June 2010 DRAFT

The University of Western Ontario Pension Plan for Members of the Academic Staff

Report on the Actuarial Valuation for Funding Purposes as at December 31, 2009

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Financial Services Commission of Ontario Registration Number: 0358747
Canada Revenue Agency Registration Number: 0358747

Consulting. Outsourcing. Investments.

DRAFT

Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction or by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future.

If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date.

To prepare this report, actuarial assumptions are used to model the results for a single scenario from a range of possibilities. The results of that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. Actuarial assumptions may also be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future and other factors.

Furthermore, should the plan be wound up, the going-concern funded status and solvency financial position, if different from the wind-up financial position, become irrelevant. The hypothetical wind-up financial position estimates the financial position of the plan assuming it is wound-up on the valuation date. Emerging experience, including the growth of wind-up liabilities compared to the plan's assets (including future contributions and investment returns), will affect the wind-up funded position of the plan assuming it is wound-up in the future. In fact, even if the plan were wound-up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Because actual plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit-related issues should be made only after careful consideration of alternative future financial conditions and scenarios, and not solely on the basis of a valuation report or reports.

DRAFT

Contents

1

Introduction

To The University of Western Ontario Academic Staff Pension Board

At the request of The University of Western Ontario, we have conducted an actuarial valuation of The University of Western Ontario Pension Plan for Members of the Academic Staff (the "Plan"), sponsored by The University of Western Ontario (the "Employer"), as at the valuation date, December 31, 2009. We are pleased to present the results of the valuation.

Purpose

The purpose of this valuation is to determine:

- the funded status of the Plan as at December 31, 2009 on going-concern, hypothetical wind-up and solvency bases,
- the minimum required funding contributions from 2010, in accordance with the *Pension Benefits Act (Ontario)* and the Employer's elections in regards to determining the solvency funding requirements; and
- the maximum permissible funding contributions from 2010, in accordance with the *Income Tax Act*.

As the plan is primarily a defined contribution plan, the only liability requiring an actuarial valuation is the liability for lifetime pensions paid directly from the Plan for retired Special Members. This liability is currently funded through a separate account ("General Account") which is earmarked to provide for the payment of these pensions. As such, the primary purpose of this report is to outline the minimum funding requirements and the funded status of the pensioner liability as it relates to the General Account.

The information contained in this report was prepared for the internal use of the Plan's pension board and for filing with the Financial Services Commission of Ontario and with the Canada Revenue Agency, in connection with our actuarial valuation of the Plan. This report will be filed with the Financial Services Commission of Ontario and with the Canada Revenue Agency. This report is not intended or suitable for any other purpose.

The next actuarial valuation of the Plan will be required as at a date not later than December 31, 2012, or as at the date of an earlier amendment to the Plan.

Events Since the Last Valuation

Pension Plan

There have been no special events since the last valuation date.

This valuation reflects the provisions of the Plan as at December 31, 2009. The Plan has not been amended since the date of the previous valuation. A summary of the Plan provisions is provided in Appendix F.

Assumptions

We have used the same going concern valuation assumptions and methods as were used for the previous valuation as of December 31, 2006, except for the going-concern discount rate which has decreased from 5.75% to 5.50% for retired members whose pension are subject to excess interest indexing adjustments and to 2.67% for all other retired members.

The hypothetical wind-up and solvency assumptions have been updated to reflect market conditions at the valuation date.

A summary of the going concern, and hypothetical wind-up and solvency assumptions are provided in Appendices C and D, respectively.

Regulatory Environment and Actuarial Standards

There have been no changes to the Pension Benefits Act (Ontario) (the "Act") and Regulations which impact the funding of the Plan

A new Canadian Institute of Actuaries Standard of Practice for determining pension commuted values ("CIA Standard") became effective April 1, 2009. The new CIA Standard changed the assumptions to be used to value the solvency and wind-up liabilities for benefits assumed to be settled through a lump sum transfer and for other benefits for which this basis has been used as a proxy to the cost of purchasing annuities. The financial impact of the new CIA Standard has been reflected in this actuarial valuation.

Subsequent Events

Since the valuation date, the Plan's pension board has undertaken a review of the Plan's investment policy. Effective July 1, 2010, the Plan's investment policy will be modified such that General Account assets not related to the benefits of pensioners whose pensions are indexed under an "excess interest" approach will be 100% invested in a bond strategy to better match the sensitivity of the Plan's liabilities to changes in long term interest rates. General Account assets related to the benefits of "excess Interest" indexed pensions will continue to be invested in accordance with the investment policy under a conservative balanced approach. The impact of this change to investment policy is reflected in the going-concern valuation of the Plan at December 31, 2009.

After checking with representatives of the Employer, to the best of our knowledge there have been no other events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuation.

Impact of Case Law

This report has been prepared on the assumption that all of the assets in the pension fund are available to meet all of the claims on the pension Plan. We are not in a position to assess the impact that the Ontario Court of Appeal's decision in *Aegon Canada Inc. and Transamerica Life Canada versus ING Canada Inc.* or similar decisions in other jurisdictions might have on the validity of this assumption.

We have assumed that all plan assets are available to cover the plan liabilities presented in this report.

2

Defined Contribution Component of the Plan

The Plan is made up of defined contribution ("DC") and defined benefit ("DB") components, although the Plan is now primarily a DC Plan. The DC component is considered in this Section while Sections 3 to 5 and 7 relate only to the DB component of the Plan, except where required by law.

Based on the audited financial statements prepared for the Plan, the market value of the plan's assets in respect of the DC component of the plan amount to $496,439,900 as at December 31, 2009.

Current Service Cost

The estimated members' DC required contributions and employer DC current service cost for the 2010 year are as follows:

	UWO	Brescia University College	Huron University College	Total
Total current service cost	$19,966,300	$331,200	$678,000	$20,975,500
Estimated members' required contributions	($5,210,800)	($149,900)	($336,600)	($5,697,300)
Estimated employer's current service cost	$14,755,500	$181,300	$341,400	$15,278,200
Employer's current service cost expressed as a percentage of members' pensionable earnings	8.5%	6.0%	7.0%	

For reference, the Plan terms are summarised in Appendix F.

3

Valuation Results – Going Concern

Financial Status

A going concern valuation compares the relationship between the value of Plan assets and the present value of expected future benefit cash flows in respect of accrued service, assuming the Plan will be maintained indefinitely.

The results of the current valuation, compared with those from the previous valuation, are summarized as follows (in $1,000's):

	31.12.09	31.12.06
Assets		
Market value of assets	$502,148	$551,979
Pension payments in transit	($99)	$0
Total assets	$502,049	$551,979
Funding target		
▪ active members	$0	$0
▪ pensioners and survivors	$5,766	$6,546
Member contribution accounts	$496,440	$543,361
Total	$502,206	$549,907
Funding excess (shortfall)	($157)	$2,072

Reconciliation of Financial Status (in $1,000's)

Funding excess (shortfall) as at previous valuation		$2,072
Interest on funding excess (funding shortfall) at 5.75% per year		$378
Employer's special payments, with interest		$0
Employer's contributions drawn from previous funding excess with interest		$0
Expected funding excess (funding shortfall)		$2,450
Net experience gains (losses)		
▪ Net investment return	($1,626)	
▪ Indexation	($21)	
▪ Mortality	($107)	
▪ In transit pension payments	($99)	
Total experience gains (losses)		($1,853)
Impact of changes in assumptions and methods		($753)
Net impact of other elements of gains and losses		($1)
Funding excess (shortfall) as at current valuation		($157)

Current Service Cost

The current service cost is an estimate of the present value of the additional expected future benefit cash flows in respect of pensionable service that will accrue after the valuation date, assuming the Plan will be maintained indefinitely.

As all members of the Plan who are entitled to benefits under the DB component of the Plan are retired, there is no current service cost associated with the DB component.

4

Valuation Results - Hypothetical Wind-up

Financial Position

When conducting a wind-up valuation, we determine the relationship between the respective values of the Plan's assets and its liabilities assuming the Plan is wound up and settled on the valuation date, assuming benefits are settled in accordance with the Act and under circumstances producing the maximum wind-up liabilities on the valuation date.

The hypothetical wind-up financial position as of the valuation date, compared with that at the previous valuation, is as follows (in $1,000's):

	31.12.09	31.12.06
Assets		
Market value of assets	$502,148	$551,979
Pension payments in transit	($99)	$0
Termination expense provision	($50)	($50)
Wind-up assets	$501,999	$551,929
Present value of accrued benefits for:		
▪ active members	$0	$0
▪ pensioners and survivors	$5,388	$7,095
Member contribution accounts	$496,440	$543,361
Total wind-up liability	$501,828	$550,456
Wind-up excess (shortfall)	$171	$1,473

DRAFT

Impact of Plan Wind-up

In our opinion, the value of the Plan's assets would be greater than its actuarial liabilities if the Plan were to be wound up on the valuation date.

Valuation Results – Solvency

Overview

The Act also requires the financial position of the Plan to be determined on a solvency basis. The financial position on this basis is determined in a similar manner to the Hypothetical Wind-up Basis, except for the following:

Exceptions	Reflected in valuation based on the Employer's directions
The circumstance under which the Plan is assumed to be wound-up could differ for the solvency and hypothetical wind-up valuations.	Same circumstances were assumed for the solvency valuation as were assumed for the hypothetical wind-up.
Certain benefits can be excluded from the solvency financial position. These include: (a) any escalated adjustment (e.g. indexing), (b) certain plant closure benefits, (c) certain permanent layoff benefits, (d) special allowances other than funded special allowances, (e) consent benefits other than funded consent benefits, (f) prospective benefit increases, (g) potential early retirement window benefit values, and (h) pension benefits and ancillary benefits payable under a qualifying annuity contract.	No benefits were excluded from the solvency liabilities shown in this valuation.
The financial position on the solvency basis needs to be adjusted for any Prior Year Credit Balance.	Not applicable.
The solvency financial position can be determined by smoothing assets and the solvency discount rate over a period of up to 5 years.	Smoothing was not used.
The benefit rate increases coming into effect after the valuation date can be reflected in the solvency valuation.	Not applicable.
The termination expense provision could differ between the solvency and wind up valuation.	The termination expense provision is $45,000, which is different from the assumption used for hypothetical wind-up.

Financial Position

The financial position on a solvency basis, compared with the corresponding figures from the previous valuation, is as follows (in $1,000's):

	31.12.09	31.12.06
Assets		
Market value of assets	$502,148	$551,979
Pension payments in transit	($99)	$0
Termination expense provision	($45)	($45)
Wind-up assets	$502,004	$551,934
Present value of accrued benefits for:		
▪ active members	$0	$0
▪ pensioners and survivors	$5,388	$7,095
Member contribution accounts	$496,440	$543,361
Total wind-up liability	$501,828	$550,456
Wind-up excess (shortfall)	$176	$1,478
Transfer Ratio	100%	100%

5

Minimum Funding Requirements

The Act prescribes the minimum contributions that the University of Western Ontario must make to the Plan. The minimum contributions in respect of a defined benefit component of a pension plan are comprised of going-concern current service cost ($0 in the case of this Plan) and special payments to fund any going-concern or solvency shortfalls. The minimum contributions in respect of a defined contribution component of a pension plan are comprised of the current service cost determined according to the plan's rates.

On the basis of the assumptions and methods described in this report, an estimate of the annual employer contributions (payable monthly), from the valuation date until the next required valuation are as follows:

University of Western Ontario

Year Ending	Current Service Cost[1]	Minimum Special Payments	Minimum Employer's Contribution
Dec. 31, 2010	$14,755,500	$12,900	$14,768,400
Dec. 31, 2011	$15,345,700	$12,900	$15,358,600
Dec. 31, 2012	$15,959,500	$12,900	$15,972,400

Brescia University College

Year Ending	Current Service Cost[1]	Minimum Special Payments	Minimum Employer's Contribution
Dec. 31, 2010	$181,300	$0	$181,300
Dec. 31, 2011	$188,600	$0	$188,600
Dec. 31, 2012	$196,100	$0	$196,100

Huron University College

Year Ending	Current Service Cost[1]	Minimum Special Payments	Minimum Employer's Contribution
Dec. 31, 2010	$341,400	$0	$341,400
Dec. 31, 2011	$355,100	$0	$355,100
Dec. 31, 2012	$369,300	$0	$369,300

The estimated contribution amounts above are based on projected members' pensionable earnings. Therefore the actual employer's current service cost will be different from the above estimates and, as such, the contribution requirements should be monitored closely to ensure contributions are made in accordance with the Act.

The development of the minimum special payments is summarized in Appendix A.

[1] Related only to the DC component of the Plan.

Other Considerations

Differences Between Valuation Basis

There is no provision in the minimum funding requirements to fund the difference between the wind-up and solvency shortfalls, if any.

In addition, although minimum funding requirements do include a requirement to fund the going-concern current service cost, there is no requirement to fund the expected growth in the wind-up or solvency liability after the valuation date, which could be greater than the going concern current service cost.

Timing of Contributions

Funding contributions are due on monthly basis. Contributions for current service cost must be made within 30 days following the month to which they apply. Special payment contributions must be made in the month to which they apply.

Retroactive Contributions

The Employer must contribute the excess, if any, of the minimum contribution recommended in this report over contributions actually made in respect of the period following the valuation date. This contribution, along with an allowance for interest, is due no later than 60 days following the date this report is filed.

Payment of Benefits

The Act imposes certain restrictions on the payment of lump sums from the Plan when the transfer ratio revealed in an actuarial valuation is less than one. If the transfer ratio shown in this report is less than one, the plan administrator should ensure that the monthly special payments are sufficient to meet the requirements of the Act to allow for the full payment of benefits, and otherwise should take the prescribed actions.

Additional restrictions are imposed when:

- The transfer ratio revealed in the most recently filed actuarial valuation is less than one and the administrator knows or ‘ought to know’ that the transfer ratio of the Plan has declined by 10% or more since the date the last valuation was filed.

- The transfer ratio revealed in the most recently filed actuarial valuation is greater than or equal to one and the administrator knows or ‘ought to know’ that the transfer ratio of the Plan has declined to less than 0.9 since the date the last valuation was filed.

As such, the administrator should monitor the transfer ratio of the Plan and, if necessary, take the prescribed actions.

DRAFT

Contributions to the DC Component

In addition to any contribution requirements in respect of the DB component of the Plan, and notwithstanding any prohibition to fund the DB component of the Plan, contributions to the individual member DC accounts should be made in accordance with the Plan terms.

If the DB component of the Plan is fully funded on both going-concern and solvency bases then, subject to the Act, the Plan terms and any collective or employment agreement, it may be possible for the Employer to apply DB assets in satisfaction of its contribution requirements for the DC component of the Plan.

6

Maximum Eligible Contributions

The *Income Tax Act* (the “ITA”) limits the amount of employer contributions that can be remitted to the defined benefit component of a registered pension plan.

In accordance with Section 147.2 of the ITA and *Income Tax Regulation* 8516, for a plan which is underfunded on either a going-concern or on a wind-up basis the maximum permitted contributions are equal to the employer’s current service cost, including the explicit expense allowance if applicable, plus the greater of the going concern funding shortfall and wind-up shortfall.

For a plan which is fully funded on both going-concern and wind-up bases, the employer can remit a contribution equal to the employer’s DB current service cost, including the explicit expense allowance if applicable, as long as the surplus in the plan does not exceed a prescribed threshold. Specifically, in accordance with Section 147.2 of the ITA, for a plan which is fully funded on both going-concern and wind-up bases, the plan may not retain its registered status if the employer makes a DB contribution while the going-concern funding excess exceeds 25% of the going-concern funding target (i.e. 25% of $5,766,000, or $1,441,500).

Schedule of Maximum Contributions

The Employer is permitted to fully fund the greater of the going-concern and wind-up shortfalls; $157,000, as well as make current service cost contributions. The portion of this contribution representing the payment of the going-concern funding shortfall can be increased with interest at 2.93% per year from the valuation date to the date the payment is made, and must be reduced by the amount of any deficit funding made from the valuation date to the date the payment is made.

We have estimated the maximum eligible annual contributions in 2010 related specifically to the DB component of the Plan are $157,000 as at December 31, 2009.

DRAFT

The employer's current service cost related to the Plan's DC component was estimated based on projected members' pensionable earnings. The actual employer's current service cost will be different from these estimates and, as such, the contribution requirements should be monitored closely to ensure compliance with the ITA.

7

Actuarial Opinion

In our opinion, for the purposes of this valuation,

- the data on which the valuation is based are sufficient and reliable,
- all assumptions were independently reasonable at the time the valuation was prepared and are, in aggregate, appropriate, and
- the methods employed in the valuation are appropriate.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada. It has also been prepared in accordance with the funding and solvency standards set by the Pension Benefits Act (Ontario).

Michael Labute FSA, FCIA	Emelie Rahilly FSA, FCIA
Date	Date

Appendix A

Prescribed Disclosure

Definitions

The Act defines a number of terms as follows (in $1,000's):

Defined Term	Description	Result
Transfer Ratio	The ratio of solvency assets to the sum of the solvency liabilities and liabilities for benefits, other than benefits payable under qualifying annuity contracts that were excluded in calculating the solvency liabilities.	1.00
Prior Year Credit Balance	Accumulated excess of contributions made to the pension plan in excess of the minimum required contributions (note: only applies if the Employer chooses to treat the excess contributions as a Prior Year Credit Balance).	N/A
Solvency Assets	Market value of assets including accrued or receivable income and excluding the value of any qualifying annuity contracts.	$502,004*
Solvency Asset Adjustment	The sum of:	
	(a) the difference between smoothed value of assets and the market value of assets;	$0
	(b) the present value of any going concern special payments (including those identified in this report) within 5 years following the valuation date;	$0
	(c) the present value of any previously scheduled solvency special payments (excluding those identified in this report)	$0
		$0
	*inclusive of in transit pension payments and termination expenses.	

Defined Term	Description	Result
Solvency Deficiency	The amount by which the sum of:	
	(a) the solvency liabilities	$501,828
	(b) the solvency liability adjustment	$0
	(c) the prior year credit balance	$0
		$501,828
	Exceed the sum of	
	(d) the solvency assets	$502,004
	(e) solvency asset adjustment	$0
		$502,004
		($176)
Solvency Liabilities	Liabilities determined as if the Plan had been wound up on the valuation date, including liabilities for plant closure benefits or permanent layoff benefits that would be immediately payable if the employer's business were discontinued on the valuation date of the report, but excluding liabilities for, (a) any escalated adjustment, (b) excluded plant closure benefits, (c) excluded permanent layoff benefits, (d) special allowances other than funded special allowances, (e) consent benefits other than funded consent benefits, (f) prospective benefit increases, (g) potential early retirement window benefit values, and (h) pension benefits and ancillary benefits payable under a qualifying annuity contract.	$501,828
Solvency Liability Adjustment	The amount by which solvency liabilities are adjusted as a result of using a solvency valuation interest rate that is the average of market interest rates calculated over the period of time used in the determination of the smoothed value of assets.	$0

Timing of Next Required Valuation

In accordance with the *Act* the next valuation of the Plan would be required at an effective date within one year of the current valuation date if:

- The ratio of solvency assets to solvency liabilities is less than 80%; or
- The ratio of solvency assets to solvency liabilities is less than 90% and solvency liabilities exceed solvency assets by $5 million or more.

Otherwise, the next valuation of the Plan would be required at an effective date no later than three years after the current valuation date.

Accordingly, the next valuation of the Plan will be required as of December 31, 2012.

Special Payments

Based on the results of this valuation, the Plan is not fully funded. In accordance with the Act, any going-concern deficits must be amortized over a period not exceeding 15 years and any solvency deficits must be amortized over a period not exceeding 5 years.

As such, special payments must be made as follows:

				Present Value	
Type of payment	Start date	End date	Monthly Special Payment	Going Concern Basis[2]	Solvency Basis[3]
Going-concern	12.31.2009	12.31.2024	$1,076	$157,000	$58,000
Total			$1,076	$157,000	$58,000

[2] Calculation only considers going concern special payments and is based on a going-concern discount rate.

[3] Calculation considers both solvency and going concern special payments (five years only) and is based on the average solvency discount rate.

DRAFT

Pension Benefit Guarantee Fund (PBGF) Assessment

The PBGF assessment base and liabilities are derived as follows:

PBGF liabilities	$5,388,000	(a)
Total solvency liabilities	$5,388,000	(b)
Ontario asset ratio	100%	(c) = (a) ÷ (b)
Market value of assets	$5,609,000	(d)
Ontario portion of the fund	$5,609,000	(e) = (c) x (d)
PBGF assessment base	$0	(f) = (a) - (e)

The PBGF assessment is calculated as follows:

$1 for each Ontario member	$40
PLUS	
0.5% of PBGF assessment base up to 10% of PBGF liabilities	$0
PLUS	
1.0% of PBGF assessment base between 10% and 20% of PBGF liabilities	$0
PLUS	
1.5% of PBGF assessment base over 20% of PBGF liabilities	$0
PLUS	
2.0% of special PBGF assessment base	$0
PBGF assessment (before taking into account the maximum)	$40
Maximum PBGF assessment ($100 for each Ontario member)	$4,000
PBGF assessment (after taking into the maximum)	$40

Appendix B

Plan Assets

The pension fund in respect of the DB component of the Plan is referred to as the General Account and is held in trust by Northern Trust Company. In preparing this report, we have relied upon the auditors' reports signed by KPMG LLP. We have also relied on internal statements prepared by the University of Western Ontario with respect to activities under the General Account.

Reconciliation of Market Value of Plan Assets

The pension fund transactions of the General Account since the last valuation are summarized in the following table (in $1,000s):

	2007	2008	2009
January 1	$8,618	$7,813	$5,680
PLUS			
Investment income	$145	($1,273)	$835
LESS			
Pensions paid	$950	$860	$807
December 31	$7,813	$5,680	$5,708
Rate of return[4]	1.78%	(17.25%)	15.82%

[4] Assuming mid-period cash flows.

The market value of assets shown in the above table is adjusted to reflect in-transit amounts as follows:

	Current valuation	Previous valuation
Market value of invested assets	$5,708	$8,618
In-transit amounts		
▪ Members' contributions	$0	$0
▪ Employer's contributions	$0	$0
▪ Expenses	($0)	($0)
▪ Benefit payments	($99)	($0)
Market value of assets adjusted for in-transit amounts	$5,609	$8,618

We have tested the pensions paid for consistency with the membership data for the Plan members who have received benefits. The results of these tests were satisfactory.

Investment Policy

The Plan administrator adopted a statement of investment policies and procedures. This policy is intended to provide guidelines for the manager(s) as to the level of risk which is commensurate with the Plan's investment objectives. A significant component of this investment policy is the asset mix.

As of the valuation date, the target asset mix of the General Account is 40% Equities and 60% Fixed Income investments. As noted earlier in this report, the investment policy related to the Plan's General Account will be modified effective July 1, 2010. The portion of the General Account related to the pensions of retired members whose pensions are indexed under the "excess interest" approach will continue to be invested in line with the above target asset mix. The remainder of the General Account assets will be invested in a portfolio of government bonds constructed by one of the Plan's investment managers whose face value at maturity matches the expected pension payments.

Appendix C

Methods and Assumptions – Going-concern

Valuation of Assets

For this valuation, we have used the market value of assets.

Valuation of Funding Target

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going-concern valuation, we have continued to use the unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date. This is referred to as the funding target.

The funding excess or funding shortfall, as the case may be, is the difference between the market or smoothed value of assets and the funding target. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to meet the plan's cash flow requirements.

As required under the Act, a funding shortfall will be amortized over no more than 15 years through special payments. A funding excess may, from an actuarial standpoint, be applied immediately to reduce required employer current service contributions unless precluded by the terms of the plan or by legislation.

The actuarial funding method used for the purposes of this valuation produces a reasonable matching of contributions with accruing benefits. Because benefits are recognized as they accrue, the actuarial funding method provides an effective funding target for a plan that is maintained indefinitely.

Current Service Cost

The current service cost is the present value of projected benefits to be paid under the plan with respect to service expected to accrue during the period until the next valuation.

The employer's current service cost is the total current service cost reduced by the members' required contributions.

As all members of the Plan with an entitlement to a pension under the Plan's DB component are retired, there is no current service cost associated with the Plan's DB component. The current service cost associated with the Plan's DC component is defined by the Plan provisions.

Actuarial Assumptions – Going-concern Basis

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation in comparison with those used in the previous valuation.

Assumption	Current valuation	Previous valuation
Discount rate:	Pensioners with "excess interest" pensions: 5.50% All other pensioners: 2.67%	5.75%
Inflation:	2.70%	2.40%
ITA limit / YMPE increases:	N/A	N/A
Pensionable earnings increases[5]:	4.00%	4.00%
Mortality rates:	100% of the rates of the 1994 Uninsured Pensioner Mortality Table	100% of the rates of the 1994 Uninsured Pensioner Mortality Table
Mortality improvements:	Fully generational using Scale AA	Fully generational using Scale AA

[5] Only used to estimate future DC contributions to the Plan.

Rationale for Assumptions

A rationale for each of the assumptions used in the current valuation is provided below.

Discount Rate

We have discounted the expected benefit payment cash flows using the expected investment return on the market value of the fund. Other bases for discounting the expected benefit payment cash flows may be appropriate, particularly for purposes other than those specifically identified in this valuation report.

The discount rate is comprised of the following:

- Estimated returns for each major asset class consistent with market conditions on the valuation date and the target asset mix specified in the Plan's investment policy
- Additional returns assumed to be achievable due to active equity management
- Implicit provision for expenses determined as the rate of investment expenses paid from the fund over the last year.
- A margin for adverse deviations, based on the proportion of the Plan assets invested in equities and the excess return expected on equities, over government bond yields.

The discount rates were developed as follows:

	Used to value pensions for:	
	Pensioners with "excess interest" pensions	All other pensioners
Assumed investment return	6.22%	2.96%
Active management	0.20%	0.00%
Implicit expense provision	(0.09%)	(0.04%)
Margin	(0.83%)	(0.25%)
Net discount rate	5.50%	2.67%

Explicit Expenses

The assumed investment return reflects an implicit provision for investment expenses. Administrative expenses are assumed to be paid directly by the University.

Inflation

The inflation assumption is based on market expectations of long-term inflation implied by the yields on nominal and real return bonds at the valuation date.

Excess Earnings Annuities

For the two pensioners receiving pensions that are indexed under an "excess interest" approach, pensions in payment are increased if the investment return for the year on the assets of the General Account in respect of such members exceeds 6.0%.

For this valuation we have assumed that portion of the General Account will earn an annual return of 5.50%. Consequently, pensions in payments for these two pensioners are not assumed to increase in the future.

Mortality rates

Due to the size of the Plan membership who are entitled to benefits under the Plan's DB component, there is no meaningful mortality experience but there is no reason to expect the mortality to differ from the 1994 Uninsured Pensioners mortality table. Furthermore, there is strong evidence of continuing improvement in mortality since 1994 and it has become an industry standard to assume this trend continues into the future.

We have assumed mortality after retirement in accordance with the 1994 Uninsured Pensioner Mortality table, with generational mortality improvements. Based on the assumption used, the life expectancy of a member age 65 at the valuation date is 19.5 years for males and 22.0 years for females.

Appendix D

Methods and Assumptions – Hypothetical Wind-up and Solvency

Hypothetical Wind-up Basis

The Canadian Institute of Actuaries requires actuaries to report the financial position of a pension plan on the assumption that the plan is wound-up on the effective date of the valuation. For the purposes of the hypothetical wind-up valuation, the Plan wind-up is assumed to occur in circumstances that maximize the actuarial liability.

To determine the actuarial liability on the hypothetical wind-up basis, we have valued those benefits that would have been paid had the Plan been wound up on the valuation date, including benefits that would be immediately payable if the Employer's business were discontinued on the valuation date, with all members fully vested in their accrued benefits.

The circumstances in which the Plan wind-up is assumed to have taken place is the University makes a decision to discontinue the current pension plan. No benefits payable on Plan wind-up were excluded from our calculations.

Upon Plan wind-up members are given options for the method of settling their benefit entitlements. The options vary by eligibility and by province of employment, but in general, involve either a lump sum transfer or an immediate or deferred pension.

The value of benefits assumed to be settled through a lump sum transfer are based on the assumptions described in Section 3800 – *Pension Commuted Values* of the Canadian Institute of Actuaries Standards of Practice applicable for December 31, 2009 for benefits expected to be settled through transfer in accordance with relevant portability requirements.

The value of benefits provided as an immediate or deferred pension are assumed to be settled through the purchase of annuities based on an estimate of the cost of purchasing annuities.

We have estimated the cost of settlement through purchase of annuities in accordance with the *Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2009 and December 30, 2010.*

We have not included a provision for adverse deviation in the solvency and wind-up valuations.

The assumptions and other methods and considerations described below are relevant only to the DB component of the Plan and are as follows:

Form of benefit settlement elected by member	
Lump sum	Not applicable
Annuity purchase	All retired members benefits are assumed to be settled through the purchase of an immediate pension
Basis for benefits assumed to be settled through a lump sum	
Mortality rates:	Not applicable
Interest rate:	Not applicable
Basis for benefits assumed to be settled through the purchase of an annuity	
Mortality rates:	UP94 projected to 2020
Interest rate:	4.49% per year
Other assumptions	
Termination expenses:	$50,000

To determine the wind-up position of the Plan, a provision has been made for estimated termination expenses payable from the Plan's assets in respect of actuarial and administration expenses that may reasonably be expected to be incurred in terminating the Plan and to be charged to the Plan.

In addition, termination expenses also include a provision for transaction fees related to the liquidation of the Plan's assets and for the reduction in the value of the Plan's equity assets resulting from their liquidation. Such fees and liquidation impact are difficult to assess and will vary depending on the nature of the assets held and market conditions at the time assets are liquidated.

Because the settlement of all benefits on wind-up is assumed to occur on the valuation date and is assumed to be uncontested, the provision for termination expenses does not include custodial, investment management, auditing, consulting and legal expenses that would be incurred between the wind-up date and the settlement date or due to the terms of a wind-up being contested. Expenses associated with the distribution of any surplus assets that might arise on an actual wind-up are also not included in the estimated termination expense provisions.

In determining the provision for termination expenses payable from the Plan's assets, we have assumed that the plan sponsor would be solvent on the wind-up date. We have also assumed, without analysis, that the Plan's terms as well as applicable legislation and court decisions would permit the relevant expenses to be paid from the Plan.

Actual fees incurred on an actual Plan wind-up may differ materially from the estimates disclosed in this report.

Solvency Basis

In determining the financial position of the Plan on a solvency basis, we have assumed termination expenses of $45,000

The solvency position is determined in accordance with the requirements of the Act.

Appendix E

Membership Data

Analysis of Membership Data

The actuarial valuation is based on membership data as at December 31, 2009, provided by The University of Western Ontario.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, gender, date of retirement, monthly pension amounts, etc.). Pensions to retirees were compared with corresponding amounts reported in financial statements. The results of these tests were satisfactory.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

	31.12.09	31.12.06
Pensioners and Survivors		
Number	40	49
Total annual lifetime pension	$839,458	$979,170
Average annual lifetime pension	$20,986	$19,983
Average age	88.3	86.0

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

	Pensioners and Beneficiaries
Total at 12.31.2006	49
Deaths	(11)
Beneficiaries	2
Total at 12.31.2009	40

The distribution of the members by age as at 12.31.2009 is summarized as follows:

	Pensioners and Survivors	
Age	Number	Average Annual Pension
75 - 79	4	$30,068
80 - 84	10	$33,029
85 - 89	7	$22,715
90 - 94	15	$12,068
95 - 99	4	$12,215
100 +		
Total	40	$20,986

Appendix F

Summary of Plan Provisions

This valuation is based on the plan provisions in effect on December 31, 2009. Since the previous valuation, the Plan has not been amended.

The following is a summary of the main provisions of the Plan in effect on December 31, 2009. This summary is not intended as a complete description of the Plan.

Background	The Plan became effective July 1, 1970. The pension plan is essentially a defined contribution pension plan, with the exception of pensions being paid from the plan to former Special Members. A Special Member is one who was an employee of the University and who had attained age 45 on July 1, 1970 or one who transferred to an academic position at a later date after having been a Special Member of the Pension Plan for Administrative Staff. There are no active Special Members remaining in the plan.
Eligibility for membership	The plan covers all staff members as a condition of employment.

Employee Contributions	Members can choose to contribute 1.5% or 5.5% of pensionable earnings. The University contributes, with minor exceptions, 8.5% of members' pensionable earnings. Brescia University College and Huron University College members are required to contribute 5.0% and 7.0% of pensionable earnings respectively. In turn, Brescia University College must contribute 6.0% and Huron University College must contribute 7.0% of members pensionable earnings. The contributions of each member and the University's basic contributions on the member's behalf are credited to an individual account in the member's name and accumulate with net investment earnings. The value of this account is fully vested upon retirement, termination of employment or death before retirement. The member's defined contribution account balance at retirement can be applied to purchase a life annuity for the member. Alternatively, the member may transfer their account balance to a locked-in retirement account, life income fund or locked-in retirement income fund.
Retirement Dates	Normal Retirement Date ▪ The normal retirement date is the first day of July coincident with or next following the member's 65th birthday. Early Retirement Date ▪ The member may choose to retire as early as age 55. Postponed Retirement Date ▪ An active member may postpone retirement beyond the normal retirement date but must commence receiving retirement benefits no later than the end of the calendar year in which he attains age 71.
Cost of Living Adjustment	Cost of living adjustments were last provided effective January 1, 2005 on an adhoc basis to all retirees who retired on or before December 31, 1987 as Special Members of the plan, or to surviving spouses of the retirees. The pensions were increased by the following percentages: ▪ For those who retired in 1986 or earlier, 2.6% ▪ For those who retired in 1987, 1.4%

Excess Earnings Annuity	In lieu of a level pension or indexed annuity, a Member of Former Member may elect to receive all or a portion of his/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 portion of the General Account funding the excess earnings annuities and the excess of: 1. The rate of return earned by the portion of the General Account funding the excess earnings annuities, over 2. A base rate per annum, specified the Pension Board at the pension start date. Base rate is currently 6.0% for the two pensioners with excess earnings annuities. The percentage increase in the year is limited to the increase in the CPI plus 2.0%.

Appendix G

Employer Certification

With respect to the report on the actuarial valuation of the University of Western Ontario Pension Plan for Members of the Academic Staff, as at December 31, 2009, I hereby certify that, to the best of my knowledge and belief:

- the valuation reflects the Employer's decisions in regards to determining the solvency funding requirements.
- a copy of the official plan documents and of all amendments made up to December 31, 2009, were provided to the actuary and is reflected appropriately in the summary of plan provision contained herein,
- the asset information summarised in Appendix B is reflective of the Plan's assets,
- the membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to December 31, 2009, and
- all events subsequent to December 31, 2009 that may have an impact on the pension plan have been communicated to the actuary.

Date

Signed

Name

MERCER

MMC MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Mercer (Canada) Limited
255 Queens Avenue
Suite 2400
London, Ontario N6A 5R8
519 672 9310

Consulting. Outsourcing. Investments.