

**Algoma University - Pension Plan**  
**Financial Statements**  
For the year ended June 30, 2010

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## Auditors' Report

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### To the Pension Committee of Algoma University - Pension Plan

We have audited the statement of net assets available for benefits of the fund of Algoma University - Pension Plan as at June 30, 2010 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 (Ontario). These defined benefit pension plan statements are not general purpose financial statements, and were not prepared in accordance with Canadian generally accepted accounting principles. 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 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 June 30, 2010 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 1 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 Trustees of the Algoma University Pension Plan and Financial Services Commission of Ontario for complying with the Pension and Benefits Act. 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.

Comparative figures were audited by another firm of chartered accountants.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario  
November 26, 2010

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**Algoma University - Pension Plan**  
**Statement of Net Assets Available for Benefits**

<u>June 30</u>	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Amounts receivable:		
Contributions in transit:		
Employee	\$ 38,475	\$ 19,467
Employer	80,556	24,375
	<hr/>	<hr/>
	119,031	43,842
Managed investments (Note 2)	16,701,893	15,878,718
	<hr/>	<hr/>
	16,820,924	15,922,560
<b>Liabilities</b>		
Current		
Accrued administrative expenses	43,091	37,791
	<hr/>	<hr/>
<b>Net assets available for benefits</b>	<b>\$ 16,777,833</b>	<b>\$ 15,884,769</b>

On behalf of the Pension Plan

\_\_\_\_\_ Chair

**Algoma University - Pension Plan**  
**Statement of Changes in Net Assets Available for Benefits**

<b>For the year ended June 30</b>	<b>2010</b>	<b>2009</b>
<b>Increase in net assets:</b>		
Investment Income (Note 3)	\$ 591,241	\$ 581,514
Net realized gain on sale of investments	68,063	-
Change in net unrealized gains	562,924	-
	<u>1,222,228</u>	<u>581,514</u>
<b>Contributions:</b>		
Employer contributions		
Current service	506,704	552,029
Past service	-	8,814
Pension termination deficiency	45,941	2,240
	<u>552,645</u>	<u>563,083</u>
Employee contributions		
Current service	233,394	249,591
Past service	-	7,051
	<u>233,394</u>	<u>256,642</u>
<b>Total increase in assets</b>	<u>2,008,267</u>	<u>1,401,239</u>
<b>Decrease in net assets:</b>		
Change in net unrealized losses	-	2,208,820
Net realized loss on sale of investments	-	64,623
Pension benefits	959,570	828,835
Pension refunds	4,517	44,797
Administrative expenses:		
Investment management	93,468	84,876
Actuarial	48,518	123,021
Audit	8,900	5,499
Other	230	1,052
	<u>1,115,203</u>	<u>3,361,523</u>
<b>Total decrease in assets</b>	<u>1,115,203</u>	<u>3,361,523</u>
<b>Increase (decrease) in net assets</b>	<b>893,064</b>	<b>(1,960,284)</b>
<b>Net assets available for benefits, beginning of year</b>	<u>15,884,769</u>	<u>17,845,053</u>
<b>Net assets available for benefits, end of year</b>	<u>\$ 16,777,833</u>	<u>\$ 15,884,769</u>

The accompanying notes are an integral part of these financial statements.

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# Algoma University - Pension Plan

## Notes to Financial Statements

June 30, 2010

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The Algoma University Pension Plan ("the Plan") is a defined benefit pension plan and provides benefits based on length of service and best average earnings. The Plan is registered in Ontario under the Pension Benefits Act, 1987. The Plan's Pension Commission of Ontario registration number is 0575209. Effective July 1, 2006, the Plan is closed to new members.

### 1. Summary of significant accounting policies

#### (a) Basis of presentation:

The 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 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) Funding policy:

Under the defined benefit component of the Plan, members are required to contribute 8% of compensation to the Plan subject to the maximum contribution limits permitted under the Income Tax Act. The University, as plan sponsor, is required to contribute the funding necessary to ensure that benefits will be fully provided. The determination of the value of these benefits is made on the basis of a periodic actuarial prepared at least once every three years. The most recently completed actuarial valuation was as of July 1, 2008. Members can also make additional voluntary contributions to the Plan. Voluntary contributions are not matched, in whole or in part, by the University.

#### (c) 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 the 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 a change in net unrealized gains.

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 calculated using comparable securities.

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

#### (d) Net realized gain on sale of investments:

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

#### (e) Investment income:

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

# Algoma University - Pension Plan

## Notes to Financial Statements

**June 30, 2010**

### 1. Summary of significant accounting policies (continued)

(f) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year-end rates of exchange. Gains and losses arising from translations are included in the change in net unrealized gains (losses). Foreign currency denominated transactions as well as cost amounts included in note 2 to the financial statements, are translated into Canadian dollars at the rates of exchange on the dates of the related transactions.

(g) Income tax status:

The Plan is a Registered Pension Trust as defined by the Income Tax Act (Canada) and, as such, is not subject to income taxes.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of increases and decreases in assets during the reported period. Actual results could differ from management's best estimate as additional information becomes available.

### 2. Managed investments

	2010		2009	
	Market	Cost	Market	Cost
Canadian Fixed Income Fund	\$ 5,453,150	\$ 5,410,838	\$ 4,938,021	\$ 4,912,625
Canadian Equity Fund	7,206,486	6,442,974	6,981,683	6,640,621
United States Equity Fund	1,763,322	2,066,261	1,762,914	2,100,450
Global Equity Fund	2,014,599	2,372,172	1,850,989	2,297,781
Canadian Pooled Money Market Fund	261,836	261,993	270,804	270,702
Cash	2,500	2,500	74,307	74,307
	<b>\$ 16,701,893</b>	<b>\$ 16,556,738</b>	<b>\$ 15,878,718</b>	<b>\$ 16,296,486</b>

The manager of the funds is Bona Vista Asset Management Limited. The trustee is RBC Dexia Global Services.

### 3. Investment income by investment category

	2010	2009
Canadian Fixed Income Fund	\$ 337,808	\$ 270,301
Canadian Equity Fund	169,191	170,641
United States Equity Fund	29,627	38,896
Global Equity Fund	54,470	96,961
Canadian Money Market Fund	145	4,715
	<b>\$ 591,241</b>	<b>\$ 581,514</b>

## Algoma University - Pension Plan Notes to Financial Statements

June 30, 2010

#### 4. Statutory disclosure

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

Fund name	Fund operator	Nature of Investments held	Market value	% of Portfolio value
Canadian Fixed Income Fund	Bona Vista Pooled Fund	Fixed Income	\$ 5,453,150	32.6
Canadian Equity Fund	Bona Vista Pooled Fund	Canadian Equity	7,206,486	43.1
United States Equity Fund	Bona Vista Intl' Equity Pooled Fund	U.S. Equity Pooled Fund	1,763,322	10.6
Global Equity Fund	Bona Vista	Global Pooled Fund	2,014,599	12.1
Pooled Money Market Fund	Bona Vista Pooled Fund	Money Market	261,836	1.6

#### 5. 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 fulfils its primary objective by adhering to the specific investment policies outlined in its Statement of Investment Policies and Procedures (the SIPP), which is reviewed annually by the management of Algoma University. The Plan was in compliance with the SIPP for the year ended June 30, 2010.

The Plan manages net assets by engaging investment managers who are charged with the responsibility of investing new and existing funds in accordance with the approved SIPP.

The investment goal of the Fund is to achieve a rate of return, after deducting management fees, equal to 100% of the annual change in Consumer Price Index for Canada plus 4.0% when calculated as an annual compounded rate over a complete capital market cycle.

Although there are no regulatory requirements relating to the level of net assets and/or funding to be maintained by the Plan, the Plan is required to file financial statements to the Financial Services Commission of Ontario and it also files an Annual Information Return with the Minister of Finance, Revenue Operations and Client Services Branch.

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## Algoma University - Pension Plan Notes to Financial Statements

June 30, 2010

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### 6. Financial risk management:

Investments are exposed to market price, liquidity, foreign currency, credit and interest rate risks. The Plan has formal policies and procedures to monitor this risk exposure. The SIPP establishes a target mix among fixed income, equity, and short-term investments to ensure diversification across assets and classes.

#### (a) Liquidity risk:

Liquidity risk is the risk that the Plan will not be able to meet its financial obligations because of an inability to liquidate assets. The Plan's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient cash and cash equivalents to meet its liquidity requirements in the short and longer term. All of the Plan's investments are in liquid securities traded in the public market. Although market events could lead to some investments becoming illiquid, the directors of the Plan's portfolios should provide reasonable assurance that liquidity is available for benefit payment.

#### (b) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in foreign exchange rates. Foreign currency exposure arises from the fund holding investments denominated in currencies other than the Canadian dollar.

The exposure to currency risk at June 30, 2010, was not significant as substantially all of the assets and liabilities held were held in the Plan's functional currency.

#### (c) Market price risk:

Market price risk is the risk that the fair values or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from foreign currency risk and interest rate risk), whether those changes are caused by factors specific to an individual investment or its issuer or factors affecting all similar securities traded in the market. All investments present a risk of loss of capital. The maximum risk resulting from investments is equivalent to their fair value. As all of the Plan's investments are carried at fair value with fair values changes recognized in the statement of change in net assets available for benefits, all changes in market conditions will directly result in an increase (decrease) in net assets.

The Plan's most significant risk arises from its investment in equity securities within its balanced funds. An immediate hypothetical decline of 10% in equity values will impact the Plan's equity investments by an approximate loss of \$1,098,441.

#### (d) Interest rate risk:

Interest rate risk refers to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Plan is exposed to interest rate risk associated with its investments. Investments are diversified and held with reputable parties in order to manage this risk.

Interest rate risk is the sensitivity of the Plan's financial position to movements in market interest rates. The SIPP has established restrictions on concentration, which are designed to mitigate the risk of interest rate volatility.

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## Algoma University - Pension Plan Notes to Financial Statements

June 30, 2010

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### 6. Financial risk management (continued)

#### (e) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Plan. The maximum credit risk exposure as at June 30, 2010 represents the total value of the investments.

The SIPP establish the minimum quality standard of "BBB" for individual bonds, while requiring that at least 95% of the market value of short-term securities have a credit rating of at least A or its equivalent.

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### 7. Future accounting standards

The Canadian Institute of Chartered Accountants (CICA) has issued Accounting Handbook Part IV which provides revised accounting standards for Pension Plans effective for year ends commencing on or after January 1, 2011. The impact of the transition to the new standards has yet to be determined.