Financial Statements of

UNIVERSITY OF WINDSOR EMPLOYEES' RETIREMENT PLAN

Registration Number: 0310573
Year ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Trustee of University of Windsor Employees' Retirement Plan

We have audited the accompanying financial statements of the University of Windsor Employees' Retirement Plan, which comprise the statement of net assets available for benefits as at June 30, 2011, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Section 76 to the Regulations to the Pension Benefits Act (Ontario).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 76 to the Regulations to the Pension Benefits Act (Ontario), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of University of Windsor Employees' Retirement Plan as at June 30, 2011, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions Section 76 to the Regulations to the Pension Benefits Act (Ontario).

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the University of Windsor Employees' Retirement Plan to meet the requirements of the Financial Services Commission of Ontario. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Trustee of the University of Windsor Employees' Retirement Plan and the Financial Services Commission of Ontario and should not be used by parties other than the University of Windsor Employees' Retirement Plan and the Financial Services Commission of Ontario.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

November 22, 2011

Windsor, Canada

UNIVERSITY OF WINDSOR – EMPLOYEES' RETIREMENT PLAN

(Registration Number: 0310573)
Statement of Net Assets Available for Benefits

June 30, 2011, with comparative figures for 2010

	2011 $	2010 $
Assets		
Cash and short-term investments	4,558,503	3,335,038
Accrued interest and dividends	412,781	363,398
	4,971,284	3,698,436
Investments :		
Canadian bonds and debentures (Book value $52,565,067; 2010 - $47,417,992)	54,772,461	49,477,963
Canadian common and preferred shares (Book value $36,958,866; 2010 - $35,731,659)	41,775,450	36,030,423
Non-Canadian shares (Book value $39,666,681; 2010 - $38,209,255)	44,997,291	37,493,544
Total assets	146,516,486	126,700,366
Liabilities		
Accrued liabilities	162,685	89,187
Net assets available for benefits	146,353,801	126,611,179

See accompanying notes to financial statements.

On behalf of the Administrator:

__________________________ Administrator

__________________________ Administrator

UNIVERSITY OF WINDSOR – EMPLOYEES' RETIREMENT PLAN

(Registration Number: 0310573)
Statement of Changes in Net Assets Available for Benefits

Year ended June 30, 2011, with comparative figures for 2010

	2011 $	2010 $
Increase in net assets:		
Investment income (note 5)	4,423,850	4,423,583
Net realized gain on sale of investments	3,789,052	-
Current period change in market values of investments	10,572,488	12,334,711
Contributions:		
Employee	3,506,675	2,312,659
Employer	3,506,713	2,292,482
	25,798,778	21,363,435
Decrease in net assets:		
Net realized loss on sale of investments	-	7,666,031
Benefit payments	4,473,661	4,302,040
Payments to individuals on cessation of employment:		
Transfers to other plans	753,577	853,898
Administrative expenses (note 6)	828,918	749,179
	6,056,156	13,571,148
Increase in net assets	19,742,622	7,792,287
Net assets available for benefits, beginning of year	126,611,179	118,818,892
Net assets available for benefits, end of year	146,353,801	126,611,179

See accompanying notes to financial statements.

1. DESCRIPTION OF PLAN

The following description of the University of Windsor Employees' Retirement Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan's text.

(a) General

The University of Windsor sponsors two pension plans, one for faculty and certain other employees and the second for other employees. The plan for faculty and certain other employees is a money purchase plan with a defined benefit minimum guarantee. The plan for other employees is a defined benefit plan.

The Pension Fund (the "Fund") holds the assets for both of the University's Pension Plans (the Retirement Plan for Faculty and Certain Employees and the Employees' Retirement Plan). Although the Plans are distinct and separate, the assets are invested jointly under a Master Trust Agreement in order to maximize investment income while minimizing administrative costs and management fees.

(b) Funding policy

The Pension Benefits Act of Ontario requires that the University of Windsor, the Plan's sponsor, must fund the benefits determined under the Plan. The determinations of the value of these benefits are made on the basis of a triennial actuarial valuation and any current legislative requirements.

(c) Income taxes

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Commission of Ontario for financial statements under Section 76 of the Regulations to the Pension Benefits Act (Ontario). The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the plan. Consequently, these financial statements do not purport to show the adequacy of the plan's assets to meet its pension obligations.

(b) Investments

Investments are stated at fair value. In determining fair values, adjustments have not been made for transaction costs as they are not considered to be significant. The change in the difference between 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 current period change in market value of investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investments (continued)

Fair values of investments are determined as follows:

Bonds and equities are valued at year-end quoted market prices where available. Where quoted prices are not available, estimated fair values are determined using alternative sources in the industry.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

Guaranteed investment certificates, term deposits maturing after a year and mortgages are valued at the present value of estimated future cash flows discounted at interest rates in effect on the last business day of the year for investments of a similar type, quality, and maturity.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at fair values, determined using closing market prices.

(c) Net realized gain (loss) on sale of investments

The net realized gain (loss) on sale of investments is the difference between proceeds received and the average cost of investments sold.

(d) Investment income

Investment income, which is recorded on the accrual basis, includes interest and dividend income.

Brokers' commissions and other transaction costs are recognized in the statement of changes in net assets available for benefits in the year incurred.

(e) Foreign currency

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

(f) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Future new accounting pronouncement

The Accounting Standards Board's ("AcSB") April 2008 Exposure Draft, Adopting IFRS in Canada, proposed that, upon adoption of International Financial Reporting Standards ("IFRS") by publicly accountable enterprises, pension plans would continue to prepare their financial statements in accordance with The Canadian Institute of Chartered Accountants' ("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. The University is currently assessing the impact of this standard on the Plan.

3. FUNDING POLICY

The University is required to provide funding, based on triennial valuations and any current legislative requirements, necessary to ensure that benefits will be fully provided for at retirement. The University's funding policy is to make contributions from time to time using the level premium method as determined by the actuary.

The most recent actuarial valuation for funding purposes was prepared as at July 1, 2008 by William M. Mercer Limited. A copy of the valuation was filed with the Pension Commission as required by the Pension Benefits Act of Ontario.

4. STATUTORY DISCLOSURE

The following information is provided in respect of individual investments with a cost or fair value in excess of 1% of the cost or fair value of the Plan, as required by the Pension Benefits Act of Ontario.

(i) Cash and short-term investments

Issuer	2011 Fair Value $	2011 Cost $	2010 Fair Value $	2010 Cost $
Phillips Hager North Pool	1,769,488	1,769,488	1,290,823	1,290,823

(ii) Canadian bonds and debentures:

Ontario Province Bonds	2,581,227	2,461,699	2,767,487	2,689,916
Canada Housing Trust	5,263,296	5,270,543	6,934,925	6,981,103
Government of Canada Bonds	5,948,514	5,775,591	2,840,836	2,659,033
Phillips Hager North Pool	9,064,119	8,957,944	8,428,922	8,149,818

(iii) Canadian Equity Pooled Plans:

FGP Small Cap Pool	1,901,861	1,594,722	1,305,118	1,313,885
McLean Budden Pool	22,590,447	20,522,394	18,457,860	19,223,888

(iv) Foreign Equity Pooled Plans:

Baillie Gifford Global Alpha	22,855,904	19,732,428	18,550,750	18,910,000
Sprucegrove Global	22,141,387	19,934,253	18,942,794	19,299,255

5. INVESTMENT INCOME

	2011 $	2010 $
Cash and short term investments	30,391	2,368
Canadian bonds and debentures, segregated	2,389,014	2,645,557
Canadian equities, segregated	470,443	577,962
Pooled funds, all asset classes	1,534,002	1,197,696
	4,423,850	4,423,583

6. ADMINISTRATIVE EXPENSES

	2011 $	2010 $
Investment management fees	547,176	264,291
Actuarial and investment consulting fees	108,582	283,773
Sponsor administrative fees	60,572	60,572
Trustee fees	36,866	37,547
Audit fees	3,597	2,930
Miscellaneous	72,125	100,066
	828,918	749,179

7. FINANCIAL INSTRUMENTS

(a) Fair values

The fair values of investments are as described in note 2(b). The fair values of other financial assets and liabilities, being cash, accrued interest and dividends, and accrued liabilities 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. The Plan does not have assets classified as Level 3.

The following table illustrates the classification of the Plan's financial instruments using the fair value hierarchy as at June 30, 2011:

	Level 1 $	Level 2 $	2011 Total $	2010 Total $
Cash and short term investments	687,635	3,870,868	4,558,503	3,335,038
Canadian bonds and debentures	-	54,772,461	54,772,461	49,477,963
Canadian common and preferred shares	17,283,141	24,492,309	41,775,450	36,030,423
Non-Canadian shares	-	44,997,291	44,997,291	37,493,544
Total	17,970,776	128,132,929	146,103,705	126,336,968

7. 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 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.

The Plan's investments in equities are also sensitive to market fluctuations. An immediate hypothetical decline of 10% in equity values will impact the Plan's equity investments by an approximate loss of $ 8,677,274.

(ii) 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 assets mix guidelines which help to ensure the Plan is able to liquidate investments to meet its pension benefit or other obligations.

(iii) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The University does not expect any counterparties to fail to meet their obligations given their high credit ratings. The University has established policies and minimum credit rating requirements for such investments.

The Plan's fixed income investments are in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. In order to minimize the exposure of risk, a comprehensive investment policy has been developed. There were no significant concentrations of credit risk in the portfolio in either 2011 or 2010. The maximum credit risk exposure as at June 30, 2011 is $ 54,772,461.

The breakdown of the total Canadian bonds and debentures by credit ratings as at June 30, 2011 is:

Credit Rating	2011 Fair Value $	2010 Fair Value $
AAA	21,047,318	17,947,139
AA	20,935,787	11,052,466
A	9,566,764	18,082,032
BBB	3,222,592	2,396,326
	54,772,461	49,477,963

7. FINANCIAL INSTRUMENTS (continued)

(iv) Interest rate risk:

The following tables summarize the fair values of investments by the earlier of contractual repricing or maturity dates, as well as average effective yields by class of investment.

Fair Value of Investments at June 30, 2011

	Within 1 Year $	1 to 5 Years $	5 to 10 Years $	Over 10 Years $	No Specific Maturity $	Total $	Average Effective Yield
Cash and short term investments	4,558,503	-	-	-	-	4,558,503	0.18%
Canadian bonds and debentures	-	7,903,133	5,573,254	32,231,955	9,064,119	54,772,461	3.74%
Canadian common & preferred shares	-	-	-	-	41,775,450	41,775,450	2.05%
Non-Canadian shares	-	-	-	-	44,997,291	44,997,291	2.26%
	4,558,503	7,903,133	5,573,254	32,231,955	95,836,860	146,103,705	

Fair Value of Investments at June 30, 2010

	Within 1 Year $	1 to 5 Years $	5 to 10 Years $	Over 10 Years $	No Specific Maturity $	Total $	Average Effective Yield
Cash and short term investments	3,335,038	-	-	-	-	3,335,038	0.51%
Canadian bonds and debentures	-	8,980,537	5,144,307	26,924,197	8,428,922	49,477,963	3.67%
Canadian common & preferred shares	-	-	-	-	36,030,423	36,030,423	2.43%
Non-Canadian shares	-	-	-	-	37,493,544	37,493,544	2.65%
	3,335,038	8,980,537	5,144,307	26,924,197	81,952,889	126,336,968	

7. FINANCIAL INSTRUMENTS (continued)

(iv) Interest rate risk (continued):

Interest rate risk is the risk that the market value of the Plan's investments will fluctuate due to the changes in the market interest rates. To properly manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored. The Plan's investments in fixed income are sensitive to interest rate movements. An immediate hypothetical 100 basis point or 1% increase in interest rates, with all other variables held constant, would impact Canadian bonds and debentures by an estimated loss of approximately $ 4,960,000.

(v) Foreign currency risk:

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign currency rates. The Plan invests in financial instruments and enters into foreign transactions denominated in Canadian dollars. The Plan is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse effect on the value of the portion of the Plan's underlying assets or liabilities invested in foreign transactions. The Plan's overall currency positions and exposures are monitored on a regular basis by the Administrator. The sensitivity to foreign currency risk is included in the market price risk analysis.

8. CAPITAL RISK MANAGEMENT

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, which are not presented or discussed in these specified-purpose financial statements. 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 (current year's employee and employer contributions) in accordance with the approved SIPP. Increase in net assets are a direct result of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and by the University. The main use of net assets is for benefits payments to eligible Plan members. The Plan is required to file financial statements with the Financial Services Commission of Ontario.