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This report is designed to describe, in simple terms, the Brock University Pension Plan and related matters for eligible employees as at June 30, 2016. 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 Vivian, Chair, Pension Committee

We are pleased to provide you with the 2015/16 Annual Pension Report. This document has been updated to provide a wider scope of information for Plan members in a format similar to other University reports such as the Brock University Annual Report and Brock University Budget Report. This document provides Plan members with a wealth of information, including benefit features, governance structure, financial information, committee activities and other pension highlights. We will continue to review and update the report from year to year to make the document more informative and useful for Plan members.

The Pension Committee is composed of a variety of Plan stakeholders who bring different perspectives and backgrounds to discussions. I would like to thank each and every Pension Committee member for their time and commitment to the oversight of the Plan, including their careful preparation and attentive participation in 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. I would like to recognize the dedicated work of Wanda Fast (Director, Total Rewards) and Janice Facey (Pension Officer), our front-line staff managing the Brock Pension Plan.

The pension universe continues to evolve with new initiatives and legislative changes. The Pension Committee monitors developments in potentially significant changes and their impact upon our Pension Plan. These include the University Jointly Sponsored Pension Plan (in development), Marshal Funding Review 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 Plan link of the Human Resources web site brocku.ca/human-resources/pension/. If you have any questions related to the Pension Plan or retirement, please do not hesitate to contact Janice Facey (jfacey@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 (TFSA)), and Employer Sponsored Registered Retirement Savings 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 it is important to consider tax implications when making retirement decisions, most employees making this transition engage a qualified advisor (e.g. 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 booklet is available 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 Guaranteed Fund (MGF) which is used to provide supplemental payments to Plan members when the Money Purchase Pension has fallen below the Minimum Guaranteed Pension.

Example 1
An employee’s pensionable earnings are $53,000 for the year (below the YMPE for 2016)

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>$2,332.00</td>
</tr>
<tr>
<td>University</td>
<td>$3,922.00</td>
</tr>
</tbody>
</table>

Total contributions into your Money Purchase Account for the 2016 calendar year = $6,254.00

Example 2
An employee’s pensionable earnings are $73,000 per year (above the YMPE for 2016)

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>$2,415.60</td>
</tr>
<tr>
<td>University</td>
<td>$4,062.60</td>
</tr>
</tbody>
</table>

Total contribution into your Money Purchase Account for the calendar year = $6,478.20

(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 top up from the Minimum Guaranteed fund equal to the excess of your 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.

**Money Purchase Account**

**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% × best average earnings x pensionable service minus

\[ \frac{1}{25} \times \text{lesser of best average earnings or final average YMPE} \times \text{pensionable service} \]

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

**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 $12,400.

The annuity factor at the time of calculation for a member aged 65 is 12.3.

Money Purchase Pension

\[ \frac{300,000}{12.3} = 24,390 \]

Minimum Guaranteed Pension

\[ 1.7\% \times 40,000 \times 35 \times \frac{1}{35} \times 25\% \times 40,000 \times 35 = 323,800 - 100,000 = 13,800 \]

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

\[ \frac{150,000}{12.3} = 12,195 \]

Minimum Guaranteed Pension

\[ 1.7\% \times 60,000 \times 25 \times \frac{1}{25} \times 25\% \times 52,440 \times 25 = 25,500 \times 9,364 = 16,136 \]

Jakob’s annual pension

In Jakob’s case, the higher pension is provided by the Minimum Guaranteed Pension and there is no supplemental payment from the Minimum Guarantee Fund.

\[ 12,195 + (16,136 - 12,195) = 16,136 \]

The commuted value payment is 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.

**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 an employee 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.

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

**Possible reasons for choosing a monthly pension from the Plan:**

- Minimum Guarantee Pension – Plan has a safety net which provides a known level of protection from negative investment performance
- Member feels secure knowing they will receive a monthly payment for their lifetime
- May live longer than average life expectancy – won’t run out of funds
- Not interested or confident in investing or monitoring investments

**Why transfer the pension benefit to a LIRA/LIF?**

- Poor health may result in a shortened life expectancy
- Member may want to ensure residual funds (if any) will go to a beneficiary
- Member feels that their investments will perform better than the Plan’s investments and feels confident in monitoring the performance of their funds

**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.
Annual adjustments to pension amounts during retirement

It is important to understand that pension amounts paid from the Plan are ‘variable’ in nature. After the 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 process for both pension amounts are detailed in Figure 4.

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 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 five years.

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, the (as defined by pension legislation) 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.
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 Trustee 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.

FPIC membership 2016-17
Name and role
• Dennis Huwa (Committee Chair)
• Marco Marone (Committee Vice-Chair)
• Mark Arthur (Community Trustee)
• Mary De Souza (Community Trustee)
• John Fisher (Community Trustee)
• Jeffrey Carsm (Community Trustee)
• Elisabeth Zimmermann (Community Trustee)

Ex officio Trustees
• Tom Traves (President and Vice-Chancellor)
• Grant Armstrong (Associate Vice-President, Human Resources)
• John Suk (Chair of Board)
• Gary Comerford (Chair-Elect/Vice-Chair of Board)
• Janice Facey (Pension Officer)
• Doug Smith (CUPE 1295)
• Wanda Fast (Secretary; Pension Committee/Director, Total Rewards)
• Skander Lazarak (BUFA)
• Ana Isla (BUFA)

Pension Committee membership 2016-17
Name and role/affiliation
• David Vivian (Chair, BUFA)
• David Love (Vice-Chair; BUFA)
• Gary Comerford (Board of Trustees)
• Ana Kla (BUFA)
• Skander Lazarak (BUFA)
• Jimmy 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
• Wanda Fast (Secretary; Pension Committee/Director, Total Rewards)
• Janice Facey (Pension Officer)

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

Figure 6

- Board of Trustees
- Financial Planning, Investment Committee (FPIC)
- Audit Committee (AC)
- Governance/ Nominating Committee (GNC)
- Human Resources Committee (HRC)
- Pension Committee (PC)

Pullout/i
The Brock University Pension Plan is one of seven hybrid pension plans in the Ontario university sector.

University employees tend to live longer. Current life expectancy for males is 88.1 years and for females it is 90.0 years.

Application should be made to Service Canada for Canada Pension Plan (CPP) and Old Age Security (OAS) payments six months in advance of desired start date.

Active Plan members can use the retirement planning tool found on their Brock portal to produce pension projections to support their retirement planning process.

There are 79 (5%) active plan members between the ages of 66 and 71 working at Brock.

Eight Brock employees who are currently working are receiving a pension.

It's never too early to start planning. In 2015/16, pension staff conducted four pension information sessions and met separately with 57 employees to support their retirement planning.

The average age of Brock pensioners as of June 30, 2016 was 73.6.

Did you know?

You may be able to split your pension income with your spouse in retirement. Consult with your tax advisor to discuss.

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Did you know?
1964

- Plan registered.
- New Pension Benefits Act (PBA) passed – created and expanded employee pension rights.

1988

- Changes to DC contribution rate – 50% Brock/50% employee to 60% Brock/40% employee.

1991

- Number of pensioners in Plan reaches 100.

1992

- Legislative changes to Plan as required under the Income Tax Act.

1996

- Plan assets $100 million.

1998

- Pension administration moved in-house to Brock using a system from Section.

2002

- Number of active members in Plan reaches 1,000.

2003

- Number of pensioners in Plan reaches 200.

2005

- Plan assets $200 million.

2007

- Number of pensioners in Plan reaches 300.

2008

- End of mandatory retirement.

2016 cont’d

- Investment structure
  - Fixed Income (40%) – AllianceBernstein
  - Canadian Equities (15%) – McLean Budden
  - Global Equities (45%) – Aberdeen (1/3), Acadian (1/3) and Walter Scott (1/3).

HISTORICAL TIMELINE

1964

- First faculty.

1966

- Plan assets $500 million.

1990

- Plan assets $400 million.

2014

- Plan assets $450 million.

2015

- Plan assets $400 million.

2016 cont’d

- Investment structure
  - Fixed Income (40%) – AllianceBernstein
  - Canadian Equities (15%) – Mawer
  - Global Equities (45%) – Walter Scott (1/2), Mawer (1/4) and Carnegie (1/4).

2017

- Number of Plan members working past age 65 is 79.

2019

- Investment management of Ontario Act came into force – allows BPS pension plans to pool assets. Expected to be operational in Spring 2017.

2020

- Number of Plan members working past age 65 is 9.
Frequently asked questions

Pension

Q: Can I choose how my Money Purchase Account is invested?
A: No. The funds in your Money Purchase Account are invested by professional fund managers in accordance with the Plan's Statement of Investment Policies and Procedures, which is approved by the Board of Trustees, upon recommendation by the Pension Committee.

Q: Can I use my pension contributions as collateral on a loan or as a down payment on a mortgage?
A: No. Your pension assets cannot be assigned to pay a debt or secure a loan.

Q: Under the plan, the normal retirement age is 65. Must I continue to make the required contributions to the pension plan if I work past age 65?
A: Yes. Employee and employer-required contributions to your Money Purchase Account are still required if you work beyond your 65th birthday. Contributions will continue until you leave the employment of the University or reach the point at which you must legally begin receiving a pension. Regulations under the Income Tax Act (Canada) require that you start to draw your pension from the Plan no later than Dec. 1 of the calendar year in which you reach age 71.

Q: May I contribute to the Brock University Pension Plan and a registered retirement savings account (RRSP) at the same time?
A: Yes. However, contributions are limited by the Income Tax Act (Canada). The total you can contribute – your contribution room – for the year depends on your earned income and the deemed value of pension benefits you earned under the Brock University Pension Plan the previous year. The Canada Revenue Agency (CRA) indicates your RRSP contribution room on the Notice of Assessment you receive when you file your income tax return. You can carry forward unused contribution room to later years.

Q: Am I an active plan member. How can I find out for myself what my pension might be?
A: The Brock Pension Estimator allows active 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.

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 of Election of Benefits on Termination form that will detail all of your pension benefits, and your options. Your pension benefit will include your contributions, the University’s contributions and investment returns 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 so long as the plan is registered in Canada, accepts such transfers, and the plan administrators agree to the terms of the transfer.

Q: Does my pension amount change if my spouse dies before me?
A: Yes. Your pension amount does not change after your spouse’s death. However, you must notify the Human Resources Department of your spouse’s death if you retire with a Joint and Survivor pension, as this information is used by the actuary when calculating the annual mortality adjustment for the pensioner group.

Q: What happens if I remarry after pension commencement?
A: If you elected a Joint and Survivor Pension option at pension commencement, the spouse you had at pension commencement is eligible to receive a spousal pension upon your death. If you remarry or enter into a different common-law relationship after the date your pension payments begin, your new spouse is not eligible to receive the spousal benefit.

Q: When I retire, do I have to start drawing my Brock University pension immediately?
A: No. You can elect a deferred pension from the Brock University Pension Plan. Regulations under the Income Tax Act (Canada) require that you start to draw your pension no later than Dec. 1 of the calendar year in which you reach age 71.

Q: What is the latest date that I can start receiving my pension?
A: You must begin receiving your pension no later than Dec. 1 of the calendar year in which you reach age 71.

Q: How soon will I receive my money after my retirement date?
A: If Brock University receives your paperwork in a timely fashion (at least two months before pension commencement), your first pension payment will be processed to 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 will typically be processed within three weeks of your retirement date.

Q: If I die while collecting a pension, does my spouse, family or estate receive a survivor benefit?
A: When a pensioner’s 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.

Q: Is it possible for me to have more taxes deducted from my pension?
A: Yes. If you provide the custodian (currently RBC Investor & Treasury Services) with written instruction, the amount of taxes deducted can be increased. The written instruction should include the monthly dollar amount of additional taxes that you would like deducted and the month that you would like the increase to begin.
Key Pension Committee activities 2015-2016

Figure 9

<table>
<thead>
<tr>
<th>Activity</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund performance reviews</td>
<td>The Plan’s investment consultant presented two detailed performance reviews for periods ending June 30/15 and Dec. 31/15. Quarterly performance summaries were received for periods ending Sept. 30/15 and March 31/16.</td>
</tr>
<tr>
<td>Pension Committee education</td>
<td>Committee members participated in the following:</td>
</tr>
<tr>
<td></td>
<td>• orientation session, including legislative updates</td>
</tr>
<tr>
<td></td>
<td>• pension risk education session</td>
</tr>
<tr>
<td></td>
<td>• investment education session (Real Estate and Infrastructure)</td>
</tr>
<tr>
<td>Review of audited financial statements</td>
<td>Committee members reviewed the Plan’s audited financial statements for year ending June 30, 2015.</td>
</tr>
<tr>
<td>Fund manager presentations</td>
<td>Representatives from AllianceBernstein (Fixed Income) and Mawer (Canadian Equities) attended Pension Committee meetings to present information regarding the firms’ respective portfolios.</td>
</tr>
<tr>
<td>Review and changes to short term fund investment structure</td>
<td>With support from the Plan’s Investment Consultant and Actuary, Committee members conducted a review of the short term fund investment structure, resulting in a change from 50% fixed income/50% money market to 100% money market.</td>
</tr>
<tr>
<td>Global Equities – change in manager structure</td>
<td>Following a review and manager search, the global equities manager structure changed from Walter Scott/Aberdeen to Walter Scott/Carnegie/Mawer.</td>
</tr>
<tr>
<td>Currency hedging program</td>
<td>A currency hedging program was introduced for global equity investments.</td>
</tr>
</tbody>
</table>

Current state of activities

Update on the pension landscape for registered pension plans

The Pension Committee receives updates on a variety of pension topics throughout the year. This allows Committee members to be informed and conduct more detailed reviews when necessary, as part of their oversight and advisory role. A brief overview of recent topics is provided below.

Investment Management Corporation of Ontario

Once established, IMCO will provide investment management and advisory services to participating organizations in Ontario’s Broader Public Sector (BPS), with founding members being the Ontario Pension Board (OPB) and the Workplace Safety and Insurance Board (WSIB). The initial Board of Directors for IMCO will be appointed by the Ontario government and IMCO’s founding members. The Investment Management Corporation of Ontario Act, 2015, allowing this to proceed, was proclaimed on July 1, 2016.
and university administrations) 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 on a solvency basis. Many universities’ defined benefit plans have had large solvency deficits for a number of years, making the JSPP model appealing from a sustainability perspective.

Why is this relevant to the Brock Plan?

Once complete, the University JSPP will 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 will have the opportunity to consider this option when the JSPP is finalized. Although the Brock University Pension Plan does not currently have a solvency deficit, it is prudent to be aware of options such as the University JSPP and to understand any associated rewards and risks. The University continues 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 Ontario 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 to develop solvency funding reforms that 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.

In July 2016, the Marshall Review published an initial consultation paper which identified significant issues with Ontario’s current funding structure for registered pension plans (including volatility, unaffordable costs and lack of transparency). The consultation paper identified two possible broad approaches: 1) Modified Solvency Funding and 2) Elimination of Solvency Funding and Enhancing of Going Concern Funding. Stakeholder submissions were invited and the government is currently reviewing submissions and engaging stakeholders in additional consultations, with a goal to develop a position paper in 2017. Additional consultations and draft regulations will likely follow the release of the position paper.

Why is this relevant to the Brock Plan?

Given that the Plan has a defined benefit component, a valuation is performed at least every three years to determine the funding status and required University contributions related to the defined benefit portion of the Plan. These payments made by the University come from operating funds, thus any increase to these payments reduces the amount of funds available for University operations. The Pension Committee will continue to receive updates on this topic as the Marshall Review progresses.
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, facilitated 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 filed valuation (July 1, 2014) was $398 million. The chart below provides a breakdown of the allocation of funds in the Trust Fund.

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.

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

Top 10 equity holdings at June 30, 2016

- Canadian Equity
  - Toronto Dominion Bank
  - Brookfield Asset Management
  - Royal Bank of Canada
  - CCL Industries
  - Bank of Nova Scotia
  - Canadian National Railway
  - Loblaw
  - Rogers Communications
  - Constellation Software
  - Schlumberger Canadian Equity

- Global Equity
  - EEOG Resources
  - CSL
  - Intuitive Surgical
  - Automatic Data Processing
  - Novartis
  - Keyence
  - Johnson & Johnson
  - Adobe Systems
  - Taiwan Semiconductor
  - Schlumberger Canadian Equity
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 contributions required to ensure the Plan’s funding 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 currently has a Going Concern deficit of $3.5 million which the University is 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 $69 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 $18.7 million.

The values noted above are associated with the most recent valuation, effective July 1, 2014. The next valuation, effective July 1, 2017, is due to be filed with FSCO by March 30, 2018.

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 University’s required contributions for the past six years are illustrated in Figure 16.

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

<table>
<thead>
<tr>
<th></th>
<th>2010/11 Valuation year</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14 Valuation year</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC – Employee</td>
<td>$6,012,862</td>
<td>$6,331,646</td>
<td>$6,594,329</td>
<td>$6,918,726</td>
<td>$6,980,217</td>
<td>$7,120,641</td>
</tr>
<tr>
<td><strong>University</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC – University</td>
<td>$9,568,534</td>
<td>$10,078,781</td>
<td>$10,501,222</td>
<td>$11,021,901</td>
<td>$11,113,619</td>
<td>$11,334,319</td>
</tr>
<tr>
<td>CB - Current Service Cost</td>
<td>679,453</td>
<td>2,430,372</td>
<td>2,512,439</td>
<td>2,636,035</td>
<td>1,199,073</td>
<td>1,231,871</td>
</tr>
<tr>
<td>CB - Going Concern Deficit</td>
<td>420,996</td>
<td>3,743,991</td>
<td>3,452,148</td>
<td>3,452,148</td>
<td>132,658</td>
<td>413,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$10,068,984</td>
<td>$16,253,143</td>
<td>$16,465,809</td>
<td>$17,110,084</td>
<td>$12,445,350</td>
<td>$12,979,190</td>
</tr>
<tr>
<td><strong>University/Employee Required Contribution Ratio</strong></td>
<td>1.8</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>1.8</td>
<td>1.8</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Financial position of the Plan Going Concern Basis</th>
<th>July 1, 2005</th>
<th>July 1, 2008</th>
<th>July 1, 2011</th>
<th>July 1, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding excess (shortfall)</td>
<td>$3,743,000</td>
<td>($4,203,000)</td>
<td>($55,442,000)</td>
<td>($33,557,000)</td>
</tr>
<tr>
<td>Funding ratio</td>
<td>101%</td>
<td>98%</td>
<td>89%</td>
<td>99%</td>
</tr>
<tr>
<td>Financial position of the Plan Wind-up Basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wind-up excess (shortfall)</td>
<td>$968,000</td>
<td>($5,752,000)</td>
<td>($45,902,000)</td>
<td>($69,207,000)</td>
</tr>
<tr>
<td>Wind-up ratio</td>
<td>100%</td>
<td>98%</td>
<td>86%</td>
<td>85%</td>
</tr>
<tr>
<td>Financial position of the Plan Solvency Basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solvency excess (shortfall)</td>
<td>$968,000</td>
<td>$6,674,000</td>
<td>$1,871,000</td>
<td>$16,790,000</td>
</tr>
<tr>
<td>Solvency ratio</td>
<td>100%</td>
<td>102%</td>
<td>101%</td>
<td>1.05%</td>
</tr>
</tbody>
</table>

### Going Concern liability breakdown

The $3.5 million Going Concern liability identified in the 2014 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**

- **<1%** Deferred members $13,975
- **35%** Pensioners $1,238,212
- **65%** Active members $2,305,480
- **<1%** SAC $152,295
- **7%** BUFA $1,977,158
- **<1%** Non-Union (AP&ME and Part-time) $154,733
- **<1%** GSSTF $12,932
- **<1%** CUPE 4207 Unit 1, 2 and 3 and IATSE $3,560
- **86%** CUPE 1295 and CUPE 2220 $4,2801

#### Figure 19

**Active member Going Concern liability by employee group**

- **<1%** CUPE 1295 and CUPE 2220 $4,2801
- **7%** Non-Union (AP&ME and Part-time) $154,733
- **<1%** GSSTF $12,932
- **<1%** CUPE 4207 Unit 1, 2 and 3 and IATSE $3,560
- **86%** BUFA $1,977,158
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, 2016, 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.
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, 2016, 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.

Chartered Professional Accountants, Licensed Public Accountants
St. Catharines, Canada
September 29, 2016

BROCK UNIVERSITY PENSION PLAN

Statement of Net Assets Available for Benefits

Year ended June 30, 2016, with comparative information for 2015.

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable:</td>
<td></td>
</tr>
<tr>
<td>Employer</td>
<td>$1,714,287</td>
</tr>
<tr>
<td>Employees</td>
<td>622,014</td>
</tr>
<tr>
<td>Total</td>
<td>$2,336,301</td>
</tr>
<tr>
<td>Accrued income (note 2)</td>
<td>$169,812</td>
</tr>
<tr>
<td>Investments (note 4)</td>
<td>$479,994,058</td>
</tr>
<tr>
<td>Total</td>
<td>$448,863,870</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Accrued liabilities (note 3)</td>
<td>$489,539</td>
</tr>
<tr>
<td>Net assets available for benefits</td>
<td>$449,870,371</td>
</tr>
</tbody>
</table>

See accompanying notes to the fund financial statements.

On behalf of the Board of Trustees:

[Signatures]

Brian Hutchings, CPA, CCA, LLM
Acting President and Vice-Chancellor

John Suk
Chair, Board of Trustees
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.


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.

### Statement of Changes in Net Assets Available for Benefits

Year ended June 30, 2016, with comparative information for 2015.

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 ($)</th>
<th>2015 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net assets available for benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income (note 4)</td>
<td>39,451,352</td>
<td>16,414,376</td>
</tr>
<tr>
<td>Change in net unrealized gains in investments (note 4)</td>
<td>-</td>
<td>22,500,017</td>
</tr>
<tr>
<td>Transfers from other pension plans (note 5)</td>
<td>1,957</td>
<td>137,052</td>
</tr>
<tr>
<td>Net realized gain on sale of investments</td>
<td>31,117</td>
<td>1,593,164</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>39,484,426</td>
<td>40,666,609</td>
</tr>
<tr>
<td>Contributions (note 5):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer</td>
<td>12,979,189</td>
<td>12,445,350</td>
</tr>
<tr>
<td>Employee</td>
<td>7,179,357</td>
<td>7,036,310</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20,158,546</td>
<td>19,481,660</td>
</tr>
<tr>
<td>Decrease in net assets available for benefits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit payments (note 6)</td>
<td>22,036,971</td>
<td>21,365,236</td>
</tr>
<tr>
<td>Change in net unrealized gains in investments</td>
<td>22,735,890</td>
<td>-</td>
</tr>
<tr>
<td>Administrative expenses and professional fees (note 7)</td>
<td>2,967,463</td>
<td>3,006,274</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>47,740,324</td>
<td>24,371,510</td>
</tr>
<tr>
<td>Increase in net assets available for benefits</td>
<td>11,902,648</td>
<td>35,776,759</td>
</tr>
<tr>
<td>Net assets available for benefits, beginning of year</td>
<td>437,507,984</td>
<td>401,731,225</td>
</tr>
<tr>
<td><strong>Net assets available for benefits, end of year</strong></td>
<td>$449,410,632 $</td>
<td>$437,507,984</td>
</tr>
</tbody>
</table>
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):

(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 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.

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

<table>
<thead>
<tr>
<th></th>
<th>2016 Cost</th>
<th>2016 Fair value</th>
<th>2015 Cost</th>
<th>2015 Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Walter Scott and Partners Canadian Institutional Trust</td>
<td>$170,301,785</td>
<td>$220,301,906</td>
<td>$71,346,444</td>
<td>$118,863,444</td>
</tr>
<tr>
<td>Aberdeen Canada Global Equity Fund</td>
<td>-</td>
<td>-</td>
<td>75,240,715</td>
<td>98,771,293</td>
</tr>
<tr>
<td>Mawer Canadian Equity Fund</td>
<td>43,650,222</td>
<td>58,553,009</td>
<td>40,375,799</td>
<td>57,504,852</td>
</tr>
<tr>
<td>Total</td>
<td>$213,952,007</td>
<td>$278,814,915</td>
<td>$186,762,958</td>
<td>$275,139,589</td>
</tr>
<tr>
<td>Fixed Income Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alliance Bernstein Core Plus Bond Fund</td>
<td>109,183,984</td>
<td>120,479,566</td>
<td>139,464,957</td>
<td>149,987,893</td>
</tr>
<tr>
<td>Alliance Bernstein Core Short-Term Bond Fund</td>
<td>38,722,911</td>
<td>38,641,288</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mawer Short-Term Fund</td>
<td>6,426,874</td>
<td>6,618,135</td>
<td>6,619,743</td>
<td>6,764,394</td>
</tr>
<tr>
<td>Total</td>
<td>154,333,769</td>
<td>165,738,989</td>
<td>146,084,700</td>
<td>156,752,087</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3,569,962</td>
<td>3,569,966</td>
<td>4,581,728</td>
<td>4,581,732</td>
</tr>
<tr>
<td>Total</td>
<td>$37,185,738</td>
<td>$44,863,870</td>
<td>$33,429,286</td>
<td>$43,473,808</td>
</tr>
</tbody>
</table>

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

3. Accrued liabilities:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio administration fees</td>
<td>$454,062</td>
<td>$531,883</td>
</tr>
<tr>
<td>Actuarial and other professional fees</td>
<td>28,223</td>
<td>76,300</td>
</tr>
<tr>
<td>Custodial fees</td>
<td>16,881</td>
<td>16,155</td>
</tr>
<tr>
<td>Audit fees</td>
<td>10,373</td>
<td>9,970</td>
</tr>
<tr>
<td>Total</td>
<td>$489,539</td>
<td>$633,408</td>
</tr>
</tbody>
</table>

4. Investment income:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canadian bonds and debentures</td>
<td>$5,090,282</td>
<td>$4,838,612</td>
</tr>
<tr>
<td>Canadian equity</td>
<td>3,608,929</td>
<td>3,684,053</td>
</tr>
<tr>
<td>Global equity</td>
<td>30,577,914</td>
<td>7,887,380</td>
</tr>
<tr>
<td>Money market</td>
<td>4,415</td>
<td>4,331</td>
</tr>
<tr>
<td>Accrued income</td>
<td>169,812</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$39,451,352</td>
<td>$16,414,376</td>
</tr>
</tbody>
</table>

5. Contributions:

Contributions received by the Plan were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
<td>$11,441,009</td>
<td>$1,538,180</td>
</tr>
<tr>
<td>Employee</td>
<td>7,120,641</td>
<td>7,179,357</td>
</tr>
<tr>
<td>Total</td>
<td>$18,561,650</td>
<td>$19,481,660</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
<td>$11,113,619</td>
<td>$1,331,731</td>
</tr>
<tr>
<td>Employee</td>
<td>6,980,217</td>
<td>56,093</td>
</tr>
<tr>
<td>Total</td>
<td>$18,093,836</td>
<td>$12,445,350</td>
</tr>
</tbody>
</table>
6. Benefit payments:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension benefits</td>
<td>$ 10,229,854</td>
<td>$ 9,371,860</td>
</tr>
<tr>
<td>Transfers to other pension funds</td>
<td>$ 8,988,327</td>
<td>$ 8,320,704</td>
</tr>
<tr>
<td>Cash refunds</td>
<td>$ 1,737,898</td>
<td>$ 3,654,189</td>
</tr>
<tr>
<td>Death benefits</td>
<td>$ 1,080,892</td>
<td>$ 218,483</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 22,036,971</strong></td>
<td><strong>$ 21,365,236</strong></td>
</tr>
</tbody>
</table>

7. Administrative expenses and professional fees:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio administration fees</td>
<td>$ 2,179,120</td>
<td>$ 2,202,396</td>
</tr>
<tr>
<td>Actuarial and other professional fees</td>
<td>$ 677,608</td>
<td>$ 701,143</td>
</tr>
<tr>
<td>Custodial fees</td>
<td>$ 100,389</td>
<td>$ 93,246</td>
</tr>
<tr>
<td>Audit fees</td>
<td>$ 10,346</td>
<td>$ 9,489</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,967,463</strong></td>
<td><strong>$ 3,006,274</strong></td>
</tr>
</tbody>
</table>

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, 2016 were $161,518 (2015 – $145,561), 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, 2016, accounts payable and accrued liabilities included $14,414 (2015 – $39,770) 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, 2016 except for $38,641,287 (2015 – $nil) in bonds held with AllianceBernstein 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.
(i) Market price risk: (continued)

As at June 30, 2016, had the equity prices of all equity benchmarks increased or decreased by 10 per cent 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 $27,885,491 (2015 – $27,513,959).

(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 AllianceBernstein Core Plus Fixed Income portfolio, 27.38 per cent is held in foreign currency with 5.35 per cent of the AllianceBernstein Core Plus Fixed Income portfolio not hedged back to the Canadian dollar.

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

<table>
<thead>
<tr>
<th>Currency</th>
<th>2016 Canadian dollar equivalent</th>
<th>2016 Percentage of total</th>
<th>2015 Canadian dollar equivalent</th>
<th>2015 Percentage of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollar</td>
<td>$104,026,560</td>
<td>23.2%</td>
<td>$ 86,959,846</td>
<td>20.0%</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>21,717,013</td>
<td>4.7%</td>
<td>20,028,467</td>
<td>4.6%</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>20,713,564</td>
<td>4.5%</td>
<td>21,814,328</td>
<td>5.0%</td>
</tr>
<tr>
<td>Euro</td>
<td>16,919,186</td>
<td>3.8%</td>
<td>11,384,403</td>
<td>2.6%</td>
</tr>
<tr>
<td>Hong Kong dollar</td>
<td>10,971,035</td>
<td>2.4%</td>
<td>9,590,615</td>
<td>2.2%</td>
</tr>
<tr>
<td>Chinese renminbi</td>
<td>9,252,680</td>
<td>2.1%</td>
<td>4,969,396</td>
<td>1.1%</td>
</tr>
<tr>
<td>Pound sterling</td>
<td>8,900,397</td>
<td>2.0%</td>
<td>21,626,775</td>
<td>5.0%</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>5,777,065</td>
<td>1.2%</td>
<td>2,603,071</td>
<td>0.6%</td>
</tr>
<tr>
<td>New Taiwan dollar</td>
<td>4,912,732</td>
<td>1.1%</td>
<td>5,681,792</td>
<td>1.3%</td>
</tr>
<tr>
<td>Other currencies</td>
<td>7,269,963</td>
<td>1.6%</td>
<td>24,238,387</td>
<td>5.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 208,714,025</strong></td>
<td><strong>46.6%</strong></td>
<td><strong>$ 208,897,026</strong></td>
<td><strong>47.9%</strong></td>
</tr>
</tbody>
</table>

(ii) Foreign currency risk: (continued)

As at June 30, 2016, if the Canadian dollar strengthened or weakened by five per cent in each respective foreign currency, with all other factors remaining constant, the following table summarizes the estimated impacts:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Net exposure</th>
<th>Estimated impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollar</td>
<td>$104,026,560</td>
<td>$ 5,201,328</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>21,717,013</td>
<td>1,058,551</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>20,713,564</td>
<td>1,005,678</td>
</tr>
<tr>
<td>Euro</td>
<td>16,919,186</td>
<td>845,959</td>
</tr>
<tr>
<td>Hong Kong dollar</td>
<td>10,971,035</td>
<td>548,552</td>
</tr>
<tr>
<td>Chinese renminbi</td>
<td>9,252,680</td>
<td>462,634</td>
</tr>
<tr>
<td>Pound sterling</td>
<td>8,900,397</td>
<td>445,010</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>5,777,065</td>
<td>258,855</td>
</tr>
<tr>
<td>New Taiwan dollar</td>
<td>4,912,732</td>
<td>245,637</td>
</tr>
<tr>
<td>Other</td>
<td>7,269,963</td>
<td>363,498</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 208,714,025</strong></td>
<td><strong>$ 10,435,702</strong></td>
</tr>
</tbody>
</table>

(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, 2016, had the prevailing interest rates increased or decreased by one per cent with all other variables remaining unchanged, the Plan’s net assets available for benefits would have decreased or increased by approximately $10,153,156 (2015 – $10,799,128).

(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 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 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 23, 2016. 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, 2016 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.