

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

Year ended December 31, 2009

AUDITORS' REPORT

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

We have audited the statement of net assets available for benefits and retirement income payments 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, 2009 and the statement of changes in net assets available for benefits and retirement income payments for the year then ended. These financial statements are the responsibility of the Management of the Master Trust. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and retirement income payments of the Master Trust as at December 31, 2009 and the changes in net assets available for benefits and retirement income payments for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

London, Canada

April 23, 2010

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 Available for Benefits and Retirement Income Payments

DRAFT

December 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Cash	\$ 7,386,005	\$ 3,706,062
Accrued income	260,044	242,383
Investments (note 5(a))	1,030,445,594	902,686,258
	<u>1,038,091,643</u>	<u>906,634,703</u>
Liabilities		
Accrued expenses	939,179	878,388
Benefits and retirement income payments payable	4,345,214	3,042,752
	<u>5,284,393</u>	<u>3,921,140</u>
Net assets available for benefits and retirement income payments	<u>\$1,032,807,250</u>	<u>\$ 902,713,563</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

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Investment income:		
Investment income (note 5(b))	\$ 6,653,496	\$ 11,826,853
Net realized gain (loss) on sale of investments	(44,211,702)	(24,481,778)
Net unrealized change in fair value of investments	182,828,438	(230,101,501)
	<u>145,270,232</u>	<u>(242,756,426)</u>
Increase in net assets:		
Contributions (note 8)	40,648,810	39,368,995
Transfers in to plans and fund	2,582,303	1,202,152
	<u>43,231,113</u>	<u>40,571,147</u>
Decrease in net assets:		
Lump sum payments	(44,747,299)	(35,229,368)
Periodic pension payments	(11,704,872)	(15,458,229)
Fund managers' fees (note 10)	(371,772)	(98,755)
Administrative costs recovered by the University (note 9)	(459,498)	(423,620)
Custodian fees	(645,410)	(631,052)
Agency fees	(100,000)	(100,000)
Transaction costs	(378,806)	(311,715)
	<u>(58,407,657)</u>	<u>(52,252,740)</u>
Net increase (decrease) for the year	<u>\$ 130,093,688</u>	<u>\$ (254,438,019)</u>
Allocation of net increase (decrease) for the year:		
Academic Staff Pension Plan	\$ 70,368,094	\$ (120,137,275)
Administrative Staff Pension Plan	43,561,313	(93,469,826)
Retirement Income Fund	16,164,281	(40,830,917)
	<u>\$ 130,093,688</u>	<u>\$ (254,438,018)</u>
Net assets available for benefits and retirement payments, beginning of year:		
Academic Staff Pension Plan	\$ 431,759,808	\$ 551,897,083
Administrative Staff Pension Plan	300,245,496	393,715,322
Retirement Income Fund	170,708,259	211,539,176
	<u>\$ 902,713,563</u>	<u>\$1,157,151,581</u>
Net assets available for benefits and retirement payments, end of year:		
Academic Staff Pension Plan	\$ 502,127,902	\$ 431,759,808
Administrative Staff Pension Plan	343,806,808	300,245,496
Retirement Income Fund	186,872,540	170,708,259
	<u>\$1,032,807,250</u>	<u>\$ 902,713,563</u>

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

Year ended December 31, 2009

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

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

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 sixteen separate investment pooled funds as follows:

- Money Market Fund
- Target Date Fund 2010
- Target Date Fund 2012
- Target Date Fund 2014
- Balanced Income Fund
- Balanced Growth Fund
- Diversified Bond Fund
- Canadian Bond Fund
- Long Term Bond Fund
- Diversified Equity Fund
- Canadian Equity Fund
- U.S. Equity Hedged Fund
- U.S. Equity Unhedged Fund
- Non-North American Equity Fund
- Socially Responsible Global Equity Fund (Socially Responsible Investments)
- 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 sixteen investment pooled funds. These pooled funds contain investments in units of external pooled funds and individual securities.

Some of these investment funds are not available for the annuitants of the UWO RIF since they do not yet qualify as registered investments under the Income Tax regulations. The investment options that are offered to the annuitants of the RIF have all been registered with Canada Revenue Agency as Quasi-Mutual Fund Trusts.

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 retirement income fund, or to the members' or annuitants' beneficiary on death.

THE UNIVERSITY OF WESTERN ONTARIO

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

1. Description of plan (continued):

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. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for pension plans, since the Master Trust financial statements 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. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires 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 results could differ from these estimates.

(a) Revenue:

Interest earned on investments is recorded on an accrual basis. Dividends are recorded as income on the date the dividend is declared. Investment income is allocated each month among the 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) Investments:

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

THE UNIVERSITY OF WESTERN ONTARIO

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

2. Significant accounting policies (continued):

(b) Investments (continued):

However, the unrealized gains or losses on these instruments are recognized in the financial statements. The Master Trust's present use of derivative financial instruments is restricted to pooled funds that invest in exchange traded, unleveraged, U.S. and foreign equity index futures, currency forwards and swaps.

Investments are carried at fair value. 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. Fair values are determined as follows:

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

(c) Unit valuation:

Members and annuitants are issued units based on the unit value at the end of the month in which the 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.

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

2. Significant accounting policies (continued):

(d) Foreign exchange:

Transactions in foreign currencies are accounted for using the exchange rates in effect at the transaction date. At year end, investments in foreign currencies are accounted for at the rates of exchange in effect at year end and the resulting unrealized gains or losses are included in the net unrealized change in fair value in investments.

(e) Capital disclosure:

The main objective of the 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, which are not presented or discussed in these financial statements. The Master Trust fulfils 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 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 is required to file financial statements with the Financial Services Commission of Ontario in connection with the requirements of the Plans.

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

3. Impact of new accounting standards:

In June 2009, the CICA amended Section 3862, Financial Instruments - Disclosures, to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. These amendments are effective for the Plan for the year ended December 31, 2009.

The additional disclosures as a result of adopting these amendments have been detailed in note 12(a).

4. Future new accounting pronouncement:

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

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

5. Investments and investment income:

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

	2009		2008	
	Cost	Market	Cost	Market
Short-term:				
Money Market Fund	\$ 64,952,636	\$ 64,906,216	\$ 71,884,696	\$ 71,830,522
Balanced funds:				
Balanced Income Fund	25,263,249	28,166,825	20,183,523	20,107,785
Balanced Income Fund B	-	-	5,527,724	5,009,935
Balanced Growth Fund	60,873,750	67,598,544	44,522,328	42,042,127
Balanced Growth Fund B	-	-	11,458,206	9,378,843
Bonds:				
Target Date Fund 2010	14,428,652	17,293,451	20,341,014	23,765,579
Target Date Fund 2012	14,965,956	17,154,631	13,439,352	15,322,389
Target Date Fund 2014	14,749,512	15,321,832	11,404,881	12,148,951
Diversified Bond Fund	166,211,449	201,015,383	167,712,603	186,524,325
Canadian Bond Fund	51,010,170	63,785,419	51,346,325	62,031,565
Long Term Bond Fund	23,486,128	23,418,951	22,886,298	22,955,713
Immunized Bond Fund	1,706,606	1,962,587	1,942,904	2,172,012
Equities:				
Diversified Equity Fund	401,236,706	401,157,079	428,608,351	312,547,434
Diversified Equity Fund B	-	-	34,931,236	25,060,544
Canadian Equity Fund	78,217,669	75,654,941	73,042,197	54,157,524
Socially Responsible Investments	2,412,716	2,495,833	1,984,083	1,561,450
U.S. Equity Hedged Fund	10,808,946	11,300,870	13,991,447	7,342,789
U.S. Equity Hedged Fund B	-	-	2,842,239	2,251,544
U.S. Equity Unhedged Fund	6,357,581	6,586,949	8,004,440	5,088,777
U.S. Equity Unhedged Fund B	-	-	2,262,956	1,860,787
Non-North American Equity Fund	20,348,700	16,895,265	21,707,920	15,852,067
Liquidating Trust	23,647,956	15,730,818	5,722,761	3,673,596
	\$ 980,678,382	\$1,030,445,594	\$1,035,747,484	\$ 902,686,258

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

5. Investments and investment income (continued):

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

	2009	2008
Interest:		
Securities lending	\$ 26,978	\$ 17,715
Short-term notes	442,272	1,083,337
Cash balances	91,867	326,895
Bonds and debentures:		
Government	970,161	1,309,902
Pooled fund	-	-
Corporate	487,372	940,910
Dividends:		
Domestic	4,209,726	4,798,701
Foreign	425,120	3,349,393
	\$ 6,653,496	\$ 11,826,853
Allocated to:		
Academic Staff Pension Plan	\$ 3,268,520	\$ 5,695,266
Administrative Staff Pension Plan	2,227,958	3,942,884
Retirement Income Fund	1,157,018	2,188,703
	\$ 6,653,496	\$ 11,826,853

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 (continued)

Year ended December 31, 2009

5. Investments and investment income (continued):

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

2009	One year or less	One to five years	Five to ten years	More than ten years	No maturity date	Total \$	Total %
Short-term:							
Individual holdings	\$ 76,257,509	\$ -	\$ -	\$ -	\$ -	\$ 76,257,509	16.2
Bonds and debentures:							
Individual holdings Canadian:							
Government bonds	19,877,779	84,847,543	19,931,364	41,940,583	-	166,597,269	35.3
Corporate bonds	11,952,916	22,743,679	9,581,663	32,714,301	-	76,992,559	16.3
Individual holdings Global:							
Government bonds	611,324	28,213,317	17,698,982	22,183,745	-	68,707,368	14.6
Corporate bonds	709,279	32,443,336	29,065,116	20,826,331	-	83,044,062	17.6
	\$109,408,807	\$168,247,875	\$ 76,277,125	\$117,664,960	\$ -	\$471,598,767	100.0
Percentage of total	23.2%	35.7%	16.2%	24.9%	-	100.0%	

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

5. Investments and investment income (continued):

(c) (continued):

2008

	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	\$ 69,908,365	\$ -	\$ -	\$ -	\$ -	\$ 69,908,365	16.9
Bonds and debentures:							
Individual holdings Canadian:							
Government bonds	2,204,031	82,048,893	34,553,843	47,134,418	-	165,941,185	40.2
Corporate bonds	6,452,699	19,722,691	11,371,969	16,759,487	-	54,306,846	13.1
Individual Holdings Global:							
Government bonds	1,432,119	18,830,853	16,161,935	23,120,061	-	59,544,968	14.4
Corporate bonds	1,608,348	15,911,609	30,207,342	15,631,988	-	63,359,287	15.3
	\$ 81,605,562	\$ 136,514,046	\$ 92,295,089	\$ 102,645,954	\$ -	\$ 413,060,651	100.0
Percentage of total	19.8%	33.0%	22.3%	24.9%	-	100.0%	

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

5. Investments and investment income (continued):

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

2009

	One year or less	One to five years	Five to ten years	More than ten years
Short-term:				
Individual holdings	0.1 %	-	-	-
Bonds and debentures:				
Individual holdings:				
Canadian government bonds	0.4 %	2.0 %	3.5 %	4.3 %
Canadian corporate bonds	0.7 %	3.6 %	4.9 %	4.3 %
Global government bonds	0.5 %	3.1 %	3.6 %	4.3 %
Global corporate bonds	0.5 %	4.2 %	5.4 %	5.7 %

2008

	One year or less	One to five years	Five to ten years	More than ten years
Short-term:				
Individual holdings	0.7 %	-	-	-
Bonds and debentures:				
Individual holdings:				
Canadian government bonds	2.7 %	2.0 %	2.9 %	4.5 %
Canadian corporate bonds	3.9 %	6.2 %	7.1 %	7.5 %
Global government bonds	5.6 %	2.5 %	3.2 %	4.6 %
Global corporate bonds	6.8 %	9.2 %	8.2 %	8.6 %

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

6. Individually significant investments:

The following information is provided in respect of individual investments in the Master Trust with a cost or market value in excess of 1% of the cost or market value of the Master Trust as at December 31, 2009, as required by the Pension Benefits Act (Ontario).

The Master Trust consists of sixteen 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	\$ 112,290,377	\$142,757,634
UWO Alliance Global Plus Bond Fund	140,877,641	162,039,510
Equities:		
Pooled Funds:		
Greystone Canadian Equity Fund	49,440,738	53,867,306
Connor Clark & Lunn Core Fund	58,616,507	53,548,234
Highstreet Canadian Equity Fund	47,164,205	53,254,145
Beutel Canadian Equity Fund	57,309,737	53,209,361
SSGA S&P 500 U.S. Equity Fund, Hedged	83,503,125	91,078,343
SSGA S&P 400 Midcap	10,992,225	11,802,043
PanAgora Small Cap Core Equity	16,760,042	11,723,460
Alliance Bernstein Equity Cap Fund	86,766,363	75,851,452
T. Rowe Price Global Equity Fund	40,005,424	40,344,258
Harris Associates Global Large Cap LP	35,201,331	39,898,336
Fidelity Global Fund	75,043,026	76,137,245

THE UNIVERSITY OF WESTERN ONTARIO

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

7. 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.

8. Contributions:

Contributions received by the Plans were as follows:

	Regular	Voluntary	2009 Total	2008 Total
Members	\$ 9,348,544	\$ 4,374,420	\$ 13,722,964	\$ 13,336,206
The University of Western Ontario	26,074,496	-	26,074,496	25,258,102
Other participating employers	851,350	-	851,350	774,687
	26,925,846	-	26,925,846	26,032,789
	\$ 36,274,390	\$ 4,374,420	\$ 40,648,810	\$ 39,368,995

9. 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 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.

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

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

- (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.

	2009	2008
Administrative expenses incurred:		
Salaries and benefits	\$ 979,376	\$ 888,858
Other professional fees	423,525	529,310
Systems and software	120,846	115,551
Office supplies and equipment	12,612	39,111
Filing fees	33,061	39,625
Audit fees	45,127	55,267
Professional development and membership	8,594	22,810
Member communications and education	11,309	6,242
	<u>1,634,450</u>	<u>1,696,774</u>
Recoveries:		
Paid by the University out of corporate benefits budget	1,174,952	1,273,154
Administrative costs recovered by the University	459,498	423,620
	<u>1,634,450</u>	<u>1,696,774</u>
	<u>\$ -</u>	<u>\$ -</u>

Administrative costs were funded as follows:

	2009	2008
Fees from former employees	\$ 182,477	\$ 170,314
Fees from other participating employers	52,000	49,600
Fees from RIF annuitants	225,021	203,706
	<u>\$ 459,498</u>	<u>\$ 423,620</u>

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

10. Fund managers' fees:

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

11. Transfers:

The following amounts were transferred into the RIF during the year:

	2009	2008
From the:		
Academic Staff Pension Plan	\$ 10,677,663	\$ 9,901,377
Administrative Staff Pension Plan	5,547,566	7,607,913
	<hr/> \$ 16,225,229	<hr/> \$ 17,509,290

12. Financial instruments:

(a) Fair values:

The fair values of investments are as described in note 5(a). The fair values of other financial assets and liabilities, being cash, accrued income, accrued expenses and 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 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.

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

12. Financial instruments (continued):

(a) Fair values (continued):

The following table illustrates the classification of the Plan's financial instruments using the fair value hierarchy as at December 31, 2009:

	Level 1	Level 2	Level 3	Total
Short term:				
Money Market Fund	\$ -	\$ 64,906,217	\$ -	\$ 64,906,217
Balanced Funds:				
Balanced Income Fund	-	28,166,825	-	28,166,825
Balanced Growth Fund	-	67,598,544	-	67,598,544
Bonds:				
Target Date Fund 2010	-	17,293,451	-	17,293,451
Target Date Fund 2012	-	17,154,631	-	17,154,631
Target Date Fund 2014	-	15,321,832	-	15,321,832
Diversified Bond Fund	-	201,015,383	-	201,015,383
Canadian Bond Fund	-	63,785,419	-	63,785,419
Long Term Bond Fund	-	23,418,951	-	23,418,951
Immunized Bond Fund	-	1,962,587	-	1,962,587
Equities:				
Diversified Equity Fund	-	401,157,079	-	401,157,079
Canadian Equity Fund	-	75,654,941	-	75,654,941
Socially Responsible				
Investments	-	2,495,833	-	2,495,833
US Equity Hedged Fund	-	11,300,870	-	11,300,870
US Equity Unhedged				
Fund	-	6,586,949	-	6,586,949
Non-North American				
Equity Fund	-	16,895,265	-	16,895,265
Liquidating Trust	-	-	15,730,818	15,730,818
	\$ -	\$ 1,014,714,777	\$ 15,730,818	\$ 1,030,445,595

The Level 3 investments represent holdings in non bank asset backed commercial paper ("ABCP") securities for which there is currently limited market data.

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

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 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.

As at December 31, 2009, had the value of the equity portfolio increased or decreased by 1% with all other variables remaining unchanged, net assets of the Master Trust would have increased or decreased respectively, by approximately \$5,698,600 (2008 - \$4,759,103) or 0.55% (2008 - 0.52%) of total net assets.

(ii) Foreign currency risk:

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The 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.

As at December 31, 2009, if the Canadian dollar had strengthened or weakened by 1% in relation to foreign currencies held by the Master Trust, with all other variables held constant, net assets of the Master Trust would have decreased or increased respectively, by approximately \$2,550,380 (2008 - \$2,327,116) or 0.25% (2008 - 0.26%) of total net assets.

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2009

12. Financial instruments (continued):

(b) Associated risks (continued):

(iii) Interest rate risk:

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

At December 31, 2009, had the prevailing interest rates increased or decreased by 1% with all other variables held constant, net assets of the Master Trust would have decreased or increased respectively, by approximately \$21,286,150 (2008 - \$21,246,568) or 2.07% (2008 - 2.33%) of total net assets.

(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.

The Master Trust holds ABCP securities with a cost basis of \$23,647,956 which have a recorded fair value of \$15,730,818. In August of 2007, these non-bank asset-backed commercial paper securities stopped trading and redemption restrictions were imposed by the Fund manager. These securities were exchanged for restructured notes and subsequent to year end a liquid market has begun to develop for these notes.