

DRAFT Financial Statements of

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

Year ended December 31, 2008

AUDITORS' REPORT

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

We have audited the statement of net assets available for benefits of the fund of The University of Western Ontario - Administration Plan Pension Plan for Members of the Administrative Staff as at December 31, 2008 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Administrator of the Plan. 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 of the Plan as at December 31, 2008 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

London, Canada

April 17, 2009

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Statement of Net Assets Available for Benefits
DRAFT
December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Cash	\$ 1,078,540	\$ 656,013
Accrued income	80,485	150,252
Investments (note 5(a))	299,946,361	393,692,307
	<u>301,105,386</u>	<u>394,498,572</u>
Liabilities		
Accrued expenses	248,731	349,039
Benefits payable	611,159	434,211
	<u>859,890</u>	<u>783,250</u>
Net assets available for benefits	\$ 300,245,496	\$ 393,715,322

See accompanying notes to financial statements.

On behalf of the Administrative Staff Pension Board:

_____ Chair

_____ Pension Board Secretariat

THE UNIVERSITY OF WESTERN ONTARIO

PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF

Statement of Changes in Net Assets Available for Benefits

DRAFT

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Investment income:		
Investment income (note 5(b))	\$ 3,942,884	\$ 5,575,520
Net realized gain (loss) on sale of investments	(10,547,463)	10,101,771
Net unrealized change in fair value of investments	(84,074,797)	(11,041,041)
	<u>(90,679,376)</u>	<u>4,636,250</u>
Increase in net assets:		
Contributions (note 9)	18,236,339	16,713,409
Transfers in to plan	913,326	1,371,500
	<u>19,149,665</u>	<u>18,084,909</u>
Decrease in net assets:		
Lump sum payments	13,538,622	10,999,753
Transfers to RIF	7,607,913	9,003,093
Periodic pension payments	315,462	336,696
Fund managers' fees (note 11)	32,623	242,852
Custodian fees	208,455	149,596
Administrative costs recovered by the University (note 10)	131,629	123,617
Transaction costs	105,411	149,852
	<u>21,940,115</u>	<u>21,005,459</u>
Net increase for the year	<u>\$ (93,469,826)</u>	<u>\$ 1,715,700</u>
Allocation of net increase (decrease) for the year:		
Members' accounts	\$ (93,478,570)	\$ 1,905,890
General account (note 7)	8,744	(190,190)
	<u>\$ (93,469,826)</u>	<u>\$ 1,715,700</u>
Net assets available for benefits, beginning of year:		
Members' accounts	\$ 391,522,638	\$ 389,616,748
General account (note 7)	2,192,684	2,382,874
	<u>\$ 393,715,322</u>	<u>\$ 391,999,622</u>
Net assets available for benefits, end of year:		
Members' accounts	\$ 298,044,068	\$ 391,522,638
General account (note 7)	2,201,428	2,192,684
	<u>\$ 300,245,496</u>	<u>\$ 393,715,322</u>

See accompanying notes to financial statements.

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

Year ended December 31, 2008

1. Description of plan:

These financial statements present the activity of The University of Western Ontario Pension Plan for Members of the Administrative Staff (the "Plan"). The following description of the Plan is a summary only. For more complete information, reference should be made to the plan agreement registered under the Income Tax Act, Canada, registration number 0312710.

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

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

Certain members of the Plan are special members and as such are entitled to a minimum defined benefit guarantee. A special member of the Plan is a member who 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 Plan design changed to defined contribution.

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

Year ended December 31, 2008

1. Description of plan (continued):

Contributions are invested by the Plan, at the option of the employee, into units of the Master Trust for the Academic and Administrative Staff Pension Plans and Retirement Income Fund Program (the "Master Trust"). The investment policies of the Master Trust are determined jointly by the Academic and Administrative Pension Boards. The Master Trust consists of fifteen separate investment pooled funds as follows:

- Money Market Fund
- Target Date Fund 2010
- Target Date Fund 2012
- Target Date Fund 2014
- Balanced Income Fund (Includes B Fund)
- Balanced Growth Fund (Includes B Fund)
- Diversified Bond Fund
- Canadian Bond Fund
- Long Term Bond Fund
- Diversified Equity Fund (Includes B Fund)
- Canadian Equity Fund
- U.S. Equity Hedged Fund (Includes B Fund)
- U.S. Equity Unhedged Fund (Includes B Fund)
- Non-North American Equity Fund
- Socially Responsible Global Equity Fund

The Balanced Income Fund and the Balanced Growth Fund are portfolios that hold units of the Diversified Bond Fund and Diversified Equity Funds. They were established in September, 2001.

The Master Trust holds units in each of the fifteen investment pooled funds. These pooled funds contain investments in units of external pooled funds and individual securities. The B funds do not have any exposure to Asset Backed Commercial Paper.

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

Members can choose, as frequently as each month, the proportion of his or her personal account which is to be invested in any of the investment funds, subject to limitations imposed on special members. The valuation of each investment fund is established at the end of each month based on policies set by the Pension Board.

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

Year ended December 31, 2008

2. Basis of presentation:

The Plan is a participant in the University of Western Ontario Master Trust which was established by the University to facilitate the collective management of investment assets for the Pension Plans for the Academic and Administrative Staff and the Retirement Income Fund of the University. These financial statements have been prepared using the proportionate consolidation method based on units of the Master Trust held by the Plan at year end.

3. Significant accounting policies:

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

These financial statements meet the accounting requirements of Section 76 of the Regulations to the Pension Benefit Act (Ontario) since they have primarily been prepared for filing with the Financial Services Commission of Ontario.

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

(b) Investments:

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

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

Year ended December 31, 2008

3. Significant accounting policies (continued):

(b) Investments (continued):

The Master Trust uses derivatives with the primary investment objective to gain market exposure on a passive basis and to manage currency risk at the portfolio level. As a policy, the Master Trust does not speculate in currencies when using derivatives. The notional amount of these derivative financial instruments is not recognized in the financial statements when initiated. However, the unrealized gains or losses on these instruments are recognized in the financial statements. The Master Trust's present use of derivative financial instruments is restricted to pooled funds that invest in exchange traded, unleveraged, U.S. and foreign equity index futures, currency forwards and swaps.

Investments are carried at fair value. In determining fair values, adjustments have not been made for transaction costs as they are not considered significant. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for 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.

(c) Unit valuation:

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

Plan units are redeemed at net asset market value per unit at the end of the month in which the request for redemption is made by the member. The redemption amount is paid in the following month and includes interest for the interim period.

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

Year ended December 31, 2008

3. Significant accounting policies (continued):

(d) Foreign exchange:

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

(e) Capital disclosure:

The main objective of the Plan is to sustain a certain level of net assets in order to meet the pension obligations of the University. The Plan fulfills its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the "SIPP"), which is reviewed annually by the University. The Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds contributed by the members and sponsor in accordance with the approved SIPP.

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

(f) Future new accounting pronouncement:

In January 2009, The Canadian Institute of Chartered Accountants' Emerging Issue Committee ("EIC") issued Abstract No. 173 ("EIC-173"), Credit and the Fair Value of Financial Assets and Liabilities, which requires entities to take both counterparty credit risk and their own credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. EIC-173 will be effective for annual periods beginning on or after January 1, 2009. The Plan is currently assessing the impact of the standard.

4. Changes in accounting policies:

Effective January 1, 2008, the Commission adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "*Capital Disclosures*", Section 3862, "*Financial Instruments - Disclosures*", and Section 3863, "*Financial Instruments - Presentation*".

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

Year ended December 31, 2008

4. Changes in accounting policies (continued):

Section 3862, "*Financial Instruments - Disclosures*" revises and enhances the disclosure requirements of Section 3861, "*Financial Instruments - Disclosure and Presentation*". Section 3862 requires the Plan to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments for the Plan's financial position and performance, the nature and extent of risks arising from financial instruments to which the Plan is exposed during the period and at the Statement of Net Assets Available for Benefits date, and how the Plan manages those risks. Section 3863, "*Financial Instruments - Presentation*" carries forward unchanged the presentation requirements of Section 3861.

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

Section 1535, "Capital Disclosures" establishes guidelines for the disclosure of both qualitative and quantitative information regarding the Plan's capital and how it is managed. As the Plan manages net assets rather than capital, the adoption of this section had no impact on the financial statements

Effective January 1, 2008, the Plan adopted Emerging Issues Committee Abstract 168, Accounting by Pension Plans for Transaction Costs ("EIC-168"), retrospectively without restatements. This abstract requires transaction costs, such as brokerage commissions incurred on the purchase or sale of securities, to be expensed rather than included in the fair value of investments on initial recognition or subsequent remeasurement. This is a change from prior periods where transaction costs on purchases were recorded as an addition to the costs of the investments and transaction costs on sales were a reduction from the sales proceeds. The adoption of EIC-168 had no impact on the Statement of Net Assets Available for Benefits; it did not result in an offsetting change in reported net realized gain or loss on sales of investments and net unrealized change in fair value of investments and transaction costs on the Statement of Changes in Net Assets Available for Benefits, since all transaction costs are incurred within the pooled funds held by the Plan.

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

Year ended December 31, 2008

5. Investments and investment income:

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

	2008		2007	
	Cost	Market	Cost	Market
Short-term:				
Money Market Fund	\$ 24,760,848	\$ 24,742,187	\$ 17,562,451	\$ 17,638,290
Balanced funds:				
Balanced Income Fund	6,604,719	6,575,447	7,646,402	8,822,208
Balanced Income Fund B	2,098,358	1,901,802	599,658	601,446
Balanced Growth Fund	18,373,946	17,391,806	19,797,443	25,308,681
Balanced Growth Fund B	5,180,973	4,240,762	1,246,630	1,234,348
Bonds:				
Target Date Fund 2008	-	-	4,008,361	4,306,170
Target Date Fund 2010	2,151,273	2,513,457	1,823,106	2,024,610
Target Date Fund 2012	1,820,231	2,075,271	1,212,336	1,292,030
Target Date Fund 2014	1,379,247	1,469,231	-	-
Diversified Bond Fund	67,955,807	75,578,167	73,627,969	80,609,503
Canadian Bond Fund	3,881,889	4,689,716	4,149,396	4,772,447
Immunized Bond Fund	1,942,904	2,172,012	2,039,173	2,148,593
Long Term Bond Fund	3,879,264	3,891,029	3,719,034	3,843,810
Equities:				
Diversified Equity Fund	158,312,463	115,386,251	182,171,383	195,205,926
Diversified Equity Fund B	10,239,958	7,346,403	2,485,905	2,342,314
Canadian Equity Fund	23,926,205	17,740,211	22,157,737	26,744,905
Socially Responsible Investments	467,402	367,840	-	-
U.S. Equity Hedged Fund	4,984,782	2,603,296	5,832,535	5,654,498
U.S. Equity Hedged Fund B	1,033,298	818,551	301,129	289,487
U.S. Equity Unhedged Fund	2,056,999	1,297,865	2,425,187	2,015,531
U.S. Equity Unhedged Fund B	501,982	412,771	51,790	50,879
Non-North American Equity Fund	7,256,418	5,298,952	7,722,091	8,705,272
Liquidating Trust	2,191,167	1,433,334	91,566	81,359
	\$351,000,133	\$299,946,361	\$360,671,282	\$393,692,307

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

Year ended December 31, 2008

5. Investments and investment income (continued):

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

	2008	2007
Interest:		
Securities lending	\$ 17,715	\$ 2,039
Short-term notes	1,083,337	881,252
Cash balances	326,895	349,425
Bonds and debentures:		
Government	1,309,902	1,501,411
Pooled fund	-	247
Corporate	940,910	1,279,069
Dividends:		
Domestic	4,798,701	3,790,609
Foreign	3,349,393	8,617,266
	\$ 11,826,853	\$ 16,421,318
Allocated to:		
Academic Staff Pension Plan	\$ 5,695,266	\$ 7,879,633
Administrative Staff Pension Plan	3,942,884	5,575,520
Retirement Income Fund	2,188,703	2,966,165
	\$ 11,826,853	\$ 16,421,318

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

Year ended December 31, 2008

5. Investments and investment income (continued):

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

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	23,120,091	-	59,544,998	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	\$102,645,984	\$ -	\$413,060,681	100.0	
Percentage of total	19.8%	33.1%	22.3%	24.9%	-	100.0%		

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

Year ended December 31, 2008

5. Investments and investment income (continued):

(c) (continued):

2007		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	\$	49,478,409	\$ -	\$ -	\$ -	\$ -	\$ 49,478,409	11.6
Bonds and debentures:								
Individual holdings:								
Government bonds		32,060,189	86,714,222	10,806,632	49,884,844	-	179,465,887	42.0
Corporate bonds		8,603,316	25,260,219	5,920,134	19,004,444	-	58,788,113	13.8
Individual holdings Global:								
Government bonds		593,050	27,590,475	39,877,110	21,597,160	-	89,657,795	21.0
Corporate bonds		1,383,244	9,981,337	24,154,517	14,204,020	-	49,723,118	11.6
	\$	92,118,208	\$149,546,253	\$ 80,758,393	\$104,690,468	\$ -	\$427,113,322	100.0
Percentage of total		21.6%	35.0%	18.9%	24.5%	-	100.0%	

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

Year ended December 31, 2008

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::

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%

2007				
	One year or less	One to five years	Five to ten years	More than ten years
Short-term:				
Individual holdings	2.2%	-	-	-
Bonds and debentures:				
Individual holdings:				
Canadian Government bonds	3.0%	3.6%	3.2%	4.6%
Canadian corporate bonds	3.9%	4.2%	6.1%	6.0%
Global government bonds	4.3%	4.8%	3.4%	5.1%
Global corporate bonds	5.3%	5.5%	6.0%	5.2%

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

Year ended December 31, 2008

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, 2008, as required by the Pension Benefits Act (Ontario).

The Master Trust consists of fifteen 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	\$108,575,149	\$134,482,636
UWO Alliance Global Plus Bond Fund	145,275,812	147,319,420
Equities:		
Pooled Funds:		
Greystone Canadian Equity Fund (Incl. 'B' Fund)	49,036,027	42,009,936
Alliance Bernstein Canadian Value Fund (Incl. 'B' Fund)	58,138,340	41,184,271
Connor Clark & Lunn Core Fund (Incl. 'B' Fund)	60,653,624	41,608,113
Highstreet Canadian Equity Fund (Incl. 'B' Fund)	46,685,509	40,360,160
Northwater Derivatives U.S. Equity Fund, Hedged (Incl. 'B' Fund)	126,748,150	74,482,474
Northwater Derivatives U.S. Equity Fund, Unhedged (Incl. 'B' Fund)	10,265,165	7,042,051
Northwater Derivatives Mid Cap Fund (Incl. 'B' Fund)	13,952,296	8,385,748
PanAgora Small Cap Core Equity (Incl. 'B' Fund)	16,006,144	10,066,095
Alliance Bernstein Equity Cap (Incl. 'B' Fund)	92,102,477	69,546,319
Mackenzie Socially Responsible Investments	1,984,083	1,561,450
T. Rowe Price Global Equity Fund	38,280,681	31,163,976
Harris Associates Global Large Cap LP	42,812,722	38,549,366
Fidelity Global Fund (Incl. 'B' Fund)	77,685,941	69,930,553

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

Year ended December 31, 2008

7. General account:

This account represents the assets available to meet the ongoing pension liability of the University and any obligations resulting from the supplemental benefits payable to special members who are entitled to a minimum defined benefit guarantee. An allocation for expenses recoverable by the University as a result of contribution holidays is also made from the general account. The investment of assets in the general account is made at the discretion of the Pension Board. The investment allocation for 2008 and 2007 was 100% Immunized Bond Fund.

The actuarial present value of accrued pension benefits for members entitled to pension payments subject to a minimum defined benefit guarantee as at December 31, 2008 and 2007, and the principal components of changes in this value during the year were as follows:

	2008	2007
Actuarial present value of accrued pension benefits, beginning of year	\$ 2,191,000	\$ 2,541,000
Accrued interest on benefits	110,000	107,000
Benefits and administrative expenses paid	(311,000)	(334,000)
Change in assumptions	(126,000)	(123,000)
Actuarial present value of accrued pension benefits, end of year	1,864,000	2,191,000
Approximate market value of general account, end of year	2,201,000	2,193,000
Surplus	\$ 337,000	\$ 2,000

During the year, a transfer of \$142,032 from the cash account to the general account was made as part of the University's obligation to fund the funding deficit relating to the 2004 actuarial valuation.

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

Year ended December 31, 2008

7. General account (continued):

The actuarial present value of accrued pension benefits as at December 31, 2008 is based on an actuarial valuation performed as at that date. The valuation reflects the best estimate of assumptions and the expectation the Plan will continue on an ongoing basis. Significant assumptions are as follows:

	2008	2007
Discount rate	6.80 %	5.40 %
Expected long-term rate of return on plan assets	6.80 %	5.40 %
Rate of compensation increase	3.50 %	4.00 %

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

8. Income taxes:

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

9. Contributions:

Contributions received by the Plan were as follows:

	Regular	Voluntary	2008 Total	2007 Total
Members	\$ 4,193,207	\$ 1,659,930	\$ 5,853,137	\$ 5,415,898
The University of Western Ontario	12,076,182	-	12,076,182	11,041,081
Other participating employers	307,020	-	307,020	256,430
	12,383,202	-	12,383,202	11,297,511
	\$ 16,576,409	\$ 1,659,930	\$ 18,236,339	\$ 16,713,409

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

Year ended December 31, 2008

10. Administrative costs recovered by the University:

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

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

	2008	2007
Administrative expenses incurred:		
Salaries and benefits	\$ 302,212	\$ 259,706
Other professional fees	125,687	143,471
Systems and software	39,287	53,697
Office supplies and equipment	13,298	2,135
Filing fees	15,850	14,337
Audit fees	18,791	10,984
Professional development and membership	7,756	9,278
Member communications and education	2,497	13,074
	<u>525,378</u>	<u>506,682</u>
Recoveries:		
Paid by the University out of corporate benefits budget	393,749	383,065
Administrative costs recovered by the University	131,629	123,617
	<u>525,378</u>	<u>506,682</u>
	<u>\$ -</u>	<u>\$ -</u>

Administrative costs were funded as follows:

	2008	2007
Fees from former employees	\$ 105,429	\$ 102,217
Fees from other participating employers	26,200	21,400
	<u>\$ 131,629</u>	<u>\$ 123,617</u>

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11. 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.

12. Financial instruments:

(a) Fair values:

The fair values of investments are as described in note 3(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.

(b) Associated risks:

(i) Market price risk:

Market price risk is the risk that value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market. As all of the Plan's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in net assets available for benefits, all changes in market conditions will directly affect the change in net assets available for benefits. Market price risk is managed by the Administrator through construction of a diversified portfolio of instruments traded on various markets and across various industries. In addition, market price risk may be hedged using derivative financial instruments such as futures contracts.

As at December 31, 2008, had the value of the equity portfolio increased or decreased by 1% with all other variables remaining unchanged, net assets of the Plan would have increased or decreased respectively, by approximately \$1,584,249 or 0.52% of total net assets.

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DRAFT Notes to Financial Statements (continued)

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12. Financial instruments (continued):

(b) Associated risks (continued):

(ii) Foreign currency risk:

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Plan invests in financial instruments and enters into transactions denominated in U.S. dollars. Consequently, the Plan is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse affect on the value of the portion of the Plan's assets or liabilities denominated in currencies other than Canadian dollars. The Plan's overall currency positions and exposures are monitored on a regular basis by the Administrator.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 1% in relation to foreign currencies held by the Plan, with all other variables held constant, net assets of the Plan would have decreased or increased respectively, by approximately \$774,669 or 0.26% of total net assets.

(iii) Interest rate risk:

A portion of the Plan's assets financial assets and liabilities are interest bearing and as a result, the Plan 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 bond prices being more sensitive to interest rate changes than shorter term bonds.

At December 31, 2008, had the prevailing interest rates increased or decreased by 1% with all other variables held constant, net assets of the Plan would have decreased or increased respectively, by approximately \$7,072,732 or 3.08% of total net assets.

(iv) Liquidity risk:

Liquidity risk is the risk that the Plan will not be able to meet its obligations as they fall due. The Plan maintains an investment policy, as approved by the Administrator, which contains asset mix guidelines which help to ensure the Plan is able to liquidate investments to meet its pension benefit or other obligations.

The Master Trust holds Asset Backed Commerical Paper securities with a cost basis of approximately \$26 million. In August of 2007, these non-bank asset-backed commercial paper securities stopped trading and redemption restrictions were imposed by the manager, Northwater Capital Management Inc. These securities have subsequently been exchanged for restructured notes but to date no liquid market exists for these notes.

