short-term:				
Money Market Fund	$ 7,384,990	$ 7,385,476	$ 8,484,207	$ 8,490,590
Bonds:				
Target Date Fund 2012	7,575,397	8,960,532	7,100,135	8,146,509
Target Date Fund 2014	9,073,620	10,224,933	8,295,723	9,005,422
Target Date Fund 2016	5,096,991	5,614,131	4,520,806	4,635,918
Canadian Bond Fund	40,403,933	56,063,930	40,493,757	52,328,074
Long Term Bond Fund	11,640,267	13,339,498	8,962,010	9,417,940
Equities:				
Diversified Equity Fund	73,198,247	72,252,674	73,879,730	82,126,417
Canadian Equity Fund	18,658,870	17,647,763	19,829,737	21,327,133
Socially Responsible Investments	428,248	450,287	232,726	256,488
U.S. Equity Hedged Fund	1,115,150	1,215,762	1,257,932	1,425,514
U.S. Equity Unhedged Fund	790,724	868,618	385,995	425,853
Liquidating Trust	3,284,041	2,472,007	3,322,019	2,495,189
	$178,650,478	$196,495,611	$176,764,777	$200,081,047

4. Investments and investment income (continued):

(b) The investment income within the Master Trust consists of the following:

	2011	2010
Interest:		
Securities lending	$ 15,084	$ 21,489
Short-term notes	229,688	129,148
Cash balances	320,787	149,373
Bonds and debentures:		
Government	985,500	1,000,696
Corporate	767,769	554,397
Dividends:		
Domestic	5,581,054	6,315,752
Foreign	783,825	644,983
Net realized gain on sale of investments	13,690,780	1,517,753
Net unrealized change in fair value of investments	(34,805,779)	79,805,684
	$ (12,431,292)	$ 90,139,275
Allocated to:		
Academic Staff Pension Plan	$ (5,315,427)	$ 42,150,864
Administrative Staff Pension Plan	(6,884,126)	31,576,220
Retirement Income Fund	(231,739)	16,412,191
	$ (12,431,292)	$ 90,139,275

4. Investments and investment income (continued):

(c) The maturity dates of individual debt securities held by the Master Trust consists of the following:

2011

	One year or less	One to five years	Five to ten years	More than ten years	No maturity date	Total $	Total %
Short-term:							
Individual holdings	$ 59,710,650	$ -	$ -	$ -	$ -	$ 59,710,650	11.9
Bonds and debentures:							
Individual holdings Canadian:							
Government bonds	18,671,054	96,709,864	42,023,358	48,477,830	-	205,882,106	41.0
Corporate bonds	21,727,567	15,731,893	12,305,615	26,964,376	-	76,729,451	15.2
Individual holdings Global:							
Government bonds	5,111,526	22,431,931	39,946,166	44,561,231	-	112,050,854	22.3
Corporate bonds	272,471	19,100,735	19,609,377	9,122,274	-	48,104,857	9.6
	$105,493,268	$153,974,423	$113,884,516	$129,125,711	$ -	$502,477,918	100.0
Percentage of total	21.0%	30.6%	22.7%	25.7%	-	100.0%	

4. Investments and investment income (continued):

(c) (continued):

2010

	One year or less	One to five years	Five to ten years	More than ten years	No maturity date	Total $	Total %
Short-term:							
Individual holdings	$ 59,145,747	$ -	$ -	$ -	$ -	$ 59,145,747	12.8
Bonds and debentures:							
Individual holdings Canadian:							
Government bonds	2,796,975	94,359,015	39,905,566	51,516,192	-	188,577,748	40.7
Corporate bonds	18,987,237	13,663,785	11,604,762	20,879,916	-	65,135,700	14.0
Individual holdings Global:							
Government bonds	-	33,412,083	20,694,353	24,317,300	-	78,423,736	16.9
Corporate bonds	770,826	23,042,176	34,707,300	13,666,186	-	72,186,488	15.6
	$ 81,700,785	$164,477,059	$106,911,981	$110,379,594	$ -	$463,469,419	100.0
Percentage of total	17.6%	35.5%	23.1%	23.8%	-	100.0%	

4. Investments and investment income (continued):

(d) The weighted average market yield rates for individual debt securities of the Master Trust consists of the following:

2011

	One year or less	One to five years	Five to ten years	More than ten years
Short-term:				
Individual holdings	0.1%	-	-	-
Bonds and debentures:				
Individual holdings:				
Canadian government bonds	1.1%	1.7%	2.5%	3.8%
Canadian corporate bonds	1.8%	2.7%	3.8%	4.5%
Global government bonds	1.2%	1.3%	2.5%	4.7%
Global corporate bonds	1.6%	3.1%	4.2%	5.0%

2010

	One year or less	One to five years	Five to ten years	More than ten years
Short-term:				
Individual holdings	0.1%	-	-	-
Bonds and debentures:				
Individual holdings:				
Canadian government bonds	1.2%	2.7%	3.3%	4.1%
Canadian corporate bonds	1.3%	3.2%	4.6%	5.3%
Global government bonds	- %	4.0%	3.5%	4.3%
Global corporate bonds	1.4%	3.3%	5.0%	5.7%

5. Individually significant investments:

The following information is provided in respect of individual investments in the Master Trust with a cost or market value in excess of 1% of the cost or market value of the Master Trust as at December 31, 2011, as required by the Pension Benefits Act (Ontario).

The Master Trust consists of eighteen separate investment pools as described in note 1. Within these pools some investments are in units of pooled funds and some investments are individual securities.

	Cost	Market
Bonds:		
Pooled Funds:		
UWO SSGA Canadian Bond Fund	$114,069,151	$162,173,389
UWO Alliance Global Plus Bond Fund	133,953,450	178,065,261
Equities:		
Pooled Funds:		
Greystone Canadian Equity Fund	68,824,986	67,490,596
Connor Clark & Lunn Core Fund	74,015,074	68,684,409
Beutel Canadian Equity Fund	70,176,033	70,932,638
SSGA S&P 500 U.S. Equity Fund, Hedged	76,173,869	92,699,235
SSGA S&P 400 Midcap	8,725,349	10,959,677
PanAgora Small Cap Core Equity	13,686,986	11,619,078
Alliance Bernstein Equity Cap	85,088,273	69,724,047
T. Rowe Price Global Equity Fund	38,905,964	37,259,169
Harris Associates Global Large Cap LP	32,826,401	38,085,519
Fidelity Global Fund	76,236,059	71,610,720

6. Transfers:

Total transfers received by the Fund from the University pension plans are as follows:

	2011	2010
From the:		
Academic Staff Pension Plan	$ 16,966,312	$ 15,432,898
Administrative Staff Pension Plan	2,022,507	5,630,344
	$ 18,988,819	$ 21,063,242

Annuitants are allowed to redistribute past transfers among the investment funds. They may also choose which investment fund(s) that periodic retirement income payments should be made from.

7. Benefit payments:

	2011	2010
Retirement benefit payments	$ 14,372,980	$ 13,904,114
Termination benefit payments	7,264,149	8,568,695
Death benefit payments	-	412,815
	$ 21,637,129	$ 22,885,624

8. Income taxes:

The Fund is governed by the Income Tax Act, Canada. Provided that all assets are invested and administered as qualified investments for Registered Retirement Income Funds, the Fund is not liable for any income taxes.

9. Administrative costs recovered by the University:

Non-investment administrative expenses for participants of the Fund are incurred by the University on behalf of the Fund and are funded by various methods as follows:

(i) A portion of the costs are recovered, by the University, from annuitants through monthly redemptions of investments from the individual annuitants' accounts.

(ii) All remaining costs are paid by the University out of the corporate benefits budget.

The following summarizes the total non-investment administrative expenses incurred by the University for the Fund and the recovery of those costs.

	2011	2010
Administrative expenses incurred:		
Salaries and benefits	$ 147,264	$ 129,308
Other professional fees	77,604	78,395
HST accrual on deemed services	18,904	17,028
Systems and software	18,438	20,128
Audit fees	5,212	8,360
Office supplies and equipment	1,965	3,508
Professional development and membership	1,816	1,084
	271,203	257,811
Recoveries:		
Paid by (recovered from) the University out of corporate benefits budget	(27,632)	5,354
Administrative costs recovered by the University	298,835	252,457
	271,203	257,811
	$ -	$ -

As at December 31, 2011, administrative costs to be recovered by the University of $298,835 (2010 - $252,457) have been accrued but not yet paid.

10. Fund managers' fees:

Fund managers' fees include any fees paid by the custodian to the various fund managers. Fund managers' fees of certain pooled funds are netted against the unit value of those pooled funds.

11. Financial instruments:

(a) Fair values:

The fair values of investments are as described in note 4(a). The fair values of other financial assets and liabilities, being cash, accrued income, accrued expenses and retirement income payments payable approximate the carrying values due to the short-term nature of these financial instruments.

Fair value measurements recognized in the statement of net assets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

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

All of the Trust's investments have been classified as Level 2. There were no changes in the classification of any investments during 2011.

11. Financial instruments (continued):

(b) Associated risks:

(i) Market price risk:

Market price risk is the risk that value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market. As all of the Fund's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in net assets available for retirement income payments, all changes in market conditions will directly affect the change in net assets available for retirement income payments. Market price risk is managed by the Administrator through construction of a diversified portfolio of instruments traded on various markets and across various industries. In addition, market price risk may be hedged using derivative financial instruments such as futures contracts.

(ii) Foreign currency risk:

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Fund invests in financial instruments and enters into transactions denominated in U.S. dollars. Consequently, the Fund is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse affect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than Canadian dollars. The Fund's overall currency positions and exposures are monitored on a regular basis by the Administrator.

(iii) Interest rate risk:

A portion of the Fund's financial assets and liabilities are interest bearing and as a result, the Fund is subject to a certain level of interest rate risk. In general, bond returns are sensitive to changes in the level of interest rates, with longer term bonds being more sensitive to interest rate changes than shorter term bonds.

(iv) Liquidity risk:

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. The Fund maintains an investment policy, as approved by the Administrator, which contains asset mix guidelines which help to ensure the Fund is able to liquidate investments to meet its retirement income payments or other obligations.

Western Retirement Plans
Report to the Audit Committee
June 2012

Prepared on May 29, 2012

FOR INFORMATION

1. Summary

This report covers the calendar year January 1, 2011 to December 31, 2011. The Academic and Administrative Staff Pension Boards are responsible for the administration and oversight of two pension plans and the investment of assets for individual Retirement Income Funds (RIF) which are sponsored by the University. This report provides an overview of the plans, reviews the changes made to the plans in 2011 and describes the projects under way at the end of the year. Supplementary documents which have been distributed include the *Financial Statements* for the Master Trust, for each of the pension plans and the RIF.

2. Plan Overview

Asset Values, Membership and Investment Returns

The combined plans include about 7,200 investors and assets with a market value of approximately $1.1 billion. The *Master Trust* holds funds for both retirement plans and the individual RIF investors. As a defined contribution pension plans, members direct the investment of both their contributions and the University's contributions among 15 different investment options. The fund options are designed in tiers, meant to match the level of education or willingness to make independent diversification decisions. The funds are outlined below:

Tier 1: Comprehensive Funds	**Asset Value at 31/12/11**	**Number of Investors (can be in more than 1 fund)**	**Investment Returns in 2011**
Balanced Income	$32.8m	826	3.51%
Balanced Growth	$83.8m	2340	-3.43%
Tier 2: Broad Asset Class Funds			
Diversified Bonds	$218.1m	3017	8.74%
Diversified Equity	$364.5m	3899	-8.59%
Tier 3: Regional and Specific Strategy Funds			
Money Market	$64.9m	1411	1.02%
Target Date Funds	$55.1m	467	1.93% to 9.09%
Canadian Bond	$75.2m	878	9.58%
Long Term Bond	$36.1m	592	17.93%
Canadian Equity	$77.5m	1635	-10.02%
US Equity Hedged	$15.3m	683	0.97%
US Equity Unhedged	$8.3m	449	4.38%
Non North American	$13.0m	819	-14.02%
SRI Global Equity Fund	$3.2m	241	-4.33%
Liquidating Trust	$13.4m	4761	1.13%

The Investments and Investment Income for each fund can be found in ***note 4 of the Master Trust*** *financial statements.*

Communication and Education

Members have access to various reports and material to assist them in the monitoring of their retirement funds. These resources include investment return sheets, annual report, newsletter, and access to external manager research, to name a few. These resources are in addition to the annual member pension plan statements which were sent out to members in April 2012, including all information as required by pension statute.

Various workshops are also available to assist members with their investment and retirement decisions. A total of 12 workshops were attended by 377 members /spouses in 2011.

Some of these workshops are facilitated by an external provider, The Financial Education Institute of Canada. The University has contracted with them to provide two services to our members:

a) Financial and retirement planning workshops. The Financial Education Institute of Canada offered four full day financial and pre-retirement planning workshops in 2011. 50 members of the Retirement Plans have attended one of the sessions and feedback continues to be positive.
b) On-line financial education curriculum and tools. More than 700 members have registered for The Financial Educator ™ website.

Members can also use the services of two full time pension and benefit counselors to assist them with their retirement plan decisions. Members can bring their spouses, family members or investment advisors to these individual sessions with the pension and benefit counselors. The counselors held more than 1000 individual sessions with members in 2011. These sessions don't include numerous phone calls, email inquiries and group workshops that the counselors also handle.

Members of the retirement plans also have access to an on-line investment decision making tool. Through an Investment Personality Questionnaire (IPQ), they are asked to answer 16 multiple-choice questions on their investment horizon, risk tolerance, investment objectives and personal situation. Based on their answers members are directed to one of five portfolios comprised of specific investment funds available under the Western Retirement Plans. The IPQ has been very effective in assisting the pension and benefit counselors in orienting new members. In 2011, there were on average close to 100 hits per month on the IPQ webpage.

Resources Available

Each of the pension boards consist of 7 members: 4 elected by the membership and 3 appointed by the University. These boards work jointly in the design of investment, communication and administrative policy (Joint Pension Board). The design and implementation of policy is completed with significant assistance from staff in human resources and financial services (8 full time dedicated staff). The board and staff also rely on the expert advice of external service providers to fulfill their duties including investment consultants, investment management firms, custodian and trustee, software vendors, actuarial consultants, legal consultants and auditors.

In total, the non-investment operational expenses are approximately ($1.9 million) or .18% of assets under management. The investment management and custodian costs are approximately .35% of assets under management. When compared to other Universities and institutional operations this level of operational costs is extremely lean.

The operational costs are outlined in detail in ***note 10 of the Master Trust*** *financial statement*.

Special Members

Prior to July 1970 (Academic) and March 1974 (Administrative Staff), the University pension plans were a defined benefit design: annual pension income at retirement was promised based on a formula. There are still some retired employees and active members who are entitled to that promised pension formula as a minimum guaranteed benefit. These individuals are referred to as

"Special Members". As at December 31, 2011, there were 28 Special Members in the Academic Staff plan, all retired, and 77 Special Members in the Administrative Staff Plan, 40 of whom are still active and 37 of whom are retired.

Based on the most recent actuarial valuation report as at December 31, 2009, only two active Special Members are projected to receive a supplementary pension under the minimum guarantee provisions of the pension plan, thus creating an additional liability for the University. All other active Special Members are projected to receive a higher pension from their defined contribution account than that determined using the minimum guarantee benefit formula. Depending on the future performance of active Special Member defined contribution accounts, the number of Special Members projected to receive a supplementary pension under the minimum guarantee provisions of the plan may change. There are restrictions on how active Special Members can invest the funds in their regular account. They can invest up to 70% of their assets in equity funds.

The University has set aside some funds to pay for these promised pensions. These funds are in the general account of the pension plans. As at December 31, 2011, the Administrative Staff Pension Plan had $1.9 million in the general account, while the Academic Staff Pension Plan had $4.6 million. The most recent actuarial estimate for the administrative staff plan indicates that there is a deficit of approximately $249,000. Since the plan had both going-concern and solvency deficits in our last two actuarial valuation reports, the University must make special payments of approximately $19,000 per annum to pay off these deficits. The academic staff plan is currently is a deficit position of about $163,000. Since the plan has a going-concern deficit as a result of the most recent actuarial valuation, the University must make special payments of about $13,000 per year to fund this deficit.

For each of the Administrative plan and the Academic plan, 100% of the assets are invested in "Immunized Bond Funds" that were created in October 2006 and July 2010, respectively. Immunizing the assets ensures that no significant funding deficit may occur in the future due to investment returns. Other factors, such as poor mortality experience, may still negatively impact the funding of the plan.

3. Changes Made in 2011

As part of the implementation of the Faculty Association's latest collective bargaining agreement, members of the Academic Staff Pension Plan were offered a one-time decision regarding their required contributions in the plan. Members could choose to contribute between 1.5% and 5.5% of their pensionable earnings. All new members will have to make required contributions of 5.5% of their pensionable earnings going forward. The pension staff held several information sessions with faculty members in the spring and summer of 2011 to review the pros and cons of each contribution level and how to complete the required forms. Overall the change led to an increase in the number of members choosing to contribute at the 5.5% level.

The pension staff implemented the previously approved increase in exposure to emerging market equities for one of the two international equity managers on the Western Retirement Plans. At the end of 2011, mandates for AllianceBernstein and Pyramis Global Advisors were amended to allow up to 10% and 15% respectively in emerging markets.

At its September 2011 retreat, the Joint Pension Board agreed to proceed with a formal review of the Diversified Equity Fund and the Diversified Bond Fund. The Diversified Equity Fund and the Diversified Bond Fund are the two largest funds of the Western Retirement Plans with $433.3 million and $265.7 million in assets respectively. Formal reviews of these two funds are conducted every three to four years and focus on the following elements: the asset allocation, the currency hedging strategy, the fund manager line-up, the allocation between active and passive strategies, the historical performance of the fund and adding new investment strategies. The reviews are expected to be completed in 2012.

The pension staff finalized and began implementing a new communication plan. The focus in 2011 was on surveying stakeholders and gathering metrics that will assist in obtaining benchmark

data, identifying areas of change that can be measured and completing a full redesign and launch of the retirement plan website.

4. Projects Underway as at December 31, 2011

A number of projects were underway at the end of 2011.

Communication and Stakeholder Engagement
In early January, the pension staff held two town hall meetings to allow members of the Retirement Plans to provide feedback and ask questions regarding the ongoing review of the Diversified Equity Fund. Approximately 75 pension plan and RIF members attended one of the two sessions. The Joint Pension Board discussed the feedback provided by members and continued its review with the objective of completing it in 2012.

The pension staff is expected to continue the implementation of its communication plan during 2012, with the implementation of new tools, collecting feedback from members, updating communication tools, updating the Investment Personality Questionnaire and reinforcing the "Journey to Retirement" message.

Changes in Employment Contracts
Similar to the decision made by members of the Academic Staff Pension Plan in 2011, members of the Professional and Managerial Association (PMA) will be asked to make an election regarding their required contributions into the Pension Plan. Members will be asked to choose between 2.5% and 5.5% of their pensionable earnings for their required contribution levels. In addition, the University contribution for each PMA member with less than 20 years service will increase by 0.5% of pensionable earnings effective November 1, 2012. For those members with more than 20 years of service and who choose the 5.5% contribution level, the University will contribute an extra 0.5% to their pension account. The election will have to be made by November 2012 and information sessions will take place in the fall of 2012.

Under the new collective bargaining agreement ratified with Librarians and Archivists, members of this bargaining unit will move from the Administrative Staff Pension Plan to the Academic Staff Pension Plan in 2012.

Liquidating Trust
As mentioned in last year's report, redemption restrictions on the Liquidating Trust were lifted in May 2010. Members are allowed to redeem their units of the Liquidating Trust on a monthly basis and re-allocate to other investments, as for any other investment option. During the year, members made average monthly redemptions of $108,000. In November 2011 the University sold restructured for an amount of $1.25 million par value to fund members' future redemptions. There was $1.7 million in cash in the Liquidating Trust at the end of 2011.

At the end of 2011 the Liquidating Trust had a value of $13.5 million. The quality of the notes has remained strong. The A-1 Notes, which represented 52% of the Liquidating Trust at the end of 2011, are still rated A (High) by DBRS and the A-2 Notes, which represented 28% of the Liquidating Trust at the end of the year, are rated BBB (High) by DBRS, an improvement from the BBB (Low) rating of the beginning of the year.

The University will continue to monitor the Notes with the advice of the Kilgour Advisory Group, a consulting firm specializing in monitoring non-bank ABCP and other structured assets. As the final maturity of the Notes is approaching, the likelihood of recuperating most of the capital invested is improving.

Grievance
Relating to the investment in non-bank ABCP, the University of Western Ontario Faculty Association (UWOFA) filed a grievance in February 2008. The parties met with the selected arbitrator once in 2011 and met recently in May 2012. The parties have agreed on a framework for settlement, which could resolve the grievance completely by the fall 2012. UWOFA will be preparing a presentation to the Joint Pension Board and attending two fall meetings of the Board to make recommendations on process and/or program changes.

We appreciate the opportunity to present this report to Audit Committee and welcome and comments or questions you may have.

Academic Pension Board Membership

Stephen Foerster, Ivey School of Business (Chair)
Michelle Loveland, Management and Org. Studies
Craig Dunbar, Ivey School of Business
Shannon Butler, Management and Org. Studies

Administrative Staff Pension Board Membership

Krys Chelchowski, Office of the Registrar (Chair)
Jim Loupos, Internal Audit
Ab Birch, Financial Services
Cindy Servos, Schulich School of Medicine and Dentistry

Appointed University Representatives on Each Board

Lynn Logan, Associate Vice-President Financial Services (Designate of VP Administration)
Jane O'Brien, Associate Vice-President Human Resources
Louise Koza, Director Human Resources (Total Compensation)

Western Equity and Human Rights Services

Annual Report

Harassment and Discrimination Matters: May 1, 2011 - April 30, 2012

ROLE AND SERVICES OFFERED

Equity & Human Rights Services (EHRS) is available to all members of Western's community. The role of EHRS is to facilitate the development, implementation and ongoing management/coordination of the University's Non-Discrimination and Harassment Policy ("Policy") and procedures. Pursuant to the Policy, EHRS offers the following services:

- Confidential consultation, support, and information available to all Western students, staff, faculty and postdoctoral scholars
- Support, education and advice to Administrative leaders and Academic leaders
- Culture and climate reviews, as appropriate
- Workshops and presentations

CONTACTS

Over the past academic year, EHRS recorded a total of **281** contacts. **111** of these were from individuals who believed he or she had been subjected to, or had witnessed, behaviour that may fall under the Policy. The remaining **170** contacts were: (a) requests for assistance from **64** Academic or Administrative Leaders (i.e., those with the authority and responsibility to address concerns); (b) requests for information or assistance by **30** third-parties (often, friends or coworkers); and, (c) **76** general requests for information, training or resources relating to the Policy.

INDIVIDUAL CONTACTS WITH PEOPLE DIRECTLY EXPERIENCING A PROBLEM

Table I displays the grounds relating to harassment and discrimination for the 111 individuals who contacted EHRS. EHRS does not make a finding on whether the behaviour actually amounted to harassment and/or discrimination.

All individuals reporting concerns to EHRS are provided with advice. If the matter falls under the Policy, individuals are also given the option to request alternate resolution, or file a formal complaint and request investigation. Individuals frequently opt to attempt to resolve the situation themselves following advice from EHRS.

In the 2011-2012 academic year, **16** individuals requested alternate resolution through EHRS. Such resolution included mediation, facilitation and EHRS making inquiries to support proper application of the Policy. **Eighteen** individuals chose to file a formal complaint through the Associate Vice-President, Human Resources. **Ten** complaints were investigated.

TABLE I: Concerns about Inappropriate Behaviours

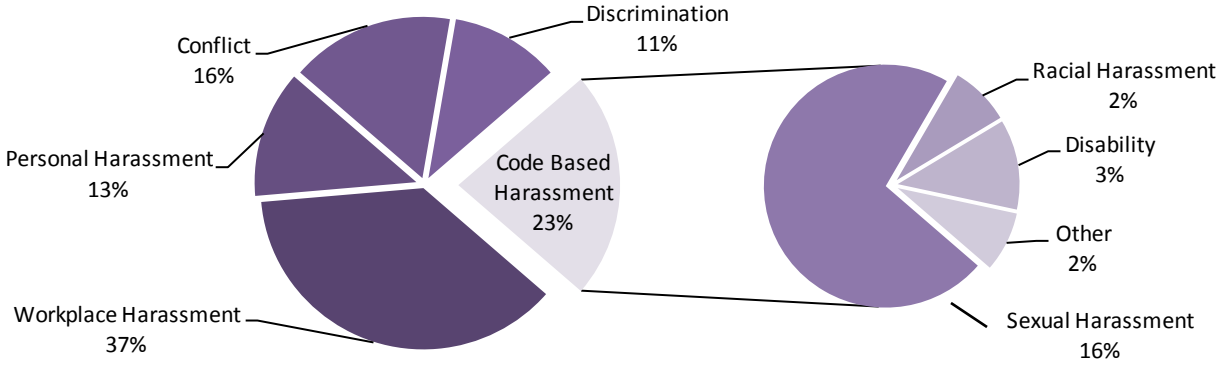

TABLE II: Individual Contacts by Gender

COMPLAINANT	#	%
Female	73	66
Male	38	34
TOTAL	**111**	**100%**

A note regarding conflict

Where an individual's concerns do not fall under the Policy, they are noted as "conflicts", and are offered some informal strategies to assist with resolution, as appropriate. Such concerns are often interpersonal in nature and may, for example, reflect some form of misunderstanding, lack of role clarity and organizational structure, or personal issues (such as stress, mental health concerns). EHRS recognizes the significant detrimental effect that unresolved conflict can have in the work or academic setting and endeavors to offer appropriate strategies to assist. Such strategies may include facilitated discussion, coaching or referral to other supports (such as EAP, Ombuds office, etc).

A note regarding safety

EHRS is consistently mindful of concerns relating to potential violence or threats to individuals' safety. When appropriate, we refer or report such concerns to Campus Police (CCPS). EHRS referred to or contacted CCPS on **21** occasions this past year.

Highlights of concerns

Continuing with trends seen in past years, the majority of concerns relate to interpersonal behaviours – workplace or personal harassment or conflict. Recent, wide-scale awareness sessions relating to "Bill 168" (see section on "Education and Outreach") have brought such issues to the forefront and we are seeing members – students, employees and leaders alike – wanting and willing to take a more proactive approach to addressing such concerns.

With respect to Human Rights Code-based discrimination and harassment issues, we have been involved in several matters relating to discrimination on the basis of disability over this past year. We work to support the individual in ensuring the relevant academic or administrative unit is aware of the duty to accommodate. We have also been involved with supporting individuals who are experiencing sexual harassment-related concerns. Many of these concerns relate to inappropriate gender or sex-related comments made in the workplace or classroom. Also, this year, several concerns related to unwanted behaviour or attention that followed a relationship breakdown.

ACADEMIC OR ADMINISTRATIVE LEADER SUPPORT

Western's Policy requires Academic or Administrative Leaders to report any incidents which **may be** related to harassment and discrimination to EHRS, as well as to involve EHRS in any unit-based attempts at resolving or mediating potential harassment. **Sixty-four** contacts were made in this regard with our office this past year. EHRS routinely advises leaders on their responsibilities under the Policy. This year, to name a few examples, we have assisted leaders in having facilitated discussions with employees or students, suggested conflict resolution strategies, and provided workshops or training to units/departments.

TABLE III: Role at Western

ROLE	#	%
Undergraduate	18	16
Graduate	23	21
Faculty	19	17
Staff	47	42
Other	4	4
TOTAL	**111**	**100%**

POLICY DEVELOPMENT

In December 2011, the Board of Governors approved a revised Non-Discrimination and Harassment Policy. This Policy has procedures that are designed to assist individuals in making the best choice in order to address their concerns. It also reflects and recognizes the need that Western may have to act on concerns, irrespective of an individual's filing of a complaint. It clearly articulates the roles and responsibilities of various University members. This report reflects the "new" Policy but, must be noted that some of the matters would have fallen under the "old" Policy (but are reported on here in the new structure). The Policy and its related procedures are available at this link: *http://www.uwo.ca/univsec/mapp/section1/mapp135.pdf*

EDUCATION AND OUTREACH

EHRS provides workshops and training in the areas of harassment, bullying and diversity to approximately 1500 Western members each year. Additionally, during the past year, we participated in the development and delivery of training for faculty and staff (approximately 2770 attendees) regarding the new requirements under "Bill 168" (an Act to Amend the Occupational Health and Safety Act). We are currently in the midst of developing new offerings related to conflict resolution and will be looking at new strategies for the delivery of information over the coming year, with the support of a Student Intern.

CONCLUSION

EHRS is grateful to have the support of senior Leaders of Western who truly recognize the value of and work to ensure that our campus is free of harassment and discrimination. The fact that employees and students feel confident to raise concerns is testament to Western's responsiveness to concerns. Western's (and our office's) work is not done, however. We must continue to build systems that seek to support our University members in achieving the best possible success in the best academic or employment environment offered in a university-setting. We look forward to changes and further learnings as we continue our work.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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