

Financial Statements

**Pension Plan for Employees of
Ontario College of Art & Design University**

[Ontario Registration Number 0284455]

September 30, 2012

INDEPENDENT AUDITORS' REPORT

To the Pension Committee of the
**Pension Plan for Employees of
Ontario College of Art & Design University**

We have audited the accompanying financial statements of the **Pension Plan for Employees of Ontario College of Art & Design University**, which comprise the statements of financial position as at September 30, 2012 and 2011, and the statements of changes in net assets available for benefits for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Pension Plan for Employees of Ontario College of Art & Design University** as at September 30, 2012 and 2011, and the changes in its net assets available for benefits and changes in its pension obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

Toronto, Canada,
March 21, 2013.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Pension Plan for Employees of Ontario College of Art & Design University
[Ontario Registration Number 0284455]

STATEMENTS OF FINANCIAL POSITION

As at September 30

	2012	2011
	\$	\$
ASSETS		
Investments, at fair value <i>[note 3]</i>		
Guaranteed interest accounts	25,469,390	23,501,021
Fixed income funds	775,346	457,046
Balanced funds	1,926,833	1,543,255
Canadian equity funds	5,298,325	4,430,259
Global equity funds	649,749	679,460
U.S. equity funds	139,973	148,454
International equity funds	99,699	113,405
	34,359,315	30,872,900
Employee contributions receivable	15,072	11,533
Employer contributions receivable	15,489	11,974
Total assets	34,389,876	30,896,407
Net assets available for benefits and pension obligations	34,389,876	30,896,407

See accompanying notes to financial statements

Approved, on behalf of the Pension Committee:

Pension Plan for Employees of Ontario College of Art & Design University

**STATEMENTS OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS**

Years ended September 30

	2012	2011
	\$	\$
INCREASE IN NET ASSETS		
Investment income	2,513,616	594,203
Contributions		
Employer contributions		
Current service	1,603,716	1,392,178
Employee contributions		
Required	1,580,770	1,368,497
Voluntary	—	34,828
Transfers from other plans	98,855	123,045
Total increase in net assets	5,796,957	3,512,751
DECREASE IN NET ASSETS		
Benefit withdrawals <i>[note 4]</i>	2,303,488	1,327,246
Total decrease in net assets	2,303,488	1,327,246
Net increase in net assets for the year	3,493,469	2,185,505
Net assets available for benefits, beginning of year	30,896,407	28,710,902
Net assets available for benefits, end of year	34,389,876	30,896,407

See accompanying notes to financial statements

Pension Plan for Employees of Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

1. DESCRIPTION OF THE PLAN

The following description of the Pension Plan for Employees of Ontario College of Art & Design University [the "Plan"] is a summary only. For more complete information, reference should be made to the Plan agreement.

General

The Plan came into effect on October 1, 1981. The Plan is registered under the Pension Benefits Act (Ontario), Registration Number 0284455. The Plan is a defined contribution plan covering eligible employees of Ontario College of Art & Design University [the "University"].

Funding and investments

Members of the Plan are required to contribute either 5% or 7.5% of monthly earnings. Employees may also make voluntary contributions which are not matched by the University.

The University contributes to the Plan each month an amount equal to the employee's contribution. Employer contributions vest immediately.

After two years of participation in the Plan, employee and employer contributions become locked-in.

The employer contributions are invested in various guaranteed investments of The Great-West Life Assurance Company ["Great-West Life"] and earn interest at a rate that approximates the five-year guaranteed investment certificate rate at the time remittance is made to Great-West Life. After the initial five-year term, interest is earned at the then current five-year guaranteed investment certificate rate.

The employee contributions can be invested in guaranteed investments or other segregated funds, such as fixed income funds, balanced funds, Canadian equity funds, global equity funds, U.S. equity funds and international equity funds, at the discretion of the Plan member.

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Retirement benefits

A member becomes entitled to a retirement pension at his/her date of retirement, normally at the age of 65. The retirement pension payable to a member who becomes a pensioner is provided by purchasing an annuity with the accumulated value of the member's contributions and the employer's contributions made on his/her behalf, and/or transferring the accumulated value to another available retirement income option.

Termination benefits

A member who terminates employment with the University, other than through retirement, before completing one year of continuous Plan membership is entitled to receive a cash refund equal to the accumulated value of his/her contributions. A member who terminates employment with the University on or after completion of one year of continuous membership in the Plan has the option of receiving a cash refund equal to the accumulated value of his/her contributions or a deferred retirement annuity with payments commencing on his/her normal retirement date.

Death benefits

In the event of death before retirement, the member's beneficiary is entitled to a cash refund equal to the accumulated value of his/her contributions and the employer's contributions made on his/her behalf.

Income taxes

The Plan is registered under the Pension Benefits Act (Ontario). It is a registered pension plan under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

Pension Plan for Employees of Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

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2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements have been prepared in accordance with Canadian accounting standards for pension plans. They present the financial position and the changes in net assets available for benefits and pension obligations of the Plan as a separate financial reporting entity independent of the University and Plan members.

The significant accounting policies followed in the preparation of these financial statements are summarized below:

Adoption of Canadian accounting standards for pension plans

Effective October 1, 2011, the Plan adopted Canadian accounting standards for pension plans as set out in Section 4600, *Pension Plans*, of the Canadian Institute of Chartered Accountants' ["CICA"] Handbook on a retrospective basis.

In accordance with Section 4600, Canadian accounting standards for private enterprises in Part II of the CICA Handbook have been chosen for accounting policies that do not relate to the investment portfolio or pension obligations to the extent that those standards do not conflict with the requirements of Section 4600. The adoption of Part II had no effect on the accounting policies of the Plan.

In satisfying the fair value measurement requirements for investment assets and investment liabilities in Section 4600, the Plan has chosen to early adopt IFRS 13, *Fair Value Measurement*, in Part I of the CICA Handbook effective October 1, 2010. The early adoption of IFRS 13 had no effect on the accounting policies of the Plan.

As a result of the implementation of the new accounting standards, the "statement of net assets available for benefits" has been renamed the "statement of financial position".

Additional disclosures have also been provided in the notes to the financial statements.

These changes had no impact on the overall financial position, overall net change in assets available for benefits or pension obligations of the Plan for all periods presented.

Pension Plan for Employees of Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

Contributions

Contributions are recorded on an accrual basis in the payroll period to which the contributions relate.

Withdrawals

Withdrawals upon termination are recorded on an accrual basis in the year to which they apply.

Pension obligations

The Plan is a defined contribution pension plan. For a defined contribution pension plan, pension benefits are determined by the employer's and employees' contributions and the performance of the Plan. Actuarial valuations are not required as the pension obligation equals the net assets available for benefits.

A statement of changes in pension obligations has not been provided since the change in the pension obligations for the year is equal to the change in net assets available for benefits for that year.

Use of estimates

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

Investments and investment income

Investments are recorded at fair value based on unit values provided by fund managers for segregated funds and as determined by the fund manager based on current market yields for guaranteed investments.

Interest income and distributions from segregated funds are included in investment income in the statement of changes in net assets available for benefits when earned. Distributions earned by the segregated funds are reinvested as earned. Changes in market value are included in investment income in the statement of changes in net assets available for benefits.

Pension Plan for Employees of Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

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Allocation of costs

The University pays all non-trustee expenditures related to the Plan administration which are not allocated.

3. INVESTMENTS

The Pension Benefits Act (Ontario) requires that individual investments greater than 1% of the total fair value of investments be separately disclosed as follows:

	2012
	\$
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Investments greater than 1% of total investments	
Guaranteed investments (Great West Life)	
1 year compound interest account	1,302,072
5 year compound interest account	24,167,318
Income Growth Fund (Trimark)	1,000,845
Balanced Fund (Greystone)	611,152
Continuum Balanced Portfolio Fund (London Capital)	1,468,668
Continuum Advanced Portfolio Fund (London Capital)	629,343
Continuum Aggressive Portfolio Fund (London Capital)	443,716
Canadian Equity Fund (Leith Wheeler)	471,941
Canadian Equity Fund (Greystone)	1,067,014
Global Equity Fund (Trimark)	529,207
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	31,691,276
Other investments less than 1% of total investments	2,668,039
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	34,359,315
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4. BENEFIT WITHDRAWALS

Benefit withdrawal payments are generally made upon retirement, termination, death or transfers to other plans. Benefit withdrawals consist of the following:

	2012	2011
	\$	\$
Upon retirement	2,118,300	949,688
Upon termination	185,188	355,758
Other	—	21,800
	2,303,488	1,327,246

5. FINANCIAL INSTRUMENTS

The Plan is exposed to financial risks as a result of its investment activities. These risks include market risk [comprised of foreign currency risk, interest rate risk and other price risk], credit risk and liquidity risk. The individual members primarily bear the financial instrument risks associated with the investments of the Plan and manage this risk by managing the asset allocation of their account balances.

Market risk

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices. Market risk is comprised of the following:

Foreign currency risk

Foreign currency risk arises from investments that are denominated in foreign currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments. The Plan is exposed to foreign currency risk with respect to the underlying securities denominated in foreign currencies within some of the Plan's pooled fund investments.

Interest rate risk

Interest rate risk refers to the effect on the fair value or future cash flows of the Plan's assets due to fluctuations in interest rates. The Plan is exposed to interest rate risk with respect to its investments in guaranteed investment accounts and the underlying interest bearing securities in its pooled fund investments.

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Other price risk

Other price risk is the risk that the value of the investments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. The underlying equity investments of the Plan's pooled fund investments would be subject to this risk.

Credit risk

Credit risk is the risk associated with the inability of a third party to fulfill payment obligations. The sponsor of the Plan limits the exposure to credit risk by its selection of investment vehicles appropriate for the members of the Plan.

Liquidity risk

Liquidity risk refers to the Plan's ability to meet financial obligations as they come due. The sponsor of the Plan limits the exposure to liquidity risk by its selection of investment vehicles that can be readily sold.

Fair value

The Plan is required to disclose, for each class of financial instruments, the methods and, when a valuation technique is used, the assumptions applied in determining fair values. The different levels of the fair value hierarchy are defined as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar [but not identical] assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As at September 30, 2012 and 2011, all investments of the Plan would be classified as Level 2 investments.

Pension Plan for Employees of Ontario College of Art & Design University

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6. RELATED PARTY TRANSACTIONS

Certain administrative expenses and professional fees of the Plan are paid by the University. Trustee expenses are included in the unit values of the investments. The University pays all non-trustee expenditures related to Plan administration. The Plan is not obligated to reimburse the University for these amounts.

7. CAPITAL MANAGEMENT

Investments are defined as the capital of the Plan. To address the diverse investment needs and preferences of its members, the sponsor of the Plan offers a range of investment options and managers that cover the major asset classes and the risk/return spectrum appropriate for pension funds. While a member of the Plan, members must continue to manage the investment of their account balance by monitoring the asset allocation among the offered investments and diversifying the investments in their account. As a result, the size of a member's account balance at retirement will be directly related to the investment performance of the investment options selected by the member. Under this pension financing arrangement, the members of the Plan must manage their respective account balances in order to meet their individual retirement objectives.

