

Financial Statements of

**UNIVERSITY OF WINDSOR  
RETIREMENT PLAN FOR FACULTY  
AND CERTAIN EMPLOYEES**

Registration Number: 0366849  
Year ended June 30, 2011



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## **INDEPENDENT AUDITORS' REPORT**

To the Trustee of University of Windsor Retirement Plan for Faculty and Certain Employees

We have audited the accompanying financial statements of the University of Windsor Retirement Plan for Faculty and Certain Employees, 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 Retirement Plan for Faculty and Certain Employees 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 Retirement Plan for Faculty and Certain Employees 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 Retirement Plan for Faculty and Certain Employees and the Financial Services Commission of Ontario and should not be used by parties other than the University of Windsor Retirement Plan for Faculty and Certain Employees and the Financial Services Commission of Ontario.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Accountants, Licensed Public Accountants

November 22, 2011

Windsor, Canada

# UNIVERSITY OF WINDSOR RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

(Registration Number: 0366849)  
Statement of Net Assets Available for Benefits

June 30, 2011, with comparative figures for 2010

	2011 \$	2010 \$
<b>Assets</b>		
Cash and short-term investments	10,241,832	7,599,513
Accrued interest and dividends	731,271	823,017
	10,973,103	8,422,530
Investments:		
Canadian bonds and debentures (Book value \$118,100,734; 2010 - \$108,050,834)	123,060,204	112,744,866
Canadian common and preferred shares (Book value \$83,037,453; 2010 - \$81,421,321)	93,859,127	82,102,111
Non-Canadian shares (Book value \$89,121,245; 2010 - \$87,066,992)	101,097,810	85,436,108
<b>Total assets</b>	<b>328,990,244</b>	<b>288,705,615</b>
<b>Liabilities</b>		
Accrued liabilities	344,930	207,857
<b>Net assets available for benefits</b>	<b>328,645,314</b>	<b>288,497,758</b>

See accompanying notes to financial statements.

On behalf of the Administrator:

\_\_\_\_\_ Administrator

\_\_\_\_\_ Administrator

# UNIVERSITY OF WINDSOR RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

(Registration Number: 0366849)

Statement of Changes in Net Assets Available for Benefits

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

	2011	2010
	\$	\$
<b>Increase in net assets:</b>		
Investment income (note 5)	9,939,298	10,079,631
Net realized gain on sale of investments	8,513,067	-
Current period change in market values of investments	24,165,216	28,158,365
Contributions:		
Employee	4,504,026	4,212,173
Employer:		
Current service	8,262,321	7,761,950
Past service and other	2,646,756	2,647,000
	10,909,077	10,408,950
	58,030,684	52,859,119
<b>Decrease in net assets:</b>		
Net realized loss on sale of investments	-	17,468,498
Benefit payments	15,769,564	15,271,849
Payments to individuals on cessation of employment:		
Transfers to other plans	423,713	1,012,296
Administrative expenses (note 6)	1,689,851	1,119,813
	17,883,128	34,872,456
Increase in net assets	40,147,556	17,986,663
Net assets available for benefits, beginning of year	288,497,758	270,511,095
Net assets available for benefits, end of year	328,645,314	288,497,758

See accompanying notes to financial statements.

# UNIVERSITY OF WINDSOR RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

(Registration Number: 0366849)  
Notes to Financial Statements

Year ended June 30, 2011

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## 1. DESCRIPTION OF PLAN

The following description of the University of Windsor – Retirement Plan for Faculty and Certain Employees (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 Faculty and Certain Employees Plan 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.

# UNIVERSITY OF WINDSOR

## RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

(Registration Number: 0366849)  
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Year ended June 30, 2011

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### 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.

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### 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.



# UNIVERSITY OF WINDSOR RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

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Notes to Financial Statements

Year ended June 30, 2011

## 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	2011	2010	2010
	Fair Value	Cost	Fair Value	Cost
	\$	\$	\$	\$
Phillips Hager North Pool	3,975,603	3,975,603	4,010,074	2,941,383

### (ii) Canadian bonds and debentures:

Ontario Province Bonds	5,799,380	5,530,830	6,306,241	6,129,480
Canada Housing Trust	11,825,328	11,841,610	15,802,533	15,907,759
Government of Canada Bonds	13,364,842	12,976,329	6,473,380	6,059,107
Phillips Hager North Pool	20,364,839	20,126,289	19,206,887	18,570,898

### (iii) Canadian Equity Pooled Plans:

FGP Small Cap Pool	4,273,012	3,582,948	2,973,958	2,993,935
McLean Budden Pool	50,755,161	46,108,752	42,059,715	43,805,253

### (iv) Foreign Equity Pooled Plans:

Baillie Gifford Global Alpha	51,351,576	44,333,897	42,271,380	43,090,000
Sprucegrove Global	49,746,234	44,787,348	43,164,728	43,976,992

## 5. INVESTMENT INCOME

	2011	2010
	\$	\$
Cash and short term investments	68,281	5,397
Canadian bonds and debentures, segregated	5,367,525	6,028,198
Canadian equities, segregated	1,056,969	1,316,951
Pooled funds, all asset classes	3,446,523	2,729,085
	9,939,298	10,079,631

# UNIVERSITY OF WINDSOR RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

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## 6. ADMINISTRATIVE EXPENSES

	2011 \$	2010 \$
Investment management fees	1,234,492	602,875
Actuarial and investment consulting fees	219,569	250,871
Sponsor administrative fees	74,033	74,033
Trustee fees	83,231	85,691
Audit fees	7,921	6,835
Miscellaneous	70,605	99,508
	1,689,851	1,119,813

## 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	1,544,946	8,696,886	10,241,832	7,599,513
Canadian bonds and debentures	-	123,060,204	123,060,204	112,744,866
Canadian common and preferred shares	38,830,954	55,028,173	93,859,127	82,102,111
Non-Canadian shares	-	101,097,810	101,097,810	85,436,108
	40,375,900	287,883,073	328,258,973	287,882,598

# UNIVERSITY OF WINDSOR

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### 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 \$ 19,495,694.

##### (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 \$ 123,060,204.

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	47,288,129	40,895,940
AA	47,037,547	25,185,127
A	21,494,161	41,203,321
BBB	7,240,367	5,460,478
	123,060,204	112,744,866

# UNIVERSITY OF WINDSOR RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

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## 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	10,241,832	-	-	-	-	10,241,832	0.18%
Canadian bonds and debentures	-	17,756,389	12,521,727	72,417,249	20,364,839	123,060,204	3.74%
Canadian common & preferred shares	-	-	-	-	93,859,127	93,859,127	2.05%
Non-Canadian shares	-	-	-	-	101,097,810	101,097,810	2.26%
	10,241,832	17,756,389	12,521,727	72,417,249	215,321,776	328,258,973	

#### 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	7,599,513	-	-	-	-	7,599,513	0.51%
Canadian bonds and debentures	-	20,463,847	11,722,273	61,351,859	19,206,887	112,744,866	3.67%
Canadian common & preferred shares	-	-	-	-	82,102,111	82,102,111	2.43%
Non-Canadian shares	-	-	-	-	85,436,108	85,436,108	2.65%
	7,599,513	20,463,847	11,722,273	61,351,859	186,745,106	287,882,598	

# UNIVERSITY OF WINDSOR RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

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## 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 \$ 11,150,000.

### (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 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 in the foreign currency may change in a manner that has an adverse affect 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.