

Financial Statements of

**PENSION PLAN FOR EMPLOYEES
OF ONTARIO COLLEGE OF ART &
DESIGN UNIVERSITY**

Year ended September 30, 2018



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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, 2018, 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.

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 whether the financial statements are free of 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 our 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, we 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 the accounting principles 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.



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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, 2018, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 20, 2019
Vaughan, Canada

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Statement of Financial Position

September 30, 2018, with comparative information for 2017

	2018	2017
Assets		
Guaranteed investment certificates (note 3)	\$ 23,883,674	\$ 24,849,241
Pooled fund investments (note 3)	28,784,641	24,721,758
Contributions receivable:		
Employees	149,292	140,600
Employer	148,690	140,485
Net assets available for benefits	52,966,297	49,852,084
Pension obligations (note 2(a))	52,966,297	49,852,084
Surplus (deficit)	\$ —	\$ —

See accompanying notes to financial statements.

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, 2018, with comparative information for 2017

	2018	2017
Increase in net assets:		
Investment income	\$ 2,195,574	\$ 1,855,314
Employer contributions	2,412,560	2,319,678
Employee normal contributions	2,330,087	2,295,856
Employee voluntary contributions	6,042	62,676
Transfers from other plans	10,000	27,000
	6,954,263	6,560,524
Decrease in net assets:		
Benefit payments (note 4)	3,760,130	2,542,939
Change in net unrealized loss	79,920	567,928
	3,840,050	3,110,867
Increase in net assets available for benefits	3,114,213	3,449,657
Net assets available for benefits, beginning of year	49,852,084	46,402,427
Net assets available for benefits, end of year	\$ 52,966,297	\$ 49,852,084

See accompanying notes to financial statements.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements

Year ended September 30, 2018

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.

The Plan is a registered pension plan in the Province of Ontario under registration number 0284455. The Plan is a contributory defined contribution plan and provides pension benefits to substantially all salaried employees of Ontario College of Art & Design University (the "University") with greater than one year of service. Members of the Plan are required to contribute either 5% or 7.5% of monthly earnings. The total contributions are matched by the University.

Employee and employer contributions can be invested in guaranteed investments or other pooled 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.

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.

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.

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.

Forfeitures represent employer contributions that are not vested at the time a member is terminated from the Plan. Effective July 1, 2012, all employer contributions immediately vest.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2018

1. Description of the Plan (continued):

The Great West Life Assurance Company ("Great West Life") acts as Custodian and Trustee of the Plan.

2. Significant accounting policies:

(a) Basis of presentation:

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans require the Plan to comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") in Part I of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook - Accounting or Canadian accounting standards for private enterprises ("ASPE") in Part II of the CPA Canada Handbook - Accounting. The Plan has chosen to comply on a consistent basis with ASPE.

The financial statements are prepared in accordance with Canadian accounting standards for pension plans which also comply with the accounting requirements prescribed by the Financial Services Commission of Ontario for financial statements under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

The Plan is a defined contribution plan. For a defined contribution pension plan, premium 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 obligation for the year is equal to the change in net assets available for benefits for that year.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for investments, which are measured at fair value through 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 (continued)

Year ended September 30, 2018

2. Significant accounting policies (continued):

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Plan's functional currency.

(d) Income recognition:

Investment income is recorded on an accrual basis and includes interest income, dividends and distribution income from pooled fund units to the extent of amounts distributed.

The cost of investments is not readily available. Accordingly, investment income does not distinguish between net realized gains (losses) on sale of investments, dividend income and other sources of investment income.

Administrative fees are deducted at the segregated level by Great West Life. Fees are calculated separately on each segregated fund based on daily average unit holdings. Aggregate fees deducted during the year were \$261,137 (2017 - \$221,884).

(e) Financial assets and financial liabilities:

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. Other financial assets, including contributions receivable, are measured at amortized cost.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2018

2. Significant accounting policies (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 on sale of investments. Financial assets and liabilities are offset and the net amount presented in the statement of financial position 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.

(f) 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 the fair value, the Plan follows the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"), in Part I of the CPA Canada Handbook. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is 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.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2018

2. Significant accounting policies (continued):

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's-length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instruments or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction prices and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value are recognized in the statement of changes in net assets available for benefits as part of the change in net unrealized loss.

The fair values of investments are determined as follows:

Guaranteed investment certificates maturing after a year are valued at the present value of estimated future cash flows discounted at interest rates in effect on the last business day of the year for investments of similar type, quality and maturity.

Pooled fund investments are valued at the unit values supplied by the fund administrator, and represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices, less investment management fees. Investment management fees are charged based on the daily unit values of the fund and range from 0.450% to 1.200%.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2018

2. Significant accounting policies (continued):

(g) Foreign currency translation:

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits as a change in net unrealized loss.

(h) Income taxes:

The Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

(i) Use of estimates and judgments:

The preparation of 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 financial position and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2018

3. Investments:

All funds are held with Great West Life.

Guaranteed investment certificates comprise the following:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Guaranteed investment certificates	\$ 24,254,783	\$ 23,883,674	\$ 25,140,430	\$ 24,849,241

The guaranteed investment certificates bear interest at interest rates ranging from 0.600% to 2.142% (2017 - 0.600% to 1.521%) with terms to maturity ranging from 1 to 5 (2017 - 1 to 5) years.

Carrying value of the investments held within the pooled funds is the same as fair value. The fair value of investments held within the pooled funds is as follows:

	2018	2017
Pooled fund investments:		
Fixed income funds	\$ 786,003	\$ 689,946
Balanced funds	18,768,748	16,146,713
Canadian equity funds	4,903,621	4,911,591
Global equity funds	2,131,109	1,568,878
U.S. equity funds	1,696,799	968,646
International equity funds	498,361	435,984
	\$ 28,784,641	\$ 24,721,758

4. Benefit payments:

	2018	2017
Retirement benefit payments	\$ 2,523,936	\$ 2,140,939
Termination benefit payments	1,236,194	402,000
	\$ 3,760,130	\$ 2,542,939

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2018

5. Statutory disclosures:

The following information is provided in respect of individual investments with a fair value in excess of 1% of the fair value of the Plan, as required by Section 76 of Regulation 909 of the Pension Benefits Act (Ontario):

Fund name	Fund operator	Nature of investments	Fair value	
			2018	2017
1-year compound interest account	The London Life Assurance Company	1-year guaranteed term investments	\$ 973,539	\$ 987,700
5-year compound interest account	The London Life Assurance Company	5-year guaranteed term investments	22,910,135	23,830,978
Pooled fund investments:				
Global Equity Fund (Invesco)	The London Life Assurance Company	Global Equity	1,831,498	1,439,975
Balanced Continuum (PSG)	The London Life Assurance Company	Balanced	7,419,433	6,611,683
Canadian Equity Fund (JF)	The London Life Assurance Company	Canadian Equity	2,428,501	2,402,497
Income Growth Fund (Invesco)	The London Life Assurance Company	Balanced	1,297,262	1,323,272
Advanced Continuum (PSG)	The London Life Assurance Company	Balanced	2,116,484	1,741,030
Aggressive Continuum (PSG)	The London Life Assurance Company	Balanced	2,048,339	1,633,927
BlackRock LifePath 2025	The London Life Assurance Company	Balanced	1,201,313	1,056,432
Canadian Equity Fund (Leith Wheeler)	The London Life Assurance Company	Canadian Equity	1,587,601	1,386,065
Conservative Continuum (PSG)	The London Life Assurance Company	Balanced	1,044,909	973,101
American Equity Fund (MFS)	The London Life Assurance Company	U.S. Equity	1,149,860	882,775
Moderate Continuum (PSG)	The London Life Assurance Company	Balanced	1,366,767	1,216,237
SRI Canadian Equity Fund (GWLIM)	The London Life Assurance Company	Canadian Equity	546,418	500,183
Core Plus Bond (Portico)	The London Life Assurance Company	Canadian Equity	541,405	474,070
			48,463,464	46,459,925
Other investments less than 1% of total investments			4,204,851	3,111,074
			\$ 52,668,315	\$ 49,570,999

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2018

6. Related party transactions:

Certain professional and administrative expenses 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. Total expenses paid directly by the University were \$10,150 (2017 - \$10,150).

7. Capital risk management:

The capital of the Plan is represented by the net assets available for benefits and is managed individually by the participating members of the Plan via guaranteed term deposits and pooled fund investments offered by Great West Life. The benefits a retiree or employee receives at retirement or on termination under this defined contribution plan are not predetermined. Income distribution or benefits are based on the assets within the retiree or employee individual retirement plan account at the time they retire.

Under this Plan, the employee determines which investments his/her contributions, along with the contributions of the University, are invested in from a selection of investment options available within the Plan. This allows the individual to create a portfolio suited to his/her own investment goals and tolerance for risk. The amount of money an individual employee has in the group plan account at retirement is based on the amount of contributions made over the years and the earnings these investments have made.

The Plan's administrator has adopted a Statement of Investment Policies and Procedures (the "SIP&P"), which states investment guidelines and benchmarks used in providing investment options to members, and permitted categories of investments. The SIP&P was last amended in February 2017, with no significant changes from the prior SIP&P.

The Plan invests in pooled funds managed by Great West Life in accordance with the SIP&P, and member selections. A comprehensive review is conducted quarterly, which includes comparison of returns to appropriate benchmarks and risk analysis.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2018

7. Capital risk management (continued):

The SIP&P provides 10 broad categories of assets for members. The following table presents the investments options to members, along with appropriate benchmarks:

Investment options	Benchmark
Money Market	FTSE/TMX 91-Day Treasury Bill Index
Fixed Income	FTSE/TMX Universe Bond Index
Target Date	As per the benchmark established by the investment manager
Target Risk	As per the benchmark established by the investment manager
Balanced	As per the benchmark established by the investment manager
Canadian Equity	S&P/TSX Composite Index TR
U.S. Equity	S&P 500 Index TR (in CAD\$)
International Equity	MSCI EAFE (Europe, Australia, Far East) Gr (In CAD\$)
Global Equity	MSCI World Index GR (in CAD\$)
Real Estate	REALpac/IPD Canada Property Index

Increases in net assets available for benefits are a direct result of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and by the University.

The employer is required under the Pension Benefits Act (Ontario) to pay contributions in accordance with the Plan's provision. More details on employee and employer contributions that were paid during the year is disclosed in the statement of changes in net assets available for benefits. As at September 30, 2018, contributions receivable are \$297,982 (2017 - \$281,085). The Plan is required to file financial statements with Financial Services Commission of Ontario. There is no change in the way capital is managed this year.

8. Financial instruments:

(a) Fair value:

Determination of fair values of investments are as described in note 2(f). The fair values of other financial assets and liabilities, being contributions receivable, approximate their carrying values due to the short-term nature of these financial instruments.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2018

8. Financial instruments (continued):

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determination the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

As at September 30, 2018 and 2017, all investments of the Plan are classified as Level 1 investments.

(b) Associated risks:

(i) Market, interest, credit and foreign currency risk:

In this defined contribution Plan, the members direct the investment decisions for the assets in their accounts. As a result, the Plan does not provide the quantitative sensitivity analysis disclosure for market, interest, credit or foreign currency risk.

(ii) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

All of the Plan's investments are considered to be readily realizable as their underlying assets are listed on recognized stock exchanges and can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.