# Board of Governors

**Agenda and Supporting Documents**

**Tuesday, November 22, 2016**

**4 pm**

**Freed-Orman Commons, Assumption Hall**

**Please review all documents prior to the Board of Governors meeting.**

**All documents for this meeting are contained in the one PDF file for easy reading/printing.**

**RSVP to Carol Perkes: carol7@uwindsor.ca/519-253-3000 Ext. 2005**

University of Windsor

**NOTICE OF MEETING**
**There will be a meeting of the**
**Board of Governors**
**Tuesday, November 22, 2016 at 4:00 pm**
**Freed-Orman Commons, Assumption Hall**

BG161122A

**AGENDA**

| ITEM | DESCRIPTION | DOCUMENT # & ACTION |
|---|---|---|
| | *Declaration of conflict of interest* | |
| 1 | **Approval of the Agenda** | |
| 2 | **Minutes of the meeting of October 18, 2016 (p4)** | Approval<br>BG161018M |
| 3 | **Business arising from the minutes** | |
| 4 | **Outstanding Business/New Business** | |
| | **4.1 Reports:** | |
| | **4.1.1 Remarks from the Chair** | **MacKinnon-**Information |
| | **4.1.2 President's Report** | **Wildeman-**Information |
| | **4.1.2.1 Annual Report 2016** | |
| | **4.2 Audit Committee** | |
| | **4.2.1 Draft Audited Financial Statements of the University of Windsor Pension Plans for the year-ended June 30, 2016 (p8,9,26)** | **Farmer**-Approval<br>BG161122-4.2.1a<br>BG161122-4.2.1b |
| | **4.3 Executive Committee** | |
| | **4.4 Governance Committee** | |
| | **4.5 Investment Committee** | |
| | **4.6 Pension Committee** | **Aarssen-**Information |
| | **4.7 Resource Allocation Committee** | |
| | **4.7.1 2016/2017 Operating Budget Mid-year Review (p43)** | **Willis-**Information<br>BG161122-4.7.1 |
| | **4.7.2 Planning for 2017/18 Operating Budget** | **Willis-**Information |
| | **4.7.3 Proposed Revision to Capital Projects Approval Thresholds (p45)** | **Willis-**Approval<br>BG161122-4.7.3 |
| 5 | **In Camera** | |
| 6 | **Adjournment** | |

[Bylaw 1, Section 2.6 – Consent Agenda: Items that normally do not require debate or discussion either because they are routine, standard, or noncontroversial, shall be "starred" (identified by an asterisk (*)) on the agenda. "Starred" items will not be discussed during a meeting unless a member specifically requests that a "starred" agenda item be 'unstarred', and therefore open for discussion/debate. A request to "unstar" an agenda item can be made at any time before (by forwarding the request to the Secretary) or during the meeting. By the end of the meeting, agenda items which remain "starred" (*) will be deemed approved or received by the Board, as the case may be. No individual motion shall be required for the adoption of "starred" agenda items.]

University of Windsor

**Board of Governors**
**Minutes of Meeting**

BG161018M

**Date**: October 18, 2016
**Time**: 4:00 pm – 6:30 pm
**Room**: Freed-Orman Commons, Assumption Hall, University of Windsor

**Members:** Ms. Penny Allen, Mr. Jonathan Allison, Mr. Chris Baillargeon, Ms. Jodi Butts (phone), Dr. Rajen Chetty, Dr. Beth Daly, Dr. Gordon Drake, Mr. Norbert Hartmann (phone), Mr. Dean Jacobs, Ms. Jennifer Jones (phone), Mr. Gary Kelly (phone), Ms. Brenda King, Ms. Sheila MacKinnon (Chair), Mr. Tony Mancina, Rev. Paul McGill, Ms. Teresa Piruzza (phone), Dr. Katherine Quinsey, Dr. Mehrdad Saif, Ms. Pat Soulliere, Dr. Alan Wildeman, Mr. William Willis, Mr. Bill Wright.

**Regrets:** Mr. Greg Aarssen, Mr. Fraser Berrill, Mr. Peter Farmer, Ms. Marilyn Farough, Mr. Moussa Hamadani, Mr. Shawn Kingsbury, Mr. Amin Safaei, Ms. Susan Williams.

**Administration and Guest Speakers:** Ms. Sandra Aversa, Ms. Jane Boyd, Mr. Dave Butcher, Mr. John Coleman, Ms. Gillian Heisz, Ms. Kaye Johnson, Ms. Anna Kirby, Dr. Douglas Kneale, Mr. Andrew Kuntz, Ms. Rita LaCivita, Ms. Renée Wintermute (University Secretary), Ms. Carol Perkes (Board Governance Officer).

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*Declaration of conflict of interest – none reported.*

**1 Approval of the Agenda**

**MOTION: That the Agenda be approved.**

Soulliere/Hamadani
**CARRIED**

**2 Minutes of the meetings of May 24, 2016, June 28, 2016 and August 22, 2016.**
*(see BG160524M, BG160628M, and BG160822M for additional information)*

**MOTION: That the Minutes of the meetings of May 24, 2016, June 28, 2016 and August 22, 2016 be approved, as amended.**

Allen/Allison
**CARRIED**

**3 Business arising from the minutes**
None.

**4 Outstanding Business/New Business**

**4.1 Reports**

**4.1.1 Remarks from the Chair**

NOTED:

- Members were welcomed to the new academic year.
- Appreciation was expressed for all those who participated in the Convocation ceremonies.

**4.1.2 President's Report**

*(see document BG161018-4.1.2a for additional information)*

NOTED:

- The University has been asked to provide Board of Governors' contact information with regard to the Ontario Carbon Cap and Trade Program. Dr. Wildeman will consult with the Ministry to determine the amount of personal information required.
- Due to the availability of a potential presenter for the Board Retreat, the Board Retreat will now be held on February 4, 2017 (instead of January 21).
- An update on provincial matters was provided.
- Marketing strategies, target audiences, and advertising venues were disclosed. In addition to prominent billboards, it was suggested that increasing signage on University properties at border crossings would be advantageous.

**4.2 Audit Committee**

**4.2.1 Audited financial statements for year ended April 30, 2016**

*(see BG161018-4.2.1, BG161018-4.2.1a for additional information)*

**MOTION: That the Board of Governors approve the audited financial statements of the University of Windsor for the year ended April 30, 2016**.

Allen/Soulliere

NOTED:

- Total assets decreased to $612.3m (down by $7.9m mainly due to cash holdings and investments). Gross capital assets increased by $21.5m to $810.2m. Capital asset additions totalled $58.2 in large part due to the Pitt/Ferry Building and Welcome Centre which both opened in 2015. Construction in progress is $15.2m (of which $11.1m is the Armouries building).
- The value of the Endowment decreased to $98.5m; however, by the end of September the value had increased by 6.9% due to markets.
- Liabilities remained fairly flat at $510.6m. Long term debt is valued at $155.3m.
- The University of Windsor remains lower than the Ontario University sector debt average with a debt per FTE of $8,098.
- Deferred capital contributions total $170m.
- Employee future benefits liability equals $98m.
- Consolidated revenue is $340.9m and consolidated expenditures equals $343.6m.
- Operating fund expenditures are $255m with salaries and benefits comprising 76% of Operating fund expenses.
- Key financial indicators were presented in an overview of the financial position of the University.

**CARRIED**

**4.2.2 External Auditor's Findings Report for the year-ended April 30, 2016**

*(see document BG161018-4.2.2 for additional information)*

This item was received for information.

**4.2.3 Appointment of External Auditors for 2016-2017**

**MOTION: That KPMG LLP be appointed as the University of Windsor's external auditors for 2016/17.**

Allen/Allison

**CARRIED**

**4.3 Executive Committee**

**4.3.1 Minor Revision to Student Code of Conduct**

*(see document BG161018-4.3.1 for additional information)*

**MOTION: That the Board of Governors approve section B of the Student Code of Conduct Policy.**

McGill/Baillargeon
**CARRIED**

**4.4 Governance Committee**

**4.4.1 Board Bylaw Revision**

*(see document BG161018-4.4.1 for additional information)*

**MOTION: That the Board of Governors approve the proposed revisions to the Board Bylaw.**

Wright/Chetty
**CARRIED**

**4.5 Investment Committee**

Nothing to report.

**4.6 Pension Committee**

Nothing to report.

**4.7 Resource Allocation Committee**

Nothing to report.

**5 In Camera**

*The following In Camera motions were read into the public minutes. Members did not participate in the portion of the meeting that pertained to their respective appointments/agreements.*

**MOTION: That the Board of Governors ratify the tentative collective agreements between the University of Windsor and Unifor 2458 full time Office and Clerical Staff, Unifor 2458 part-time Office and Clerical staff, Unifor 2458 Operating Engineers, and Unifor 195 Campus Community Police and Parking Services.**

Willis/Soulliere
**CARRIED**

**MOTION: That Senate's appointment of Mr. Nick Baker to the Board of Governors be ratified.**

Wright/Kelly
**CARRIED**

**MOTION: That Ms. Sue Williams be appointed as a Board member representative on the Senate.**

Wright/Jones
**CARRIED**

**MOTION: That, in accordance with the Board Bylaw, Ms. Penny Allen succeed as Chair of the Board, and that Mr. William Willis succeed as first Vice-Chair of the Board, effective November 23, 2016.**

Wright/Chetty
**CARRIED**

**MOTION:** **That Mr. Jonathan Allison be appointed as Second Vice-Chair of the Board, effective November 23, 2016.**

Wright/Hartmann
**CARRIED**

**6 Adjournment**

**MOTION:** **That the meeting be adjourned.**

Quinsey/Chetty
**CARRIED**

**University of Windsor**
**Board of Governors**

4.2.1(a&b): **Audited Financial Statements of the University of Windsor Pension Plans for the year ended June 30, 2016**

Forwarded by: **Audit Committee**

Item for: **Approval**

**MOTION 1:** **That the Board approve the Audited Financial Statements of the University of Windsor Retirement Plan for Faculty and Certain Employees for the year ended June 30, 2016.**

**MOTION 2:** **That the Board approve the Audited Financial Statements of the University of Windsor Employees' Retirement Plan for the year ended June 30, 2016.**

**Rationale:**
The audited financial statements for the Pension Plans are special purpose statements. These financial statements present the Net Assets Available for Benefits as of June 30, 2016 and the Change in Net Assets Available for Benefits for the year then ended.

These financial statements have been prepared for the sole purpose of providing information to the Trustee of the University of Windsor Pension Plans and the Financial Services Commission of Ontario for compliance with regulations.

Clean audit reports have been issued by the University's external auditors, KPMG.

Fund Financial Statements of

# UNIVERSITY OF WINDSOR RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

Registration Number: 0366849
Year ended June 30, 2016

KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor, ON N8W 5K8
Telephone (519) 251-3500
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# INDEPENDENT AUDITORS' REPORT

To the Trustee of University of Windsor Retirement Plan for Faculty and Certain Employees

We have audited the accompanying financial statements of the University of Windsor Retirement Plan for Faculty and Certain Employees, which comprise the statement of net assets available for benefits as at June 30, 2016, 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. The financial statements have been prepared by management based on the financial reporting provisions of Section 76 of the Regulations to the Pension Benefits Act (Ontario).

*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 the Regulations to the Pension Benefits Act (Ontario), 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 an 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 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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.
**KPMG Confidential**

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 University of Windsor Retirement Plan for Faculty and Certain Employees as at June 30, 2016, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions Section 76 to the Regulations to the Pension Benefits Act (Ontario).

*Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the University of Windsor Retirement Plan for Faculty and Certain Employees 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 Trustee of the University of Windsor Retirement Plan for Faculty and Certain Employees and the Financial Services Commission of Ontario and should not be used by parties other than the University of Windsor Retirement Plan for Faculty and Certain Employees and the Financial Services Commission of Ontario.

Chartered Professional Accountants, Licensed Public Accountants

Date of approval

Windsor, Canada

## UNIVERSITY OF WINDSOR

## RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

(REGISTRATION Number: 0366849)

### Statement of Net Assets Available for Benefits

(in thousands of dollars)

Year ended June 30, 2016, with comparative information for 2015

| | | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Assets** | | | |
| Investments | note 4 | 458,195 | 451,436 |
| Other assets | | 7 | 32 |
| Total Assets | | 458,202 | 451,468 |
| **Liabilities** | | | |
| Accrued liabilities | | 651 | 624 |
| **Net Assets Available for Benefits** | | 457,551 | 450,844 |

*See accompanying notes to the financial statements.*

_____ Administrator

_____ Administrator

## UNIVERSITY OF WINDSOR

## RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

(REGISTRATION Number: 0366849)

**Statement of Changes in Net Assets Available for Benefits**

(in thousands of dollars)

Year ended June 30, 2016, with comparative information for 2015

| | | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Increase in net assets:** | | | |
| Investment income | note 6 | 10,753 | 15,801 |
| Net realized gain on sale of investments | | 38,485 | 30,823 |
| Contributions: | | | |
| Employee | | 6,293 | 5,989 |
| Employer: | | | |
| Current service | | 8,225 | 8,085 |
| Special | | 4,635 | 4,662 |
| Total Employer Contributions | | 12,860 | 12,747 |
| | | 68,391 | 65,360 |
| **Decrease in net assets:** | | | |
| Current period decrease in market values of investments | | 37,198 | 15,133 |
| Benefit payments | | 20,798 | 20,054 |
| Transfers to other plans | | 1,434 | 1,640 |
| Administrative expenses | note 7 | 2,254 | 2,172 |
| | | 61,684 | 38,999 |
| **Increase in net assets** | | 6,707 | 26,361 |
| **Net assets available for benefits, beginning of year** | | 450,844 | 424,483 |
| **Net assets available for benefits, end of year** | | 457,551 | 450,844 |

*See accompanying notes to financial statements.*

## 1. DESCRIPTION OF PLAN

The following description of the University of Windsor Faculty and Certain Employees Retirement Plan (the "Faculty Plan") is a summary only. For more complete information, reference should be made to the Faculty Plan's text.

### (a) General

The University of Windsor ("the University") sponsors two pension plans, the Retirement Plan for Faculty and Certain Employees ("the Faculty Plan") and the Employees' Retirement Plan ("the Employees' Plan"). The Board of Governors of the University is the Administrator of the University's pension plans ("Administrator"). The Faculty Plan is a money purchase plan with a defined benefit minimum guarantee. The Employees' Plan is a defined benefit plan.

The Master Trust Fund (the "Fund") holds the assets for both the Faculty Plan and the Employees' Plan. Although the Plans are distinct and separate, the assets are invested jointly under a Master Trust Agreement in order to maximize investment income while minimizing administrative costs and management fees.

### (b) Funding policy

The Faculty Plan is a money purchase plan with a defined benefit minimum guarantee covering members of the faculty and certain administrative employees of the University. Members are required to contribute to the money purchase component account an amount equal to 8% of Pensionable Earnings up to June 30, 2016, and 9% of Pensionable Earnings after July 1, 2016. The University is required to contribute 6% of member Pensionable Earnings to the money purchase component account, and contributes the annual current service costs of the defined benefit minimum guarantee.

The Pension Benefits Act (Ontario) ("Act") requires that the University must fund the benefits determined under the Faculty Plan. The determinations of the value of these benefits are made on the basis of a triennial actuarial valuation and any current legislative requirements.

The most recent actuarial valuation for funding purposes was prepared as at July 1, 2014 by William M. Mercer Limited. A copy of the valuation was filed with the Financial Services Commission of Ontario, Pension Plans Branch as required by the Act.

### (c) Benefits

Each member who retires from active service with the University will receive a pension in such amount as can be provided from the total balance in the money purchase component to the member's credit, calculated based on actuarial tables. In addition, each member will receive the minimum guaranteed benefit, calculated as 1.5% of the member's best average earnings not in

## 1. DESCRIPTION OF PLAN (cont'd)

excess of the average Canada pension plan base plus 2.0% of the member's best average earnings in excess of the average Canada pension plan base, together multiplied by the member's pensionable service. The normal retirement age of a member is 65.

### (d) Income taxes

The Faculty Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

### (e) Investment policy

The Fund's trustee is Northern Trust ("Trustee"). The unit value of the Fund is calculated based on the fair value of the underlying investments of the Fund. Each of the University's pension plans' interest in the Fund is calculated monthly by the Trustee based on the units held by each of the pension plans.

## 2. BASIS OF PREPARATION

### (a) Basis of presentation

As permitted by the Financial Services Commission of Ontario ("FSCO"), the Faculty Plan may prepare financial statements in accordance with Canadian accounting standards for pension plans or prepare fund financial statements in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

The Faculty Plan has prepared fund financial statements in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

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 Faculty Plan to comply on a consistent basis with either International Financial Reporting Standards ("IFRS") or the Canadian accounting standards for private enterprises. The Faculty Plan has chosen to comply on a consistent basis with IFRS.

These fund financial statements have been prepared to assist the Administrator of the Faculty Plan to comply with the requirements of the FSCO under Section 76 of Regulation 909 of the Act. As a result, the fund financial statements may not be suitable for another purpose.

These fund financial statements of the Faculty Plan do not purport to show the adequacy of the Faculty Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Faculty Plan's actuarial reports and information about the University's financial health.

These fund financial statements have been prepared in accordance with the significant accounting policies set out below.

## 2. BASIS OF PREPARATION (cont'd)

### (b) Basis of measurement

The fund 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.

### (c) Use of estimates and judgements

The preparation of the fund financial statements requires management to make judgements, 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 net assets available for benefits and the reported amounts of changes in net assets during the year. Actual results may differ from those estimates.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) 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 fair value, the Faculty Plan adopted the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"). As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Faculty Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Faculty 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.

If a market for a financial instrument is not active, then the Faculty 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Fair value measurement (cont'd)

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 instrument or based on a valuation technique whose variables include only data from observable markets. When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price 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.

Within the Faculty Plan, all changes in fair value, other than interest and dividend income, are recognized in the Statement of changes in net assets available for benefits as part of the current period increase (decrease) in market values of investments.

Fair values of investments are determined as follows:

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

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

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

Guaranteed investment certificates, term deposits maturing after a year, and mortgages 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 a similar type, quality, and maturity.

### (b) Financial assets and financial liabilities

#### (i) Non-derivative financial assets

Financial assets are recognized initially on the trade date, which is the date that the Faculty Plan becomes a party to the contractual provisions of the instrument. Financial assets are subsequently measured at fair value through the Statement of changes in net assets available for benefits.

All other non-derivative financial assets including contributions receivable are measured at amortized cost.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Financial assets and financial liabilities (cont'd)

#### (ii) Non-derivative financial assets

The Faculty Plan de-recognizes 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 Faculty Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. On de-recognition 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 (loss) on sale of investments.

#### (iii) Non-derivative financial liabilities

Financial liabilities are recognized initially on the trade date at which the Faculty Plan becomes a party to the contractual provisions of the instrument. The Faculty Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Faculty Plan considers its accrued liabilities to be a non-derivative financial liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of net assets available for benefits when, and only when, the Faculty 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.

### (c) 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.

### (d) Investment recognition

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

Brokers' commissions and other transaction costs are recognized in the Statement of changes in net assets available for benefits in the year incurred.

### (e) Foreign currency

The functional and presentation currency of the fund financial statements is Canadian dollars. 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 then translated 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 current period increase (decrease) in market values of investments.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Fund unit valuation

The Employees' and Faculty Plans are issued units in the Fund based on the unit value at the Valuation Date, prior to which a contribution was made. Capital gains and losses, plus investment income, net of agency fees, custodian fees and investment managers' fees are allocated to each participating pension plan on a pro-rata basis. The Faculty Plans' units are redeemed based on the unit value at the Valuation Date prior to which the request for redemption is made by the Faculty Plan.

## 4. INVESTMENTS

The following table summarizes the Fund's investments at fair value and cost:

| | 2016 Fair Value $ | 2016 Cost $ | 2015 Fair Value $ | 2015 Cost $ |
|---|---|---|---|---|
| Cash and short-term investments | 13,489 | 13,373 | 16,975 | 16,897 |
| Canadian bonds and debentures | 241,506 | 236,908 | 224,776 | 223,281 |
| Canadian common and preferred shares | 196,772 | 212,348 | 200,260 | 210,723 |
| | 451,767 | 462,629 | 442,011 | 450,901 |
| Non-Canadian common and preferred shares | 219,779 | 181,927 | 220,501 | 130,149 |
| | 671,546 | 644,556 | 662,512 | 581,050 |

The following table summarizes the Faculty Plan's pro-rata share of the investments at fair value and cost in the Fund – 68.23% (2015 – 68.14%):

| | 2016 Fair Value $ | 2016 Cost $ | 2015 Fair Value $ | 2015 Cost $ |
|---|---|---|---|---|
| Cash and short-term investments | 9,203 | 9,124 | 11,567 | 11,513 |
| Canadian bonds and debentures | 164,779 | 161,642 | 153,162 | 152,144 |
| Canadian common and preferred shares | 134,258 | 144,885 | 136,457 | 143,587 |
| | 308,240 | 315,651 | 301,186 | 307,244 |
| Non-Canadian common and preferred shares | 149,955 | 124,129 | 150,250 | 88,684 |
| | 458,195 | 439,780 | 451,436 | 395,928 |

## 5. STATUTORY DISCLOSURES

The following information is provided in respect of individual investments within the Fund with a fair value or cost in excess of 1% of the fair value or cost of the Fund, as required by the Regulation to the Pension Benefits Act (Ontario):

| | 2016 Fair Value $ | 2016 Cost $ | 2015 Fair Value $ | 2015 Cost $ |
|---|---|---|---|---|
| Pooled funds: | | | | |
| FGP Short Term Investment Fund | 10,456 | 10,340 | 14,120 | 14,042 |
| FGP Universe Bond Fund | 65,978 | 64,529 | 61,211 | 60,434 |
| PHN Core Plus Bond Fund | 86,933 | 87,032 | 80,842 | 82,222 |
| PHN Long Bond Fund | 51,122 | 49,581 | 47,231 | 45,947 |
| FGP Long Bond Fund | 37,472 | 35,766 | 35,492 | 34,679 |
| FGP Small Cap Cdn Equity Fund | 8,153 | 7,832 | 10,474 | 8,618 |
| FGP Cdn Equity Fund | 84,902 | 101,285 | 89,311 | 100,796 |
| Pyramis Canadian Equity Pool | 103,717 | 103,232 | 100,475 | 101,309 |
| Baillie Gifford Global Alpha Fund | 113,572 | 76,064 | 114,931 | 64,990 |
| Sprucegrove Global Pooled Fund | - | - | 105,569 | 65,159 |
| Burgundy Global Equity Fund | 106,208 | 105,864 | - | - |
| | 668,513 | 641,525 | 659,656 | 578,196 |

## 6. INVESTMENT INCOME

The following represents the investment income earned by the Fund:

| | 2016 $ | 2015 $ |
|---|---|---|
| Cash and short term investments | - | 6 |
| Canadian bonds and debentures | 8,265 | 7,406 |
| Canadian common and preferred shares | 3,237 | 12,004 |
| Non-Canadian common and preferred shares | 4,258 | 3,774 |
| | 15,760 | 23,190 |
| Faculty Plan's Pro-rata share of Fund investment income | 10,753 | 15,801 |

## 7. ADMINISTRATIVE EXPENSES

The following represents the administrative expenses incurred by the Faculty Plan:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Investment management fees | 1,861 | 1,575 |
| Actuarial and investment consulting fees | 98 | 316 |
| Sponsor administrative and trustee fees | 219 | 195 |
| Pension information system fees | 56 | 64 |
| Audit fees | 7 | 7 |
| Miscellaneous | 13 | 15 |
| | 2,254 | 2,172 |

## 8. FINANCIAL INSTRUMENTS

### (a) Fair values

The fair value measurement of investments are as described in note 3(a). The fair values of other financial assets and liabilities, being other assets and accrued liabilities, approximate their carrying values due to the short-term nature of these financial instruments.

Fair value measurements recognized in the Statement of net assets available for benefits are categorized using a fair value hierarchy that reflects the significance of inputs used in determining 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, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data. The Faculty Plan does not have financial instruments classified as Level 3.

## 8. FINANCIAL INSTRUMENTS (cont'd)

### (a) Fair values (cont'd)

The following table illustrates the classification of the Faculty Plan's financial instruments using the fair value hierarchy as at June 30, 2016:

| | Level 1<br>$ | Level 2<br>$ | 2016 Total<br>$ |
|---|---|---|---|
| Cash and short term investments | 3,033 | 10,456 | 13,489 |
| Canadian bonds and debentures | - | 241,506 | 241,506 |
| Canadian common and preferred shares | - | 196,772 | 196,772 |
| Non-Canadian common and preferred shares | - | 219,779 | 219,779 |
| Total investments in Fund | 3,033 | 668,513 | 671,546 |
| Faculty Plan's share of Fund assets | | | 458,195 |

| | Level 1<br>$ | Level 2<br>$ | 2015 Total<br>$ |
|---|---|---|---|
| Cash and short term investments | 2,855 | 14,120 | 16,975 |
| Canadian bonds and debentures | - | 224,776 | 224,776 |
| Canadian common and preferred shares | - | 200,260 | 200,260 |
| Non-Canadian common and preferred shares | - | 220,501 | 220,501 |
| Total investments in Fund | 2,855 | 659,657 | 662,512 |
| Faculty Plan's share of Fund assets | | | 451,436 |

### (b) Risk management

#### (i) Market risk

Market risk is the risk that value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As all of the Faculty Plan's financial instruments are carried at fair value with fair value changes recognized in the Statement of changes in net assets available for benefits, all changes in market conditions will result in an increase (decrease) in net assets available for benefits. Market risk is managed by the Administrator through construction of a diversified portfolio of instruments traded on various markets and across various industries. The Pension Plan Fund Statement of Investment Policies and Procedures ("SIPP") determines the portfolio diversification, and sets limits on the equity holdings of the Fund. In addition, the SIPP permits the hedging of market price risk using derivative financial instruments.

## 8. FINANCIAL INSTRUMENTS (cont'd)

### (b) Risk management (cont'd)

#### (i) Market risk (cont'd)

The Fund's investments in common and preferred shares are also sensitive to market fluctuations. An immediate hypothetical increase (decrease) of 10% in equity values will impact the Fund's equity investments by an approximate gain (loss) of $41,655 (2015 - $42,076). The Faculty Plan's pro-rata share of this gain (loss) would be $28,421 (2015 - $28,671).

#### (ii) Liquidity risk

Liquidity risk is the risk that the Faculty Plan will encounter difficulty in meeting obligations associated with financial liabilities. The SIPP determines the portfolio diversification, and set limits on the fixed income investments of the Fund. In addition, the Fund's investments include pooled funds to mitigate liquidity risk.

#### (iii) 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 Faculty Plan. The Administrator does not expect any counterparties to fail to meet their obligations given their high credit ratings. The SIPP also establishes minimum credit rating requirements for such investments to mitigate this risk.

The Fund's fixed income investments are in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. In order to minimize the exposure of risk, a comprehensive investment policy has been developed. There were no significant concentrations of credit risk in the portfolio in either 2016 or 2015. The maximum credit risk exposure as at June 30, 2016 is $241,506 (2015 - $224,776).

The following table provides the breakdown of the total fixed income investments by credit rating. In addition to the table below, the Fund holds mortgages within a pooled fund investment with a market value at June 30, 2016 of $6,959 (2015 - $8,981). The Faculty Plan's pro-rata share in the mortgage holdings is $4,748 (2015 - $6,120).

| Credit Rating | 2016 Fund Fair Value | 2016 Plan's Pro-rata share by credit rating | 2015 Fund Fair Value | 2015 Plan's Pro-rata share by credit rating |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| AAA | 62,439 | 42,602 | 75,335 | 51,333 |
| AA | 66,352 | 45,272 | 58,631 | 39,951 |
| A | 56,768 | 38,733 | 45,696 | 31,137 |
| BBB | 38,564 | 26,312 | 30,691 | 20,913 |
| BB and under | 10,424 | 7,112 | 5,442 | 3,708 |
| | 234,547 | 160,031 | 215,795 | 147,042 |

## 8. FINANCIAL INSTRUMENTS (cont'd)

### (b) Risk management (cont'd)

#### (iv) Interest rate risk

Interest rate risk is the risk that the market value of the Faculty Plan's investments will fluctuate due to the changes in the market interest rates. To properly manage the Faculty Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored. The Faculty Plan's investments in fixed income are sensitive to interest rate movements. An immediate hypothetical 1% increase (decrease) in interest rates, with all other variables held constant, would impact Canadian bonds and debentures by an estimated gain (loss) of approximately $2,520 (2015 - $2,388) for the Fund. The Faculty Plan's pro-rata share of this gain (loss) would be $ 1,719 (2015 - $1,628).

#### (v) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign currency rates. The Faculty Plan is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse effect on the value of the portion of the Faculty Plan's underlying assets or liabilities invested in foreign transactions. The Administrator monitors the Faculty Plan's overall currency positions and exposures on a regular basis. In addition, the SIPP permits the hedging of market price risk using derivative financial instruments The Faculty Plan's exposure to foreign currencies would not create a significant change in the fair value of the assets except for the Faculty Plan's exposure to the US dollar. If the US dollar strengthened or weakened by 5% the Fund's US dollar holdings would change by $6,600 (2015- $5,600).

## 9. CAPITAL MANAGEMENT

The capital of the Fund is represented by the net assets available for benefits. The Fund's objective when managing the capital is to safeguard its ability to continue as a going concern and to maintain adequate assets to support pension obligations. The Administrator has adopted the SIPP, which states investment objectives, guidelines and benchmarks used in investing the capital of the plan, permitted categories of investments, asset-mix diversification and rate of return expectations. The SIPP is reviewed annually and was last amended effective November 24, 2015. The SIPP was amended to reflect Burgundy Asset Management as the new global investment manager replacing Sprucegrove Asset Management Ltd.

The Faculty Plan invests in units of the Fund, which itself invests in various investment vehicles, in accordance with the SIPP and investment mandates specific to each investment manager. The Fund's investment positions expose it to a variety of financial risks which are discussed in Note 8 - Financial Instruments. The allocation of assets among various asset categories is on a monthly basis. A comprehensive review is conducted quarterly, which includes measurement of returns, comparison of returns to appropriate benchmarks, ranking of returns to appropriate universes and risk analysis.

## 10. RELATED PARTY TRANSACTIONS

The Faculty Plan defines its key management personnel as the University's Board of Governors and other members of senior administration responsible for planning, controlling and directing the activities of the Faculty Plan. The Faculty Plan has not paid for services provided by key management personnel.

The University provides certain administrative services to the Faculty Plan. The cost to the Faculty Plan for these services during the year ended June 30, 2016 was $155 (2015 - $130), which is included in Sponsor administrative and trustee fees in Note 7 – Administrative Expenses.

Fund Financial Statements of

# UNIVERSITY OF WINDSOR EMPLOYEES' RETIREMENT PLAN

Registration Number: 0310573
Year ended June 30, 2016

KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor, ON N8W 5K8
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# INDEPENDENT AUDITORS' REPORT

To the Trustee of University of Windsor Employees' Retirement Plan

We have audited the accompanying financial statements of the University of Windsor Employees' Retirement Plan, which comprise the statement of net assets available for benefits as at June 30, 2016, 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. The financial statements have been prepared by management based on the financial reporting provisions of Section 76 to the Regulations to the Pension Benefits Act (Ontario).

*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 to the Regulations to the Pension Benefits Act (Ontario), 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 an 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 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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.
**KPMG Confidential**

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 University of Windsor Employees' Retirement Plan as at June 30, 2016, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions Section 76 to the Regulations to the Pension Benefits Act (Ontario).

*Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the University of Windsor Employees' Retirement 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 Trustee of the University of Windsor Employees' Retirement Plan and the Financial Services Commission of Ontario and should not be used by parties other than the University of Windsor Employees' Retirement Plan and the Financial Services Commission of Ontario.

Chartered Professional Accountants, Licensed Public Accountants

Date of approval

Windsor, Canada

## UNIVERSITY OF WINDSOR

## EMPLOYEES' RETIREMENT PLAN

(REGISTRATION Number: 0310573)

**Statement of Net Assets Available for Benefits**

(in thousands of dollars)

Year ended June 30, 2016, with comparative information for 2015

| | | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Assets** | | | |
| Investments | note 4 | 213,351 | 211,076 |
| Other assets | | 3 | 16 |
| Total assets | | 213,354 | 211,092 |
| **Liabilities** | | | |
| Accrued liabilities | | 303 | 303 |
| **Net Assets Available for Benefits** | | 213,051 | 210,789 |

*See accompanying notes to the financial statements.*

_____ Administrator

_____ Administrator

## UNIVERSITY OF WINDSOR

## EMPLOYEES' RETIREMENT PLAN

(REGISTRATION Number: 0310573)

**Statement of Changes in Net Assets Available for Benefits**

(in thousands of dollars)

Year ended June 30, 2016, with comparative information for 2015

| | | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Increase in net assets:** | | | |
| Investment income | note 6 | 5,007 | 7,388 |
| Net realized gain on sale of investments | | 17,920 | 14,411 |
| Required contributions: | | | |
| Employee | | 3,558 | 3,441 |
| Employer | | 3,558 | 3,441 |
| | | 30,043 | 28,681 |
| **Decrease in net assets:** | | | |
| Current period decrease in market values of investments | | 17,264 | 7,118 |
| Benefit payments | | 6,267 | 5,844 |
| Transfers to other plans | | 3,124 | 1,259 |
| Administrative expenses | note 7 | 1,126 | 1,139 |
| | | 27,781 | 15,360 |
| **Increase in net assets** | | 2,262 | 13,321 |
| **Net assets available for benefits, beginning of year** | | 210,789 | 197,468 |
| **Net assets available for benefits, end of year** | | 213,051 | 210,789 |

*See accompanying notes to financial statements.*

## 1. DESCRIPTION OF PLAN

The following description of the University of Windsor Employees' Retirement Plan (the "Employees' Plan") is a summary only. For more complete information, reference should be made to the Employees' Plan's text.

### (a) General

The University of Windsor ("the University") sponsors two pension plans, the Retirement Plan for Faculty and Certain Employees ("the Faculty Plan") and the Employees' Retirement Plan ("the Employees' Plan"). The Board of Governors of the University is the Administrator of the University's pension plans ("Administrator"). The Faculty Plan is a money purchase plan with a defined benefit minimum guarantee. The Employees' Plan is a defined benefit plan.

The Master Trust Fund (the "Fund") holds the assets for both the Faculty Plan and the Employees' Plan. Although the Plans are distinct and separate, the assets are invested jointly under a Master Trust Agreement in order to maximize investment income while minimizing administrative costs and management fees.

### (b) Funding policy

The Employees' Plan is a defined benefit pension plan covering eligible employees of the University. The Employees' Plan is a fully cost shared plan, with employees contributing between 6.4% and 9.2% of earnings and the University matching all contributions.

The Pension Benefits Act (Ontario) ("Act") requires that the University must fund the benefits determined under the Employees' Plan. The determinations of the value of these benefits are made on the basis of a triennial actuarial valuation and any current legislative requirements.

The most recent actuarial valuation for funding purposes was prepared as at July 1, 2014 by William M. Mercer Limited. A copy of the valuation was filed with the Financial Services Commission of Ontario, Pension Plans Branch as required by the Act.

### (c) Benefits

Retirement benefits are calculated as 1.5% of the member's best average earnings not in excess of the average Canada pension plan base plus 2.0% of the member's best average earnings in excess of the average Canada pension plan base, together multiplied by the member's pensionable service. Post-retirement indexing is applied as one-half of the excess of the Average Fund Rate of Return over the valuation interest rate, capped at 50% of the CPI for the year. The normal retirement age of a member is 65.

## 1. DESCRIPTION OF PLAN (cont'd)

### (d) Income taxes

The Employees' Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

### (e) Investment policy

The Fund's trustee is Northern Trust ("Trustee"). The unit value of the Fund is calculated based on the fair value of the underlying investments of the Fund. Each of the University's pension plans' interest in the Fund is calculated monthly by the Trustee based on the units held by each of the pension plans.

## 2. BASIS OF PREPARATION

### (a) Basis of presentation

As permitted by the Financial Services Commission of Ontario ("FSCO"), the Employees' Plan may prepare financial statements in accordance with Canadian accounting standards for pension plans or prepare fund financial statements in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

The Employees' Plan has prepared fund financial statements in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

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 Employees' Plan to comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") or the Canadian accounting standards for private enterprises. The Employees' Plan has chosen to comply on a consistent basis with IFRS.

These fund financial statements have been prepared to assist the Administrator of the Employees' Plan to comply with the requirements of the FSCO under Section 76 of Regulation 909 of the Act. As a result, the fund financial statements may not be suitable for another purpose.

These fund financial statements of the Employees' Plan do not purport to show the adequacy of the Employees' Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Employees' Plan's actuarial reports and information about the University's financial health.

These fund financial statements have been prepared in accordance with the significant accounting policies set out below.

### (b) Basis of measurement

The fund 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.

## 2. BASIS OF PREPARATION (cont'd)

### (c) Use of estimates and judgements

The preparation of the fund financial statements requires management to make judgements, 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 net assets available for benefits and the reported amounts of changes in net assets during the year. Actual results may differ from those estimates.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) 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 fair value, the Employees' Plan adopted the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"). As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Employees' Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Employees' 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.

If a market for a financial instrument is not active, then the Employees' 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 instrument or based on a valuation technique whose variables include only data from observable markets. When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Fair value measurement (cont'd)

Within the Employees' Plan, all changes in fair value, other than interest and dividend income, are recognized in the Statement of changes in net assets available for benefits as part of the current period increase (decrease) in market values of investments.

Fair values of investments are determined as follows:

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

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

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

Guaranteed investment certificates, term deposits maturing after a year, and mortgages 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 a similar type, quality, and maturity.

### (b) Financial assets and financial liabilities

#### (i) Non-derivative financial assets

Financial assets are recognized initially on the trade date, which is the date that the Employees' Plan becomes a party to the contractual provisions of the instrument. Financial assets are subsequently measured at fair value through the Statement of changes in net assets available for benefits.

All other non-derivative financial assets including contributions receivable are measured at amortized cost.

The Employees' Plan de-recognizes 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 Employees' Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. On de-recognition 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 (loss) on sale of investments.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Financial assets and financial liabilities (cont'd)

#### (ii) Non-derivative financial liabilities

Financial liabilities are recognized initially on the trade date at which the Employees' Plan becomes a party to the contractual provisions of the instrument. The Employees' Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Employees' Plan considers its accrued liabilities to be a non-derivative financial liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of net assets available for benefits when, and only when, the Employees' 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.

### (c) 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.

### (d) Investment recognition

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

Brokers' commissions and other transaction costs are recognized in the Statement of changes in net assets available for benefits in the year incurred.

### (e) Foreign currency

The functional and presentation currency of the fund financial statements is Canadian dollars. 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 then translated 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 current period increase (decrease) in market values of investments.

### (f) Fund unit valuation

The Employees' and Faculty Plans are issued units in the Fund based on the unit value at the Valuation Date, prior to which a contribution was made. Capital gains and losses, plus investment income, net of agency fees, custodian fees and investment managers' fees are allocated to each participating pension plan on a pro-rata basis. The Employees' Plan's units are redeemed based on the unit value at the Valuation Date prior to which the request for redemption is made by the Employees' Plan.

## 4. INVESTMENTS

The following table summarizes the Fund's investments at fair value and cost:

| | 2016 Fair Value $ | 2016 Cost $ | 2015 Fair Value $ | 2015 Cost $ |
|---|---|---|---|---|
| Cash and short-term investments | 13,489 | 13,373 | 16,975 | 16,897 |
| Canadian bonds and debentures | 241,506 | 236,908 | 224,776 | 223,281 |
| Canadian common and preferred shares | 196,772 | 212,348 | 200,260 | 210,723 |
| | 451,767 | 462,629 | 442,011 | 450,901 |
| Non-Canadian common and preferred shares | 219,779 | 181,927 | 220,501 | 130,149 |
| | 671,546 | 644,556 | 662,512 | 581,050 |

The following table summarizes the Employees' Plan's pro-rata share of the investments at fair value and cost in the Fund - 31.77% (2015 – 31.86%):

| | 2016 Fair Value $ | 2016 Cost $ | 2015 Fair Value $ | 2015 Cost $ |
|---|---|---|---|---|
| Cash and short-term investments | 4,287 | 4,249 | 5,408 | 5,383 |
| Canadian bonds and debentures | 76,726 | 75,266 | 71,614 | 71,137 |
| Canadian common and preferred shares | 62,514 | 67,463 | 63,803 | 67,136 |
| | 143,527 | 146,978 | 140,825 | 143,656 |
| Non-Canadian common and preferred shares | 69,824 | 57,798 | 70,251 | 41,466 |
| | 213,351 | 204,776 | 211,076 | 185,122 |

## 5. STATUTORY DISCLOSURES

The following information is provided in respect of individual investments within the Fund with a fair value or cost in excess of 1% of the fair value or cost of the Fund, as required by the Regulation to the Pension Benefits Act (Ontario):

| | 2016 Fair Value $ | 2016 Cost $ | 2015 Fair Value $ | 2015 Cost $ |
|---|---|---|---|---|
| Pooled funds: | | | | |
| FGP Short Term Investment Fund | 10,456 | 10,340 | 14,120 | 14,042 |
| FGP Universe Bond Fund | 65,978 | 64,529 | 61,211 | 60,434 |
| PHN Core Plus Bond Fund | 86,933 | 87,032 | 80,842 | 82,222 |
| PHN Long Bond Fund | 51,122 | 49,581 | 47,231 | 45,947 |
| FGP Long Bond Fund | 37,472 | 35,766 | 35,492 | 34,679 |
| FGP Small Cap Cdn Equity Fund | 8,153 | 7,832 | 10,474 | 8,618 |
| FGP Cdn Equity Fund | 84,902 | 101,285 | 89,311 | 100,796 |
| Pyramis Canadian Equity Pool | 103,717 | 103,232 | 100,475 | 101,309 |
| Baillie Gifford Global Alpha Fund | 113,572 | 76,064 | 114,931 | 64,990 |
| Sprucegrove Global Pooled Fund | - | - | 105,569 | 65,159 |
| Burgundy Global Equity Fund | 106,208 | 105,864 | - | - |
| | 668,513 | 641,525 | 659,656 | 578,196 |

## 6. INVESTMENT INCOME

The following represents the investment income earned by the Fund:

| | 2016 $ | 2015 $ |
|---|---|---|
| Cash and short term investments | - | 6 |
| Canadian bonds and debentures | 8,265 | 7,406 |
| Canadian common and preferred shares | 3,237 | 12,004 |
| Non-Canadian common and preferred shares | 4,258 | 3,774 |
| | 15,760 | 23,190 |
| Employees' Plan's Pro-rata share of Fund investment income | 5,007 | 7,388 |

## 7. ADMINISTRATIVE EXPENSES

The following represents the administrative expenses incurred by the Employees' Plan:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Investment management fees | 870 | 731 |
| Actuarial and investment consulting fees | 58 | 207 |
| Sponsor administrative and trustee fees | 123 | 111 |
| Pension information system fees | 56 | 62 |
| Audit fees | 5 | 3 |
| Miscellaneous | 14 | 25 |
| | 1,126 | 1,139 |

## 8. FINANCIAL INSTRUMENTS

### (a) Fair values

The fair value measurement of investments are as described in note 3(a). The fair values of other financial assets and liabilities, being other assets and accrued liabilities, approximate their carrying values due to the short-term nature of these financial instruments.

Fair value measurements recognized in the Statement of net assets available for benefits are categorized using a fair value hierarchy that reflects the significance of inputs used in determining 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, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data. The Employees' Plan does not have financial instruments classified as Level 3.

## 8. FINANCIAL INSTRUMENTS (cont'd)

### (a) Fair values (cont'd)

The following table illustrates the classification of the Employees' Plan's financial instruments using the fair value hierarchy as at June 30, 2016:

| | Level 1 $ | Level 2 $ | 2016 Total $ |
|---|---|---|---|
| Cash and short term investments | 3,033 | 10,456 | 13,489 |
| Canadian bonds and debentures | - | 241,506 | 241,506 |
| Canadian common and preferred shares | - | 196,772 | 196,772 |
| Non-Canadian common and preferred shares | - | 219,779 | 219,779 |
| Total investments in Fund | 3,033 | 668,513 | 671,546 |
| Employees' Plan's share of Fund assets | | | 213,351 |

| | Level 1 $ | Level 2 $ | 2015 Total $ |
|---|---|---|---|
| Cash and short term investments | 2,855 | 14,120 | 16,975 |
| Canadian bonds and debentures | - | 224,776 | 224,776 |
| Canadian common and preferred shares | - | 200,260 | 200,260 |
| Non-Canadian common and preferred shares | - | 220,501 | 220,501 |
| Total investments in Fund | 2,855 | 659,657 | 662,512 |
| Employees' Plan's share of Fund assets | | | 211,076 |

### (b) Risk management

#### (i) Market risk

Market risk is the risk that value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As all of the Employees' Plan's financial instruments are carried at fair value with fair value changes recognized in the Statement of changes in net assets available for benefits, all changes in market conditions will result in an increase (decrease) in net assets available for benefits. Market risk is managed by the Administrator through construction of a diversified portfolio of instruments traded on various markets and across various industries. The Pension Plan Fund Statement of Investment Policies and Procedures ("SIPP") determines the portfolio diversification, and sets limits on the equity holdings of the Fund. In addition, the SIPP permits the hedging of market price risk using derivative financial instruments.

## 8. FINANCIAL INSTRUMENTS (cont'd)

### (b) Risk management (cont'd)

#### (i) Market risk (cont'd)

The Fund's investments in common and preferred shares are also sensitive to market fluctuations. An immediate hypothetical increase (decrease) of 10% in equity values will impact the Fund's equity investments by an approximate gain (loss) of $ 41,655 (2015 - $42,076). The Employees' Plan's pro-rata share of this gain (loss) would be $13,234 (2015 - $13,405).

#### (ii) Liquidity risk

Liquidity risk is the risk that the Employees' Plan will encounter difficulty in meeting obligations associated with financial liabilities. The SIPP determines the portfolio diversification, and set limits on the fixed income investments of the Fund. In addition, the Fund's investments include pooled funds to mitigate liquidity risk.

#### (iii) 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 Employees' Plan. The Administrator does not expect any counterparties to fail to meet their obligations given their high credit ratings. The SIPP also establishes minimum credit rating requirements for such investments to mitigate this risk.

The Fund's fixed income investments are in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. In order to minimize the exposure of risk, a comprehensive investment policy has been developed. There were no significant concentrations of credit risk in the portfolio in either 2016 or 2015. The maximum credit risk exposure as at June 30, 2016 is $241,506 (2015 - $224,776).

The following table provides the breakdown of the total fixed income investments by credit rating. In addition to the table below, the Fund holds mortgages within a pooled fund investment with a market value at June 30, 2016 of $6,959 (2015 - $8,981). The Employees' Plan's pro-rata share in the mortgage holdings is $2,211 (2015 - $2,861).

| Credit Rating | 2016 Fund Fair Value | 2016 Plan's Pro-rata share by credit rating | 2015 Fund Fair Value | 2015 Plan's Pro-rata share by credit rating |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| AAA | 62,439 | 19,837 | 75,335 | 24,002 |
| AA | 66,352 | 21,080 | 58,631 | 18,680 |
| A | 56,768 | 18,035 | 45,696 | 14,559 |
| BBB | 38,564 | 12,252 | 30,691 | 9,778 |
| BB and under | 10,424 | 3,312 | 5,442 | 1,734 |
| | 234,547 | 74,516 | 215,795 | 68,753 |

## 8. FINANCIAL INSTRUMENTS (cont'd)

### (b) Risk management (cont'd)

#### (iv) Interest rate risk

Interest rate risk is the risk that the market value of the Employees' Plan's investments will fluctuate due to the changes in the market interest rates. To properly manage the Employees' Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored. The Employees' Plan's investments in fixed income are sensitive to interest rate movements. An immediate hypothetical 1% increase (decrease) in interest rates, with all other variables held constant, would impact Canadian bonds and debentures by an estimated gain (loss) of approximately $2,520 (2015 - $2,388) for the Fund. The Employees' Plan's pro-rata share of this gain (loss) would be $800 (2015 - $761).

#### (v) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign currency rates. The Employees' Plan is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse effect on the value of the portion of the Employees' Plan's underlying assets or liabilities invested in foreign transactions. The Administrator monitors the Employees' Plan's overall currency positions and exposures on a regular basis. In addition, the SIPP permits the hedging of market price risk using derivative financial instruments The Employees' Plan's exposure to foreign currencies would not create a significant change in the fair value of the assets except for the Employees' Plan's exposure to the US dollar. If the US dollar strengthened or weakened by 5% the Fund's US dollar holdings would change by $6,600 (2015 - $5,600).

## 9. CAPITAL MANAGEMENT

The capital of the Fund is represented by the net assets available for benefits. The Fund's objective when managing the capital is to safeguard its ability to continue as a going concern and to maintain adequate assets to support pension obligations. The Administrator has adopted the SIPP, which states investment objectives, guidelines and benchmarks used in investing the capital of the plan, permitted categories of investments, asset-mix diversification and rate of return expectations. The SIPP is reviewed annually and was last amended effective November 24, 2015. The SIPP was amended to reflect Burgundy Asset Management as the new global investment manager replacing Sprucegrove Asset Management Ltd.

The Employees' Plan invests in units of the Fund, which itself invests in various investment vehicles, in accordance with the SIPP and investment mandates specific to each investment manager. The Fund's investments expose it to a variety of financial risks which are discussed in Note 8 - Financial Instruments. The allocation of assets among various asset categories is on a monthly basis. A comprehensive review is conducted quarterly, which includes measurement of returns, comparison of returns to appropriate benchmarks, ranking of returns to appropriate universes and risk analysis.

## 10. RELATED PARTY TRANSACTIONS

The Employees' Plan defines its key management personnel as the University's Board of Governors and other members of senior administration responsible for planning, controlling and directing the activities of the Employees' Plan. The Employees' Plan has not paid for services provided by key management personnel.

The University provides certain administrative services to the Employees' Plan. The cost to the Employees' Plan for these services during the year ended June 30, 2016 was $92 (2015 - $81), which is included in Sponsor administrative and trustee fees in Note 7 – Administrative Expenses.

**University of Windsor**
**Board of Governors**

4.7.1: **2016/2017 Operating Budget Mid-Year Review**

Item for: **Information**

Forwarded by: **Resource Allocation Committee**

**Rationale:**

- The process for ongoing monitoring of the Board-approved 2016/2017 operating budget includes a review of the University's spending at the mid-year point, once the final Fall enrolment numbers are in.
- As the mid-year review does not include a proposal to revise the 2016/2017 operating budget but rather provides a projection to year end, the mid-year review is provided for information only.
- *See attached.*

**UNIVERSITY OF WINDSOR**
**2016/17 Operating Budget**
**Mid-Year Adjustment**

| | 2016/17 APPROVED BASE BUDGET | Mid-Year Adjustment | 2016/17 PROJECTION |
|---|---|---|---|
| | ($000s) | ($000s) | ($000s) |
| ***BASE OPERATING REVENUE*** | | | |
| Student Academic Fees | $ 154,672 | $ 550 | $ 155,222 |
| Government Grant - Provincial | 94,684 | 325 | 95,009 |
| Government Grant - Federal | 3,171 | - | 3,171 |
| Investment Income | 2,500 | 850 | 3,350 |
| Other Revenue | 2,607 | - | 2,607 |
| ***TOTAL OPERATING REVENUE*** | $ 257,634 | $ 1,725 | $ 259,359 |
| ***BASE OPERATING EXPENDITURES*** | | | |
| Faculty & Research Expenditures | | | |
| Direct Costs of Academic Delivery | $ 137,055 | $ - | $ 137,055 |
| Strategic Priority Fund (SPF 50) | 4,440 | - | 4,440 |
| Research Activity & Stimulus Funds | 1,000 | - | 1,000 |
| Enrolment Stimulus Fund | 1,000 | 100 | 1,100 |
| | $ 143,495 | $ 100 | $ 143,595 |
| Non-faculty Expenditures | | | |
| Academic & Student Services | $ 22,213 | $ - | $ 22,213 |
| Library | 11,949 | 600 | 12,549 |
| Scholarships | 13,302 | - | 13,302 |
| Administration | 19,779 | 425 | 20,204 |
| Information Technology | 10,851 | - | 10,851 |
| Facility Costs | 26,921 | (900) | 26,021 |
| External Debt Costs | 6,124 | - | 6,124 |
| Student Experience Fund | 500 | 100 | 600 |
| Enterprise Resource Planning Fund | 1,500 | 500 | 2,000 |
| Deferred Maintenance Fund | 1,000 | 900 | 1,900 |
| | $ 114,139 | $ 1,625 | $ 115,764 |
| ***TOTAL EXPENDITURES*** | $ 257,634 | $ 1,725 | $ 259,359 |
| ***BASE OPERATING SURPLUS/(SHORTFALL)*** | $ - | $ - | $ - |

**University of Windsor**
**Board of Governors**

4.7.3: **Proposed Revision to Capital Projects Approval Thresholds**

Item for: **Approval**

Forwarded by: **Resource Allocation Committee**

**MOTION: That the approval requirements and thresholds for capital projects be delegated as follows:**

- **Capital projects under $2.5m require the approval of the President**
- **Capital projects over $2.5m require the approval of the Board on the recommendation of the Resource Allocation Committee**
- **Capital projects between $1.5m-$2.5m are to be reported to the Resource Allocation Committee for information**

**Rationale:**

- Of 16 Ontario Universities (excluding Windsor), only 3 require Board approval for capital projects under $1m and these 3 universities have operating budgets (as of 2014) of $126m or less. The remaining 13 universities set their Board approval levels for capital projects at $1m-10m:
  - 3 of these 13 universities set their Board approval threshold at capital projects exceeding $1m.
  - 1 university has the Board Chair, President, CFO and relevant VP approve capital projects in excess of $1m.
  - 2 of these 13 universities set their Board approval threshold at capital projects exceeding $2m.
  - 1 of these 13 universities set its Board approval threshold at capital projects exceeding $2.5m.
  - 4 of these 13 universities set their Board approval threshold at capital projects exceeding $5m.
  - 2 of these 13 universities set their Board approval threshold at capital projects exceeding $10m.

- The current threshold of $750k was approved by the Board a decade ago. As with all policies, such thresholds should be reviewed, as appropriate. Note: Of 10 universities for which we have information going back to 2006, 5 have increased their approval thresholds. The remaining 5 already had, and continue to have thresholds greater than that set at UWindsor, despite 2 of them being smaller than UWindsor in terms of operating budget.

- UWindsor's low threshold requires items to be brought to the Board which are straightforward and part of normal maintenance. The proposed new approval threshold will ensure that major capital undertakings or major renovations will always be brought to the Board for approval; however, bathroom refurbishments might not.

- The proposed new threshold for approval by the President represents less than 1% of the operating budget of the University.

- The proposed new threshold continues to balance the need for accountability on the part of the Board with the need to ensure that Administration has the necessary tools to manage effectively and efficiently.

*See attached for chart outlining "Capital Projects – Dollar Approval Levels"*

**Capital Projects – Dollar Approval Levels**

*[Last updated: August 15, 2016]*

**Q: Can you tell me what your $$ approval levels are for approval of capital projects by the senior administration, the relevant board committee and the board, respectively, please?**

| Institution | 2016 | | | May 2006 |
|---|---|---|---|---|
| | Administration | Board Committee | Board | Board |
| Brock | <$1m (provided funding approved in capital budget) | >$1m | >$1m | No change >$1m |
| Carleton | $5 million | >$5 million | >$5 million | >$1.5m |
| Guelph | $2 million | >$2 million | >$2 million | No change >$2m |
| Lakehead | $500k | >$500k (recommend to the Board) | >$500K | no info |
| Laurentian | <1m President<br><.5m by VP Admin<br><100k Exec Director Facility Services | >$1m First Executive Team/ Committee then to Property Development and Planning and final approval to Board | >$1m | no info |
| McMaster | $2 million | $10 million | >$10 million | no info |
| OCAD U | <$250k | >$250k Open competition required | >$250k | No info |
| Ottawa | <$1m President | $1m-$5m | >$5m | No change >$5m |
| Queen's | $2.5 million | >$2.5 million (informed of projects greater than $1 million and less than $2.5 million, but has no approval role for these "minor" capital projects.) | >$2.5 million | >$1m |
| Toronto | $3 million | $3-$10 million | >$10 million | >$2m |
| Trent | <$500k VP, President | | >$500k, VP, President, and Board) | >$200k |
| UOIT | <$500K Chief Financial Officer, Relevant VP, Relevant Dean<br>>$500k <$1m Chief Financial Officer, Relevant VP | | >$1m Board Chair and President and Chief Financial Officer and Relevant VP | no info |
| Waterloo | <$2m | $2m - $5m | >$5m | No change >$5m |
| Western | <$500k (AVP, Finance and Facilities)<br>$500k - $1.5m (President or VP, Resources and Operations) | $1.5m-$5m | >$5m | No info |
| Windsor | $750K | >$750K | >$750K | No change >$750k |
| WLU | < $500k President or VP<br>>$500k - $1m two individuals with signing authority | | >$1m | No change >$1m |
| York | $2 million | >$2 million | >$2 million | >$500k |

***Note:*** *When the dollar figures are the same for the committee and the board, it means that the committee does not have delegated approval authority but must recommend to the board for final approval.*

**Revenue for the Fiscal Year Ended 2014 ($000s) (CUDO database)**

*[2015 data not yet available] [Last updated: October 21, 2016]*

| University | Operating |
|---|---|
| Brock University | 232,442 |
| Carleton University | 403,455 |
| Lakehead University | 126,063 |
| Laurentian University | 130,612 |
| McMaster University | 598,875 |
| Nipissing University | 68,348 |
| OCAD University | 65,094 |
| Queen's University | 469,513 |
| Ryerson University | 493,208 |
| Toronto » All Campuses | 1,873,788 |
| Trent University | 112,427 |
| University of Guelph | 396,020 |
| University of Ottawa | 753,550 |
| University of Waterloo | 628,515 |
| University of Windsor | 248,674 |
| UOIT | 158,339 |
| Western » Main Campus | 635,149 |
| Wilfrid Laurier University | 256,136 |
| York University | 754,259 |