

**THE PENSION PLAN FOR PROFESSIONAL STAFF
OF THE UNIVERSITY OF GUELPH**

For the Year Ended September 30, 2003

December 5, 2003

Auditors' Report

To the Governors of the University of Guelph

We have audited the statement of net assets available for benefits of the Pension Plan for Professional Staff of the University of Guelph (the "Plan") as at September 30, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply with Section 76 of Regulation 909 to the Pension Benefits Act of the Province of Ontario. These financial statements are the responsibility of the pension plan's management. 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 the Plan's 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, 2003 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 financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Governors of the University of Guelph and the Financial Services Commission of Ontario for complying with Section 76 of Regulation 909 to the Pension Benefits Act of the Province of Ontario. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

PricewaterhouseCoopers LLP

Chartered Accountants

The Pension Plan for Professional Staff of University of Guelph

Statement of Net Assets Available for Benefits

As at September 30, 2003

(in thousands of dollars)

	2003	2002
ASSETS		
Interest in Pooled Fund of University of Guelph Pension Plans (Note 2)	455,844	418,780
Employer contributions receivable	284	214
Member contributions receivable	249	3
Other receivables	18	17
Accrued interplan transfers receivable	615	277
	457,010	419,291
LIABILITIES		
Accounts payable (Note 4)	4,843	2,449
	452,167	416,842
Net Assets Available for Benefits	452,167	416,842

The Pension Plan for Professional Staff of University of Guelph

Statement of Changes in Net Assets Available for Benefits

As at September 30, 2003

(in thousands of dollars)

	2003	2002
Increase in Net Assets		
Employer contributions	5,692	544
Member contributions	4,244	4,341
Public service pension supplement (Note 5)	-	358
Interplan transfers	337	507
	10,273	5,750
Net increase in unrealized gain	55,524	-
Investment income	15,771	11,797
	71,295	11,797
Total Increase in Net Assets	81,568	17,547
Net realized loss	19,864	13,353
Net decrease in unrealized gain	-	15,165
Pension payments	20,684	19,743
Refunds of contributions (Note 6)	5,053	2,979
Administrative expenses and professional fees (Note 7)	642	670
	46,243	51,910
Total Decrease in Net Assets	46,243	51,910
Net Increase (Decrease) for the Year	35,325	(34,363)
Net Assets at Beginning of Year, at Market Value	416,842	451,205
Net Assets at End of Year, at Market Value	452,167	416,842

Pension Plan for Professional Staff of University of Guelph
Notes to the Financial Statements
For the Year Ended September 30, 2003

1. Description of Plan

The following description of the Pension Plan for Professional Staff 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 (registration #0324616). 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 faculty and professional staff. Effective October 1, 1997 newly hired regular full-time faculty and professional staff must become members of this pension plan. Temporary full-time and certain part-time 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.

Pension Plan for Professional Staff of University of Guelph
Notes to the Financial Statements
For the Year Ended September 30, 2003

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 4.8% of their salary up to CPP yearly maximum pensionable earnings and 6.50% 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.

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 \$455.8 million (2002 - \$418.8 million) and a book value of \$460.9 million (2002 - \$479.3 million) at September 30, 2003.

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 Accounting

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 Regulation 909 of the Pension Benefits Act of the Province of 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.

Pension Plan for Professional Staff of University of Guelph
Notes to the Financial Statements
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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 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]	2003	2002
Refund of contributions plus interest	4,665	2,254
Administration fees to the University of Guelph	132	121
Professional fees	38	66
Other	8	8
	4,843	2,449
	4,843	2,449

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 pension payments made to those University retirees who were former Ontario government employees transferred to the University when it was created in 1965. Effective October 2003, these payments are now administered separately from the registered Pension Plans.

Pension Plan for Professional Staff of University of Guelph
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6. Refunds of Contributions

<u>[in thousands of dollars]</u>	<u>2003</u>	<u>2002</u>
Upon termination or withdrawal	5,053	2,669
Upon death	-	310
	<u>5,053</u>	<u>2,979</u>

7. Administrative Expenses and Professional Fees

<u>[in thousands of dollars]</u>	<u>2003</u>	<u>2002</u>
Actuarial fees	362	399
General and administrative expenses	270	261
Accounting and auditing fees	10	10
	<u>642</u>	<u>670</u>

8. Related Party Transactions [in thousands of dollars]

During the year ended September 30, 2003, the University of Guelph charged the Pooled Fund \$360 (2002 - \$345) for administrative services. Of these charges, \$269 (2002 – \$257) related to the professional plan.