

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, 2008

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, 2008 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, 2008 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 17, 2009

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, 2008, with comparative figures for 2007

	2008	2007
Assets		
Cash	\$ 3,706,062	\$ 3,761,275
Accrued income	242,383	442,630
Investments (note 4(a))	902,686,258	1,156,751,584
	<u>906,634,703</u>	<u>1,160,955,489</u>
Liabilities		
Accrued expenses	878,388	1,148,405
Benefits and retirement income payments payable	3,042,752	2,655,503
	<u>3,921,140</u>	<u>3,803,908</u>
Net assets available for benefits and retirement income payments	<u>\$ 902,713,563</u>	<u>\$1,157,151,581</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, 2008, with comparative figures for 2007

	2008	2007
Investment income:		
Investment income (note 4(b))	\$ 11,826,853	\$ 16,421,318
Net realized gain (loss) on sale of investments	(24,481,778)	31,573,048
Net unrealized change in fair value of investments	(230,101,501)	(30,542,094)
	<u>(242,756,426)</u>	<u>17,452,272</u>
Increase in net assets:		
Contributions (note 7)	39,368,995	36,717,783
Transfers in to plans and fund	1,202,152	2,752,931
	<u>40,571,147</u>	<u>39,470,714</u>
Decrease in net assets:		
Lump sum payments	(35,229,368)	(29,633,506)
Periodic pension payments	(15,458,229)	(14,020,411)
Fund managers' fees (note 9)	(98,755)	(834,157)
Administrative costs recovered by the University (note 8)	(423,620)	(395,455)
Custodian fees	(631,052)	(441,871)
Agency fees	(100,000)	(102,145)
Transaction costs	(311,715)	(442,624)
	<u>(52,252,739)</u>	<u>(45,870,170)</u>
Net increase (decrease) for the year	<u>\$ (254,438,018)</u>	<u>\$ 11,052,816</u>
Allocation of net increase (decrease) for the year:		
Academic Staff Pension Plan	\$ (120,137,275)	\$ (82,223)
Administrative Staff Pension Plan	(93,469,826)	1,715,700
Retirement Income Fund	(40,830,917)	9,419,339
	<u>\$ (254,438,018)</u>	<u>\$ 11,052,816</u>
Net assets available for benefits and retirement payments, beginning of year:		
Academic Staff Pension Plan	\$ 551,897,083	\$ 551,979,306
Administrative Staff Pension Plan	393,715,322	391,999,622
Retirement Income Fund	211,539,176	202,119,837
	<u>\$1,157,151,581</u>	<u>\$1,146,098,765</u>
Net assets available for benefits and retirement payments, end 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>

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, 2008

1. Description of plan:

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

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

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

Certain members of the Plans are "special members" and as such are entitled to a minimum defined benefit guarantee. A special member of the Academic Pension Plan is a member who was an employee of the University and who attained age 45 on July 1, 1970. A special member of the Administrative Pension Plan is a member who has been continuously employed by the University since May 1, 1974. Special members receive, on retirement, the greater of the pension provided on a defined contribution basis and the pension payable under the defined benefit provisions that were in effect before the Plans' designs changed to defined contribution. All special members of the Academic Pension Plan, who are entitled to a minimum pension, have now retired and are in receipt of monthly pension payments from the Plan's general account.

THE UNIVERSITY OF WESTERN ONTARIO

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

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

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 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 ("ABCP").

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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STAFF AND THE RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

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 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") and 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, 2008

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.

(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, 2008

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 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 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.

(e) Future new accounting pronouncements:

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.

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

3. 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*".

Section 3862, "*Financial Instruments - Disclosures*" revises and enhances the disclosure requirements of Section 3861, "*Financial Instruments - Disclosure and Presentation*". Section 3862 requires the Master Trust to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments for the Master Trust's financial position and performance, the nature and extent of risks arising from financial instruments to which the Master Trust is exposed during the period and at the Statement of Net Assets Available for Benefits and Retirement Income Payments date, and how the Master Trust 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 11.

Section 1535, "*Capital Disclosures*" establishes guidelines for the disclosure of both qualitative and quantitative information regarding the Master Trust's capital and how it is managed. As the Master Trust manages net assets rather than capital, the adoption of this section had no impact on the financial statements, except for the disclosure provided in note 2(e).

Effective January 1, 2008, the Master Trust 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 and Retirement Income Payments; 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 values of investments and transaction costs on the Statement of Changes in Net Assets Available for Benefits and Retirement Income Payments, since all transaction costs are incurred within the pooled funds held by the Master Trust.

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, 2008

4. Investments and investment income:

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

	2008		2007	
	Cost	Market	Cost	Market
Short-term:				
Money Market Fund	\$ 71,884,696	\$ 71,830,522	\$ 58,655,689	\$ 58,908,979
Balanced funds:				
Balanced Income Fund	20,183,523	20,107,785	21,246,611	24,513,756
Balanced Income Fund B	5,527,724	5,009,935	914,651	917,378
Balanced Growth Fund	44,522,328	42,042,127	47,115,717	60,231,851
Balanced Growth Fund B	11,458,206	9,378,843	3,107,805	3,077,185
Bonds:				
Target Date Fund 2008	-	-	25,298,216	27,177,794
Target Date Fund 2010	20,341,014	23,765,579	16,358,933	18,167,046
Target Date Fund 2012	13,439,352	15,322,389	9,150,375	9,751,885
Target Date Fund 2014	11,404,881	12,148,951	-	-
Diversified Bond Fund	167,712,603	186,524,325	179,329,823	196,334,194
Canadian Bond Fund	51,346,325	62,031,565	53,028,992	60,991,529
Immunized Bond Fund	1,942,904	2,172,012	2,039,172	2,148,593
Long Term Bond Fund	22,886,298	22,955,713	24,160,655	24,971,257
Equities:				
Diversified Equity Fund	428,608,351	312,497,434	490,539,407	525,646,929
Diversified Equity Fund B	34,931,236	25,060,544	7,330,804	6,907,360
Canadian Equity Fund	73,042,197	54,157,524	71,410,568	86,194,222
Socially Responsible Investments	1,984,083	1,561,450	-	-
U.S. Equity Hedged Fund	13,991,447	7,342,789	15,992,846	15,504,668
U.S. Equity Hedged Fund B	2,842,239	2,251,544	559,941	538,292
U.S. Equity Unhedged Fund	8,004,440	5,088,777	9,108,518	7,569,933
U.S. Equity Unhedged Fund B	2,262,956	1,860,787	1,127,426	1,107,581
Non-North American Equity Fund	21,707,920	15,852,067	22,806,673	25,710,432
Liquidating Trust	5,722,761	3,673,596	428,487	380,720
	\$1,035,747,484	\$ 902,636,258	\$1,059,711,309	\$1,156,751,584

THE UNIVERSITY OF WESTERN ONTARIO

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STAFF AND THE RETIREMENT INCOME FUND

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

4. Investments and investment income:

The following discusses the writedown of Asset Backed Commercial Paper ("ABCP"):

In accordance with their Trust Agreement, in the event that no market exists for the property being valued, Northwater Capital Management Inc. ("Northwater"), as manager, acting in good faith may determine a value other than fair value as determined by GAAP for the purposes of calculating and reporting a transactional net asset value. This transactional net asset value is used for reporting to unit holders in Northwater's unit holder statements, and is the value used for valuation of member's accounts on the University pension system and the fund values calculated by the Master Trust's custodian Northern Trust. The transactional net asset value is used as it is Northwater's assessment that the fair value as determined by GAAP does not reflect the expected value that will be realized by long-term note holders.

The table below reconciles the transactional net asset values used by Northwater for reporting investments to unitholders with the investment value reported in these financial statements as calculated in accordance with GAAP.

Investments per transactional net asset value	\$ 912,026,536
Unrealized loss recorded on ABCP	(9,340,278)
Investments per Master Trust	\$ 902,686,258

THE UNIVERSITY OF WESTERN ONTARIO

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

4. 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

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

4. 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	23,120,061	-	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, 2008

4. 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 Canadian:							
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%	

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

4. Investments and investment income (continued):

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

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

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

5. Individually significant investments:

The following information is provided in respect of individual investments in the Master Trust with a cost or market value in excess of 1% of the cost or market value of the Master Trust as at December 31, 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 Fund (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

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

6. Income taxes:

The Master Trust is governed by the Income Tax Act, Canada. The Plans are registered pension plans and the Fund is a group RRIF 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.

7. Contributions:

Contributions received by the Plans were as follows:

	Regular	Voluntary	2008 Total	2007 Total
Members	\$ 9,656,826	\$ 3,679,380	\$ 13,336,206	\$ 12,492,624
The University of Western Ontario	25,258,102	-	25,258,102	23,521,757
Other participating employers	774,687	-	774,687	703,402
	26,032,789	-	26,032,789	24,225,159
	\$ 35,689,615	\$ 3,679,380	\$ 39,368,995	\$ 36,717,783

8. 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, 2008

8. 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.

	2008	2007
Administrative expenses incurred:		
Salaries and benefits	\$ 888,858	\$ 737,800
Other professional fees	529,310	458,123
Systems and software	115,551	222,776
Office supplies and equipment	39,111	6,065
Filing fees	39,625	35,843
Audit fees	55,267	31,206
Professional development and membership	22,810	26,357
Member communications and education	6,242	32,685
	<u>1,696,774</u>	<u>1,550,855</u>
Recoveries:		
Paid by the University out of corporate benefits budget	1,273,154	1,155,400
Administrative costs recovered by the University	423,620	395,455
	<u>1,696,774</u>	<u>1,550,855</u>
	<u>\$ -</u>	<u>\$ -</u>

Administrative costs were funded as follows:

	2008	2007
Fees from former employees	\$ 170,314	\$ 170,758
Fees from other participating employers	49,600	42,900
Fees from RIF annuitants	203,706	181,797
	<u>\$ 423,620</u>	<u>\$ 395,455</u>

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

9. Fund managers' fees:

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

10. Transfers:

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

	2008	2007
From the:		
Academic Staff Pension Plan	\$ 9,901,377	\$ 14,929,500
Administrative Staff Pension Plan	7,607,913	9,003,093
	<u>\$ 17,509,290</u>	<u>\$ 23,932,593</u>

11. 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 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.

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

11. Financial instruments (continued):

(b) Associated risks (continued):

(i) Market price risk (continued):

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 Master Trust would have increased or decreased respectively, by approximately \$4,759,103 or 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, 2008, 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 \$2,327,116 or 0.26% of total net assets.

(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, 2008, 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 \$21,246,568 or 2.33% of total net assets.

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DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2008

11. Financial instruments (continued):

(b) Associated risks (continued):

(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 approximately \$26 million. In August of 2007, these non-bank asset-backed commercial paper securities stopped trading and redemption restrictions were imposed by Northwater. These securities have subsequently been exchanged for restructured notes but to date no liquid market exists for these notes.