

Financial Statements

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

[Ontario Registration Number 0284455]

September 30, 2011

# 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 statement of net assets available for benefits as at September 30, 2011, and the statement of changes in net assets available for benefits for the year 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 generally accepted accounting principles, 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 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 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 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 net assets available for benefits of the **Pension Plan for Employees of Ontario College of Art & Design University** as at September 30, 2011, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,  
March 16, 2012.

*Ernst & Young LLP*

Chartered Accountants  
Licensed Public Accountants

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

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

As at September 30

	2011	2010
	\$	\$
<b>ASSETS</b>		
Investments, at fair value [note 3]		
Guaranteed funds	23,501,021	21,565,582
Fixed income funds	457,046	359,150
Balanced funds	1,543,255	1,690,735
Canadian equity funds	4,430,259	4,141,229
Global equity funds	679,460	654,625
U.S. equity funds	148,454	177,440
International equity funds	113,405	104,279
	<b>30,872,900</b>	28,693,040
Employee contributions receivable	11,533	8,762
Employer contributions receivable	11,974	9,100
<b>Total assets</b>	<b>30,896,407</b>	28,710,902
<b>Net assets available for benefits</b>	<b>30,896,407</b>	28,710,902

*See accompanying notes to financial statements*

Approved, on behalf of the Pension Committee:

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

### STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended September 30

	2011	2010
	\$	\$
<b>INCREASE IN NET ASSETS</b>		
Investment income	594,203	1,200,206
Contributions		
Employer contributions	1,392,178	1,221,588
Employee contributions	1,403,325	1,199,504
Transfers from other plans	123,045	—
<b>Total increase in net assets</b>	<b>3,512,751</b>	<b>3,621,298</b>
<b>DECREASE IN NET ASSETS</b>		
Plan withdrawals <i>[note 4]</i>	1,327,246	937,990
<b>Total decrease in net assets</b>	<b>1,327,246</b>	<b>937,990</b>
<b>Net increase in net assets for the year</b>	<b>2,185,505</b>	<b>2,683,308</b>
Net assets available for benefits, beginning of year	28,710,902	26,027,594
<b>Net assets available for benefits, end of year</b>	<b>30,896,407</b>	<b>28,710,902</b>

*See accompanying notes to financial statements*

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

## **NOTES TO FINANCIAL STATEMENTS**

September 30, 2011

### **1. DESCRIPTION OF THE PLAN**

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan agreement.

#### **General**

The Pension Plan for Employees of Ontario College of Art & Design University [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 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 after one year of participation in the Plan.

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

The employer contributions are invested in various guaranteed funds 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 funds 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.

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

## **NOTES TO FINANCIAL STATEMENTS**

September 30, 2011

### **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.

## **2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of presentation**

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

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

### **NOTES TO FINANCIAL STATEMENTS**

September 30, 2011

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

#### **Use of estimates**

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles 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 funds.

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.

#### **Allocation of costs**

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

#### **Future accounting changes**

In April 2010, the Canadian Institute of Chartered Accountants ["CICA"] issued CICA Handbook Section 4600 "Pension Plans". The standard establishes new reporting requirements for the measurement and presentation of information in financial statements of pension plans, as well as financial statement disclosures. The new standard must be applied on a retrospective basis by pension plans for fiscal years beginning on or after January 1, 2011. The Plan has not assessed the impact of this new pronouncement.



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

### NOTES TO FINANCIAL STATEMENTS

September 30, 2011

#### 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:

	2011
	\$
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<b>Investments greater than 1% of total investments</b>	
Guaranteed investments (Great West Life)	
1 year compound interest account	1,445,484
5 year compound interest account	22,055,537
Income Growth Fund (Trimark)	824,057
Balanced Fund (Greystone)	543,593
Canadian Equity Fund (JF)	324,545
Continuum Balanced Portfolio Fund (London Capital)	1,128,427
Continuum Advanced Portfolio Fund (London Capital)	484,660
Continuum Aggressive Portfolio Fund (London Capital)	313,939
Canadian Equity Fund (Leith Wheeler)	539,876
Canadian Equity Fund (Greystone)	981,703
Global Equity Fund (Trimark)	536,078
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	29,177,899
Other investments less than 1% of total investments	1,695,001
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	30,872,900

#### 4. PLAN WITHDRAWALS

Plan withdrawals are made upon termination, retirement, death or transfers to other plans. Plan withdrawals consist of the following:

	2011	2010
	\$	\$
Upon retirement	949,688	288,632
Upon termination	355,758	635,028
Transfers to other plans	—	14,330
Other	21,800	—
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	1,327,246	937,990

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

### **NOTES TO FINANCIAL STATEMENTS**

September 30, 2011

#### **5. FINANCIAL INSTRUMENTS**

The purpose of the Plan is to provide retirement security for all eligible employees of the University, with all members being able to direct contributions to a mix of eligible investments based on personal preferences. Based on these preferences, the investment portfolio is subject to market, credit and liquidity risks. 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 foreign currency, interest rate and price risks. 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. Interest rate risk refers to the effect on the fair value or future cash flows of an investment due to fluctuations in interest rates. Price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices, other than those arising from foreign currency or interest rate risk, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the holder of the investment. Liquidity risk is the risk of being unable to settle or meet commitments as they come due.

To address the diverse investment needs and preferences of its members, the University offers a range of investment options and managers that cover the major asset classes and the risk/return spectrum appropriate for pension funds. While members remain members of the Plan, they 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 bear the underlying financial instrument risks associated with their respective investments.

#### **6. RELATED PARTY TRANSACTIONS**

Certain administrative expenses and professional fees of the Plan are paid by the University. Trustee expenses are included in the change in unit value 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.

