

DRAFT Financial Statements of

THE UNIVERSITY OF WESTERN ONTARIO
RETIREMENT INCOME FUND

Year ended December 31, 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of The University of Western Ontario

To the Administrative Staff Pension Board of The University of Western Ontario

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the retirement income payments of University of Western Ontario Retirement Income Fund as at December 31, 2010, and its changes in net assets available for retirement income payments for the year then ended in accordance Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

June 23, 2011

London, Canada

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

Statement of Net Assets Available for Retirement Income Payments

DRAFT

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Cash	\$ 2,516,950	\$ 2,411,814
Accrued income	50,928	47,266
Investments (note 5(a))	200,081,047	185,913,680
	<u>202,648,925</u>	<u>188,372,760</u>
Liabilities		
Accrued expenses	412,524	345,264
Retirement income payments payable	1,675,693	1,154,956
	<u>2,088,217</u>	<u>1,500,220</u>
Net assets available for retirement income payments	<u>\$ 200,560,708</u>	<u>\$ 186,872,540</u>

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

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

	2010	2009
Investment income:		
Investment income (note 5(b))	\$ 1,556,490	\$ 1,157,018
Net realized loss on sale of investments	1,917,141	(8,530,216)
Net unrealized change in fair value of investments	12,938,560	29,234,380
	<u>16,412,191</u>	<u>21,861,182</u>
Increase in net assets:		
Transfers (note 8)	1,100	16,225,229
Transfers in to fund	21,063,242	823,006
	<u>21,064,342</u>	<u>17,048,235</u>
Decrease in net assets:		
Retirement income payments	(13,904,114)	(10,878,333)
Lump sum payments	(8,981,510)	(11,075,418)
Fund managers' fees (note 10)	(382,360)	(284,870)
Agency fees	(110,855)	(100,000)
Administrative costs recovered by the University (note 9)	(252,457)	(225,021)
Custodian fees	(107,460)	(117,256)
Transaction costs	(49,609)	(64,238)
	<u>(23,788,365)</u>	<u>(22,745,136)</u>
Net increase for the year	13,688,168	16,164,281
Net assets available for retirement income payments, beginning of year	186,872,540	170,708,259
Net assets available for retirement income payments, end of year	<u>\$ 200,560,708</u>	<u>\$ 186,872,540</u>

See accompanying notes to financial statements.

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements

Year ended December 31, 2010

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 trusted 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. However, 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 trusted by another financial institution or use the funds to purchase a life annuity.

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

1. Description of program (continued):

Funds are invested at the discretion of the annuitant into units of separate pooled investment 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
- 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 sixteen 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. 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.

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.

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

2. 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. These financial statements have been prepared using the proportionate consolidation method based on units of the Master Trust held by the Fund at year end.

3. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and present the information of the Fund as a separate financial reporting entity independent of the University and annuitants members. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the University to make estimates and assumptions that affect the reported amounts of changes in net assets available for retirement income payments during the year. Actual results could differ from these estimates.

(a) Revenue:

Interest earned on investments is recorded on an accrual basis. Dividends are recorded as income 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) Investments:

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. Purchase and sale of assets are recorded on the trade date of the transactions. The assets of the Master Trust are exposed to market, interest rate, exchange rate, and liquidity risks.

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

3. Significant accounting policies (continued):

(b) Investments (continued):

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 amount of these derivative financial instruments is not recognized in the financial statements when initiated. However, the 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 carried at fair value. In determining fair values, adjustments have not been made for transaction costs as they are not considered significant. 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. Fair values are determined as follows:

- (i) Publicly traded bonds, debentures and equities are valued at published closing market quotations.
- (ii) Units in pooled funds are valued based on published unit values supplied by the pooled fund administrator, which represents the Fund's proportionate share of underlying net assets at fair values determined using closing market prices.
- (iii) Illiquid securities are valued based on a calculation performed by the investment manager using a discounted cash flow model.

(c) Unit valuation:

Annuitants are issued units 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.

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

3. Significant accounting policies (continued):

(d) Foreign exchange:

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 in investments.

(e) Capital disclosure:

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.

(f) Estimates:

The preparation of financial statements requires management to market 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 benefits during the year. Actual amounts could differ from these estimates.

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

4. Future new accounting pronouncement:

The Accounting Standards Board's ("AcSB") April, 2008 Exposure Draft, Adopting IFRS in Canada, proposed that, upon adoption of International Financial Reporting Standards ("IFRS") by publicly accountable enterprises, pension plans would continue to prepare their financial statements in accordance with CICA Handbook Section 4100, Pension Plans ("Section 4100"), rather than International Accounting Standards 26, Accounting and Reporting by Retirement Benefit Plans. On July 30, 2009, the AcSB issued an Exposure Draft that proposed changes to existing Section 4100 in the areas of presentation and disclosure. It also provided more guidance on how to measure fair value of investment assets and investment liabilities. In February, 2010, the AcSB approved CICA Handbook Section 4600, Pension Plans ("Section 4600"), as Part IV of the CICA Handbook. The new Section 4600 was released in April, 2010 and is based on existing Section 4100 with substantive modifications and will be effective for annual financial statements for fiscal years beginning on or after January 1, 2011. The Fund is currently in the process of evaluating the impact of adopting Section 4600.

5. Investments and investment income:

- (a) The Fund owns pro-rata shares of each investment with the Master Trust, based on units held by individual annuitants, as follows:

	2010		2009	
	Cost	Market	Cost	Market
Short-term:				
Money Market Fund	\$ 8,484,207	\$ 8,490,590	\$ 8,760,290	\$ 8,754,029
Bonds:				
Target Date Fund 2010	-	-	5,370,747	6,437,105
Target Date Fund 2012	7,100,135	8,146,509	8,791,002	10,076,630
Target Date Fund 2014	8,295,723	9,005,422	6,736,057	6,997,434
Target Date Fund 2016	4,520,806	4,635,918	-	-
Canadian Bond Fund	40,493,757	52,328,074	38,421,742	48,044,280
Long Term Bond Fund	8,962,010	9,417,940	8,012,303	7,989,386
Equities:				
Diversified Equity Fund	73,879,730	82,126,417	77,601,755	77,586,355
Canadian Equity Fund	19,829,737	21,327,133	16,297,703	15,763,724
Socially Responsible				
Investments	232,726	256,488	108,710	112,455
U.S. Equity Hedged				
Fund	1,257,932	1,425,514	951,139	994,426
U.S. Equity Unhedged				
Fund	385,995	425,853	482,912	500,334
Liquidating Trust	3,322,019	2,495,189	3,995,022	2,657,522
	\$176,764,777	\$200,081,047	\$175,529,382	\$185,913,680

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

5. Investments and investment income (continued):

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

	2010	2009
Interest:		
Securities lending	\$ 21,489	\$ 26,978
Short-term notes	129,148	442,272
Cash balances	149,373	91,867
Bonds and debentures:		
Government	1,000,696	970,161
Corporate	554,397	487,372
Dividends:		
Domestic	6,315,752	4,209,726
Foreign	644,983	425,120
	\$ 8,815,838	\$ 6,653,496
Allocated to:		
Academic Staff Pension Plan	\$ 4,274,177	\$ 3,268,520
Administrative Staff Pension Plan	2,985,171	2,227,958
Retirement Income Fund	1,556,490	1,157,018
	\$ 8,815,838	\$ 6,653,496

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

5. Investments and investment income (continued):

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

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	14.3
Bonds and debentures:							
Individual holdings Canadian:							
Government bonds	2,796,975	94,359,015	39,905,566	1,516,192	-	138,577,748	33.5
Corporate bonds	18,987,237	13,663,785	11,604,762	20,879,916	-	65,135,700	15.8
Individual holdings Global:							
Government bonds	-	33,412,083	20,694,353	24,317,300	-	78,423,736	19.0
Corporate bonds	770,826	23,042,176	34,707,300	13,666,186	-	72,186,488	17.5
	\$ 81,700,785	\$164,477,059	\$106,911,981	\$ 60,379,594	\$ -	\$413,469,419	100.0
Percentage of total	19.8%	39.8%	25.9%	14.6%	-	100.1%	

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

5. Investments and investment income (continued):

(c) (continued):

2009

	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	\$ 76,257,509	\$ -	\$ -	\$ -	\$ -	\$ 76,257,509	16.2
Bonds and debentures:							
Individual holdings Canadian:							
Government bonds	19,877,779	84,847,543	19,931,364	41,940,583	-	166,597,269	35.3
Corporate bonds	11,952,916	22,743,679	9,581,663	32,714,301	-	76,992,559	16.3
Individual holdings Global:							
Government bonds	611,324	28,213,317	17,698,982	22,183,745	-	68,707,368	14.6
Corporate bonds	709,279	32,443,336	29,065,116	20,826,331	-	83,044,062	17.6
	\$109,408,807	\$168,247,875	\$ 76,277,125	\$117,664,960	\$ -	\$471,598,767	100.0
Percentage of total	23.2%	35.5%	16.2%	24.9%	-	100.0%	

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

5. Investments and investment income (continued):

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

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%

2009

	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	0.4%	2.0%	3.5%	4.3%
Canadian corporate bonds	0.7%	3.6%	4.9%	4.3%
Global government bonds	0.5%	3.1%	3.6%	4.3%
Global corporate bonds	0.5%	4.2%	5.4%	5.7%

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

6. 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, 2010, as required by the Pension Benefits Act (Ontario).

The Master Trust consists of nineteen 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	\$114,738,172	\$151,875,406
UWO Alliance Global Plus Bond Fund	135,393,623	168,498,531
Equities:		
Pooled Funds:		
Greystone Canadian Equity Fund	68,094,905	80,727,354
Connor Clark & Lunn Core Fund	75,154,738	80,159,821
Highstreet Canadian Equity Fund	-	-
Beutel Canadian Equity Fund	74,707,574	79,902,016
SSGA S&P 500 U.S. Equity Fund, Hedged	82,945,870	101,023,148
SSGA S&P 400 Midcap	9,404,304	12,512,305
PanAgora Small Cap Core Equity	14,481,982	12,197,277
Alliance Bernstein Equity Cap	80,105,362	80,479,817
Mackenzie Socially Responsible Investments	2,483,174	2,725,706
T. Rowe Price Global Equity Fund	39,157,157	41,660,093
Harris Associates Global Large Cap LP	34,434,887	42,744,338
Fidelity Global Fund	76,646,146	80,785,670

7. 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.

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

8. Transfers:

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

	2010	2009
From the:		
Academic Staff Pension Plan	\$ 15,432,898	\$ 10,677,663
Administrative Staff Pension Plan	5,630,344	5,547,566
	<u>\$ 21,063,242</u>	<u>\$ 16,225,229</u>

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.

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.

	2010	2009
Administrative expenses incurred:		
Salaries and benefits	\$ 129,308	\$ 146,906
Other professional fees	78,395	71,521
Systems and software	20,128	18,127
Office supplies and equipment	3,508	1,892
HST accrual on deemed services	17,028	-
Audit fees	8,360	6,769
Professional development and membership	1,084	1,289
	<u>257,811</u>	<u>246,504</u>
Recoveries:		
Paid by the University out of corporate benefits budget	5,354	21,483
Administrative costs recovered by the University	252,457	225,021
	<u>257,811</u>	<u>246,504</u>
	<u>\$ -</u>	<u>\$ -</u>

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

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 5(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 available for benefits 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.

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

12. Financial instruments:

(a) Fair values (continued):

The following table illustrates the classification of the Fund's financial instruments using the fair value hierarchy as at December 31, 2010:

	Level 1	Level 2	Level 3	Total
Short term:				
Money Market Fund	\$ -	\$ 8,490,590	\$ -	\$ 8,490,590
Bonds:				
Target Date Fund 2012	-	8,146,509	-	8,146,509
Target Date Fund 2014	-	9,005,422	-	9,005,422
Target Date Fund 2016	-	4,635,918	-	4,635,918
Canadian Bond Fund	-	52,328,074	-	52,328,074
Long-Term Bond Fund	-	9,417,940	-	9,417,940
Equities:				
Diversified Equity Fund	-	82,126,417	-	82,126,417
Canadian Equity Fund	-	21,327,133	-	21,327,133
Socially Responsible Investments	-	256,488	-	256,488
US Equity Hedged Fund	-	1,425,514	-	1,425,514
US Equity Unhedged Fund	-	425,853	-	425,853
Liquidating Trust	-	2,495,189	-	2,495,189
	\$ -	\$200,081,047	\$ -	\$200,081,047

During the year, the Liquidating Trust equities changed from Level 3 to Level 2 as a result of increased activity in the market.

THE UNIVERSITY OF WESTERN ONTARIO

RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

12. Financial instruments:

(b) Associated risks (continued):

(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 benefits, all changes in market conditions will directly affect the change in net assets available for benefits. 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.

As at December 31, 2010, had the value of the equity portfolio increased or decreased by 1% with all other variables remaining unchanged, net assets of the Fund would have increased or decreased respectively, by approximately \$1,055,614 (2009 - \$949,573) or 0.53% (2009 - 0.51%) of total net assets.

(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.

As at December 31, 2010, if the Canadian dollar had strengthened or weakened by 1% in relation to foreign currencies held by the Fund, with all other variables held constant, net assets of the Fund would have decreased or increased respectively, by approximately \$414,189 (2009 - \$396,124) or 0.21% (2009 - 0.21%) of total net assets.

THE UNIVERSITY OF WESTERN ONTARIO
RETIREMENT INCOME FUND
DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2010

12. Financial instruments (continued):

(b) Associated risks (continued):

(iii) Interest rate risk:

A portion of the Fund's assets financial assets and liabilities are interest bearing and as a result, the Fund is subject to 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.

At December 31, 2010, had the prevailing interest rates increased or decreased by 1% with all other variables held constant, net assets of the Fund would have decreased or increased respectively, by approximately \$5,380,660 (2009 - \$4,312,351) or 2.69% (2009 - 2.32%) of total net assets.

(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.