

Financial Statements

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

[Ontario Registration Number 0284455]

September 30, 2013



Building a better
working world

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 financial position as at September 30, 2013, 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 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 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 financial position of the **Pension Plan for Employees of Ontario College of Art & Design University** as at September 30, 2013, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Ernst + Young LLP

Toronto, Canada,
March 20, 2014.

Chartered Accountants
Licensed Public Accountants

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

STATEMENT OF FINANCIAL POSITION

As at September 30

	2013	2012
	\$	\$
ASSETS		
Investments, at fair value <i>[note 3]</i>		
Guaranteed interest accounts	24,239,431	25,469,390
Fixed income funds	606,630	775,346
Balanced funds	2,057,283	1,926,833
Canadian equity funds	6,695,289	5,298,325
Global equity funds	795,514	649,749
U.S. equity funds	263,479	139,973
International equity funds	140,304	99,699
	34,797,930	34,359,315
Employee contributions receivable	17,919	15,072
Employer contributions receivable	18,479	15,489
Total assets	34,834,328	34,389,876
Net assets available for benefits and pension obligations	34,834,328	34,389,876

See accompanying notes

Approved, on behalf of the Pension Committee:



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

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended September 30

	2013	2012
	\$	\$
INCREASE IN NET ASSETS		
Investment income	1,414,089	2,513,616
Contributions		
Employer contributions		
Current service	1,756,306	1,603,716
Employee contributions		
Required	1,732,243	1,580,770
Voluntary	4,426	—
Transfers from other plans	9,731	98,855
Total increase in net assets	4,916,795	5,796,957
DECREASE IN NET ASSETS		
Benefit withdrawals <i>[note 5]</i>	4,472,343	2,303,488
Total decrease in net assets	4,472,343	2,303,488
Net increase in net assets for the year	444,452	3,493,469
Net assets available for benefits, beginning of year	34,389,876	30,896,407
Net assets available for benefits, end of year	34,834,328	34,389,876

See accompanying notes



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

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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 accounting standards for pension plans as set out in Section 4600, *Pension Plans*, of the Chartered Professional Accountants of Canada ["CPA Canada"] [formerly Canadian Institute of Chartered Accountants] Handbook. 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.

In accordance with Section 4600, Canadian accounting standards for private enterprises in Part II of the CPA Canada 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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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.

Allocation of costs

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

3. INVESTMENTS

Individual investments greater than 1% of the total fair value of investments as at September 30 are as follows:

	2013	2012
	\$	\$
Investments greater than 1% of total investments		
Guaranteed investments (Great West Life)		
1 year compound interest account	1,153,883	1,302,072
5 year compound interest account	23,085,548	24,167,318
Income Growth Fund (Trimark)	1,149,980	1,000,845
Balanced Fund (Greystone)	724,971	611,152
Continuum Balanced Portfolio Fund (London Capital)	2,157,058	1,468,668
Continuum Advanced Portfolio Fund (London Capital)	827,227	629,343
Continuum Aggressive Portfolio Fund (London Capital)	520,953	443,716
Canadian Equity Fund (JF)	400,959	—
Canadian Equity Fund (Leith Wheeler)	630,330	471,941
Canadian Equity Fund (Greystone)	1,042,300	1,067,014
Global Equity Fund (Trimark)	632,386	529,207
	32,325,595	31,691,276
Other investments less than 1% of total investments	2,472,335	2,668,039
	34,797,930	34,359,315

4. CONTRIBUTIONS

As at September 30, 2013 and 2012, there were no required contributions that were past due.

5. BENEFIT WITHDRAWALS

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

	2013	2012
	\$	\$
Upon retirement	3,880,057	2,118,300
Upon termination	592,286	185,188
	4,472,343	2,303,488

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

6. 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. The Plan uses an external service provider for investment management purposes. The Plan's Statement of Investment Policies and Procedures ["SIPP"] establishes that a mandate is maintained for all investment options and investment performance is periodically monitored against these mandates. This mandate and monitoring process also indirectly assists the members with the management of their financial risks.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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, 2013 and 2012, all investments of the Plan would be classified as Level 2 investments.

7. 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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

8. 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. The more significant of the investment options available to and selected by the members has been disclosed in note 3. The sponsor of the Plan manages and selects these investment options in accordance with the Plan's SIPP which was last revised as of August 15, 2013. There were no significant changes to the SIPP as a result of the latest revision.

For purposes of managing and selecting these investment options, the investment manager provides the sponsor of the Plan with information on the main market indices used by them in establishing the benchmark for returns for each asset class and/or type of fund. The SIPP establishes that the rate of return objectives are set out in investment policy statements for each of the investment options. These policy statements are established by the investment manager.

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. The members have different tolerances for risk, different time horizons and different expectations for long-term returns. Some members will view capital preservation as the most important objective, while others will strive to maximize investment returns. Therefore, each member will determine their own investment mix by selecting from a range of investment options with different risk/return profiles best suited to their personal situation. The rate of return for each member's account balance and the investment return expectations will vary based on the investment allocation made with respect to that 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.

