

Algoma University - Pension Plan
Financial Statements
For the year ended June 30, 2016

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Net Assets Available for Benefits	3
Statement of Changes in Net Assets Available for Benefits	4
Notes to Financial Statements	5



Tel: 705 945 0990
Fax: 705 942 7979
Toll-Free: 800 520 3005
www.bdo.ca

BDO Canada LLP
747 Queen Street E
PO Box 1109
Sault Ste. Marie ON P6A 5N7 Canada

Independent Auditor's Report

To the Pension Committee of Algoma University - Pension Plan

We have audited the accompanying financial statements of Algoma 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 a summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management based on the financial reporting provisions of Section 76 of Regulation 909 to the Pension Benefits Act.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 to the Pension Benefits Act 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.

Auditor's 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 auditor's 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 auditor considers 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 Algoma University - Pension Plan as at June 30, 2016 and the changes in net assets available for distribution for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 to the Pension Benefits Act.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Algoma University - Pension Plan to meet the requirements of the Financial Services Commission of Ontario. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Pension Committee of Algoma University - Pension Plan and the Financial Services Commission of Ontario and should not be used by parties other than the Pension Committee of Algoma University - Pension Plan or the Financial Services Commission of Ontario.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
December 1, 2016

Algoma University - Pension Plan
Statement of Net Assets Available for Benefits

June 30	2016	2015
Assets		
Contributions receivable		
Employee	\$ 27,383	\$ 15,454
Employer	<u>120,487</u>	<u>61,805</u>
	147,870	77,259
Managed investments (Note 2)	<u>22,713,232</u>	<u>23,642,149</u>
	22,861,102	23,719,408
Liabilities		
Current		
Accrued administrative expenses	<u>56,865</u>	<u>151,585</u>
Net assets available for benefits	<u>\$ 22,804,237</u>	<u>\$ 23,567,823</u>

On behalf of the Pension Plan


_____ Chair

Algoma University - Pension Plan Statement of Changes in Net Assets Available for Benefits

For the year ended June 30	2016	2015
Increase in net assets:		
Income:		
Investment income (Note 3)	\$ 2,223,415	\$ 2,096,890
Net realized gain on sale of investments	11,316	160,310
Change in net unrealized gains (losses)	(2,469,979)	(1,070,916)
	<u>(235,248)</u>	<u>1,186,284</u>
Contributions:		
Employer - current service	316,122	286,034
Employer - contribution towards unfunded actuarial liability	440,000	479,882
	<u>756,122</u>	<u>765,916</u>
Employee - current service	183,256	195,873
	<u>939,378</u>	<u>961,789</u>
Total increase in assets	<u>704,130</u>	<u>2,148,073</u>
Decrease in net assets:		
Administrative expenses:		
Investment management	121,428	116,364
Actuarial	64,095	129,364
Audit	6,754	7,356
Ministerial fees and other	16,538	25,978
	<u>208,815</u>	<u>279,062</u>
Pension benefits	1,258,901	1,181,199
Pension refunds	-	127,325
	<u>1,467,716</u>	<u>1,587,586</u>
Total decrease in assets	<u>1,467,716</u>	<u>1,587,586</u>
Net increase in net assets	<u>(763,586)</u>	<u>560,487</u>
Net assets available for benefits, beginning of year	<u>23,567,823</u>	<u>23,007,336</u>
Net assets available for benefits, end of year	<u>\$ 22,804,237</u>	<u>\$ 23,567,823</u>

The accompanying notes are an integral part of these financial statements.

Algoma University - Pension Plan

Notes to Financial Statements

June 30, 2016

The Algoma University Pension Plan ("the Plan") is a defined benefit pension plan and provides benefits based on length of service and best average earnings. The Plan is registered in Ontario under the Pension Benefits Act, 1987. The Plan's Pension Commission of Ontario registration number is 0575209. Effective July 1, 2006, the Plan is closed to new members.

1. Summary of significant accounting policies

(a) Basis of presentation:

The financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the financial reporting provisions of Section 76 of Regulation 909 to the Pension Benefits Act as required by the Financial Services Commission of Ontario. The basis of accounting used in these financial statements materially differs from Canadian accounting standards for pension plans because it excludes the actuarial liabilities of the Plan. Consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations.

(b) Funding policy:

Under the defined benefit component of the Plan, members are required to contribute 8% of compensation to the Plan subject to the maximum contribution limits permitted under the Income Tax Act. The University, as plan sponsor, is required to contribute the funding necessary to ensure that benefits will be fully provided. The determination of the value of these benefits is made on the basis of a periodic actuarial valuation prepared at least once every three years. The most recently completed actuarial valuation was as of April 30, 2015. Members can also make additional voluntary contributions to the Plan. Voluntary contributions are not matched, in whole or in part, by the University.

(c) Investments:

Investments are stated at fair value. In determining fair values, adjustments have not been made for transaction costs as they are not considered to be significant. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits as a change in net unrealized gains.

Fair values of investments are determined as follows:

Bonds and equities are valued at year-end quoted market prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the fund's proportionate share of underlying net assets at fair values determined using closing market prices.

(d) Net realized gain on sale of investments:

The net realized gain on sale of investments is the difference between proceeds received and the average cost of investments sold.

(e) Investment income:

Investment income, which is recorded on the accrual basis, includes interest income and dividends.

Algoma University - Pension Plan

Notes to Financial Statements

June 30, 2016

1. Summary of significant accounting policies (continued)

(f) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year-end rates of exchange. Gains and losses arising from translations are included in the change in net unrealized gains (losses). Foreign currency denominated transactions as well as cost amounts included in note 2 to the financial statements, are translated into Canadian dollars at the rates of exchange on the dates of the related transactions.

(g) Income tax status:

The Plan is a Registered Pension Trust as defined by the Income Tax Act (Canada) and, as such, is not subject to income taxes.

(h) Use of estimates:

The preparation of 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 increases and decreases in assets during the reported period. Actual results could differ from management's best estimate as additional information becomes available.

2. Managed investments

	2016		2015	
	Market	Cost	Market	Cost
Canadian Fixed Income Fund	\$ 6,747,204	\$ 6,884,279	\$ 6,148,574	\$ 6,303,791
Canadian Equity Fund	9,121,597	8,425,160	9,155,634	8,003,679
United States Equity Fund	2,913,851	2,789,613	3,500,592	2,133,880
Global Equity Fund	3,279,779	3,275,048	3,402,554	2,607,694
Canadian Pooled Money				
Market Fund	650,752	650,752	1,354,082	1,354,082
Cash	49	49	80,713	80,713
	\$ 22,713,232		\$ 22,024,901	
	\$ 23,642,149		\$ 20,483,839	

The manager of the funds is Bona Vista Asset Management Limited. The trustee is RBC Dexia Global Services.

3. Investment income by investment category

	2016	2015
Canadian Fixed Income Fund	\$ 360,556	\$ 615,588
Canadian Equity Fund	181,542	1,223,529
United States Equity Fund	1,132,138	159,782
Global Equity Fund	538,940	87,434
Canadian Money Market Fund	10,239	10,557
	\$ 2,223,415	
	\$ 2,096,890	

Algoma University - Pension Plan Notes to Financial Statements

June 30, 2016

4. Statutory disclosure

The following information is provided in respect of individual investments with a cost or market value in excess of 1% of the total assets of the Plan valued at market value or cost as required by the Ontario Pension Benefits Act.

Fund name	Fund operator	Nature of Investments held	Market value	% of Portfolio value
Canadian Fixed Income Fund	Bona Vista Pooled Fund	Fixed Income	\$ 6,747,204	29.5
Canadian Equity Fund	Phillips H&N	Bond Fund	9,121,597	39.9
United States Equity Fund	Bona Vista Int'l Equity Pooled Fund	U.S. Equity Pooled Fund	2,913,851	12.7
Global Equity Fund	Phillips H&N	Overseas Equity Fund	3,279,779	14.3
Pooled Money Market Fund	Phillips H&N	Money Market	650,752	2.8

5. Capital risk management

The main objective of the Plan is to sustain a certain level of net assets in order to meet the pension obligations of the University, which are not presented or discussed in these specified purpose financial statements. The Plan fulfils its primary objective by adhering to the specific investment policies outlined in its Statement of Investment Policies and Procedures (the SIPP), which is reviewed annually by the management of Algoma University. The Plan was in compliance with the SIPP for the year ended June 30, 2016.

The Plan manages net assets by engaging investment managers who are charged with the responsibility of investing new and existing funds in accordance with the approved SIPP. The investment goal of the Fund is to achieve a rate of return, after deducting management fees, equal to 100% of the annual change in Consumer Price Index for Canada plus 4.0% when calculated as an annual compounded rate over a complete capital market cycle.

Although there are no regulatory requirements relating to the level of net assets and/or funding to be maintained by the Plan, the Plan is required to file financial statements to the Financial Services Commission of Ontario and it also files an Annual Information Return with the Minister of Finance, Revenue Operations and Client Services Branch.

6. Financial risk management

Investments are exposed to market price, liquidity, foreign currency, credit and interest rate risks. The Plan has formal policies and procedures to monitor this risk exposure. The SIPP establishes a target mix among fixed income, equity, and short-term investments to ensure diversification across assets and classes.

Algoma University - Pension Plan Notes to Financial Statements

June 30, 2016

6. Financial risk management (continued)

(a) Liquidity risk:

Liquidity risk is the risk that the Plan will not be able to meet its financial obligations because of an inability to liquidate assets. The Plan's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient cash and cash equivalents to meet its liquidity requirements in the short and longer term. All of the Plan's investments are in liquid securities traded in the public market. Although market events could lead to some investments becoming illiquid, the directors of the Plan's portfolios should provide reasonable assurance that liquidity is available for benefit payment.

(b) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in foreign exchange rates. Foreign currency exposure arises from the fund holding investments denominated in currencies other than the Canadian dollar. The exposure to currency risk at June 30, 2016, was not significant as substantially all of the assets and liabilities held were held in the Plan's functional currency.

(c) Market price risk:

Market price risk is the risk that the fair values or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from foreign currency risk and interest rate risk), whether those changes are caused by factors specific to an individual investment or its issuer or factors affecting all similar securities traded in the market. All investments present a risk of loss of capital. The maximum risk resulting from investments is equivalent to their fair value. As all of the Plan's investments are carried at fair value with fair values changes recognized in the statement of change in net assets available for benefits, all changes in market conditions will directly result in an increase (decrease) in net assets.

The Plan's most significant risk arises from its investment in equity securities within its equity funds. An immediate hypothetical decline of 10% in equity values will impact the Plan's equity investments by an approximate loss of \$1,531,523.

(d) Interest rate risk:

Interest rate risk refers to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Plan is exposed to interest rate risk associated with its investments. Investments are diversified and held with reputable parties in order to manage this risk.

Interest rate risk is the sensitivity of the Plan's financial position to movements in market interest rates. The SIPP has established restrictions on concentration, which are designed to mitigate the risk of interest rate volatility.

(e) 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. The maximum credit risk exposure as at June 30, 2016 represents the total value of the investments.

The SIPP establish the minimum quality standard of "BBB" for individual bonds, while requiring that at least 95% of the market value of short-term securities have a credit rating of at least A or its equivalent.