

DRAFT Financial Statements of

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC
STAFF

Years ended December 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the University of Western Ontario Pension Plan for Members of the Academic Staff, 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 benefits for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Section 76 of the Regulations to the Pension Benefits Act (Ontario).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 76 of the Regulations to the Pension Benefits Act (Ontario); 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 Pension Plan for the Academic Staff as at December 31, 2011 and December 31, 2010 and its changes in net assets available for benefits for the years then ended in accordance with the financial reporting provisions of Section 76 of the Regulations to the Pension Benefits Act (Ontario).

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw your attention to note 2 to the financial statements, which describes the basis of presentation. The financial statements are prepared to assist the Administrator of the University of Western Ontario Pension Plan for Members of the Academic Staff to meet the requirements of the Financial Services Commission of Ontario. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Administrator of the University of Western Ontario Pension Plan for Members of the Academic Staff and the Financial Services Commission of Ontario, and should not be distributed to or used by parties other than the Administrator or Financial Services Commission of Ontario.

Chartered Accountants, Licensed Public Accountants

May 22, 2012

London, Canada

THE UNIVERSITY OF WESTERN ONTARIO

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF

Statement of Net Assets

DRAFT

December 31, 2011 and December 31, 2010

| | 2011 | 2010 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash | \$ 2,054,560 | \$ 2,141,403 |
| Accrued income | 164,193 | 135,996 |
| Investment in Master Trust (note 4(a)) | 503,903,869 | 531,215,804 |
| | <u>506,122,622</u> | <u>533,493,203</u> |
| Liabilities | | |
| Accrued expenses | 344,430 | 398,849 |
| Benefits payable | 688,736 | 638,393 |
| | <u>1,033,166</u> | <u>1,037,242</u> |
| Net assets available for benefits | \$ 505,089,456 | \$ 532,455,961 |

See accompanying notes to financial statements.

On behalf of the Academic Staff Pension Board:

_____ Chair _____ Pension Board Secretariat

THE UNIVERSITY OF WESTERN ONTARIO

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF

Statement of Changes in Net Assets Available for Benefits

DRAFT

Years ended December 31, 2011 and December 31, 2010

| | 2011 | 2010 |
|---|-----------------|----------------|
| Investment income (loss) (note 4(b)) | \$ (5,315,427) | \$ 42,150,864 |
| Increase in net assets: | | |
| Contributions (note 6) | 24,872,122 | 23,787,161 |
| Transfers in to plan | 1,548,535 | 796,383 |
| | 26,420,657 | 24,583,544 |
| Decrease in net assets: | | |
| Benefit payments (note 7) | (30,651,946) | (20,339,458) |
| Transfers to RIF | (16,966,312) | (15,432,898) |
| Fund managers' fees (note 8) | (423,215) | (117,919) |
| Custodian fees | (254,429) | (284,563) |
| Administrative costs recovered by the University (note 9) | (97,922) | (90,885) |
| Transaction costs | (77,911) | (140,626) |
| | (48,471,735) | (36,406,349) |
| Net increase (decrease) for the year | \$ (27,366,505) | \$ 30,328,059 |
| Allocation of net increase (decrease) for the year: | | |
| Members' accounts | \$ (27,019,505) | \$ 31,114,059 |
| General account (note 11) | (347,000) | (786,000) |
| | \$ (27,366,505) | \$ 30,328,059 |
| Net assets available for benefits, beginning of year: | | |
| Members' accounts | \$ 527,553,961 | \$ 496,439,902 |
| General account (note 11) | 4,902,000 | 5,688,000 |
| | \$ 532,455,961 | \$ 502,127,902 |
| Net assets available for benefits, end of year: | | |
| Members' accounts | \$ 500,534,456 | \$ 527,553,961 |
| General account (note 11) | 4,555,000 | 4,902,000 |
| | \$ 505,089,456 | \$ 532,455,961 |

See accompanying notes to financial statements.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements

Years ended December 31, 2011 and 2010

1. Description of plan:

These financial statements present the activity of The University of Western Ontario Pension Plan for Members of the Academic Staff (the "Plan"). The following description of the Plan is a summary only. For more complete information, reference should be made to the plan agreement registered under the Income Tax Act, Canada, registration number 0358747.

The Plan is primarily a contributory defined contribution plan (some members have a defined benefit guarantee) for members of the Academic staff of The University of Western Ontario (the "University") and other participating employers. The Plan is sponsored by the University and the legal plan Administrator is the Academic Staff Pension Board (the "Pension Board"). The Northern Trust Company, Canada is the custodian of each of the funds.

Under the terms of the Plan, members, the University and other participating employers contribute to the Plan. Upon retirement, death or termination of employment, an employee's total accumulated entitlement is equal to the amounts he or she has contributed and those that have been contributed on his or her behalf plus the pro-rata share of net investment earnings. On retirement, the employee's pension is provided through the purchase of annuity contracts from life insurance companies selected by the Administrators of the Plan, or at the direction of the member, the funds may be transferred to a registered retirement savings plan ("RRSP") or a retirement income fund ("RIF"). Locked in funds, which are transferred, must go to a locked in retirement account ("LIRA"), a life income fund ("LIF") or a locked in retirement income fund ("LRIF"). The University may purchase deferred annuities on behalf of members eligible for retirement under the Plan. The assets related to these purchases are transferred at the time of purchase.

Certain members of the Plan are special members and as such are entitled to a minimum defined benefit guarantee. A special member of the Plan is a member who was an employee of the University and who had attained age 45 on July 1, 1970. Special members receive, on retirement, the greater of the pension provided on a defined contribution basis and the pension payable under the defined benefit provisions that were in effect before the Plan design changed to defined contribution. All special members who are entitled to a minimum pension have now retired and are in receipt of monthly pension payments from the Plan's general account.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

1. Description of plan (continued):

Contributions are invested by the Plan, at the option of the employee, 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

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.

The contributions of each member are credited to an individual account in the members' name and accumulated together with pro-rata net investment earnings. This account is fully vested (with exception of certain employees of Brescia University College) and payable to the member on termination of employment, or to the members' beneficiary on death.

Members 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 subject to limitations imposed on special members. 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
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

2. Basis of presentation:

(a) Basis of presentation:

The Plan 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.

As permitted under Section 76 of the Regulation to the Pension Benefits Act (Ontario), the Plan may prepare financial statements in accordance with Canadian accounting standards for pension plans or in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit. The Plan has prepared these financial statements in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans require the Plan 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 Plan has chosen to comply on a consistent basis with ASPE.

Canadian accounting standards for pension plans also require the Plan 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 benefits 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 benefits.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

2. Basis of presentation (continued):

(a) Basis of presentation (continued):

These financial statements have been prepared by management and present the information of the Plan as a separate financial reporting entity independent of the University and plan members. These financial statements meet the accounting requirements under Section 76 of the Regulations to the Pension Benefits Act (Ontario) since they have primarily been prepared for filing with the Financial Services Commission of Ontario.

These financial statements of the Plan do not purport to show the adequacy of the Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Plan's actuarial reports and information about the University's financial health.

(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 benefits.

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 members' accounts under the assumption that all interfund transfers of assets occurred at the month end following the request for transfer. All contributions from the University and the members are reflected in the year in which they are due. Transfers into the Plan are allocated to members' records effective the end of the month in which the transfer occurs.

(b) Financial assets and financial liabilities:

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 benefits when incurred.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

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 benefits 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 benefits as a net realized gain (loss) on sale of investments.

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

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

(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.

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.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

(c) Fair value measurement (continued):

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 benefits as part of the 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.

(d) Unit valuation:

Members of the Plan are issued units in the Master Trust based on the unit value at the end of the month in which a contribution was made. Investment income, net of agency fees, custodian fees and fund managers' fees, is credited to unit holders each month.

Plan 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 member. The redemption amount is paid in the following month and includes interest for the interim period.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

(e) Foreign exchange:

These financial statements are presented in Canadian dollars, which is the Plan'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 Plan is to sustain a certain level of net assets in order to meet the pension obligations of the University. The Plan 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 Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds contributed by the members and sponsor in accordance with the approved SIPP.

Although there are no regulatory requirements relating to the level of net assets and/or funding to be maintained by the Plan, the Plan is required to file financial statements with the Financial Services Commission of Ontario.

(g) Related party transactions:

Related party transactions with the University, in the form of employer contributions and 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.

(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 benefits during the year. Actual amounts could differ from these estimates.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

4. Investments and investment income:

(a) The following table provides details of the underlying investments held within the Master Trust, based on units held by individual members of the Plan:

| | 2011 | | 2010 | |
|-------------------------|---------------|---------------|---------------|---------------|
| | Cost | Market | Cost | Market |
| Short-term: | | | | |
| Money Market Fund | \$ 34,471,727 | \$ 34,473,994 | \$ 35,304,870 | \$ 35,331,428 |
| Balanced funds: | | | | |
| Balanced Income Fund | 15,896,317 | 18,977,514 | 15,659,932 | 18,576,262 |
| Balanced Growth Fund | 41,552,546 | 46,283,861 | 37,203,660 | 44,109,309 |
| Bonds: | | | | |
| Immunized Bond Fund | 3,980,215 | 4,426,765 | 4,519,816 | 4,614,833 |
| Target Date Fund 2012 | 4,493,163 | 5,314,722 | 7,915,820 | 9,082,404 |
| Target Date Fund 2014 | 7,497,404 | 8,448,718 | 6,451,326 | 7,003,236 |
| Target Date Fund 2016 | 5,165,178 | 5,689,236 | 3,627,897 | 3,720,274 |
| Diversified Bond Fund | 91,519,845 | 130,632,255 | 94,995,102 | 123,384,830 |
| Canadian Bond Fund | 8,974,921 | 12,453,474 | 9,153,613 | 11,828,761 |
| Long Term Bond Fund | 12,173,572 | 13,950,655 | 11,272,449 | 11,845,921 |
| Equities: | | | | |
| Diversified Equity Fund | 160,205,591 | 158,132,203 | 168,725,592 | 187,559,273 |
| Canadian Equity Fund | 35,853,098 | 33,910,252 | 37,947,978 | 40,813,531 |
| Socially Responsible | | | | |
| Investments | 1,618,820 | 1,702,130 | 1,427,936 | 1,573,730 |
| U.S. Equity Hedged | | | | |
| Fund | 8,796,978 | 9,590,666 | 7,581,984 | 8,592,059 |
| U.S. Equity Unhedged | | | | |
| Fund | 4,952,430 | 5,440,290 | 4,524,465 | 4,991,664 |
| Non-North American | | | | |
| Equity Fund | 11,639,841 | 8,295,667 | 13,434,743 | 11,220,233 |
| Liquidating Trust | 8,212,029 | 6,181,467 | 9,277,060 | 6,968,056 |
| | \$457,003,675 | \$503,903,869 | \$469,024,243 | \$531,215,804 |

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

4. Investments and investment income (continued):

(b) The underlying 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 |

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

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% | |

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

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% | |

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

4. Investments and investment income (continued):

- (d) The weighted average market yield rates for 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 |
|---------------------------|---------------------|----------------------|----------------------|------------------------|
| 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% |

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

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 Fund | 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 |

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PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

6. Contributions:

Contributions received by the Plan were as follows:

2011

| | Regular | Voluntary | Total |
|-----------------------------------|---------------|--------------|---------------|
| Members | \$ 6,267,081 | \$ 2,643,227 | \$ 8,910,308 |
| The University of Western Ontario | 15,418,021 | - | 15,418,021 |
| Other participating employers | 543,793 | - | 543,793 |
| | 15,961,814 | - | 15,961,814 |
| | \$ 22,228,895 | \$ 2,643,227 | \$ 24,872,122 |

2010

| | Regular | Voluntary | Total |
|-----------------------------------|---------------|--------------|---------------|
| Members | \$ 5,787,744 | \$ 2,474,575 | \$ 8,262,319 |
| The University of Western Ontario | 14,993,332 | - | 14,993,332 |
| Other participating employers | 531,510 | - | 531,510 |
| | 15,524,842 | - | 15,524,842 |
| | \$ 21,312,586 | \$ 2,474,575 | \$ 23,787,161 |

7. Benefit payments:

| | 2011 | 2010 |
|------------------------------|---------------|---------------|
| Retirement benefit payments | \$ 746,967 | \$ 818,263 |
| Termination benefit payments | 29,626,526 | 19,228,921 |
| Death benefit payments | 278,453 | 292,274 |
| | \$ 30,651,946 | \$ 20,339,458 |

8. 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.

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PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

9. Administrative costs recovered by the University:

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

- (i) For active employees of the University, the costs are paid by the University out of the corporate benefits budget.
- (ii) For employees of other participating employers and former employees of the University, certain costs are recovered by the University through bi-annual redemptions of investments from the individual members' accounts.

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

| | 2011 | 2010 |
|---|----------------|----------------|
| Administrative expenses incurred: | | |
| Salaries and benefits | \$ 500,698 | \$ 439,648 |
| Other professional fees | 263,855 | 266,542 |
| HST accrual on deemed services | 64,276 | 57,895 |
| Systems and software | 62,687 | 68,434 |
| Filing fees | 29,182 | 23,069 |
| Audit fees | 17,720 | 28,423 |
| Member communications and education | 13,105 | 4,484 |
| Office supplies and equipment | 6,681 | 11,927 |
| Professional development and membership | 6,175 | 3,686 |
| | <u>964,379</u> | <u>904,108</u> |
| Recoveries: | | |
| Paid by the University out of corporate benefits budget | 866,457 | 813,223 |
| Administrative costs recovered by the University | 97,922 | 90,885 |
| | <u>964,379</u> | <u>904,108</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

9 Administrative costs recovered by the University (continued):

Administrative costs were funded as follows:

| | 2011 | | 2010 |
|---|------------------|-----------|---------------|
| Fees from former employees | \$ 73,822 | \$ | 66,585 |
| Fees from other participating employers | 24,100 | | 24,300 |
| | <u>\$ 97,922</u> | <u>\$</u> | <u>90,885</u> |

As at December 31, 2011, administrative costs to be recovered by the University of \$50,111 (2010 - \$42,878) have been accrued but not yet paid.

10. Income taxes:

The Plan is governed by the Pension Benefits Act (Ontario). As a registered pension plan under the Income Tax Act, Canada, the Plan is not liable for any income taxes.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

11. General account:

This account represents the assets available to meet the ongoing pension liability of the University and any obligations resulting from the supplemental benefits payable to special members who are entitled to a minimum defined benefit guarantee. An allocation for expenses recoverable by the University as a result of contribution holidays is also made from the general account. The investment of assets in the general account is made at the discretion of the Pension Board. The investment allocation for 2011 and 2010 was 100% Immunized Bond Fund.

The actuarial present value of accrued pension benefits for members entitled to pension payments subject to a minimum defined benefit guarantee as at December 31, 2011 and 2010, and the principal components of changes in this value during the year were as follows:

| | 2011 | 2010 |
|--|--------------|--------------|
| Actuarial present value of accrued pension benefits, beginning of year | \$ 5,159,000 | \$ 5,058,000 |
| Accrued interest on benefits | 130,000 | 232,000 |
| Benefits and administrative expenses paid | (750,000) | (820,000) |
| Mortality experience and change in assumptions | 179,000 | 689,000 |
| Actuarial present value of accrued pension benefits, end of year | 4,718,000 | 5,159,000 |
| Approximate market value of general account, end of year | 4,555,000 | 4,902,000 |
| Deficit | \$ (163,000) | \$ (257,000) |

During the year, a transfer of \$25,824 from the cash account to the general account was made as part of the University's obligation to fund the funding deficit relating to the 2009 actuarial valuation.

The actuarial present value of accrued pension benefits as at December 31, 2011 is based on an actuarial valuation performed as at that date, by the Plan's actuary, Mercer (Canada) Limited. The next actuarial valuation of the Plan will be required as at a date not later than December 31, 2012. The valuation reflects the best estimate of assumptions and the expectation the Plan will continue on an ongoing basis. Significant assumptions are as follows:

| | 2011 | 2010 |
|--|--------|--------|
| Discount rate | 1.79 % | 2.55 % |
| Expected long-term rate of return on plan assets | 1.79 % | 2.55 % |
| Rate of compensation increase | 3.50 % | 3.50 % |

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PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

11. General account (continued):

Life expectancy of members is based upon the Uninsured Pensioner Mortality Table for 1994 projected to 2015.

A retirement option was made available to members in 1991 which allowed a member to elect to receive all or a portion of his or her pension in the form of an Excess Earnings Annuity under which the amount of monthly pension is increased each year to reflect mortality gains or losses in the Excess Earnings Annuity Account and the excess of:

- i) The rate of return earned by the Excess Earnings Annuity Account, over
- ii) A base rate per annum, the value of which shall be specified by the Pension Board at the pension start date.

As at December 31, 2011, the balance in the general account included approximately \$108,775 (2010 - \$135,862) for the payment of annuities under the Excess Earnings Option and these were invested in the ratio of 60/40 in the Target Date Funds and the Diversified Equity Funds. The Income Tax Act no longer permits pension plans to establish excess earnings annuities.

12. 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, and accrued expenses and benefits 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.

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

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PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
DRAFT Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

12. 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 Plan'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.

(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 Plan invests in financial instruments and enters into transactions denominated in U.S. dollars. Consequently, the Plan 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 Plan's assets or liabilities denominated in currencies other than Canadian dollars. The Plan's overall currency positions and exposures are monitored on a regular basis by the Administrator.

(iii) Interest rate:

A portion of the Plan's financial assets and liabilities are interest bearing and as a result, the Plan 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 Plan will not be able to meet its obligations as they fall due. The Plan maintains an investment policy, as approved by the Administrator, which contains asset mix guidelines which help to ensure the Plan is able to liquidate investments to meet its pension benefit or other obligations.