# PENSION FUND OF THE PENSION PLANS OF THE UNIVERSITY OF GUELPH COMBINED FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

March 6, 2013

## Independent Auditor's Report

**To the Board of Governors of the University of Guelph**

We have audited the accompanying combined financial statements of the Pension Fund of the Pension Plans of the University of Guelph (the Plans), which comprise the combined statement of net assets available for benefits as at September 30, 2012 and September 30, 2011 and the combined statement of changes in net assets available for benefits for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information. The combined financial statements have been prepared by management based on the financial reporting provisions of Section 76 of Regulation 909 to the Pension Benefits Act of the Province of Ontario.

**Management's responsibility for the combined financial statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 to the Pension Benefits Act of the Province of Ontario, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these combined 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 the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

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

*PricewaterhouseCoopers LLP*
*95 King Street South, Suite 201, Waterloo, Ontario, Canada N2J 5A2*
*T: +1 519 570 5700, F: +1 519 570 5730, www.pwc.com/ca*

**Opinion**

In our opinion, the combined financial statements present fairly, in all material respects, the net assets available for benefits of the Plans as at September 30, 2012 and September 30, 2011 and the changes in its net assets available for benefits for the years then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 to the Pension Benefits Act of the Province of Ontario.

**Basis of accounting and restriction on use**

Without modifying our opinion, we draw attention to note 2 to the combined financial statements, which describes the basis of accounting. The combined financial statements are prepared to assist the University with its oversight responsibilities over the financial reporting of the Plans. As a result, the combined financial statements may not be suitable for another purpose. Our report is intended solely for the University of Guelph and should not be used by parties other than the University of Guelph.

PricewaterhouseCoopers LLP

**Chartered Accountants, Licensed Public Accountants**

## Pension Fund of the Pension Plans of the University of Guelph

**Combined Statement of Net Assets Available for Benefits**

**As at September 30, 2012**

(in thousands of dollars)

| | 2012 | 2011 |
|---|---|---|
| **ASSETS** | | |
| Pooled Fund of University of Guelph Pension Plans (Note 6) | 962,919 | 854,877 |
| Employer contributions receivable | 109 | 990 |
| Member contributions receivable | 63 | 622 |
| | 963,091 | 856,489 |
| **LIABILITIES** | | |
| Pooled Fund of University of Guelph Pension Plans (Note 6) | 1,074 | 3 |
| Accrued liabilities (Note 7) | 1,854 | 1,779 |
| | 2,928 | 1,782 |
| **Net Assets Available for Benefits** | 960,163 | 854,707 |

## Pension Fund of the Pension Plans of the University of Guelph

**Combined Statement of Changes in Net Assets Available for Benefits**

**For the year ended September 30, 2012**

(in thousands of dollars)

| | 2012 | 2011 |
|---|---|---|
| **Increase in Net Assets** | | |
| Net realized gain | 15,597 | 26,366 |
| Net change in unrealized gains (losses) | 69,616 | (50,703) |
| Net change in fair values of investment assets and liabilities | 85,213 | (24,337) |
| Investment income (Note 6) | 31,463 | 28,916 |
| Employer contributions (Note 8) | 37,708 | 38,472 |
| Member contributions (Note 8) | 13,854 | 13,166 |
| Transfers In | 237 | 266 |
| **Total Increase in Net Assets** | 168,475 | 56,483 |
| **Decrease in Net Assets** | | |
| Benefit payments | 48,067 | 44,801 |
| Refunds and transfers out | 9,201 | 15,363 |
| Investment fees (Note 9) | 4,337 | 4,255 |
| Administrative expenses and professional fees (Note 9) | 1,414 | 1,437 |
| **Total Decrease in Net Assets** | 63,019 | 65,856 |
| **Net Increase (Decrease) for the Year** | 105,456 | (9,373) |
| **Net Assets at Beginning of Year** | 854,707 | 864,080 |
| **Net Assets at End of Year, at Market Value** | 960,163 | 854,707 |

## 1. Description of the Plans

The following description of the Pension Plans of the University of Guelph (the Plans), consisting of the Pension Plan for Professional Staff (Professional), the Pension Plan for Non-Professional Staff (Non-Professional) and the Retirement Plan (Retirement) of the University of Guelph, is a summary only. For more complete information, reference should be made to the respective Plan Text.

### General

The Plans are contributory defined benefit pension plans and are registered with Canada Revenue Agency and the Financial Services Commission of Ontario (registration #0324616, #0324632 and #0324624 for Professional, Non-Professional and Retirement, respectively). The Plans hold units in the Pooled Fund of the University of Guelph Pension Plans. The Plans are integrated with the Canada Pension Plan (CPP).

### Plan Eligibility

The Professional 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 of Guelph.

The option of joining the Non-Professional Plan has been discontinued.

The Retirement 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 of Guelph.

### Service Pensions

For the Professional Plan, 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 best 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 best average earnings.

For the Non-Professional Plan, a service pension is available based on the number of years of service, to a maximum of 35 years, times the sum of 1.267% (1.367% for USW Local 4120 members, Exempt Group members and CUPE 1334 members) of the best average earnings up to the average CPP yearly maximum pensionable earnings and 1.667% of the difference between average CPP yearly maximum pensionable earnings and best average earnings.

For the Retirement Plan, 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% (1.6% for USW Local 4120

## 1. Description of the Plans (continued)

members, Exempt Group members, OSSTF members and CUPE 1334 members) of the best 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 best average earnings.

For the Plans, best 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.

A withdrawal refund is payable when the University of Guelph receives an application, subject to lock-in provisions, from a plan member who ceases to be employed by the University of Guelph. The amount of the payment is determined in accordance with the actuarial calculation.

### Vesting

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

### Income Taxes

The Plans are registered pension plans as defined in the Income Tax Act (Canada) and, as such, are exempt from income taxes.

### Funding Policy

In accordance with the Professional Plan Text, plan members who are not members of the College and Academic Research Group (CARG), the Professional Staff Association (PSA), the University of Guelph Faculty Association (UGFA) or the Ontario Nurses Association (ONA) are required to contribute 4.8% of their salary up to CPP yearly maximum pensionable earnings and 6.5% of their salary above CPP yearly maximum pensionable earnings to the Plan. CARG members are required to pay 5.8% of their salary up to the CPP yearly maximum pensionable earnings and 7.5% of the salary above CPP yearly maximum pensionable earnings. As of July 1, 2012, PSA members are required to pay 6.05% of their salary up to the CPP yearly maximum pensionable earnings and 7.5% of the salary above CPP yearly maximum pensionable earnings. As of July 1, 2012 and August 1, 2012, respectively, UGFA and ONA members are required to pay 5.8% of their salary up to the

## 1. Description of the Plans (continued)

CPP yearly maximum pensionable earnings and 7.5% of the salary above CPP yearly maximum pensionable earnings.

In accordance with the Non-Professional Plan Text, plan members, who do not belong to USW 4120, the Exempt Group, or CUPE 1334, are required to contribute 3.75% of their salary up to CPP yearly maximum pensionable earnings and 5.25% of their salary above the CPP yearly maximum pensionable earnings to the Plan. USW 4120, Exempt Group and CUPE 1334 plan members are required to contribute 4.10%, 4.11% and 4.15%, respectively (prior to May 1, 2012, the contribution rates were 5.36%, 5.14% and 4.82%, respectively), of their salary up to CPP yearly maximum pensionable earnings and 5.25%, 5.25% and 6.32%, respectively, of their salary above the CPP yearly maximum pensionable earnings to the Plan.

In accordance with the Retirement Plan Text, plan members, who do not belong to USW 4120, the Exempt Group, CUPE 1334, CUPE 3913-Unit 2, UGFSEA-Unit 1, UGFSEA-Unit 2 or CUPE 1334-Unit 1 are required to contribute 4.55% of their salary up to CPP yearly maximum pensionable earnings and 6.25% of their salary above the CPP yearly maximum pensionable earnings to the Plan. Exempt Group plan members are required to contribute 5.94% of their salary up to CPP yearly maximum pensionable earnings and 6.25% of their salary above the CPP yearly maximum pensionable earnings to the Plan. As of May 1, 2012, USW 4120, CUPE 1334 and CUPE 1334-Unit 1 plan members are required to contribute 6.16%, 7.60% and 5.55%, respectively, of their salary up to CPP yearly maximum pensionable earnings and 7.25%, 9.90% and 7.25%, respectively, of their salary above the CPP yearly maximum pensionable earnings to the Plan. As of August 1, 2012, UGFSEA-Unit 1 and UGFSEA-Unit 2 plan members are required to contribute 5.55% of their salary up to CPP yearly maximum pensionable earnings and 7.25% of their salary above the CPP yearly maximum pensionable earnings to the Plan. As of September 1, 2012, CUPE 3913-Unit 2 plan members are required to contribute 5.55% of their salary up to CPP yearly maximum pensionable earnings and 8.25% of their salary above the CPP yearly maximum pensionable earnings to the Plan.

For each of the Plans, the University of Guelph is required to provide any additional funding, based on actuarial valuations (the most recent actuarial valuations filed with the Financial Services Commission of Ontario were prepared as of August 1, 2010), necessary to ensure that defined benefits will be fully provided for at retirement.

Based on the most recent actuarial valuation, no contributions were made by the employer to the defined benefit plan for the Non-Professional Plan.

## 2. Significant Accounting Policies

### Basis of accounting and adoption of Canadian accounting standards for pension plans

The Financial Services Commission of Ontario (FSCO) allows the preparation of financial statements in accordance with Canadian generally accepted accounting principles, excluding recognition and disclosure of pension obligations to comply with the filing requirements of Section 76 of Regulation 909 of the Pension Benefits Act of the Province of Ontario. Accordingly, the Plans adopted Canadian accounting standards for pension plans (ASPP), excluding recognition and disclosure relating to the Plans' pension obligations on October 1, 2011 with a transition date of October 1, 2010. Canadian accounting standards for pension plans require the Plans, in selecting or changing accounting policies that do not relate to their investment portfolio or pension obligations, to comply on a consistent basis with either International Financial Reporting Standards (IFRS) in Part I of the Canadian Institute of Chartered Accountants (CICA) Handbook or Canadian Accounting Standards for Private Enterprises (ASPE) in Part II of the CICA Handbook. The Plans have chosen to comply with ASPE.

The adoption of ASPP has had no impact on net assets available for benefits and changes therein.

These financial statements differ materially from financial statements prepared in accordance with Canadian accounting standards for pension plans as they exclude the recognition and disclosure of the pension obligation of the plans. Consequently, these financial statements do not purport to show the adequacy of the plan's assets to meet its pension obligations.

### Pooled fund

The assets of the University of Guelph pension plans are administered as a single Pooled Fund. The value of the Pooled Fund is determined based on the fair value of the underlying investment assets and liabilities in accordance with IFRS 13, Fair Value Measurement. Fair values are determined using listed market values where available or comparable security prices as appropriate. Purchases and sales of investments are recorded as of the trade date (the date on which the substantial risks and rewards have been transferred). Each of the Plans' interest in the Pooled Fund is calculated based on the units held.

### Investment income

Investment income consists of interest income, recognized as it accrues, plus dividend income, recognized as of the ex-dividend date. Each of the University of Guelph Pension Plans pro-rata share of investment income, is calculated based on the units held by each plan in the Pooled Fund.

### Net change in fair values of investment assets and liabilities

Net realized gain on during the year represents the difference between sale or settlement proceeds and book value. Net change in unrealized gains (losses) represents the change in the difference between fair and book values of investment assets and liabilities at the beginning

## 2. Significant Accounting Policies (continued)

and ending of the year. All realized and net changes in unrealized gains and losses on investment assets and liabilities are recorded in the Statement of changes in net assets available for benefits in the year in which they occur. Each of the University of Guelph Pension Plans pro-rata share of net realized gain (loss) and net change in unrealized gains (losses), is calculated based on the units held by each plan in the Pooled Fund.

**Contributions, benefit payments and refunds**

Contributions, benefit payments and refunds are recorded on the accrual basis.

## 3. Investment Risk Management

The objective of the Pension Plans is to achieve medium to long-term growth of its investment portfolio to provide the Plans with assets sufficient to meet member's pension benefit payment obligations. The Plans' investment policy is established by the Board of Governors and is set out in the statement of investment policies and procedures (the SIPP).

The Plans invest in assets in accordance with the SIPP and are monitored by the Investment Management Committee. The Plans' investing activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk.

The allocation of assets among various types of investments and the performance of investments held by the Plans are monitored by the Plans' investment managers on a monthly basis and reviewed by the Investment Management Committee on a quarterly basis.

The Pension Committee oversees how management monitors compliance with the Plans' risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the long-term objectives of the Plans.

### a. Market risk

The Plans' investments are susceptible to market risk, which is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Plans' exposure to market risk is affected by changes in the level or volatility of market rates or prices, such as interest rates, foreign exchange rates and equity prices. The sensitivity analysis provided below discloses the effect on net assets available for benefits as at September 30, 2012, assuming that a reasonably possible change in the relevant risk variable has occurred at September 30, 2012 and has been applied to the risk exposures in existence at that date to show the effects of the reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities where available or on historical data.

The sensitivity analysis provided is hypothetical and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced as the Plans' actual exposure to market rates may change. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the

## 3. Investment Risk Management (continued)

relationship between the change in a market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Plans.

### i. Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plans are subject to interest rate risk though its holdings of variable interest rate instruments. The SIPP contains guidelines related to investments in interest bearing instruments, which address credit concentration, duration

and distribution. These guidelines are designed to mitigate the interest rate risk at a level deemed acceptable by the Pension Committee.

As at September 30, 2012, had the market interest rates increased or decreased by 1% with all other variables held constant, the fair value of the fixed income holdings in the Plans and net assets available for benefits would have decreased or increased respectively, by approximately $20.3 million. As at September 30, 2012, duration and yield to maturity are 7.5 and 2.29%, respectively, for the overall fixed income portfolio.

The terms to contractual maturity of interest bearing financial instruments as at September 30 are as follows:

| [in thousands of dollars] | | | | | **2012** |
|---|---|---|---|---|---|
| | Terms to contractual maturity | | | | |
| Interest bearing instrument | Within 1 year $ | 1 to 5 years $ | 6 to 10 years $ | Over 10 years $ | Total $ |
| Canada* | 669 | 64,910 | 23,825 | 22,522 | 111,926 |
| Provincial | 1,384 | 13,022 | 22,568 | 42,740 | 79,714 |
| Municipal | - | 2,403 | 1,320 | 579 | 4,302 |
| Corporates | - | 37,495 | 18,053 | 18,953 | 74,501 |
| Other | - | 267 | - | - | 267 |
| Total | 2,053 | 118,097 | 65,766 | 84,794 | 270,710 |

** includes cash*

### ii. Currency risk

The Plans hold assets denominated in currencies other than the Canadian dollar, the Plans' functional currency. It is therefore exposed to currency risk as the value of the financial instruments denominated in other currencies will fluctuate due to the changes in exchange rates.

## 3. Investment Risk Management (continued)

As at September 30, 2012, had the foreign exchange rates increased or decreased by 10% with all other market variables held constant, the fair value of the foreign currency assets and net assets available for benefits of the Plans would have increased or decreased respectively as outlined in the following table:

| [in thousands of dollars] | Currency Exposure | Currency Hedge* | Net Exposure | Estimated Impact |
|---|---|---|---|---|
| United States | 226,893 | 118,362 | 108,531 | 10,853 |
| Euro countires | 63,094 | 32,954 | 30,140 | 3,014 |
| United Kingdom | 35,574 | 18,126 | 17,448 | 1,745 |
| Japan | 34,675 | 17,598 | 17,077 | 1,708 |
| Other Europe | 28,141 | 14,196 | 13,945 | 1,395 |
| Other Pacific | 18,672 | 6,978 | 11,694 | 1,169 |
| Other global | 6,406 | 2,678 | 3,728 | 373 |
| | 413,455 | 210,892 | 202,563 | 20,257 |

** Notional Value of Future Foreign Exchange Contracts*

### iii. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at September 30, 2012, had the prices of equities increased or decreased by 10% with all other variables held constant, the value of equities and net assets available for benefits would have increased or decreased respectively, by approximately $64.1 million.

### b. Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Plans manage credit risk through the application and monitoring of its SIPP.

## 3. Investment Risk Management (continued)

The Plans assess all counterparties for credit risk before contracting with them. The Plans' maximum exposure to credit risk is detailed in the following table:

| [in thousands of dollars] | 2012 | 2011 |
|---|---|---|
| Cash | 40,482 | 24,996 |
| Bonds and debentures | 270,386 | 255,828 |
| | 310,868 | 280,824 |

The credit ratings of the fixed income portfolio as at September 30 is as follows:

| [in thousands of dollars] | | **2012** |
|---|---|---|
| **Credit ratings** | **$** | **%** |
| AAA | 118,954 | 43.8% |
| AA | 70,809 | 26.2% |
| A | 69,645 | 25.8% |
| BBB | 11,302 | 4.2% |
| | 270,710 | 100.0% |

### c. Liquidity risk

Liquidity risk is the risk that the Plans may be unable to meet obligations in a timely manner. In addition to recurring expenses, the Plans are called upon to meet regular pension benefit payments as well as lump sum transfers that my occur upon retirement or termination of qualifying Plan members. The risk the Plans would be unable to meet such obligations is managed through the Plans' ongoing monitoring of the individual investment managers and in their ability to liquidate investments in which the Plans have invested. The risk in this area is assessed by the Plans to be insignificant.

## 4. Fair Value Measurement

The following is a summary of the methods used to determine the fair value of the Plan's financial instruments and an analysis of those investments using the hierarchy set forth in IFRS 7, Financial Instruments – Disclosures. The hierarchy prioritizes the inputs to fair value measurement, placing the highest priority on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to inputs not based on observable market data (Level 3).

The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs that are observable for the assets or liabilities either directly or indirectly;
- Level 3 – inputs for assets or liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable data from active financial markets each time such data exists. Where a financial instrument contains inputs from multiple levels, it is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value.

The following table presents the Plans' financial assets evaluated at fair value as at September 30, 2012, classified according to the fair value hierarchy described below:

| [in thousands of dollars] | Level 1 | Level 2 | Level 3 | 2012 Total |
|---|---|---|---|---|
| ***Canadian*** | | | | |
| Cash & cash equivalents | | 27,381 | | 27,381 |
| Bonds and debentures | | 270,049 | 337 | 270,386 |
| Equities | 242,142 | | | 242,142 |
| Private equity funds | | 1,699 | | 1,699 |
| Pooled fund - real estate | | | 5,939 | 5,939 |
| ***Foreign*** | | | | |
| Cash & cash equivalents | | 13,101 | | 13,101 |
| Equities | 396,926 | | | 396,926 |
| | 639,068 | 312,230 | 6,276 | 957,574 |
| ***Future foreign exchange contracts*** | | (1,074) | | (1,074) |
| | 639,068 | 311,156 | 6,276 | 956,500 |

The following is an analysis of the investments of the Plan using the hierarchy related to the inputs to fair value measurement.

**Level 1**

The Plans' equity positions are classified as Level 1 when the security is actively traded and a reliable quote is observable.

## 4. Fair Value Measurement (continued)

**Level 2**

Cash is classified as Level 2. Short-term notes and treasury bills are classified as Level 2. These instruments mature within one year and are stated at cost, which, when combined with accrued interest income, approximates market value. Bonds and other interest bearing securities are classified as Level 2 when they are actively traded. They are classified as Level 2 when they are valued using observable inputs, including interest rate curves, credit spreads and volatilities. Certain of the Plans' equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and is classified as Level 2. Future foreign exchange contracts are classified as Level 2.

**Level 3**

Bonds for which significant unobservable data is required in determining fair value are classified as Level 3. Certain of the Plans' equities determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

During the year ended September 30, 2012 the Plans' Level 3 fair value measurements increased by $3.6 million (2011 - $1.8 million decrease).

The following table presents the Plans' reconciliation of Level 3 fair value measurements as at September 30, 2012:

| | |
|---|---|
| ***Opening Balance at October 1, 2011*** | 2,658 |
| Purchases | 6,160 |
| Transfers In | - |
| Sales | (2,751) |
| Transfers Out | - |
| Change in Market Value during period | 209 |
| ***Ending Balance at September 30, 2012*** | 6,276 |

## 5. Management of Capital

The capital of the Plans' is represented by the net assets available for benefits. The University's objective when managing the Plans' capital is to safeguard the assets of the Plans' to support the Plans' investment objectives. Investment performance and asset allocation is reviewed by the Investment Management Committee of the Board of Trustees and is reported to the Pension Committee.

## 6. Pooled Fund of the University of Guelph Pension Plans

(a) The fair values of investments in the Pooled Fund as at September 30 are as follows:

| [in thousands of dollars] | 2012 | 2011 |
|---|---|---|
| ***Canadian*** | | |
| Cash & cash equivalents | 27,381 | 12,167 |
| Bonds and debentures | 270,386 | 255,828 |
| Equities | 242,142 | 187,904 |
| Private equity funds | 1,699 | 4,357 |
| Pooled fund - real estate | 5,939 | - |
| | 547,547 | 460,256 |
| ***Foreign*** | | |
| Cash & cash equivalents | 13,101 | 12,829 |
| Equities | 396,926 | 376,810 |
| | 410,027 | 389,639 |
| ***Future foreign exchange contracts*** | (1,074) | (3) |
| ***Accrued investment income*** | 5,345 | 4,982 |
| Market value of Pooled Fund | 961,845 | 854,874 |
| Market value of Pooled Fund assets | 962,919 | 854,877 |
| Market value of Pooled Fund liabilities | (1,074) | (3) |
| Market value of Pooled Fund | 961,845 | 854,874 |

Fluctuations in the comparative figures noted above reflect changes in both asset mix and year end market values of securities held in the Pooled Fund.

The book value of assets held in the Pooled Fund, net of the future foreign exchange contracts liability, at September 30, 2012 was $892.3 million (2011 - $855.1million). The unrealized gain at September 30, 2012 was $69.5 million (2011– $0.2 million loss).

(b) Investment Income for the year ended September 30 is summarized as follows:

| [in thousands of dollars] | 2012 | 2011 |
|---|---|---|
| Interest income | 10,517 | 11,453 |
| Dividend income | | |
| Canadian | 6,236 | 4,956 |
| Foreign | 14,710 | 12,507 |
| | 31,463 | 28,916 |

## 6. Pooled Fund of the University of Guelph Pension Plans (continued)

(c) Included in total investments are the following individual investments, which have a fair value or book value as at September 30, 2012 equal to or greater than 1% of the fair value or book value of total Pooled Fund.

| [in thousands of dollars] | Book | Market |
|---|---|---|
| ***Canadian Bonds & Debentures*** | | |
| Canada Housing Trust | 36,222 | 37,255 |
| Government of Canada | 67,365 | 71,366 |
| Province of Ontario | 19,095 | 21,476 |
| Province of Quebec | 12,092 | 13,326 |
| | 134,774 | 143,423 |
| ***Canadian Equities*** | | |
| Bank of Nova Scotia | 9,316 | 11,549 |
| Royal Bank of Canada | 8,606 | 9,936 |
| Toronto Dominion Bank | 9,609 | 12,533 |
| | 27,531 | 34,018 |
| Total | 162,305 | 177,441 |

## 7. Accrued Liabilities

| [in thousands of dollars] | 2012 | 2011 |
|---|---|---|
| Refunds and transfers out | 615 | 398 |
| Investment management fees | 676 | 875 |
| Custodial and performance management fees | 71 | 44 |
| Administration fees to the University of Guelph | 354 | 361 |
| Professional fees (actuary, audit, legal) | 95 | 50 |
| Provincial regulatory fees | 43 | 51 |
| | 1,854 | 1,779 |

## 8. Contributions

| [in thousands of dollars] | 2012 | 2011 |
|---|---|---|
| Member | | |
| Current Service Contributions | 13,854 | 13,166 |
| Employer | | |
| Current Service Contributions | 22,731 | 21,575 |
| Going Concern & Solvency Special Payments | 14,977 | 16,897 |
| | 51,562 | 51,638 |

## 9. Fees and Expenses

| [in thousands of dollars] | 2012 | 2011 |
|---|---|---|
| ***Investment Fees*** | | |
| Investment Management Fees | 3,942 | 3,878 |
| Custodial and Performance Management Fees | 395 | 377 |
| | 4,337 | 4,255 |
| ***Administrative Expenses and Professional Fees*** | | |
| University of Guelph Administrative Fee | 537 | 544 |
| Actuarial Fees | 795 | 780 |
| Legal, Accounting and Auditing Fees | 24 | 28 |
| Other Fees* | 58 | 85 |
| | 1,414 | 1,437 |

*includes Provincial regulatory fees

## 10. Related Party Transactions [in thousands of dollars]

During the year ended September 30, 2012, the University of Guelph charged the Pooled Fund $537 (2011 - $544) for administrative services.