

Financial Statements of

**BROCK UNIVERSITY
PENSION PLAN**

(REGISTRATION NUMBER 327767)

And Independent Auditors' Report thereon

Year ended June 30, 2021



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Administrator of the Brock University Pension Plan

Opinion

We have audited the fund financial statements of Brock University Pension Plan (the Plan), which comprise:

- the statement of net assets available for benefits as at June 30, 2021
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at June 30, 2021, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Emphasis of Matter - Financial Reporting Framework

We draw attention to Note 1(a) in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 of 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.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



Page 3

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

September 30, 2021

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Statement of Net Assets Available for Benefits

June 30, 2021, with comparative information for 2020

	2021	2020
Assets		
Contributions receivable:		
Employer	\$ 1,151,110	\$ 1,190,192
Employee	645,755	663,542
	<u>1,796,865</u>	<u>1,853,734</u>
Investments (note 2)	<u>652,558,875</u>	<u>594,047,870</u>
Total assets	654,355,740	595,901,604
Liabilities		
Accrued liabilities (note 4)	738,077	677,607
Subsequent event (note 12)		
Net assets available for benefits	<u>\$ 653,617,663</u>	<u>\$ 595,223,997</u>

See accompanying notes to financial statements.

On behalf of the Board of Trustees:



Lynn Wells
President and Vice-Chancellor



Mark Arthur
Chair, Board of Trustees

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Statement of Changes in Net Assets Available for Benefits

Year ended June 30, 2021, with comparative information for 2020

	2021	2020
Increase in net assets available for benefits:		
Investment income (note 5)	\$ 11,378,166	\$ 16,842,503
Change in net unrealized gain in investments	47,198,149	4,560,415
Change in fair value of forward foreign currency contracts	—	2,344,876
Net realized gain on sale of investments	20,942,990	20,801,882
Transfers from other pension plans	259,299	313,628
	<u>79,778,604</u>	<u>44,863,304</u>
Contributions (note 6):		
Employer	15,857,176	16,318,325
Employee	7,884,535	7,937,971
	<u>23,741,711</u>	<u>24,256,296</u>
	103,520,315	69,119,600
Decrease in net assets available for benefits:		
Benefit payments (note 7)	38,794,587	30,846,734
Administrative expenses and professional fees (note 8)	5,059,614	4,216,433
Change in fair value of forward foreign currency contracts	1,272,448	—
	<u>45,126,649</u>	<u>35,063,167</u>
Increase in net assets available for benefits	58,393,666	34,056,433
Net assets available for benefits, beginning of year	595,223,997	561,167,564
Net assets available for benefits, end of year	<u>\$ 653,617,663</u>	<u>\$ 595,223,997</u>

See accompanying notes to financial statements.

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements

Year ended June 30, 2021

The Brock University Pension Plan (the "Plan") is a registered pension plan in the Province of Ontario under registration number 327767. The Plan is a hybrid defined benefit money purchase pension plan, which contains both a defined contribution component and a defined benefit component. The defined contribution component of the plan is funded by Brock University (the "University") and member contributions and provides a benefit to members based on their accumulated account. The defined benefit component of the Plan is funded by University contributions and provides for a guaranteed minimum benefit. The Plan provides pension benefits to substantially all permanent employees of the University.

1. Significant accounting policies:

(a) Basis of presentation:

As permitted by the Financial Services Regulatory Authority of Ontario ("FSRA"), the Plan may prepare plan financial statements in accordance with Canadian accounting standards for pension plans as outlined in CPA Canada Handbook, Section 4600, Pension Plan ("Section 4600") or prepare fund financial statements in accordance with Section 4600, excluding pension obligations and any resulting surplus or deficit.

The Plan has prepared fund financial statements in accordance with Section 4600 excluding pension obligations and any resulting surplus or deficit.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Section 4600 requires the Plan comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") in Part 1 of the CPA Canada Handbook - Accounting or Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook - Accounting. The Plan has chosen to comply on a consistent basis with IFRS.

These financial statements are prepared in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension benefits Act (Ontario). The purpose of these financial statements is to assist the Pension Committee in meeting the requirements of the FSRA under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

As a result, these financial statements may not be suitable for another purpose.

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

1. Significant accounting policies (continued):

The financial statements of the Plan do not purport to show the adequacy of the Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Plan's actuarial reports and information about the University's financial health.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value through the statement of changes in net assets available for benefits.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Plan's functional currency.

(d) Financial assets and financial liabilities:

(i) Non-derivative financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

The Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits. All other non-derivative financial assets including contributions receivable are measured at amortized cost.

The Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits as a net realized gain or loss on sale of investments.

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

1. Significant accounting policies (continued):

(ii) Non-derivative liabilities:

All financial liabilities are recognized on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

The Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Plan considers its accrued liabilities to be a non-derivative financial liability.

(iii) Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets available for benefits, when, and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(e) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining fair value, the Plan follows the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"), in Part I of the CPA Canada Handbook - Accounting. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

1. Significant accounting policies (continued):

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

All changes in fair value, other than investment income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in net unrealized gains in investments.

The investments are stated at fair value.

Fair values of investments are determined as follows:

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.

(f) 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.

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

1. Significant accounting policies (continued):

(g) Investment income:

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

(h) 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 the year end rate of exchange. Gains and losses arising from translations are included in the change in net unrealized gains on investments.

Foreign currency denominated transactions are translated into Canadian dollars at the rate of exchange on the date of the related transaction. Cost of investments, as disclosed in note 2, are translated into Canadian dollars at the rate of exchange on the date of purchase.

(i) Forward foreign currency contracts:

The Plan entered into forward foreign currency contracts (the "contracts") to hedge approximately one half of the currency exposure of foreign equity investments. The fair value of the contracts is based on amounts quoted by the Plan's investment manager to realize favourable contracts or settle unfavourable contracts, taking into account current foreign exchange rates. The net unrealized gain on contracts is included in the current period change in fair value of forward foreign currency contracts and recognized in the statement of changes in net assets available for benefit. When the contracts are closed out the net gain or loss is reflected in the net realized gain or loss on sale of investments.

(j) Income taxes:

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

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

1. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of net assets available for benefits and the reported amounts of changes in net assets available for benefits during the year. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

2. Investments:

The following is a summary of investments, including all individual investments with a cost or fair value in excess of 1% of the cost or market value of the total Plan, as required by the Pension Benefits Act (Ontario):

	2021		2020	
	Cost	Fair value	Cost	Fair value
Equity funds:				
Walter Scott and Partners Canadian Institutional Trust Global Equity Fund	\$ 92,575,714	\$ 137,114,801	\$ 91,028,383	\$ 111,153,871
Mawer Global Equity Fund Class O	107,699,324	151,757,958	102,776,590	127,141,051
Pier 21 World Wide Equity Pool	47,310,062	75,868,441	50,269,428	69,227,741
	247,585,100	364,741,200	244,074,401	307,522,663
Fixed income funds:				
Alliance Bernstein Core Plus Bond Fund	183,043,222	192,427,185	169,081,716	185,850,539
Mawer Canadian Money Market Fund	7,501,808	7,501,808	7,356,676	7,356,676
	190,545,030	199,928,993	176,438,392	193,207,215
Real estate and infrastructure:				
Morgan Stanley-Prime Property Fund LLC	26,141,988	26,557,439	25,116,941	27,209,469
Prudential Prisa LP	25,268,130	28,342,584	24,668,592	29,055,170
IFM Global Infrastructure	25,873,011	29,155,642	25,027,256	25,554,450
	77,283,129	84,055,665	74,812,789	81,819,089
CIBC USD Hedge	–	1,072,428	–	2,344,876
Cash and cash equivalents	2,760,589	2,760,589	9,154,027	9,154,027
	\$ 518,173,848	\$ 652,558,875	\$ 504,479,609	\$ 594,047,870

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

2. Investments (continued):

Cash and cash equivalents includes pending investments held by CIBC Mellon (2020 - RBC Investor and Treasury Services).

3. Forward foreign currency contracts:

The Plan uses financial instruments to reduce risks associated with its investments and is committed under various forward foreign currency contracts to both purchase and sell various foreign currencies with a notional amount in Canadian dollars totaling \$97,636,037 (2020 - \$85,852,582). The fair value of these forward foreign currency contracts as at June 30, 2021 is \$1,072,428 (2020 - \$2,344,876) and has been recognized in the statement of changes in net assets available for benefit. Notional amounts are the contract amounts used to calculate the cash flows to be exchanged. These are a common measure of volume of outstanding transactions but do not represent credit or market risk.

The forward foreign currency contracts mature on July 15, 2021.

4. Accrued liabilities:

	2021	2020
Portfolio administration fees	\$ 700,638	\$ 566,004
Actuarial and other professional fees	19,920	61,154
Audit fees	12,317	11,238
Custodial fees	5,202	39,211
	<u>\$ 738,077</u>	<u>\$ 677,607</u>

5. Investment income:

	2021	2020
Pooled funds:		
Global equity	\$ 4,015,857	\$ 11,270,875
Bonds and debentures	6,995,358	4,421,024
Real estate	357,113	1,096,268
Money market	9,838	54,336
	<u>\$ 11,378,166</u>	<u>\$ 16,842,503</u>

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

6. Contributions:

Contributions received by the Plan were as follows:

2021	Regular	Voluntary	Special	Total
Employer	\$ 14,156,174	\$ –	\$ 1,701,002	\$ 15,857,176
Employee	7,760,984	123,551	–	7,884,535
	\$ 21,917,158	\$ 123,551	\$ 1,701,002	\$ 23,741,711

2020	Regular	Voluntary	Special	Total
Employer	\$ 14,379,326	\$ –	\$ 1,938,999	\$ 16,318,325
Employee	7,822,920	115,051	–	7,937,971
	\$ 22,202,246	\$ 115,051	\$ 1,938,999	\$ 24,256,296

7. Benefit payments:

	2021	2020
Pension benefits	\$ 17,005,618	\$ 14,163,652
Transfers to other retirement funds	16,961,174	13,068,066
Cash refunds	3,941,746	3,187,809
Death benefits	886,049	427,207
	\$ 38,794,587	\$ 30,846,734

8. Administrative expenses and professional fees:

	2021	2020
Portfolio administration fees	\$ 4,217,246	\$ 3,492,318
Actuarial and other professional fees	735,261	607,159
Custodial fees	94,857	105,852
Audit fees	12,250	11,104
	\$ 5,059,614	\$ 4,216,433

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

9. Related party transactions:

The University provides certain administrative services to the Plan. The cost to the Plan for these services in the year ended June 30, 2021 were \$206,931 (2020 - \$164,122), being the exchange amount agreed to by the parties, and is included in administrative expenses and professional fees in the statement of changes in net assets available for benefits. At June 30, 2021 accounts payable and accrued liabilities included nil (2020 - nil) owing to the University relating to such services.

10. Fair value of financial instruments:

The objective of the Plan is to accumulate funds for the purpose of providing lifetime income in retirement for Members of the Plan. The objectives of the Administrator are to meet the fund objectives outlined in the Plan's Statement of Investment Policies & Procedures (see note 11).

The Plan manages the following risks by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds in accordance with the approved Statement of Investment Policies and Procedures. The Pension Committee reviews on a quarterly basis the performance of investments invested by the Plan's investment managers.

(a) Fair values:

The fair values of investments are described in note 1(e) and disclosed in note 2. The fair value of forward foreign currency contracts is described in note 1(i). The fair value of other financial assets and liabilities, being contributions receivable and accrued liabilities, approximates their carrying value due to the short term nature of these 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 and liabilities:
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

10. Fair value of financial instruments (continued):

All investments are categorized as Level 2 at June 30, 2021. There has been no change in the category of any of the Plan's financial instruments during the year.

(b) Associated risks:

(i) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all other factors affecting all instruments traded in the market. The COVID-19 pandemic and the measures taken to contain the virus continue to impact the market as a whole. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the pension fund is not known at this time. 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 result in a change in net assets available for benefits. Market price risk is managed by the Plan by investing in a diversified portfolio of instruments traded on various markets and across various industries.

As at June 30, 2021, had the equity prices of all equity benchmarks increased or decreased by 10% and assuming there is a perfect positive correlation between the Plan's equities and the benchmarks, with all other variables held constant, the value of the Plan's investments would have increased or decreased, by approximately \$36,474,120 (2020 - \$30,752,266).

(ii) 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. Through the pooled fund investments the Plan holds investments in financial instruments and enters into transactions denominated in various foreign currencies. Consequently, the Plan is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse effect on the value of the portion of the Plan's assets or liabilities denominated in currencies other than Canadian dollars. The Plan's overall currency positions and exposures are monitored on a regular basis by the Plan Administrator.

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

10. Fair value of financial instruments (continued):

Real estate investments are not hedged. Presently, approximately half of equity investments are hedged as the plan has adopted a mechanism to apply a United States dollar hedge under certain market conditions. Of the total Alliance Bernstein Core Plus Bond Fund portfolio, 24.20% (2020 - 26.50%) is held in foreign currency with 0.10% (2020 - 0.10%) of the Alliance Bernstein Core Plus Bond Fund portfolio not hedged back to the Canadian Dollar.

The Plan's currency exposure of its equity, real estate and infrastructure investments as at June 30 is as follows:

	2021		2020	
	Canadian dollar equivalent	Percentage of total	Canadian dollar equivalent	Percentage of total
United States dollar (hedged)	\$ 97,636,037	14.96	\$ 85,852,582	14.45
United States dollar (unhedged)	158,812,803	24.34	144,328,343	24.30
Euro	41,796,148	6.40	32,501,151	5.47
Japan yen	24,218,832	3.71	18,457,568	3.11
United Kingdom pound	21,868,513	3.35	16,973,861	2.86
Switzerland franc	21,254,880	3.26	18,823,937	3.17
Denmark krone	9,613,143	1.47	—	—
Hong Kong dollar	8,720,233	1.34	13,581,334	2.29
Sweden krona	6,790,878	1.04	—	—
Other currencies	13,641,405	2.09	17,916,423	3.02
	<u>\$ 404,352,872</u>	<u>61.96</u>	<u>\$ 348,435,199</u>	<u>58.67</u>

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

10. Fair value of financial instruments (continued):

As at June 30, 2021, if the Canadian dollar strengthened or weakened by 5% in each respective foreign currency, with all other factors remaining constant, the following table summarizes the estimated impacts:

	Net exposure	Estimated impact
United States dollar (unhedged)	\$ 158,812,803	\$ 7,940,640
Euro	41,796,148	2,089,807
Japan yen	24,218,832	1,210,942
United Kingdom pound	21,868,513	1,093,426
Switzerland franc	21,254,880	1,062,744
Denmark krone	9,613,143	480,657
Hong Kong dollar	8,720,233	436,012
Sweden krona	6,790,878	339,544
Other currencies	13,641,405	682,070
	<u>\$ 306,716,835</u>	<u>\$ 15,335,842</u>

(iii) 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 Plan, which contains asset mix guidelines which help to ensure the Plan is able to liquidate investments to meet its pension benefits or other obligations.

The accrued liabilities are all due within 90 days or less.

All the Plan's investments are considered to be readily realized as their underlying assets are listed on recognized stock exchanges and can be quickly liquidated at amounts close to their fair market value in order to meet liquidity requirements. Although market events could lead to some investments becoming illiquid, the diversity of the Plan's portfolio should ensure that liquidity is available for benefit payments. The Plan also maintains cash on hand for liquidity purposes and to pay accrued liabilities. At June 30, 2021, the Plan has cash in the amount of \$2,760,589 (2020 - \$9,154,027).

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

10. Fair value of financial instruments (continued):

(iv) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. The value of the Plan's assets is affected by short term changes in interest rates. Interest rate changes directly impact the value of any fixed income securities in the pooled funds.

As at June 30, 2021, had the prevailing interest rates increased or decreased by 1% with all other variables remaining unchanged, the Plan's net assets available for benefits would have decreased or increased by approximately \$14,335,825 (2020 - \$16,299,092)

(v) 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. Credit risk is generally higher when a non exchange traded financial instrument is involved because the counterparty for non exchange traded financial instruments is not backed by an exchange clearing house.

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

11. Capital risk management:

The Plan defines its capital as the net assets available for benefits. The main objective of the defined benefit component 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 financial statements. The primary investment objective of the defined contribution component of the Plan is to permit members to accumulate assets within the Plan in order to provide an appropriate level of retirement income, considering contribution rates under the Plan and the investment objectives and risk tolerances of Stakeholders. The benefits a retiree or employees receives at retirement or on termination under this defined contribution plan are not predetermined. Income distribution or benefits are based on the assets within the retiree or employee individual retirement plan account at the time they retire. 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 Pension Committee. The Plan's risk management strategy has not changed due to the COVID-19 pandemic. The SIPP states investment objectives, guidelines and benchmarks used in investing the capital of the Plan, permitted categories of investment, asset-mix diversification and rate of return expectations. The Plan manages net assets available for benefits by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employer contributions) in accordance with the approved SIPP. The SIPP was last amended effective December 5, 2019. This amendment included changes to the asset mix and outlined the Plan's intent to shift a portion of investments between Canadian and Global Equities, as well as minor verbiage updates. There is no change in the manner in which the capital is managed in the current year.

The SIPP permits four categories of assets. The Plan's investment was allocated within the allowed asset categories range, as of the date of these financial statements. The following table presents the asset allocation of each asset category and total investments, along with appropriate benchmark:

Asset categories	SIPP ranges*	Asset allocation	
		2021	2020
Equity	40.00% - 60.00%	56.64%	52.71%
Fixed income	22.50% - 37.50%	29.88%	31.85%
Real assets	10.00% - 30.00%	13.05%	13.87%
Cash and cash equivalents	0.00% - 5.00%	0.43%	1.57%
Total investments		100.00%	100.00%

*Long-term allocation

BROCK UNIVERSITY PENSION PLAN

(REGISTRATION NUMBER 327767)

Notes to Financial Statements (continued)

Year ended June 30, 2021

11. Capital risk management (continued):

Asset categories	Benchmark
Global equity	MSCI World Index
Fixed income	FTSE Canada Universe Bond Index
Real estate	NCREIF Fund Index - Open End Diversified Core
Infrastructure	No external benchmark - Adopted a 10% return target

Although there are no regulatory requirements relating to the level of net assets available for benefits, the funding to be maintained by the defined benefit component of the Plan is determined through triennial actuarial valuations. More details on employer contributions that were paid during the year can be found in note 6. Contributions past due as of June 30, 2021 are presented as contributions receivable on the statement of net assets available for benefits.

The Plan is required to file financial statements with the FSRA annually.

12. Subsequent event:

On July 28, 2021, the Plan entered into a subscription agreement with Axium Infrastructure NA Limited Partnership. As part of the agreement, the Plan made a Capital Commitment in the amount of \$31,000,000 in exchange for Limited Partnership Units of the Partnership.