

DRAFT Financial Statements of

THE UNIVERSITY OF WESTERN ONTARIO
MASTER TRUST FOR THE PENSION PLANS FOR THE
ACADEMIC AND ADMINISTRATIVE STAFF AND THE
RETIREMENT INCOME FUND

Years ended December 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Academic Staff Pension Board and the Administrative Staff Pension Board of the University of Western Ontario

We have audited the accompanying financial statements of the University of Western Ontario Master Trust for the Pension Plans for the Academic and Administrative Staff and the 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 benefits and retirement income payments 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 Master Trust for the Pension Plans for the Academic and Administrative Staff and the Retirement Income Fund as at December 31, 2011 and December 31, 2010 and its changes in net assets available for benefits and retirement payments 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 Plans 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 Master Trust for the Pension Plans for the Academic and Administrative Staff and the Retirement Income Fund and the Financial Services Commission of Ontario, and should not be distributed to or used by parties other than the Administrator and the Financial Services Commission of Ontario.

Chartered Accountants, Licensed Public Accountants

May 22, 2012

London, Canada

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND

Statement of Net Assets

DRAFT

December 31, 2011 and December 31, 2010

	2011	2010
Assets		
Cash	\$ 6,837,847	\$ 7,692,395
Accrued income	346,008	281,947
Investments (note 4(a))	1,062,521,001	1,102,254,768
	<u>1,069,704,856</u>	<u>1,110,229,110</u>
Liabilities		
Accrued expenses	1,073,984	1,134,348
Benefits and retirement income payments payable	2,426,080	3,049,204
	<u>3,500,064</u>	<u>4,183,552</u>
Net assets available for benefits and retirement income payments	<u>\$1,066,204,792</u>	<u>\$1,106,045,558</u>

See accompanying notes to financial statements.

On behalf of the Joint Pension Board:

_____ Chair _____ Pension Board Secretariat

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE STAFF AND THE RETIREMENT INCOME FUND

Statement of Changes in Net Assets Available for Benefits and Retirement Income Payments

DRAFT

Years ended December 31, 2011 and 2010

	2011	2010
Investment income (loss) (note 4(b)):		
Investment income	\$ 8,683,707	\$ 8,815,838
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
Increase in net assets:		
Contributions (note 7)	44,377,578	42,554,224
Transfers in to plans and fund	1,992,385	1,107,255
	46,369,963	43,661,479
Decrease in net assets:		
Benefit payments (note 8)	(71,485,344)	(58,420,430)
Fund managers' fees (note 9)	(935,944)	(669,125)
Administrative costs recovered by the University (note 10)	(547,839)	(482,827)
Custodian fees	(536,123)	(590,761)
Agency fees	(113,000)	(110,855)
Transaction costs	(161,187)	(288,449)
	(73,779,437)	(60,562,447)
Net increase (decrease) for the year	\$ (39,840,766)	\$ 73,238,307
Allocation of net increase (decrease) for the year:		
Academic Staff Pension Plan	\$ (27,366,505)	\$ 30,328,059
Administrative Staff Pension Plan	(8,954,632)	29,222,081
Retirement Income Fund	(3,519,629)	13,688,167
	\$ (39,840,766)	\$ 73,238,307
Net assets available for benefits and retirement income payments, beginning of year:		
Academic Staff Pension Plan	\$ 532,455,961	\$ 502,127,902
Administrative Staff Pension Plan	373,028,890	343,806,808
Retirement Income Fund	200,560,707	186,872,540
	\$1,106,045,558	\$1,032,807,250
Net assets available for benefits and retirement income payments, end of year:		
Academic Staff Pension Plan	\$ 505,089,456	\$ 532,455,961
Administrative Staff Pension Plan	364,074,257	373,028,890
Retirement Income Fund	197,041,079	200,560,707
	\$1,066,204,792	\$1,106,045,558

See accompanying notes to financial statements.

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements

Years ended December 31, 2011 and 2010

1. Description of plan:

These financial statements of The University of Western Ontario Master Trust (the "Master Trust") present the combined activity for the Pension Plans for the Academic and Administrative Staff and the Retirement Income Fund (the "Plans" and "Fund", "UWO RIF" or "RIF" respectively). The following description of the Plans and Fund is a summary only. For more complete information, reference should be made to the plan agreements registered under the Income Tax Act, Canada, registration numbers 0358747, 0312710 and RIF 1220.

The Plans are primarily contributory defined contribution plans (some members have a defined benefit guarantee) for members of the Academic and Administrative staff of The University of Western Ontario (the "University") and other participating employers. The Plans are sponsored by the University and the legal plan Administrators are the Academic Staff Pension Board and the Administrative Staff Pension Board (the "Pension Boards"). The Fund is managed by the University. The Northern Trust Company, Canada ("Northern Trust") is the custodian of each of the funds and trustee to the RIF.

Under the terms of the pension plans, members, the University and other participating employers contribute to the Plans. 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 Plans, 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 Plans or on behalf of annuitants in the RIF. The assets related to these purchases are transferred at the time of purchase.

Certain members of the Plans are "special members" and as such are entitled to a minimum defined benefit guarantee. A special member of the Academic Pension Plan is a member who was an employee of the University and who attained age 45 on July 1, 1970. A special member of the Administrative Pension Plan is a member who has been continuously employed by the University since May 1, 1974. 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 Plans' designs changed to defined contribution. All special members of the Academic Pension Plan, 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

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

1. Description of plan (continued):

Contributions and transfers are invested by the members and annuitants, at their option, into units of the Master Trust. The investment policies of the Master Trust are determined jointly by the Academic and Administrative Staff 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.

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 with Canada Revenue Agency as Quasi-Mutual Fund Trusts.

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

1. Description of plan (continued):

The contributions or transfers of each member or annuitant are credited to an individual account in the members' or annuitants' 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 or annuitant on termination of employment or termination of the retirement income fund, or to the members' or annuitants' beneficiary on death.

Members or 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, subject to limitations imposed on special members and members of the RIF Program. 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 Boards.

2. Basis of presentation:

(a) Basis of presentation:

As permitted under Section 76 of the Regulation to the Pension Benefits Act (Ontario), the Master Trust 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 Master Trust 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 Master Trust 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 Master Trust has chosen to comply on a consistent basis with ASPE.

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

2. Basis of presentation (continued):

(a) Basis of presentation (continued):

Canadian accounting standards for pension plans also require the Master Trust 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.

These financial statements have been prepared by management and are primarily produced for filing with the Financial Services Commission of Ontario in connection with the requirements of the Plans. They present the information of the Master Trust as a separate financial reporting entity independent of the University and pension plan members and annuitants of the RIF.

These financial statements of the Master Trust 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.

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

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' and annuitants' 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. Any transfers from annuitants are reflected in the year in which they are due. Transfers into the pension plans and RIF are allocated to members' and annuitants' 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 and retirement income payments when incurred.

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 and 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 benefits and 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 benefits and retirement income payments payable are measured at amortized cost.

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND
Notes to Financial Statements (continued)

DRAFT

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

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND
Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

3. Significant accounting policies (continued):

(c) Fair value measurement (continued):

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 and retirement income payments 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 and annuitants are issued units 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.

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

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

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 Trust'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 Master Trust is to sustain a certain level of net assets in order to meet the pension obligations and retirement income payments of the University's Plans and Fund, which are not presented or discussed in these financial statements. The Master Trust fulfills its primary objective by adhering to specific investment policies outlined in the Statement of Investment Policies and Procedures (the "SIPP") for the Pension Plans for Members of the Academic and Administrative Staff, which is reviewed annually by the University. The Master Trust manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the approved SIPP. Increases in net assets is a direct result of investment income generated by investments held by the Master Trust and contributions into the Master Trust by eligible employees and by the University.

The main use of net assets is for benefits and retirement income payments to eligible members of the Master Trust's participating Plans and Fund. Although there are no regulatory requirements relating to the level of net assets and/or funding to be maintained by the Master Trust, the Master Trust does file financial statements with the Financial Services Commission of Ontario in connection with the requirements of the Plans.

(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.

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND
Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

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 benefits and retirement income payments during the year. Actual amounts could differ from these estimates.

4. Investments and investment income:

(a) The net assets of the Master Trust were invested as follows:

	2011		2010	
	Cost	Market	Cost	Market
Short-term:				
Money Market Fund	\$ 64,488,815	\$ 64,493,058	\$ 65,749,775	\$ 65,799,237
Balanced funds:				
Balanced Income Fund	27,455,685	32,777,444	25,962,932	30,797,979
Balanced Growth Fund	75,167,956	83,726,836	66,330,193	78,642,236
Bonds:				
Target Date Fund 2012	14,370,319	16,997,882	16,856,478	19,340,681
Target Date Fund 2014	19,668,891	22,164,593	16,879,443	18,323,478
Target Date Fund 2016	12,625,799	13,906,810	9,506,669	9,748,734
Diversified Bond Fund	151,998,334	216,957,154	158,376,840	205,708,495
Canadian Bond Fund	54,089,507	75,053,840	54,173,481	70,005,703
Long Term Bond Fund	30,914,693	35,427,581	24,820,615	26,083,331
Immunized Bond Fund -				
Admin	1,398,322	1,839,718	1,436,430	1,757,879
Academic	3,980,215	4,426,765	4,519,816	4,614,833
Equities:				
Diversified Equity Fund	369,144,986	364,367,460	380,872,253	423,386,411
Canadian Equity Fund	81,894,020	77,456,259	85,925,451	92,413,911
Socially Responsible				
Investments	2,861,066	3,008,306	2,375,695	2,618,257
U.S. Equity Hedged				
Fund	13,985,885	15,247,732	12,520,911	14,188,952
U.S. Equity Unhedged				
Fund	7,383,378	8,110,709	6,549,441	7,225,740
Non-North American				
Equity Fund	18,456,688	13,154,005	20,054,575	16,748,889
Liquidating Trust	17,808,233	13,404,849	19,770,874	14,850,022
	\$ 967,692,792	\$1,062,521,001	\$ 972,681,872	\$1,102,254,768

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

4. Investments and investment income (continued):

(b) The investment income of 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
	<u>\$ (12,431,292)</u>	<u>\$ 90,139,275</u>
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
	<u>\$ (12,431,292)</u>	<u>\$ 90,139,275</u>

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

4. Investments and investment income (continued):

(c) The maturity dates of 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	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

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

4. Investments and investment income (continued):

(c) (continued):

	2010						Total	Total
	One year or less	One to five years	Five to ten years	More than ten years	No maturity date	\$	%	
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

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

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 %

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

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 in 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

6. Income taxes:

The Master Trust is governed by the Income Tax Act, Canada. The Plans are registered pension plans and the Fund is a group RIF under the Income Tax Act, Canada, and are not liable for any income taxes. Some of the investment accounts have been registered as Quasi-Mutual Fund Trusts and are subject to income tax on income within the trusts but the net income and net capital gains from these trusts have been distributed to the pension plans and the RIF prior to the end of the year.

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

7. Contributions:

Contributions received by the Plans were as follows:

2011

	Regular	Voluntary	Total
Members	\$ 10,646,042	\$ 4,609,267	\$ 15,255,309
The University of Western Ontario	28,194,115	-	28,194,115
Other participating employers	928,154	-	928,154
	29,122,269	-	29,122,269
	\$ 39,768,311	\$ 4,609,267	\$ 44,377,578

2010

	Regular	Voluntary	Total
Members	\$ 10,013,305	\$ 4,343,638	\$ 14,356,943
The University of Western Ontario	27,299,444	-	27,299,444
Other participating employers	897,837	-	897,837
	28,197,281	-	28,197,281
	\$ 38,210,586	\$ 4,343,638	\$ 42,554,224

8. Benefit payments:

	2011	2010
Retirement benefit payments	\$ 15,335,567	\$ 14,963,714
Termination benefit payments	54,197,980	41,828,202
Death benefit payments	1,951,797	1,628,514
	\$ 71,485,344	\$ 58,420,430

9. 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.

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE STAFF AND THE RETIREMENT INCOME FUND

Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

10. Administrative costs recovered by the University:

Non-investment administrative expenses for participants of the Plans and annuitants of the RIF Program are incurred by the University, a related party, on behalf of the members and annuitants 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.
- (iii) For annuitants of the RIF, a portion of the costs are recovered through monthly redemptions of investments from the individual annuitants' accounts.

The following summarizes the total non-investment administrative expenses incurred by the University for the Master Trust and the recoveries of those costs:

	2011	2010
Administrative expenses incurred:		
Salaries and benefits	\$ 981,760	\$ 933,718
Other professional fees	517,363	522,631
HST accrual on deemed services	126,030	113,520
Systems and software	122,917	134,184
Filing fees	48,636	38,448
Audit fees	34,746	55,732
Member communications and education	21,842	7,473
Office supplies and equipment	13,099	23,387
Professional development and membership	12,108	7,227
	<u>1,878,501</u>	<u>1,836,320</u>
Recoveries:		
Paid by the University out of corporate benefits budget	1,330,662	1,353,493
Administrative costs recovered by the University	547,839	482,827
	<u>1,878,501</u>	<u>1,836,320</u>
	<u>\$ -</u>	<u>\$ -</u>

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND
Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

10. Administrative costs recovered by the University (continued):

Administrative costs were funded as follows:

	2011	2010
Fees from former employees	\$ 193,505	\$ 176,570
Fees from other participating employers	55,500	53,800
Fees from RIF annuitants	298,834	252,457
	<u>\$ 547,839</u>	<u>\$ 482,827</u>

As at December 31, 2011, administrative costs to be recovered by the University of \$428,069 (2010 - \$363,357) have been accrued but not yet paid.

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 benefits 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 changes in 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.

THE UNIVERSITY OF WESTERN ONTARIO

MASTER TRUST FOR THE PENSION PLANS FOR THE ACADEMIC AND ADMINISTRATIVE
STAFF AND THE RETIREMENT INCOME FUND
Notes to Financial Statements (continued)

DRAFT

Years ended December 31, 2011 and 2010

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

(iii) Interest rate risk:

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