

RETIREMENT PLAN OF THE UNIVERSITY OF GUELPH

For the Year Ended September 30, 2002

December 13, 2002

Auditors' Report

To the Governors of the University of Guelph

We have audited the statement of net assets available for benefits of the funds of the Retirement Plan of the University of Guelph (the "Plan") as at September 30, 2002 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the University's administration. 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 as at September 30, 2002 and the changes in net assets available for benefits for the year then ended in accordance with the basis of accounting as disclosed in note 3 to the financial statements.

These pension fund financial statements and our report thereon have been prepared for filing with the Financial Services Commission of Ontario and are not appropriate for any other purpose.

PricewaterhouseCoopers LLP

Chartered Accountants

Retirement Plan of University of Guelph

Statement of Net Assets Available for Benefits

As at September 30, 2002

(in thousands of dollars)

	2002	2001
ASSETS		
Interest in Pooled Fund of		
University of Guelph Pension Plans (Note 2)	131,097	141,406
Employer contributions receivable	111	-
Member contributions receivable	3	-
Other receivables	5	5
	131,216	141,411
LIABILITIES		
Accounts payable (Note 4)	889	1,169
Accrued interplan transfers	277	137
	1,166	1,306
Net Assets Available for Benefits	130,050	140,105

Retirement Plan of University of Guelph

Statement of Changes in Net Assets Available for Benefits

As at September 30, 2002

(in thousands of dollars)

	2002	2001
Increase in Net Assets		
Member contributions	2,291	3
Employer contributions	280	-
Public service pension supplement (Note 5)	263	267
	2,834	270
Investment income	3,680	3,852
Interplan transfers	-	287
	3,680	4,139
Total Increase in Net Assets	6,514	4,409
Decrease in Net Assets		
Net realized loss	4,171	1,064
Net decrease in unrealized gain	4,792	23,946
Pension payments	5,988	5,865
Refunds of contributions (Note 6)	900	895
Interplan transfers	455	-
Administrative expenses and professional fees (Note 7)	263	210
	16,569	31,980
Net Increase (Decrease) for the Year	(10,055)	(27,571)
Net Assets at Beginning of Year, at Market Value	140,105	167,676
Net Assets at End of Year, at Market Value	130,050	140,105

Retirement Plan of University of Guelph
Notes to the Financial Statements
For the Year Ended September 30, 2002

1. Description of Plan

The following description of the Retirement Plan of the University of Guelph (the “Plan”) is a summary only. For more complete information, reference should be made to the Plan Text.

General

The Plan is a contributory defined benefit pension plan and is registered with Canada Customs and Revenue Agency and the Financial Services Commission of Ontario. The Plan holds units in the Pooled Fund of the University of Guelph Pension Plans. The Plan is integrated with the Canada Pension Plan (“CPP”).

Plan Eligibility

The Plan covers all regular full-time and certain part-time employees other than faculty and professional staff. Effective October 1, 1997 newly hired regular full-time employees other than faculty and professional staff must become members of this pension plan. Temporary full-time and certain part-time employees other than faculty and professional staff, may be eligible to join this plan after 24 continuous months of employment with the University.

Service Pensions

A service pension is available based on the number of years of service, to a maximum of 35 years, times the sum of 1.5% of the final average earnings up to the average CPP yearly maximum pensionable earnings and 2.0% of the difference between average CPP yearly maximum pensionable earnings and final average earnings. Final average earnings are based on the employee’s best 36 consecutive months of earnings. The normal retirement age is 65.

Survivor Pensions

A survivor pension is paid to a spouse, a dependent child, or a named dependent of a plan member if so elected by the plan member.

Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of contributions plus interest. Similarly, a death refund is payable to the named beneficiary of the estate of a plan member where no survivor pension is paid.

Upon application, and subject to lock-in provisions, a withdrawal refund, with interest on the contributions, is payable when a plan member ceases to be employed by the University of Guelph.

Retirement Plan of University of Guelph
Notes to the Financial Statements
For the Year Ended September 30, 2002

1. Description of Plan (continued)

Vesting

Pension benefits vest in the plan member immediately upon joining the Plan.

Income Taxes

The Plan is a registered pension trust as defined in the Income Tax Act (Canada) and, as such, is exempt from income taxes.

Funding Policy

In accordance with the Plan Text, plan members are required to contribute 4.55% of their salary up to CPP yearly maximum pensionable earnings and 6.25% of their salary above CPP yearly maximum pensionable earnings to the Plan. The University of Guelph is required to provide any additional funding, based on actuarial valuations, necessary to ensure that defined benefits will be fully provided for at retirement. The most recent actuarial valuation for funding purposes was prepared by Towers Perrin as of September 30, 2001 and a copy of this valuation was filed with the Finance Commission of Ontario. it plan.

2. Interest in Pooled Fund

The assets of the Plan are administered in a Pooled Fund, which includes the assets of other University of Guelph pension plans. The Plan holds units in the Pooled Fund and these units had a market value of \$131.1 million (2001 - \$141.4 million) and a book value of \$150.1 million (2001 - \$155.6 million) at September 30, 2002.

The market value of the units in the Pooled Fund reflects the market values where available or comparable security prices as appropriate. The Pooled Fund holds investments in the following categories: cash, treasury bills, Government of Canada Bonds, bonds and debentures issued by Canadian corporations, shares and pooled funds.

3. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared for filing with the Financial Services Commission of Ontario. They have been prepared in accordance with Canadian generally accepted accounting principles except that they exclude disclosure of the actuarial obligations of the Plan.

Retirement Plan of University of Guelph
Notes to the Financial Statements
For the Year Ended September 30, 2002

3. Significant Accounting Policies (continued)

Investment Income

Investment income consists of interest income, recognized as it accrues, plus dividend income, recognized as of the ex-dividend date, less investment counsel fees and trustee fees.

Net Realized Gain (Loss)

The net realized gain (loss) is based on the sale or transfer of underlying investments in the Pooled Fund. Gains and losses on the sale of investments in the Pooled Fund are recorded at the settlement date and are based on the average cost of the securities.

Contributions and Benefit Payments

Contributions and benefit payments are recorded on the accrual basis.

4. Accounts Payable

[in thousands of dollars]	2002	2001
Refund of contributions plus interest	805	1,110
Administration fees to the University of Guelph	37	35
Professional fees	21	20
Other	26	4
	<u>889</u>	<u>1,169</u>

5. Public Service Pension Supplement

The Public Service Pension Supplement refers to funds received from the Ministry of Training Colleges and Universities in support of additional payments made to those University retirees who were former Ontario government employees transferred to the University when it was created in 1965.

Retirement Plan of University of Guelph
Notes to the Financial Statements
For the Year Ended September 30, 2002

6. Refunds of Contributions

<u>[in thousands of dollars]</u>	<u>2002</u>	<u>2001</u>
Upon termination or withdrawal	697	836
Upon death	203	59
	<u>900</u>	<u>895</u>

7. Administrative Expenses and Professional Fees

<u>[in thousands of dollars]</u>	<u>2002</u>	<u>2001</u>
Actuarial fees	123	120
General and administrative expenses	137	86
Accounting and auditing fees	3	4
	<u>263</u>	<u>210</u>

8. Related Party Transactions [in thousands of dollars]

During the year ended September 30, 2002, the University of Guelph charged the Pooled Fund \$345 (2001 - \$334) for administrative services. Of these charges, \$80 (2001 – \$77) related to the retirement plan.