Brock University

2016-17

Pension Report

Including financial statements

Contents

This report is designed to describe, in simple terms, the Brock University Pension Plan and related matters for eligible employees as at June 30 2017. It has been prepared for informational purposes only. Subject to legislation and collective bargaining, as applicable, future amendments may be made to the Plan. If there is a discrepancy between this report and the official plan text, or questions of interpretation arise, the official plan text will prevail. The official plan text, as amended from time to time, is available on request in the Human Resources office.

Message from the Chair

David Love, Chair, Pension Committee

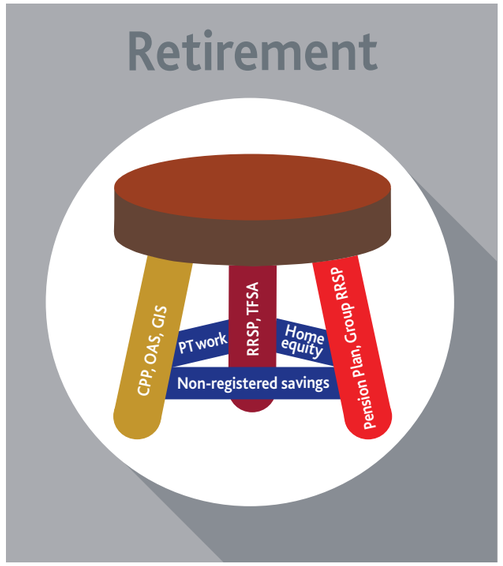
We are pleased to provide you with the 2016/17 Annual Pension Report. This document provides Plan members with a wealth of information, including benefit features, governance structure, financial information, committee activities and other pension highlights.

The Pension Committee is made up of a variety of Plan stakeholders who bring different outlooks and backgrounds to the meetings and discussions. I would like to thank all Pension Committee members for their time and commitment to the oversight of the Plan, including the work that is completed outside of the monthly meetings. This work, guided and supplemented by the vital contributions of Finance and Human Resources staff, is the foundation of a strong governance model essential to the proper administration of a pension plan.

The pension world continues to progress with new initiatives and legislative changes. The Pension Committee and supporting staff continue to monitor developments of certain key items, including the University Jointly Sponsored Pension Plan, valuation funding reforms and the Investment Management Corporation of Ontario.

We hope you find this report informative. A detailed description of the Brock University Pension Plan is available under the Pension link of the Human Resources website. If you have any questions related to the Pension Plan or retirement, please do not hesitate to contact Janice Facey (**jfacey@brocku.ca**) or Jacquelyn Warden (**jwarden@brocku.ca**).

Planning for your retirement



The Brock University Pension Plan (the "Plan") is an important part of an eligible employee's compensation package from the University. This will become a major pillar of support for employees who have worked a large portion of their work career at Brock University. The financial support structure for many retired Canadians will consist of three main areas: Government Programs (Canada Pension Plan, Old Age Security and Guaranteed Income Supplement), Registered Savings vehicles (Registered Retirement Savings Plans [RRSPs] and Tax Free Savings Accounts [TFSAs] and Employer Sponsored Registered Programs [Group RRSP and Pension Plans]. In addition, income may be supplemented through retirement by other means, such as part-time work, home equity and non-registered savings.

Early planning is critical to making the transition from work to retirement successful and less stressful. Due to the fact that retirement income comes from numerous sources and the importance of considering tax implications when making retirement decisions, most employees making this transition engage a qualified advisor (i.e. tax advisor, financial advisor) during their planning process. Service Canada provides valuable details pertaining to the government pension and retirement payment programs, which can be accessed at the following website: **canada.ca/en/services/benefits/publicpensions.html**. You can obtain a copy of your Canada Pension Plan Statement of Contributions by signing into your "My Service Account" at the following location: **canada.ca/en/employment-social-development/services/my-account.html**

Retirement planning resources and opportunities available to employees through the University include:

- **Annual pension statement** – Active and deferred plan members receive an annual pension statement (to be provided on or before Dec. 30 of each year). The annual statement provides values as at Plan year end (June 30). The values provided include the defined contribution account balance, accrued pension as at June 30 and estimated pension amounts as at normal retirement date (age 65).
- **Brock Pension Estimator** – The Brock Pension Estimator is available to active Plan members via their employee portal. Employees can use the tool to perform pension estimates for various retirement dates and to access their annual pension statements.
- **Brock University Pension Plan Information Booklet** – the pension booklet located at **brocku.ca/human-resources/wp-content/uploads/sites/81/Brock_BUPP_booklet_web.pdf** contains detailed information on the operation of the pension plan and the pension benefit.
- **Pension information sessions** – Human Resources conducts information sessions throughout the year that explain the hybrid plan structure, pension benefit calculation and options, as well as the pension adjustment process.
- **Retirement planning meetings** – Employees can arrange confidential meetings with Human Resources staff to discuss retirement-related items, including their pension benefit.

This report will provide you with an overview of Plan operation, governance, investments and financial status. In combination with the resources mentioned above, this information will contribute to improving your knowledge of the Plan and supporting your ability to plan for retirement. Detailed information on the Plan can be found in the Brock University Pension Plan Information Booklet.

How the plan operates

Most pension plans are either:

Defined contribution: Provides a pension based on an individual's pension account balance, adjusted for investment performance over time; or

Defined benefit: Provides a clearly defined benefit based on specific factors, such as years of pensionable service and average earnings, upon retirement.

The Brock University Plan is a hybrid pension plan that provides a Money Purchase Pension (Defined Contribution), with an underlying Minimum Guaranteed Pension (Defined Benefit) that acts as a "safety net" in the event that the Money Purchase Pension falls below the Minimum Guaranteed Pension. When this occurs, the pensioner receives a supplemental payment on top of their Money Purchase Pension amount to bring them up to their Minimum Guaranteed Pension amount.

Required contributions

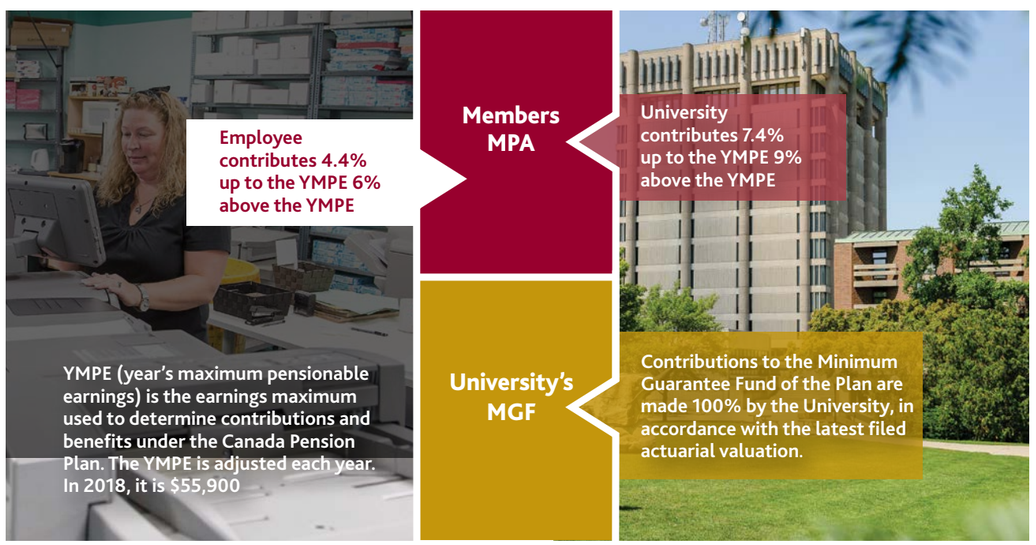
Both the employee and the University have certain contributions that they are required to make to the Plan.

Every employee enrolled in the Plan has a Money Purchase Account (MPA) which can be converted into a Money Purchase Pension at retirement. Both the employee and University contribute to this account as described in Figure 1.

In addition, the University contributes to the Minimum Guarantee Fund (MGF), which is used to provide supplemental payments to Plan members when the Money Purchase Pension has fallen below the Minimum Guaranteed Pension.

Figure 1:

Contributions



Example 1

An employee's pensionable earnings are $53,000 for the year (below the YMPE for 2018)

The employee contributes 4.4% on $53,000 =	$2,332.00
The University contributes 7.4% on $53,000 =	$3,922.00
Total contributions into your Money Purchase Account for the calendar year =	**$6,254.00**

Example 2

An employee's pensionable earnings are $73,000 per year (above the YMPE for 2018)

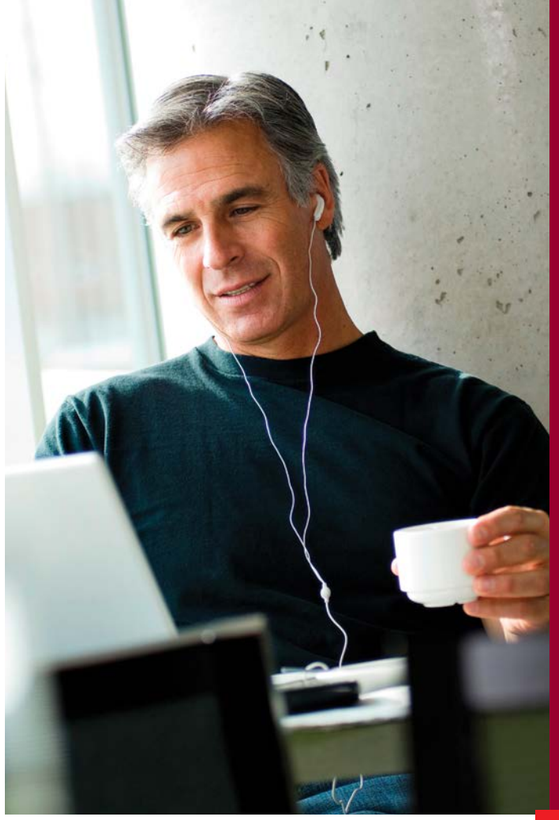
The member contributes 4.4% on earnings up to $55,900 (YMPE) =	$2,459.60
The member contributes 6.0% on earnings above the YMPE ($73,000 – $55,900 = $17,100) =	$1,026.00
The University contributes 7.4% on earnings up to $55,900 (YMPE) =	$4,136.60
The University contributes 9.0% on earnings above the YMPE ($73,000 – $55,900 = $17,100) =	$1,539.00
Total contribution into your Money Purchase Account for the calendar year =	**$9,161.20**

(All contributions are subject to Income Tax Act maximums.)

Other employee contributions

Additional Voluntary Contributions: In addition to the required contributions, employees may elect to make Additional Voluntary Contributions to the Plan, which are subject to the Income Tax Act maximums.

Special Transfer Contributions: It may be possible for employees to transfer funds into the Plan from other registered pension plans that they had with a previous employer. This option can be explored by contacting pension staff at the University.



Calculation of the pension benefit at retirement

The Brock University Pension Plan is a hybrid plan. At retirement, the Plan member will begin receiving the Money Purchase Pension if greater, or the Money Purchase Pension, plus a supplement from the Minimum Guaranteed fund equal to the excess of their minimum guaranteed pension over your Money Purchase Pension (to bring your total retirement income up to the Minimum Guaranteed Pension amount).

Money Purchase Pension: The member's Money Purchase Account provides a pension benefit based on the total contributions in the member's Money Purchase Account and investment returns. A member's starting Money Purchase Pension amount is determined by dividing their Money Purchase Account balance by an annuity factor, based on actuarial factors in effect at the time:

$$\frac{\text{Money Purchase Account}}{\text{Annuity factor}}$$

Minimum Guaranteed Pension: The Minimum Guaranteed Pension provides a pension benefit based on a predetermined formula, which considers a member's pensionable earnings and years of pensionable service.

The formula is as follows:

1.7% x best average earnings x pensionable service
minus
1/35 x (25% x lesser of best average earnings or final average YMPE) x pensionable service capped at 35 years

The calculation is for the normal form of pension, which is a life pension guaranteed five years.

The following examples show how the pension benefit amounts are calculated for two sample members retiring at age 65.

Example 1

Emma is age 65, has a Money Purchase Account balance of $300,000, best average earnings of $40,000 and 35 years of pensionable service. The final average YMPE is $52,400. The annuity factor at the time of calculation for a member aged 65 is 12.3.

Money Purchase Pension
$300,000 ÷ 12.3 = $24,390

Minimum Guaranteed Pension
(1.7% ×$40,000 × 35) — (1/35 × 25% × $40,000 × 35) = $23,800 — $10,000 = $13,800

Emma's annual pension
In Emma's case, the higher pension is provided by the Money Purchase Pension, therefore, there is no supplemental payment from the Minimum Guarantee Fund.
$24,390 + $0 = $24,390

Example 2

Jakob is age 65, has a Money Purchase Account balance of $150,000, best average earnings of $60,000 and 25 years of pensionable service. The final average YMPE is $52,440. The annuity factor at the time of calculation for a member aged 65 is 12.3.

Money Purchase Pension
$150,000 ÷ 12.3 = $12,195

Minimum Guaranteed Pension
(1.7% ×$60,000 × 25) — (1/35 × 25% × $52,440 × 25) = $25,500 — $9,364 = $16,136

Jakob's annual pension
In Jakob's case, the higher pension is provided by the Minimum Guaranteed Pension and there is a supplemental payment from the Minimum Guarantee Fund.
$12,195 + ($16,136 — $12,195) = $16,136

Pension benefit before or after age 65

Early retirement: Normal retirement age for the Plan is 65; however, members can begin receiving a pension as early as age 55, which will be actuarially reduced due to the early commencement of payment.

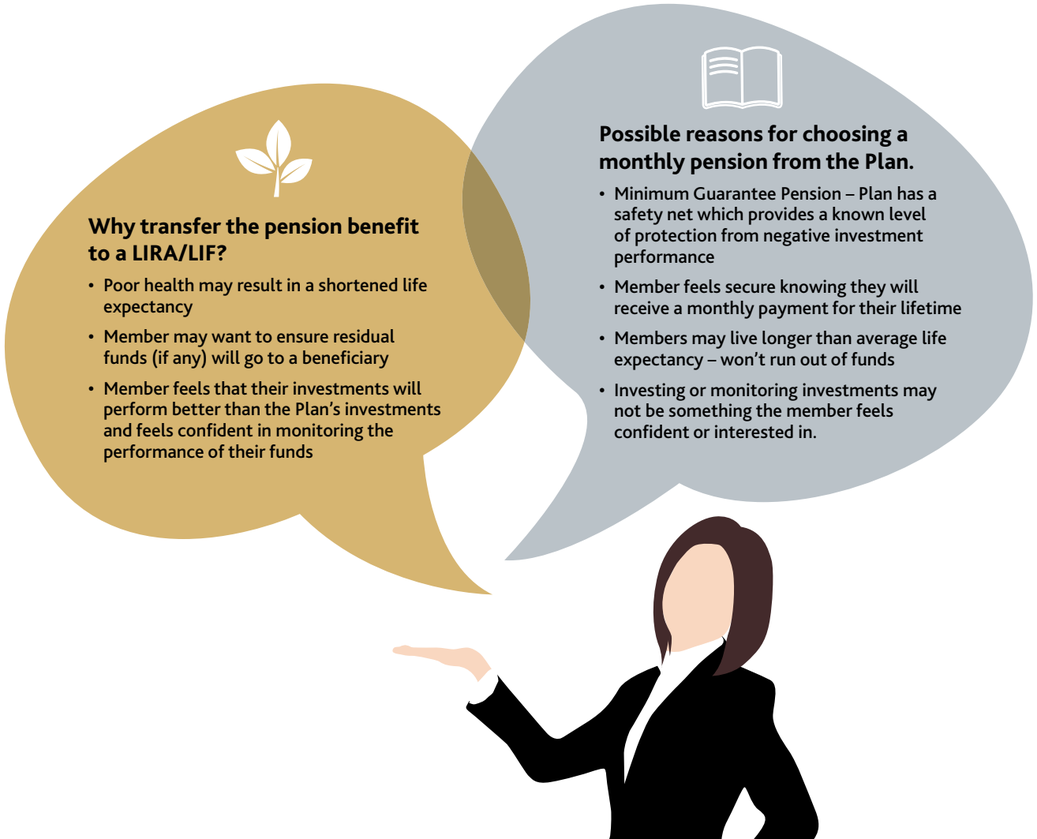
Postponed retirement: If a member continues working beyond age 65, contributions to the Plan continue until the earlier of their retirement date or Dec. 1 of the calendar year that they reach age 71. In accordance with legislation, the employee cannot continue to accrue pension benefit beyond the year that they reach age 71. If the employee continues to work at the University beyond Dec. 1 of the year that they reach age 71, they will be collecting their pension in addition to their employment income from the University.

Option to transfer pension benefit

Rather than elect a monthly pension at retirement, Plan members may transfer their Money Purchase Account balance plus the commuted value of their supplemental benefit, if applicable, to either a Locked-In Retirement Account (LIRA) or Life Income Fund (LIF). The transfer payment is subject to Income Tax Act limits with any amounts in excess of these limits paid as cash to the member, less tax.

Figure 2

Why take a pension vs. transfer the pension benefit from the Plan?



Annual adjustments to pension amounts during retirement

It is important to understand that pension amounts paid from the Plan are 'variable' in nature. After a member begins receiving their pension, the Money Purchase Pension and Minimum Guaranteed Pension amounts are adjusted annually. The adjustments are effective July 1 of each year. Each year, after adjustments are made to both pension amounts, the pensioner will begin receiving the greater of the two pension amounts. The adjustment processes for both pension amounts are detailed in Figure 4 and 5.

Money Purchase Pension Annual Adjustment

The pensioner's Money Purchase Pension is adjusted based on two factors 1) the actual rate of return of the Plan compared to the current six per cent assumed rate of return and 2) actual pensioner mortality compared to the mortality assumption used when calculating the starting Money Purchase Pension amount. In addition, the actuary monitors mortality experience of pensioners and provides advice on changes to the mortality tables used when calculating starting pension amounts. If a stronger mortality table must be enacted, pensions will be adjusted to account for the move to the new mortality table. Figure 4 details the components of the annual Money Purchase Pension (MPP) adjustments for the previous 10 years.

What are employees choosing to do at retirement?

Figure 3:

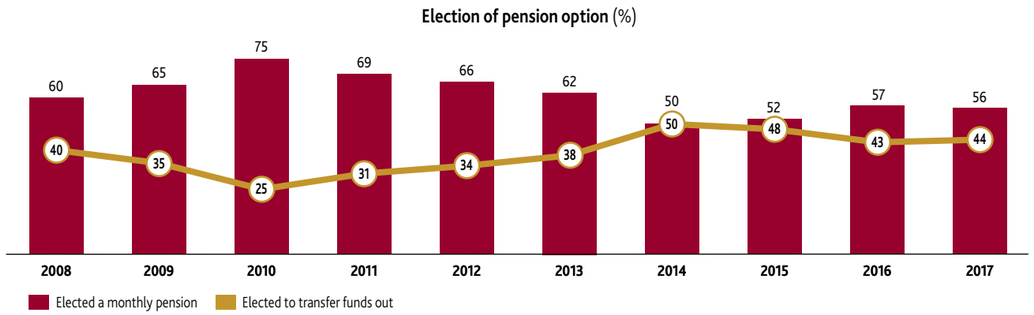
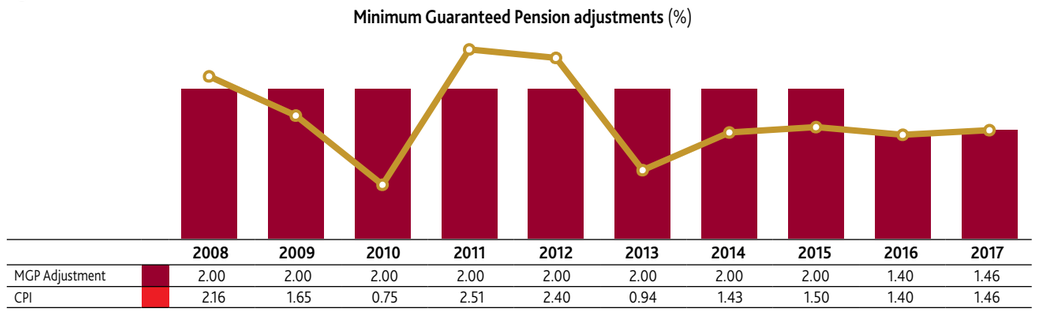


Figure 4: **Money Purchase Pension annual adjustment**

Pension Plan year ending	Fund rate of return (%)	Adjustment for rate of return (%)	Adjustment for mortality (%)	Adjustment for change in mortality table (%)	Total Pensioner adjustment (%)
June 30, 2017	9.67	3.67	-0.02	-3.49	0.16
June 30, 2016	3.14	-2.86	0.54	-1.55	-3.86
June 30, 2015	9.55	3.55	-0.50		3.04
June 30, 2014	15.81	9.81	-1.06		8.76
June 30, 2013	10.27	4.27	0.37		4.64
June 30, 2012	1.97	-4.03	0.42		-3.61
June 30, 2011	12.59	6.59	0.52	-3.85	3.27
June 30, 2010	7.51	1.51	0.28	-2.84	-1.05
June 30, 2009	-15.21	-21.21	-0.57		-21.79
June 30, 2008	-1.76	-7.76	0.35		-7.41

Note: the figures above have been simplified to present them in additive form.

Figure 5



Note: The Minimum Guaranteed Pension is adjusted by the change in Consumer Price Index over the preceding 12 months to a maximum of 2% cumulative from start of pension, which can result in different adjustments among pensioners depending on when the pensioner's pension commenced. The percentage listed above is the increase received by the majority of pensioners in each year.

Minimum Guaranteed Pension annual adjustment

The pensioner's Minimum Guaranteed Pension is indexed with the Consumer Price Index (CPI) to a maximum of two per cent, cumulative from retirement date. If CPI is greater than two per cent in a year, that excess amount is carried over and applied to your Minimum Guaranteed Pension next year.

Death of a Plan member

Death of an active or deferred member

If a Plan member passes away before beginning to receive a pension, and the deceased Plan member has a spouse (as defined by pension legislation), the spouse may elect to receive the pension benefit as:

- cash (less taxes) or
- a transfer of funds into an RRSP or
- an annual pension

If the deceased Plan member has no spouse, (as defined by pension legislation) the designated beneficiary will receive the pension benefit as a cash payment (less taxes).

Death of a pensioner

When a pensioner passes away, any survivor benefit will be based on the option elected at pension commencement.

On Sept. 16, 2016, Brock University Goodman School of Business students Leona Yiu and Nick Hollard cut a cake in the shape of the new $22-million expansion and renovation project during the beginning of construction celebration .

Pension Plan governance

Plan Sponsor

Every registered pension plan must have a Plan Sponsor, who is responsible for establishing the plan, amending the plan and benefits, contributing as required to the plan, and determining pension expenses. Brock University is the Plan Sponsor.

Plan Administrator

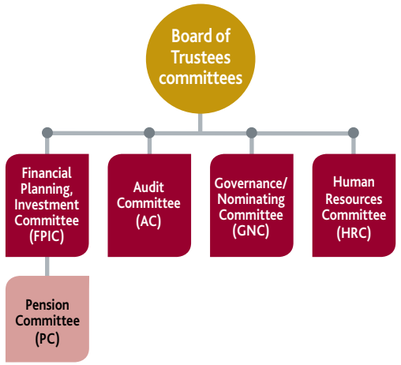
Every registered pension plan must have a Plan Administrator, who is responsible for enrolling members, administering benefits, investing Plan assets, communicating with Plan members, appointing and monitoring service providers, and ensuring regulatory compliance. Brock University is the Plan Administrator; however, in recognition that certain duties require specialized expertise, the University contracts the services of advisors with such expertise and has delegated certain duties to various internal and external parties. The Human Resources Department has the internal delegated responsibility for Plan administration.

Internal governing committees

The University's Board Bylaws and Committee Charters outline responsibilities of the various committees pertaining to the Plan. In addition, the Pension Governance Manual provides an overview of governance pertaining to the Plan.

The Pension Committee is an advisory committee reporting into the Financial Planning and Investment Committee (FPIC) and consists of 14 members, including seven Brock University Faculty Association (BUFA) members, one Board of Trustees member, one Canadian Union of Public Employees (CUPE 1295) member, one Ontario Secondary School Teachers' Federation (OSSTF) member, one Administrative Professional and Exempt Staff (AP&E) member and one pensioner. The Associate Vice-President (AVP), Human Resources and (AVP), Finance are ex officio members of the Pension Committee.

Figure 6



FPIC membership 2016-17

Name and role

- Dennis Hewko (Committee Chair)
- Marco Marrone (Committee Vice-Chair)
- Mark Arthur (Community Trustee)
- Mary De Sousa (Community Trustee)
- John Fisher (Community Trustee)
- Elisabeth Zimmermann (Community Trustee)

Ex officio Trustees

- John Suk (Chair of Board)
- Gary Comerford (Chair-Elect/Vice-Chair of Board)
- Tom Traves (President and Vice-Chancellor)

Pension Committee membership 2016-17

Name and role/affiliation

- David Vivian (Chair; BUFA)
- David Love (Vice-Chair; BUFA)
- Gary Comerford (Board of Trustees)
- Ana Isla (BUFA)
- Skander Lazarak (BUFA)
- Jim Lennard (Pensioner)
- Ivan Medovikov (BUFA)
- Doug Smith (CUPE 1295)
- Sheila Smith (AP&E)
- Samir Trabelsi (BUFA)
- Anthony Ward (BUFA)
- Kayne Wignall (OSSTF)

Ex officio members

- Grant Armstrong (Associate Vice-President, Human Resources)
- Josh Tonnos (Associate Vice-President, Finance)

Resource staff

- Janice Facey (Pension Administrator)
- Wanda Fast (Secretary; Pension Committee/Director, Total Rewards)
- Lisa Price (Associate Director, Accounting & Financial Reporting)
- Jacquelyn Warden (Pension Analyst)

Governing documents, legislation

The Brock University Pension Plan is registered (#0327767) with the Financial Services Commission of Ontario (FSCO) under the Pension Benefits Act (Ontario) and the Canada Revenue Agency under the Income Tax Act. The Pension Benefits Act sets minimum rights and promotes benefit security (the floor), while the Income Tax Act limits contributions and accruals (the ceiling) – the Plan must comply with both regimes. In addition, other various legal regimes that apply to the Plan include, but are not limited to, the following: Employment Standards; Family Law; Contract Law; Human Rights; and Estate Law. In addition, there are many legal documents that are considered in the administration of the Plan. Within the University governance structure, the Pension Committee acts in an advisory capacity, making recommendations to the Financial Planning and Investment Committee.

Figure 7

Crowds gathered in front of Schmon Tower Feb. 16, 2017 to sign a steel beam slated to be included in the Goodman School of Business expansion project. The final beam now set in place, bears the names of more than 1,000 people.

Definition of pension terms

Commuted Value: an estimate of money that a person would need to invest right now to give them the pension they would receive if they were to leave their pension benefit in the pension plan. The calculation is based on a number of factors including the Plan member's age at retirement, the level of the member's Money Purchase Pension and Minimum Guaranteed Pension and interest rates in effect at the date of retirement. Any amounts in excess of the Income Tax Act limits are paid directly to the member and are subject to income tax for lump-sum payments.

Actuary: a professional responsible for, among other things, performing valuations of the assets and liabilities of pension plans and calculating the costs of providing pension benefits. In Canada, a person must be a member of the Canadian Institute of Actuaries (CIA) to be recognized as a professional actuary.

Defined Benefit (DB) pension plan: a pension plan that defines the ultimate pension benefit to be provided in accordance with a formula, usually based on years of service and earnings.

Defined Contribution (DC) plan: a pension plan that defines the amount of contributions to the pension plan. The member's pension benefits are based on contributions from the member and employer, plus investment return on these contributions. At retirement, the amount of pension that can be bought is based on the accumulated contributions and investment return in the member's account.

Discount Rate: the rate used in an actuarial valuation to value the current cost of future pension obligations. The discount rate is determined by estimating expected rates of return from investments over the long term, less the cost of running the pension plan and provisions for adverse events.

Financial Services Commission of Ontario (FSCO): a regulatory agency of Ontario's Ministry of Finance that regulates insurance, pension plans, loan and trust companies, credit unions, caisses populaires, mortgage brokering, and co-operative corporations in Ontario.

Life Income Fund (LIF): an arrangement that provides retirement income for life from funds that originate from a registered pension plan or LIRA. A LIF is regulated by the Income Tax Act (Canada) and governed by provincial or federal pension benefits legislation.

Locked-In Retirement Account (LIRA): similar to a RRSP for income tax purposes, a LIRA is set up with locked-in funds that are transferred out of a pension plan. Financial institutions accepting locked-in funds must agree to administer them based on the applicable pension legislation. The range of investments offered in a LIRA depends on your financial institution, but is often the same range as for RRSPs.

Pension Benefits Act (PBA): the legislation that establishes minimum standards for registered pension plans in Ontario.

Registered Pension Plan (RPP): a plan that is organized and administered to provide pensions for employees, and to which an employer is required to make contributions. Ontario RPPs must be registered with FSCO in accordance with the Pension Benefits Act.

Statement of Investment Policies and Procedures (SIPP): a document required by legislation for all pension plans. It describes the objectives and operation of the plan. The statement outlines investment-related policies and procedures, including asset allocation guidelines.

Yearly Maximum Pensionable Earnings (YMPE): is the maximum earnings used to determine contributions and benefits under the Canada Pension Plan. The YMPE is determined each year by CRA. In 2018, it is $55,900.

The big picture

As of June 30, 2017:

1,600 ACTIVE MEMBERS

394 PENSIONERS

309 DEFERRED MEMBERS

Plan year 2016-17:

111 NEW MEMBERS ENROLLED IN THE PLAN

49 ACTIVE MEMBERS RETIRED FROM THE PLAN

Number of pensioners, as of June 30, 2017:

50 55-65 YEARS OLD

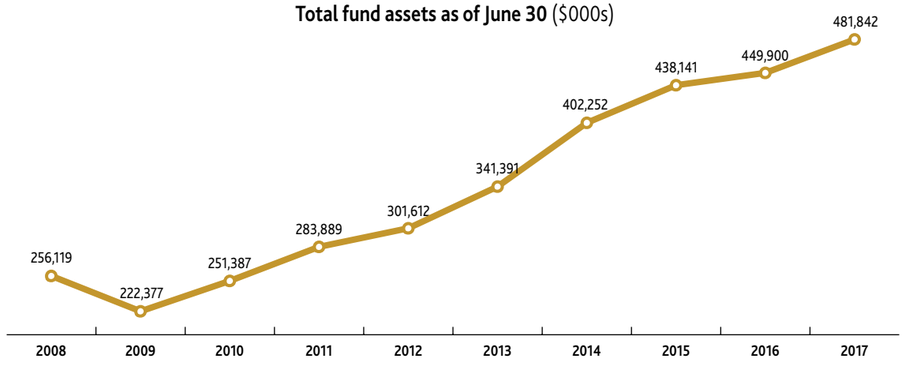
317 66-85 YEARS OLD

27 86+ YEARS OLD

Age	Active members
20-29	72
30-39	290
40-49	456
50-59	509
60-64	175
65-71	98
TOTAL	1,600

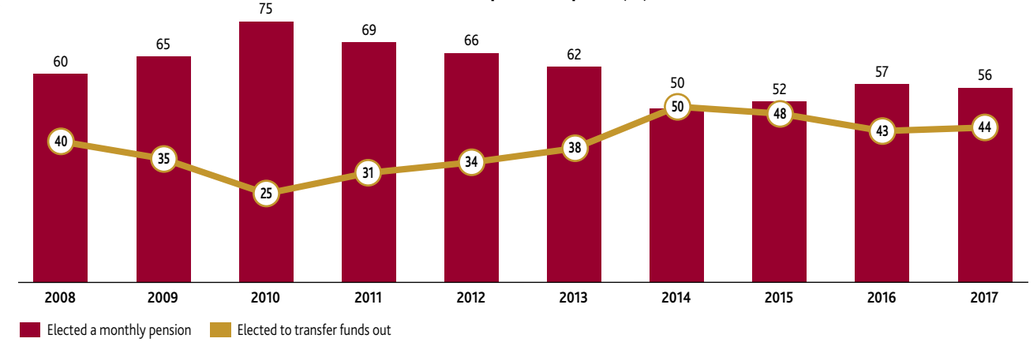
Fund assets

Total fund assets as of June 30 ($000s)



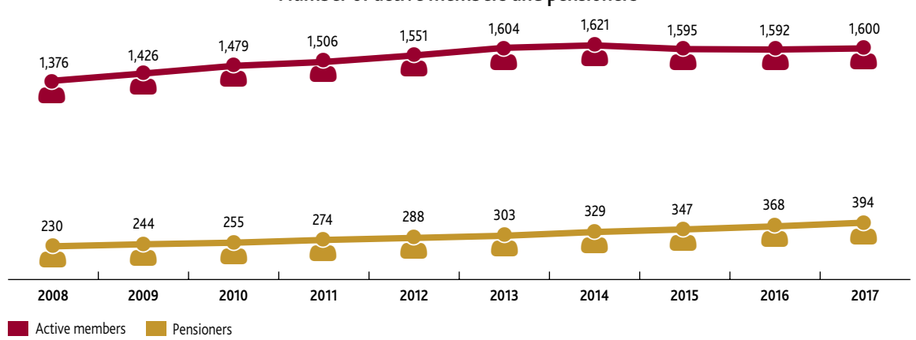
Pension options

Election of pension option (%)



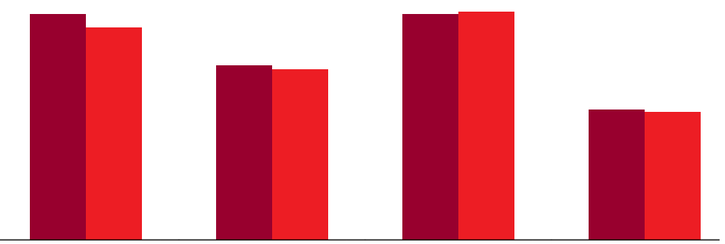
Active participants

Number of active members and pensioners



Rates of return

Annualized rates of return as of June 30, 2017 (%)



Brock University Pension Fund (gross)	10.40	8.10	10.40	6.10
Fund Benchmark	9.80	7.90	10.50	6.00

9 PENSIONERS HAVE BEEN RECEIVING A PENSION FOR **30+ YEARS**

TOTAL ANNUAL CONTRIBUTIONS INTO THE PLAN FOR THE YEAR

$20,579,272

PENSION PAYMENTS FOR THE YEAR:

$10,666,086

AVERAGE AGE OF PENSIONERS AS OF JUNE 30, 2017 IS

73

TOP 10 EQUITY HOLDINGS AS OF JUNE 30, 2017

1. AIA Group
2. Keyence
3. Nestle
4. Novo Nordisk B
5. NOVARTIS AG
6. Visa
7. Suncor Energy Inc
8. ALPHABET INC – CL C
9. HDFC Bank – ADR
10. Johnson & Johnson

Frequently asked questions

Pension

Q: Am I contributing the maximum into the pension plan?

A: All Plan members must contribute 4.4% of their pensionable earnings up to the YMPE and 6% above the YMPE. The University must contribute 7.4% of the member's pensionable earnings up to the YMPE and 9% above the YMPE. A Plan member may contribute Additional Voluntary Contributions.

Q: What are Additional Voluntary Contributions (AVCs)?

A: AVCs are contributions that a Plan member can elect to contribute to the Plan, in addition to the required contributions discussed above. AVCs are accounted for in a separate AVC account in your name (they are not co-mingled with your required contributions in the Money Purchase Account) and are credited with the net rate of return that is earned by the pension fund. The University does not make any contributions related to AVCs. All contributions into the plan are limited by the Income Tax Act (Canada).

Q: What happens to my pension benefit if I die before retirement?

A: If you die before retirement, your beneficiary will receive a pension benefit based on your Money Purchase Account balance together with the commuted value, if any, of the excess of your Minimum Guaranteed Pension over your projected Money Purchase Pension. Alternatively, a surviving spouse may choose to take an annual pension. University pension staff will meet with the surviving spouse and provide documentation outlining his or her options.

Note: If you have an eligible spouse, and unless your spouse has waived his or her entitlement to the survivor benefit, your spouse will receive the survivor benefit even if he or she is not your designated beneficiary.

Q: What are my pension benefit options if I leave employment with the University (before age 55)?

A: Within 30 days of your exit, the University will provide you with a Statement and Election of Benefits on Termination form that will detail all of your pension benefits, their value, and your options. Your pension benefit will include your contributions, the University's contributions, investment interest earned to date along with the commuted value of the supplementary retirement benefit (subject to Income Tax Act limits), if applicable. You will have the option to:

a) leave your pension benefit invested in the Plan until you are ready to begin a pension (age 55 or later)
b) transfer your pension benefit to a Locked-In Retirement Account (LIRA)
c) transfer your pension benefit to another registered pension plan as long as the plan is registered in Canada, accepts such transfers, and the plan administrators agree to the terms of the transfer.

Q: I am an active Plan member. How can I find out for myself what my pension might be?

A: The Brock Pension Estimator allows active plan members to estimate monthly pensions with user-defined retirement dates and other assumptions. Using this tool, you can estimate the benefits you would be entitled to from the Money Purchase Account and the Minimum Guarantee Fund. The Estimator's calculations are based on the assumption that you will remain employed by the University until your selected retirement date. You can access the Estimator from your "**My Work**" tab in the "**my.brocku.ca**" portal.

Retirement

Q: How does CPP affect my Brock University pension?

A: Your Brock University pension does not change when you begin to receive CPP.

Q: If I retire early (prior to age 65), how does that affect my pension?

A: You can begin receiving a pension as early as age 55. The monthly pension amount will be actuarially reduced to account for the fact that you will be receiving the pension for a longer period of time.

Q: If I die while collecting a pension, who should my spouse notify?

A: A spouse must notify University pension staff of the pensioner's death. Staff will speak with the spouse regarding next steps and will notify the Custodian.

Q: Who do I contact if I do not receive my tax form (T4A statement) for my pension payments?

A: You can contact the Custodian, RBC Investor & Treasury Services at 1-800-668-1320.

Q: How do I change the account my pension payments are deposited into?

A: You can contact the Custodian, RBC Investor & Treasury Services at 1-800-668-1320. They will inform you of the steps to take to change your banking information.

Q: When will I find out my new monthly pension payment after the annual (July 1) adjustment?

A: In September, University pension staff will send you a Pensioner Adjustment letter which will explain your new adjusted Money Purchase Pension amount, your new adjusted Minimum Guarantee Pension Amount and your new monthly (gross) payment amount. The new payment amount is retroactive to July 1; however, you will receive the first adjusted payment in October. You will also receive a Pensioner Statement annually that summarizes information outlined in the Pension Benefits Act (PBA) regulations. You will note that your pension amounts on this statement are stated for the previous year as the regulations require that pension statements be retrospective (providing information for the previous year).

Q: Who do I contact regarding a change of address?

A: You can contact University pension staff. Staff will update your information and notify RBC Investor & Treasury Services, if necessary.

Q: How soon will I receive my money after my retirement date?

A: If Brock University receives your paperwork in a timely fashion – that is, at least two months before pension commencement – your first pension payment will be deposited to your account within two weeks of the pension commencement date. Thereafter, the payment will be deposited into your account on the first business day of each month. If you elected to transfer your funds from the Plan, the transfer typically will be processed within three weeks of your retirement date.

Q: Does my pension amount change if my spouse dies before me?

A: No, your pension amount does not change after a spouse's death. However, you should notify University pension staff of your spouse's death if you retired with a Joint and Survivor pension, as this information is used by the actuary when calculating the annual mortality adjustments for the pensioner group.

Q: If I die while collecting a pension, does my spouse, family or estate receive a survivor benefit?

A: When a pensioner death occurs, the survivor benefit depends on the form of pension elected at pension commencement. For example, if you chose a Joint and Survivor 60 per cent pension with a 15-year guarantee, after your death, your spouse would receive 60 per cent of your pension amount for the rest of their life. Both Money Purchase and Minimum Guaranteed Pension amounts are reduced to the 60 per cent level and both amounts continue to be adjusted on an annual basis. However, using the same example, if both you and your spouse die before the end of the 15-year guarantee period, the value of any remaining payments to the end of the 15 year guarantee period would be paid to the estate of the last living pension recipient. If you and/or your spouse live beyond the 15-year guarantee period, pension payments will end after the death of the last pension recipient and there is no payment to the estate.

Q: How do I provide notice of my retirement?

A: Written notice of your retirement should be provided to the Human Resources Department at least three months before your retirement date. The notice must include the date of retirement and your signature. It is important to note that pension payments are made on the first day of the month, therefore, an employee's last day of employment (the retirement date) would normally be the last day of the month.

Q: Do I pay taxes on my pension benefits?

A: Yes. You will pay taxes on your pension as well as benefits from CPP and OAS. However, you may benefit from being in a lower tax bracket during retirement than the bracket that currently applies to you. The Plan's Custodian will deduct applicable taxes and provide you with the appropriate tax form required for you to use when preparing your income tax return.

Current state of activities

Key Pension Committee activities 2016-2017

Figure 9

Fund performance reviews	The Plan's investment consultant presented two detailed performance reviews for periods ending June 30/16 and Dec. 31/16. Quarterly performance summaries were received for periods ending Sept. 30/16 and March 31/17.
Pension Committee education	Committee members participated in the following: • orientation session on pension plan governance • Socially Responsible Investing (SRI)/Economic Social Governance (ESG) and fiduciary duties • legislative updates on changes affecting the pension landscape
Review of audited financial statements	Committee members reviewed the Plan's audited financial statements for Plan year ending June 30, 2016.
Fund manager presentations	Representatives from Walter Scott (global equities) and Mawer (Canadian equities and global equities) attended Pension Committee meetings to present information regarding the firms' respective portfolios.
Real estate assets	Hired first Real Estate Manager – Morgan Stanley Real Estate Investing.
Global equity investments	Reviewed and implemented a rebalancing strategy for global equity investments.
Short Term Fund	Implemented a change to the Short-Term fund investment structure.
Review of SIPP	Conducted annual review of Statement of Investment Policy and Procedures (SIPP).

Current items in the pension landscape for Registered Pension Plans

Investment Management Corporation of Ontario

The Investment Management Corporation of Ontario (IMCO) was established in 2016 with the mandate to provide broader public-sector (BPS) clients in Ontario with investment management services, specifically, investment management and advisory services. IMCO began to manage the funds of its first two clients, the Workplace Safety and Insurance Board (WSIB) and the Ontario Pension Board (OPB) on July 24, 2017.

The assets under management at IMCO are approximately $60-billion and are invested in a broad range of asset classes that include private equity, real assets, public equities, public debt, etc. IMCO anticipates working with additional broader public-sector clients once the integration of the assets and operations of WSIB and OPB are complete.

Why is this relevant to the Brock Plan?

IMCO is being designed to accept, through a managed process, the membership application of any BPS organization with an investment fund that is interested in accessing its services. Participation of public sector and broader public-sector organizations (such as universities) in IMCO will be voluntary. Members of IMCO will retain ownership of their assets and have the responsibility to determine how their assets are invested by IMCO. The Pension Committee will continue to be briefed on IMCO's progress for future consideration as an investment option once IMCO has been fully established.

Jointly sponsored pension plan (JSPP) mergers and conversions

The Pension Committee has received updates on work conducted by key stakeholders from across the Ontario University Sector (unions, faculty/staff associations and university administration) as they have explored what a university defined-benefit multi-employer jointly sponsored pension plan (JSPP) might look like. The University Pension Project is an initiative that has received funding from the provincial government and whose process is supported by the Council of Ontario Universities. A JSPP is a registered pension plan that is jointly sponsored and governed by employers and members, with both parties sharing in the funding risk. One benefit for an organization participating in a JSPP is that such plans do not normally have to be funded on a solvency basis. Currently, universities in Ontario have single-employer pension plans that are sponsored and governed by each university and which must be funded in accordance with current funding regulations. Some universities' defined benefit plans have had solvency deficits for a number of years, making the JSPP model appealing for consideration from a sustainability perspective.

Why is this relevant to the Brock Plan?

Once complete, the University JSPP is expected to be open for Ontario universities to join on a voluntary basis, respecting any related collective agreement provisions in place. Each university and their respective stakeholders may have the opportunity to consider this option when the JSPP is finalized. The University will continue to monitor progress of this initiative.

Ontario solvency funding review

The 2015 Ontario Economic Outlook announced that the government would initiate a review of the current solvency funding framework for pension plans. The 2016 Budget announced that the review would be led by David Marshall (former CEO of WSIB) and a Stakeholder Reference Group would be established. The goal of the review is the development of balanced solvency funding reforms would focus on plan sustainability, affordability, and benefit security, taking into account interests of pension stakeholders. Meetings were subsequently held with a Stakeholder Reference Group and many different groups of stakeholders.

On May 19, 2017, the Ontario government announced they would be modernizing the funding framework for Defined Benefit plans to ensure their sustainability.

The announced changes are:

- No solvency funding requirement for plans that have a solvency funded ratio higher than 85 per cent.
- Requiring funding on an "enhanced" going concern basis. Changes to the going concern rules include:
  - shortening the amortization period from 15 years to 10 years for funding a shortfall in the plan, and
  - consolidating special payment requirements into a single schedule.
- Funding a "reserve" fund, also known as a provision for adverse deviation (PfAD)
- Increasing the maximum coverage under the Ontario Pension Benefits Guarantee fund to $1,500 from $1,000.
- Framework for restrictions on contribution holidays and funding rules for benefit improvements.
- Additional requirement for transparency, including requiring funding and governance policies and additional funding disclosure requirements to plan beneficiaries.

In combination with its Fall 2017 Economic Statement, the Ontario Government tabled Bill 177, *Stronger, Fairer Ontario Act (Budget Measures), 2017 – An Act to implement Budget* measures and to enact and amend various statutes. Bill 177 contains amendments to the Pension Benefits Act (PBA) that enable the proposed reforms to the funding framework for defined benefit (DB) and target benefit pension plans.

Why is this relevant to the Brock Plan?

Given that the Brock plan has a defined benefit component, a valuation must be performed at least every three years to determine the funding status and required University contributions related to the defined benefit portion of the Plan. The latest actuarial valuation completed on the Brock University Pension Plan was as of July 1, 2017, which determined that the Plan's solvency funded ratio is 105% and a going concern deficit ratio of 79%. Although the Plan's solvency ratio is not less than 85%, the University's cost to the Plan will increase due to the change in the amortization period for going concern deficits from 15 years to 10 years.

Enhanced Canada Pension Plan (CPP)

The federal government has made changes to the Canada Pension Plan (CPP), which will be phased in from 2019 to 2025.

Employers and employees will continue to share equally in the cost of the CPP benefit. The combined contribution rate on earnings up to the Year's Maximum Pensionable Earnings (YMPE) will change from 9.9% (4.95% each) to 11.9% (5.95% each) and will be phased in from 2019 to 2023.

Contribution rate increased on earnings up to the YMPE:

Jan. 1, 2019 – 0.15% increase for employee and employer contributions
Jan. 1, 2020 – 0.15% additional increase for both employee and employer contributions
Jan. 1, 2021 – 0.20% additional increase for both employee and employer contributions
Jan. 1, 2022 – 0.25% additional increase for both employee and employer contributions
Jan. 1, 2023 – 0.25% additional increase for both employee and employer contributions

Additionally, combined contributions of 8% from employers and employees (4% each) will be introduced on earnings up to a newly defined Year's Additional Maximum Pensionable Earnings (YAMPE) will be phased in throughout 2024 and 2025.

Contribution rates on earnings between the YMPE and the YAMPE:

Jan. 1, 2024 – 4% contribution from both the employee and employer
Jan. 1, 2025 – 4% contribution from both the employee and employer

The YAMPE is said to be set at 14% beyond the YMPE in any given year. The YMPE for 2018 is $55,900 and is expected to be approximately $72,500 in 2025, thus the expected YAMPE in 2025 will be approximately $82,700.

From an employee benefit perspective, the current CPP benefit replaces up to 25% of the YMPE. The target CPP benefit once the changes are fully implemented will be 33.3% of pensionable earnings up to the YAMPE.

Financial overview of the Plan

The Plan

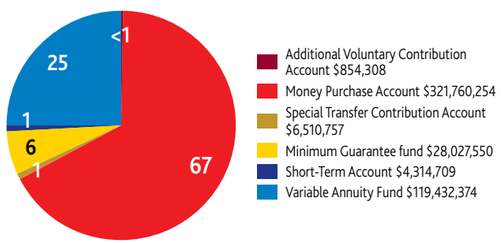
The Plan is comprised of a number of separate accounts held together under one Trust Fund and administered by professional fund managers. The Pension Committee closely monitors performance of the fund and the fund managers, supported by the Plan's investment consultant.

Trust Fund

The Plan's actuary confirms amounts that make up the trust fund at each actuarial valuation date – the total Trust Fund value as at the last valuation (July 1, 2017) was $481 million. The chart below provides a breakdown of the allocation of funds in the Trust Fund.

Figure 10

Trust Fund allocation – July 1, 2017 valuation (%)



The Plan's investment structure and market value of funds by asset class, as at June 30, 2017, are shown in Figure 11 and Figure 12.

Figure 11: **Fund managers as at June 30, 2017**

	Fund managers	Located
Fixed Income	AllianceBernstein	New York
Canadian Equities	Mawer	Calgary
Global Equities	• C Worldwide • Mawer • Walter Scottt	• Montreal • Calgary • Edinburgh

Fund and Investment Manager Performance

The Pension Committee regularly monitors performance of the fund and individual investment managers. The Plan's investment consultant provides quarterly reports to support the monitoring process. Figure 13 provides details on the total fund performance.

Figure 13

Annualized earnings – as of June 30, 2017

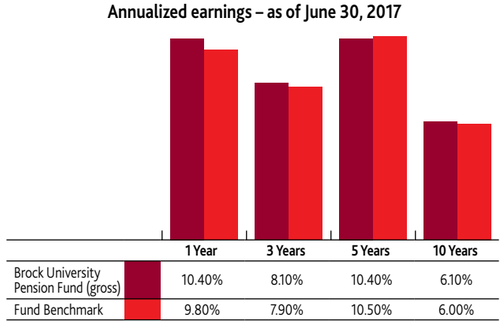


Figure 12: **Asset mix as at June 30, 2017**

Asset class	Market value	Allocation (as a % of the fund)	Policy allocation	Range Minimum	Range Maximum
Fund value	**$475M**				
Equities					
Canadian Equities	$65M	13.60%	12%	5%	20%
Global Equities	$247M	51.90%	48%	40%	55%
Fixed Income	$162M	34.00%	40%	30%	50%
Cash and Cash Equivalents	$2M	0.40%	0%	0%	5%

Figure 14 provides details on individual managers' performance.

Figure 14: **Annual manager performance at June 30**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Canadian Equities										
Mawer (Canadian Equity)	-1.10	-17.90%	11.60%	27.70%	-3.00%	19.30%	31.00%	8.10%	2.60%	16.00%
S&P TSX Capped Composite	6.70	-25.70%	12.00%	20.90%	-10.30%	7.90%	28.70%	-1.20%	-0.20%	11.00%
Value Added	-7.80	7.80%	-0.40%	6.80%	7.30%	11.40%	2.30%	9.30%	2.80%	5.00%
Global Equities										
MSCI World (Net) (CAD)	-14.80	-19.30%	0.80%	18.50%	0.40%	22.70%	25.20%	18.90%	1.10%	18.20%
Mawer (Global Equity)	-	-	-	26.10%	4.40%	25.10%	27.00%	20.60%	7.90%	15.00%
Value Added	-	-	-	7.60%	4.00%	2.40%	1.80%	1.70%	6.80%	-3.20%
C Worldwide Equity	-	-	-	12.40%	7.50%	21.80%	21.40%	32.40%	1.10%	16.80%
Value Added	-	-	-	-6.10%	7.10%	-0.90%	-3.80%	13.50%	0.00%	-1.40%
Walter Scott *	-3.60	-7.10%	1.30%	14.20%	6.40%	20.70%	20.10%	20.80%	7.30%	16.00%
Value Added	11.20	12.20%	0.50%	-4.30%	6.00%	-2.00%	-5.10%	1.90%	6.20%	-2.20%
Fixed Income										
AllianceBernstein	5.60	2.20%	13.30%	6.80%	9.40%	0.20%	6.60%	5.80%	6.10%	0.90%
FTSE TMX Universe Bond	6.80	7.00%	6.90%	4.70%	9.50%	-0.20%	5.30%	6.30%	5.20%	0.00%
Value Added	-1.20	-4.80%	6.40%	2.10%	-0.10%	0.40%	1.30%	-0.50%	0.90%	0.90%

Mawer Global Equity and Carnegie Worldwide Equity returns prior to August 2016 represent manager returns sourced from eVestment.
Mawer Canadian Equity returns prior to January 2012 represent manager returns sourced from eVestment.
Walter Scott returns prior to January 2008 represent manager returns sourced from eVestment.
AllianceBernstein returns prior to January 2008 represent manager returns sourced from eVestment.

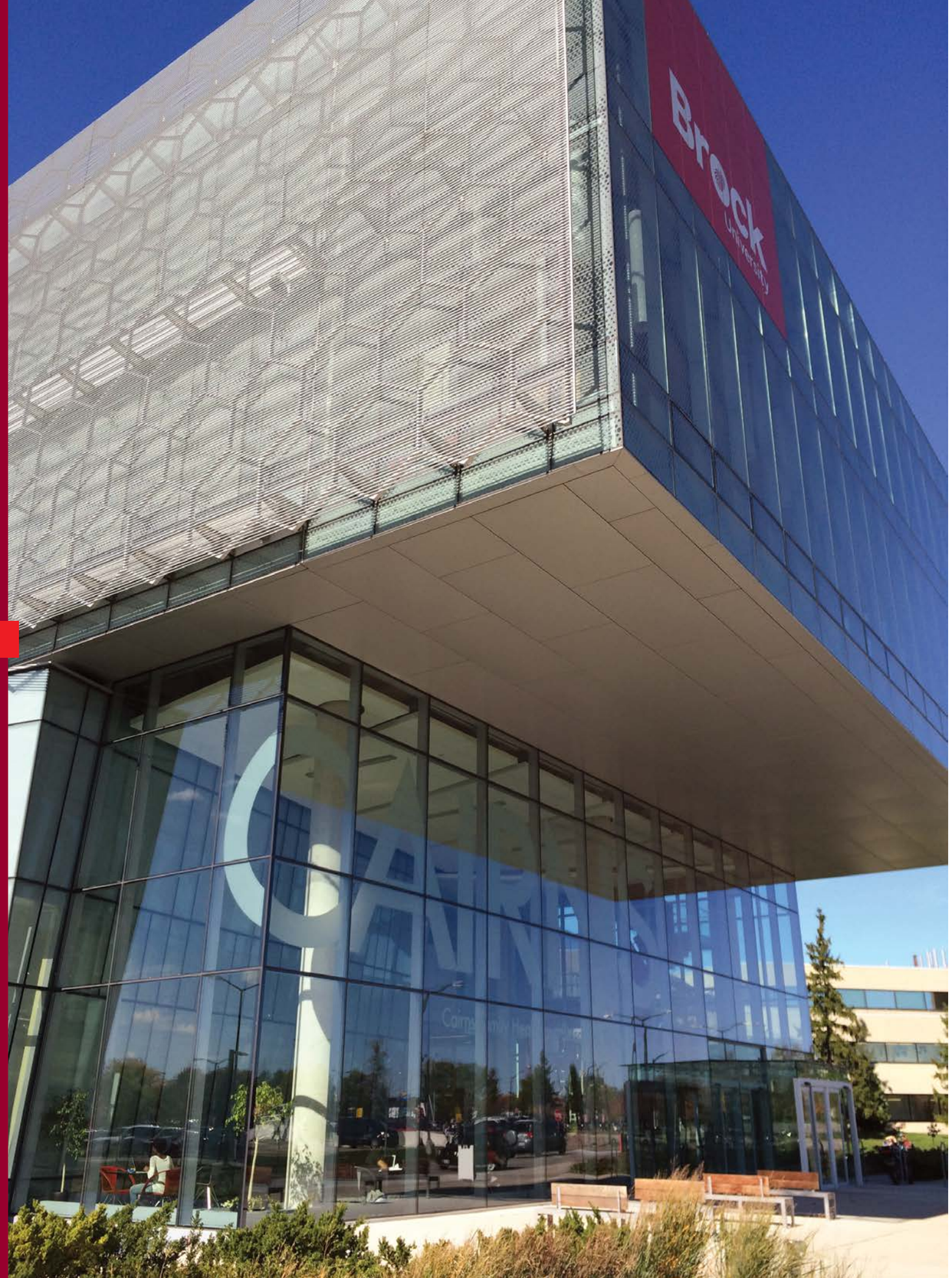
Rate of return and expenses

The chart below shows the funds' gross rate of return as well as the funds expenses for the 10 previous fiscal years. A breakdown of plan expenses can be found in the financial statements on page 25.

Additional historical rates of return can be found on the pension website at **brocku.ca/human-resources/pension**

Figure 15: **Pension Plan fiscal year-end June 30**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fund Return – Gross	-1.6%	-14.4%	8.6%	13.8%	3.0%	11.1%	16.7%	10.3%	3.7%	10.4%
Expenses	0.2%	0.8%	1.1%	1.2%	1.0%	0.8%	0.9%	0.8%	0.6%	0.7%
Fund Return – Net	-1.8%	-15.2%	7.5%	12.6%	2.0%	10.3%	15.8%	9.5%	3.1%	9.7%



Actuarial valuation

What is an actuarial valuation?

What is an actuarial valuation and why is it important to the University and Plan members?

An actuarial valuation is a mathematical analysis of the financial position of a defined benefit pension plan and is prepared at least once every three years. Given that the University's hybrid pension plan has an underlying defined benefit pension, an actuarial valuation must be conducted for the Plan. The valuation determines the financial position of the Plan and the future obligations. The analysis requires making assumptions about future investment returns, inflation rates and salary increases, as well as retirement ages and life expectancies of the Plan's membership.

There are three different calculations performed during the valuation:

Going Concern Basis: Assumes the Plan will continue indefinitely. Assumptions are set by the actuary with the employer's input and are subject to actuarial standards of practice. Going Concern deficits are amortized over a 15-year period. The Brock University Pension Plan has a Going Concern deficit of $17.8 million, which the University will be funding by making additional payments into the Plan. Funds to make these payments come from the University's operating budget, thus years of higher Going Concern deficit payments reduce the amount of funds available for other operational expenditures.

Wind-up Basis: Assumes that the Plan will hypothetically terminate on the valuation date and uses prescribed assumptions. The Brock University Pension Plan has a Wind-up deficit of $124 million.

Solvency Basis: This calculation is identical to the Wind-up valuation, with the exception that regulations allow certain adjustments to be made (e.g. future indexing can be excluded). Solvency deficits are amortized over a five-year period. The Brock University Pension Plan has a Solvency surplus of $21.6 million and, therefore, based on current funding rules, no solvency special payments are required.

One of the most significant assumptions made when completing an actuarial valuation, is the setting of the discount rate. The discount rate is the rate used to value the current cost of future pension obligations. The discount rate is determined by a number of factors, including estimating expected rates of return, plan expenses, and salary, etc.

The values noted above are associated with the most recent valuation, effective July 1, 2017.

In addition to the contributions required to the defined contribution portion of the Plan, the University is also making Current Service contributions and Going Concern deficit contributions into the defined benefit portion of the Plan. The payment of these contributions comes from the University's operating budget.

The University's required contributions for the past seven years are illustrated in Table 16.

Figure 16: **Required contributions to Plan (July 1 to June 30)**

	2010/11 (Valuation Year)	2011/12	2012/13	2013/14 (Valuation Year)	2014/15	2015/16	2016/17 (Valuation Year)
Employee contributions to the Plan							
DC – Employee	$6,012,862	$6,331,646	$6,594,329	$6,918,726	$6,980,217	$7,120,641	$7,271,883
University contributions to the Plan							
DC – University	$9,568,534	$10,078,781	$10,501,222	$11,021,901	$11,113,619	$11,334,319	$11,569,413
DB – Current Service Cost	679,453	2,430,372	2,512,439	2,636,035	1,199,073	1,231,871	$1,257,956
DB – Going Concern Deficit	420,996	3,743,991	3,452,148	3,452,148	132,658	413,000	413,000
Total University	$10,668,984	$16,253,143	$16,465,809	$17,110,084	$12,445,350	$12,979,190	$13,240,370
University/Employee Required Contribution Ratio	1.8	2.5	2.5	2.5	1.8	1.8	1.8

DC = Defined Contribution
DB = Defined Benefit

A summary of the Plan's financial position for the last four valuations is shown in Figure 17.

Figure 17

	July 1, 2008	July 1, 2011	July 1, 2014	July 1, 2017
Financial position of the Plan Going Concern Basis				
Funding excess (shortfall)	($4,203,000)	($35,442,000)	($3,557,000)	($17,882,000)
Funding ratio	98%	89%	99%	96%
Financial position of the Plan Wind-up Basis				
Wind-up excess (shortfall)	($5,732,000)	($45,902,000)	($69,207,000)	($124,097,000)
Wind-up ratio	98%	86%	85%	79%
Financial position of the Plan Solvency Basis				
Solvency excess (shortfall)	$6,674,000	$1,871,000	$18,730,000	$21,689,000
Solvency ratio	102%	105%	105%	105%

Architectural rendering of the LINC, the second part of the new construction that started Sept. 2016. It will dramatically change Brock's iconic Schmon Tower, converting an open-air pedestrian mall into a modern, purpose-built 41,000-square-foot innovation centre.

Going Concern liability breakdown

The $17.8-million Going Concern liability identified in the 2017 valuation is allocated to the Plan membership as outlined in Figure 18. The breakdown of the active member liability between the various employee groups at the University is illustrated in Figure 19.

Figure 18

Going Concern liability by plan membership

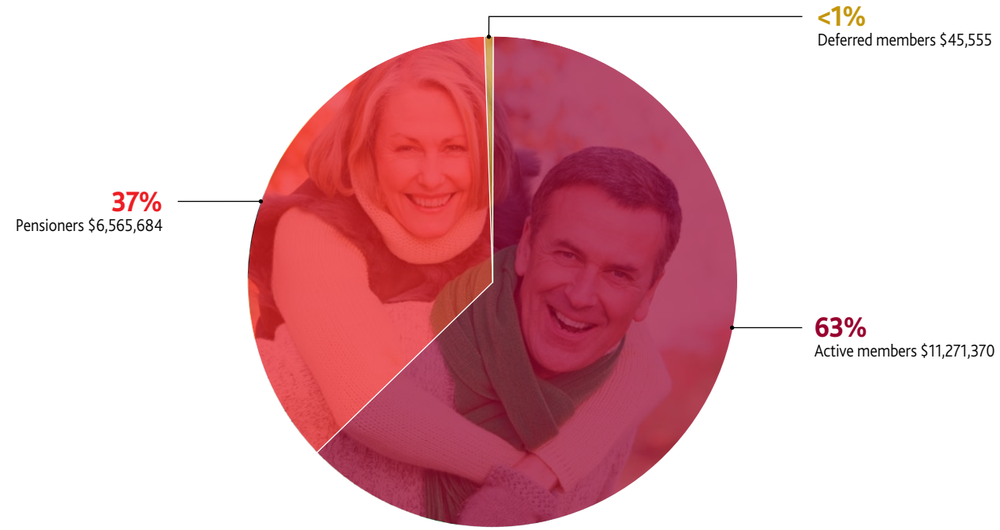
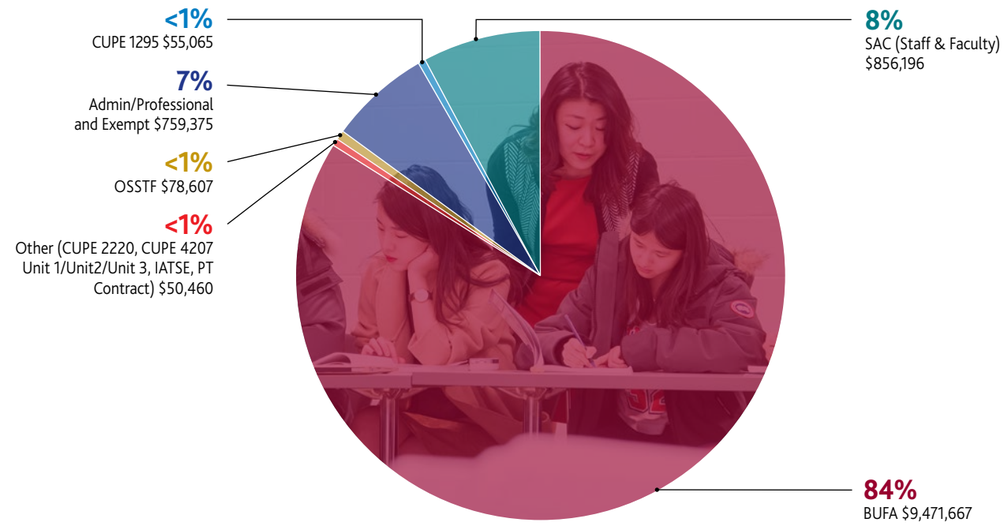


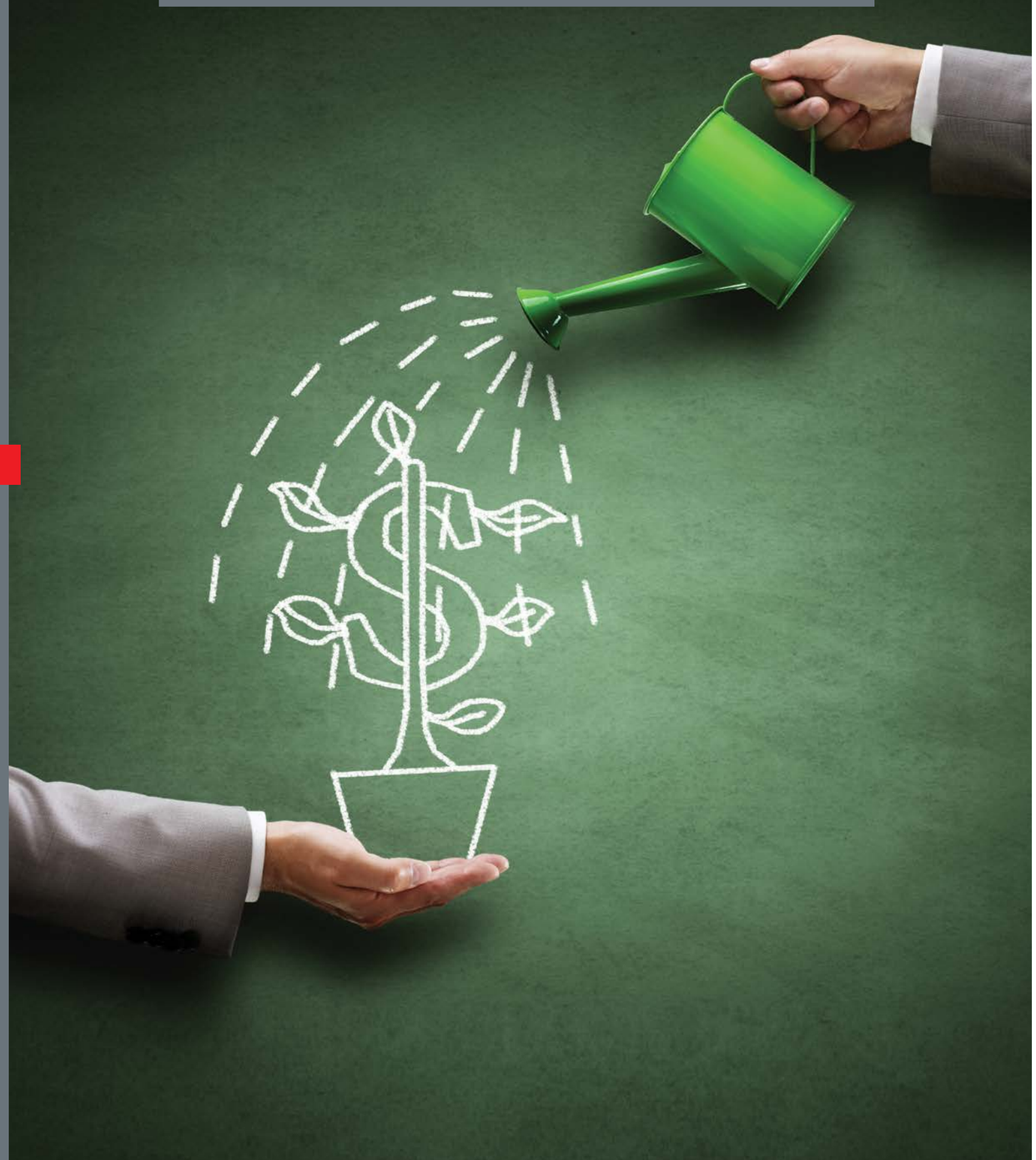
Figure 19

Active member Going Concern liability by employee group



Fund financial statements of the BROCK UNIVERSITY PENSION PLAN

Year ended June 30, 2017. Registration Number 327767.



KPMG

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Brock University

We have audited the accompanying fund financial statements of the Brock University Pension Plan, which comprise the statement of net assets available for benefits as at June 30, 2017, and the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The fund financial statements have been prepared by management based on the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

Management's Responsibility for the Fund Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these fund 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 fund financial statements are free from material misstatement.

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

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

KPMG

Opinion

In our opinion, the fund financial statements present fairly, in all material respects, the net assets available for benefits of the Brock University Pension Plan as at June 30, 2017, and the changes in its 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 of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to note 1 to the fund financial statements, which describes the basis of accounting. The fund financial statements are prepared to assist the Pension Committee of the Brock University Pension Plan to comply with the requirements of the Financial Services Commission of Ontario under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario). As a result, the fund financial statements may not be suitable for another purpose.

Our report is intended solely for the Board of Trustees of Brock University and the Financial Services Commission of Ontario and should not be used by parties other than the Board of Trustees of Brock University and the Financial Services Commission of Ontario.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada
September 28, 2017

BROCK UNIVERSITY PENSION PLAN

Statement of Net Assets Available for Benefits

Year ended June 30, 2017, with comparative information for 2016.

	2017	2016
Assets		
Contributions receivable:		
Employer	$ 1,105,904	$ 1,114,287
Employees	619,694	622,014
	1,725,598	1,736,301
Accrued income (note 2)	-	169,812
Investments (note 2)	480,116,093	447,994,058
	480,116,093	448,163,870
	$ 481,841,691	$ 449,900,171
Liabilities		
Accrued liabilities (note 3)	667,604	489,539
Net assets available for benefits	$ 481,174,087	$ 449,410,632

See accompanying notes to the fund financial statements.

On behalf of the Board of Trustees:

Gervan Fearon
President and Vice-Chancellor

Gary Comerford
Chair, Board of Trustees

BROCK UNIVERSITY PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended June 30, 2017, with comparative information for 2016.

	2017	2016
Increase in net assets available for benefits:		
Investment income (note 4)	$ 22,325,524	$ 39,451,352
Transfers from other pension plans	157,961	1,957
Net realized gain on sale of investments	25,499,102	31,117
	47,982,587	39,484,426
Contributions (note 5):		
Employer	13,240,370	12,979,189
Employee	7,338,902	7,179,357
	20,579,272	20,158,546
	68,561,859	59,642,972
Decrease in net assets available for benefits:		
Benefit payments (note 6)	30,913,510	22,036,971
Change in net unrealized loss in investments	2,708,732	22,735,890
Administrative expenses and professional fees (note 7)	3,176,162	2,967,463
	36,798,404	47,740,324
Increase in net assets available for benefits	31,763,455	11,902,648
Net assets available for benefits, beginning of year	449,410,632	437,507,984
Net assets available for benefits, end of year	$ 481,174,087	$ 449,410,632

See accompanying notes to the fund financial statements.

BROCK UNIVERSITY PENSION PLAN

Notes to Fund Financial Statements

Year ended June 30, 2017.

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 under Section 76 of Regulation 909 to the Pension Benefits Act (Ontario), the Plan has prepared these fund financial statements in accordance with Canadian accounting standards for pension plans, excluding pension obligations and any resulting surplus or deficit.

The Pension Plan complies on a consistent basis with International Financial Reporting Standards ("IFRS") in Part 1 of the Chartered Professional Accountants ("CPA Canada") Handbook.

These fund financial statements have been prepared to assist the Pension Committee in meeting the requirements of the Financial Services Commission of Ontario under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario). As a result, these fund financial statements may not be suitable for another purpose.

These fund 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 fund 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 fund 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.

1. Significant accounting policies (continued):

(i) Non-derivative financial assets: (continued)

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.

(ii) Non-derivative financial 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.

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.

1. Significant accounting policies (continued):

(e) Fair value measurement: (continued)

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. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in the statement of changes in net assets available for benefits on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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 (loss) on sale of investments:

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

(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.

1. Significant accounting policies (continued):

(i) 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).

(j) Use of estimates:

The preparation of fund financial statements requires management to make judgements, 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):

	2017 Cost	2017 Fair value	2016 Cost	2016 Fair value
Equity Funds:				
Walter Scott and Partners Canadian Institutional Trust Global Equity Fund	$ 104,826,039	$ 142,247,451	$ 170,301,785	$ 220,301,906
Mawer Global Equity Fund Class O	47,645,485	51,941,435	-	-
Pier 21 World Wide Equity Pool	48,078,253	52,752,965	-	-
Mawer Canadian Equity Fund	45,184,722	64,817,129	43,650,222	58,553,009
	245,734,499	311,758,980	213,952,007	278,854,915
Fixed Income Funds:				
Alliance Berstein Core Plus Bond Fund	154,084,860	161,659,714	109,183,984	120,479,566
Alliance Berstein Core Short-Term Bond Fund	-	-	38,722,911	38,641,288
Mawer Canadian Money Market Fund	4,763,184	4,763,249	6,426,874	6,618,135
	158,848,044	166,422,963	154,333,769	165,738,989
Cash and cash equivalents	1,934,150	1,934,150	3,569,962	3,569,966
	$ 406,516,693	$ 480,116,093	$ 371,855,738	$ 448,163,870

Cash and cash equivalents includes pending investments held by RBC Investor and Treasury Services. Accrued income of $nil (2016 – $169,812) is included in the Alliance Bernstein Core Short-Term Bond Fund.

3. Accrued liabilities:

	2017	2016
Portfolio administration fees	$ 552,049	$ 434,062
Actuarial and other professional fees	86,290	28,223
Custodial fees	18,892	16,881
Audit fees	10,373	10,373
	$ 667,604	$ 489,539

4. Investment income:

	2017	2016
Pooled funds:		
Canadian bonds and debentures	$ 6,503,331	$ 5,090,282
Canadian equity	4,628,162	3,608,929
Global equity	11,186,615	30,577,914
Money market	7,416	4,415
Accrued income	-	169,812
	$ 22,325,524	$ 39,451,352

5. Contributions:

Contributions received by the Plan were as follows:

2017	Regular	Voluntary	Special	Total
Employer	$ 12,827,370	$ -	$ 413,000	$ 13,240,370
Employee	7,271,424	67,478	-	7,338,902
	$ 20,098,794	$ 67,478	$ 413,000	$ 20,579,272

2016	Regular	Voluntary	Special	Total
Employer	$ 12,566,189	$ -	$ 413,000	$ 12,979,189
Employee	7,120,641	58,716	-	7,179,357
	$ 19,686,830	$ 58,716	$ 413,000	$ 20,158,546

6. Benefit payments:

	2017	2016
Pension benefits	$ 10,666,086	$ 10,229,854
Transfers to other pension funds	13,214,720	8,988,327
Cash refunds	4,306,846	1,737,898
Death benefits	2,725,858	1,080,892
	$ 30,913,510	$ 22,036,971

7. Administrative expenses and professional fees:

	2017	2016
Portfolio administration fees	$ 2,479,612	$ 2,179,120
Actuarial and other professional fees	579,918	677,608
Custodial fees	106,752	100,389
Audit fees	9,880	10,346
	$ 3,176,162	$ 2,967,463

8. 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, 2017 were $166,725 (2016 - $161,518), 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, 2017 accounts payable and accrued liabilities included $14,536 (2016 – $14,414) owing to the University relating to such services.

9. 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 establish suitable investment vehicles that meet the risk tolerances of the Members and to provide information and education to enable the Members to understand the nature of the investments.

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 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.

All investments are categorized as Level 2 at June 30, 2017 except for $ nil (2016 – $38,641,288) in bonds held with Alliance Bernstein which are categorized as Level 1. 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. 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 offering its members a diversified portfolio of instruments traded on various markets and across various industries.

9. Fair value of financial instruments (continued):

(b) Associated risks: (continued)

(i) Market price risk: (continued)

As at June 30, 2017, 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 $31,175,898 (2016 – $27,885,491).

(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.

Presently equity investments are not hedged; however, the plan has adopted a mechanism to apply a US dollar hedge under certain market conditions. Of the total Alliance Bernstein Core Plus Bond Fund portfolio, 19.22% is held in foreign currency with 1.20% of the Alliance Bernstein Core Plus Bond Fund portfolio not hedged back to the Canadian Dollar.

The Plan's currency exposure of its equity investments as at June 30 is as follows:

	2017		2016	
	Canadian dollar equivalent	Percentage of total	Canadian dollar equivalent	Percentage of total
US dollar	$ 129,491,928	27.0%	$ 104,026,560	23.2%
Euro	21,360,470	4.4%	16,919,186	3.8%
Japanese yen	17,836,886	3.7%	21,171,013	4.7%
Swiss franc	14,630,277	3.0%	20,113,564	4.5%
Pound sterling	14,439,989	3.0%	8,900,197	2.0%
Hong Kong dollar	13,530,770	2.8%	10,971,035	2.4%
Chinese renminbi	5,448,077	1.1%	9,252,680	2.1%
Danish krone	4,595,139	1.0%	4,251,827	0.6%
New Taiwan dollar	3,949,820	0.8%	4,912,732	1.3%
Australian dollar	3,309,021	0.7%	5,177,095	0.6%
Other currencies	10,495,029	2.3%	7,269,963	1.6%
	$ 239,087,406	49.8%	$ 212,965,852	46.8%

9. Fair value of financial instruments (continued):

(b) Associated risks: (continued)

(ii) Foreign currency risk (continued):

As at June 30, 2017, 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
US dollar	$ 129,491,928	$ 6,474,596
Euro	21,360,470	1,068,024
Japanese yen	17,836,886	891,844
Swiss franc	14,630,277	731,514
Pound sterling	14,439,989	721,998
Hong Kong dollar	13,530,770	676,538
Chinese renminbi	5,448,077	272,404
Danish krone	4,595,139	229,757
New Taiwan dollar	3,949,820	174,741
Australian dollar	3,309,021	165,451
Other currencies	10,495,029	524,751
	$ 239,087,406	$ 11,931,618

(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.

(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, 2017, had the prevailing interest rates increased or decreased by 1% with all other variables remaining unchanged, Plan net assets available for benefits would have decreased or increased by approximately $12,447,798 (2016 – $10,153,156).

(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.

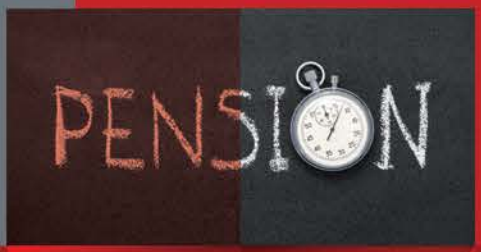
10. Capital risk management:

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 ensure the security of the promised pension benefits under the Plan. 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 member's individual investment objectives and risk tolerances. The Plan fulfils 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 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 June 22, 2017. This amendment included changes to the asset mix and outlined the plan's intent to shift a portion of investments to real estate assets in the future, as well as minor verbiage updates. There is no change in the manner in which the capital is managed in the current year.

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 5. Contributions past due as of June 30, 2017 are presented as contributions receivable on the Statement of Net Assets Available for Benefits.

The Plan is required to file fund financial statements with the Financial Services Commission of Ontario annually.

Brock University



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