

Board of Governors

Agenda and Supporting Documents

Tuesday, October 22, 2019

4:00 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



NOTICE OF MEETING There will be a meeting of the Board of Governors Tuesday, October 22, 2019 at 4:00 pm

BG191022A

Freed-Orman Commons, Assumption Hall

AGENDA

ITEM	DESC	RIPTIO	N	DOCUMENT# & ACTION
Declar	ation c	of conflic	ct of interest	
1	Appr	oval of	the Agenda	
2	Minu	ites of t	he meeting of May 21, 2019	Willis- Approval BG190521M
3	Busir	ness aris	ing from the minutes	
4	Outs	tanding Report	Business/New Business	
	4.1	•	Remarks from the Chair	Willis-Information
		4.1.2	President's Report The Year Ahead	Gordon-Information
	4.2	Audit (Committee Audited Financial Statements for the year-ended April 30, 2019 (p4)	Reidel- Approval BG191022-4.2.1
		4.2.2	External Auditors' Findings Report for the year-ended April 30, 2019 (p3	4) Reidel-Information BG191022-4.2.2
		4.2.3	Appointment of External Auditors for 2019-2020 (p35)	Reidel -Approval BG191022-4.2.3
	4.3	Execut	tive Committee	
		4.3.1	Report on Faculty and Staff Hiring Trends (p36)	Willis-Information BG191022-4.3.1
	4.4	Gover	nance Committee	
	4.5	Invest 4.5.1	ment Committee Updates to Statement of Investment Policies and Procedures (SIPP) For the Pension Fund Regarding Pension Legislation Changes, Revised Capital Market Assumptions and Asset Mix Allocations (p40)	Allison -Approval BG191022-4.5.1
		4.5.2	Updates to Statement of Investment Policies and Procedures (SIPP) for the Endowment Fund Regarding Revised Capital Market Assumption and Asset Mix Allocations (p63)	Allison-Approval BG191022-4.5.2

- **4.7** Resource Allocation Committee (see 4.2.1)
- 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.]

4.2.1: Audited Financial Statements for the year-ended April 30, 2019

Item for: Approval

Forwarded by: Audit Committee

MOTION: That the Board of Governors approve the audited financial statements of the University of

Windsor for the year-ended April 30, 2019.

Rationale:

• See 'Statement of Administrative Responsibility'.

See attached:

- 1) Financial Highlights BG191022-4.2.1a
- 2) Audited Financial Statements BG191022-4.2.1b

Audit Committee and Resource Allocation Committee Report:

The Audit Committee met on September 11, 2019. At that meeting, the Audited Financial Statements of the University of Windsor for the year-ended April 30, 2019 were approved by the Committee. The Financial Highlight information was also presented to the Committee for information. Both documents subsequently went forward to the Resource Allocation Committee for information (later the same day).

Both the Audit Committee and the Resource Allocation Committee noted that KPMG is prepared to issue a clean audit opinion, subject to Board approval of the audited financial statements.

ANNUAL FINANCIAL HIGHLIGHTS REPORT

FOR THE YEAR ENDED APRIL 30, 2019

2018/19 FINANCIAL HIGHLIGHTS

The University of Windsor (the University) maintains a strong financial position as evidenced by the audited financial statements as of April 30, 2019.

The University increased its gross capital asset base by \$34 Million during 2018/19. The completion of the Essex Centre of Research (CORe) increased the University's investment in buildings and represented another milestone in the campus transformation journey. The University also completed the replacement of several core systems with an enterprise resource planning (ERP) system, known as UWinsite and introduced a Student Engagement System. This also contributed to the increase in capital assets. The capital in progress balance decreased significantly with the capitalization of the above projects, amongst other smaller ones.

Capital investment continues, as evidenced through the Capital in Progress balance of \$14.3 Million at year end. The University began work on the new Lancer Sport and Recreation Centre, including the Greenhouse Gas Reduction Project.

The Statement of Operations reflects the University's efforts again this year to maintain a balanced budget while investing strategically.

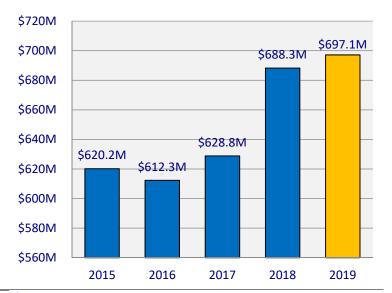
The University experienced an increase in student fees due mainly to an increase in full-time enrolment, particularly in the international enrolment for course-based masters programs, and tuition fee increases. The Ministry of Training, Colleges and Universities (MTCU) operating grant was relatively unchanged from the prior year, however, an increase in research revenue from prior year had a positive impact on the consolidated revenue of the University.

The salaries and benefits expense represent the largest expenditure component at the University, making up 65.8% of the total expenses. The increase in salaries and benefits of \$15.5 Million reflects salary increases for faculty and staff and investments in 17 new faculty positions, which completes the new faculty hires from the SPF 50 fund. This also includes an increase of \$2 Million to the University's special pagent applied to the deficit in the Faculty Pension plan.

The following 2018/19 financial indicators present an overview of the financial position of the University.

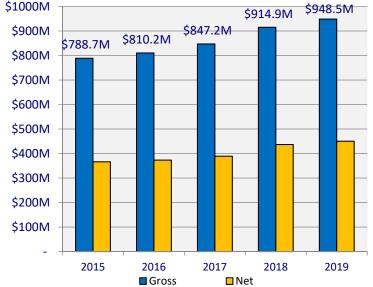
TOTAL ASSETS (in millions)

- Total assets are \$697.1M, an increase of \$8.9M from the prior year.
- The University's net capital assets grew by \$13.4M to \$450.0M due to the completion of the Essex Centre of Research (CORe) and the UWinsite system project.
- Included in net capital assets are Capital projects in progress of \$14.3M.
- The investment balance ended the fiscal year at \$178.4M. Despite the volatility experienced in the bond markets, the overall performance of both the working capital and endowment funds were positive.



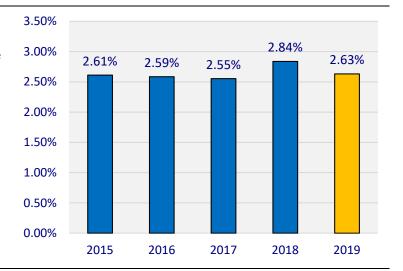
GROSS CAPITAL ASSETS (in millions)

- **Gross capital assets** reached **\$948.5M** this year, an increase of \$33.6M.
- Bolstering this growth was the completion of the Essex Centre of Research (CORe) and the UWinsite project as well as other asset purchases and significant renovation projects totalling \$65M.
- Included in capital projects in progress is the Greenhouse Gas Reduction Project (GGRP) and LSRC.
- The former Music building was demolished, and the site was subsequently transformed into a parkette named the Charles and Anna Clark Corner.



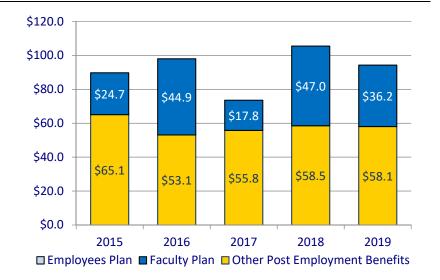
DEBT AND INTEREST BURDEN RATIO

- **Debt** at the University decreased by \$3.5M (2%) over the prior year for a total liability of \$184.7.
- The decrease is explained by a \$2.2M in schedule principal payments and a \$1.3M increase to the sinking fund investment.
- Interest expense this year totalled \$9.5M. The interest burden ratio was 2.63%, a level still consistent with peer institutions.
- The long-term debt per FTE in 2018/19 is \$8,207, still below comparable institutions.



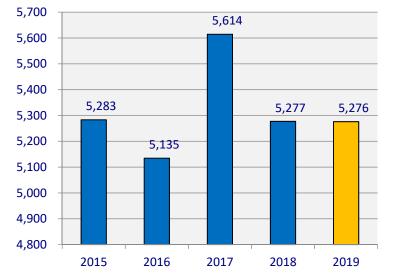
EMPLOYEE FUTURE BENEFITS (in millions)

- The University conducts actuarial valuations of the pension plans triennially. Actuarial valuations for funding purposes were prepared for both the Faculty and the Employee pension plans during fiscal 2017/18.
- On a going concern basis, the Faculty Plan is in a deficit position and the Employee Plan is in a surplus position. The Faculty plan deficit position improved in 2018/19, with the accounting liability decreasing to \$36M.
- Included in salaries and benefits expense are costs of \$23.7M related to the Pensions and Other post-employment benefits.



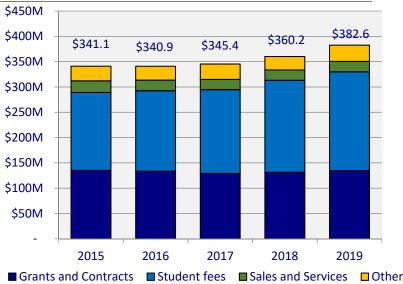
ENDOWMENTS PER FTE

- The University's **Endowment Fund** increased 5% to **\$118.7M** in 2018/19.
- The fund returned 7.01% on a one-year basis.
- Total external contributions to the Endowment were \$2.9M, an increase of 66% over the prior year. These contributions are entirely from private donors.
- The Endowments per FTE in 2018/19 is \$5,276. The University continues to be below their peer institutions. Work continues to increase fundraising for the Endowment Fund.



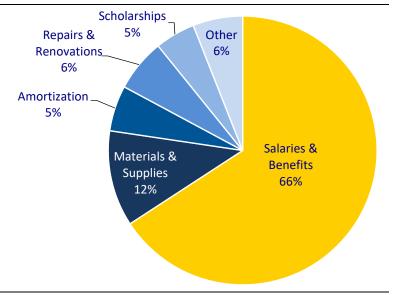
CONSOLIDATED REVENUE (in millions)

- Consolidated revenue increased by 6% over the prior year to \$382.6M.
- Student fees of \$194.8M represent 51% of the consolidated revenues of the University.
- Grants and contracts of \$135.0M represent 35% of consolidated revenues. In addition to the Provincial operating grants, research grants and contracts of \$25.9M are included in this amount.
- Sales and services revenue of \$20.6M represents ancillary operations including food services, parking, bookstore, and residence services.



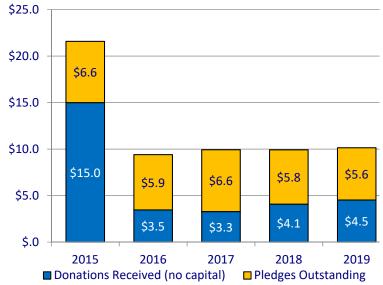
CONSOLIDATED EXPENDITURES

- Consolidated expenditures totalled \$383.4M this year. When removing the impact of the swaps, the expenses grew by \$26.8M or 8% over the previous year.
- Salaries and benefits continue to be the most significant expense of the University. This expense grew by 6.6% in 2018/19. The increase is attributable to increase in faculty and staff wages, increase in the special payment for the faculty pension plan and investments in new faculty positions.
- The **interest rate swaps** were in a loss position of \$2.7M this year. This is a non-cash expense.



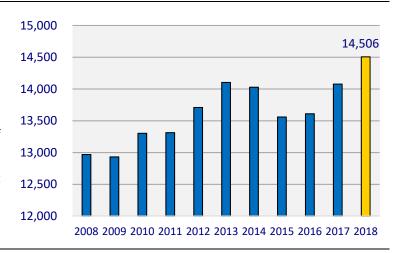
FUNDRAISING – NON-CAPITAL (in millions)

- The University raised **\$10.1M** in 2018/19 for endowments, scholarships and other purposes. The largest increase in fundraising noted in 2018/19 were the contributions to the Endowments, increasing by 66%.
- Of the amount raised, \$5.6M remains outstanding in pledges. The University does not recognize pledges in its financial statements until the donation is received by the University.
- Of the monies received this year, \$2.9M were for Endowment Funds, \$1.6M were for nonendowed scholarships and operations. The balance \$0.03M are gifts in kind.



FULL-TIME UNDERGRADUATE AND GRADUATE ENROLMENT

- Total Full-time undergraduate and graduate enrolment for Fall 2018 was 14,506, an increase from Fall 2017 of 428 students.
- International students represented 7% of fulltime undergraduate enrolment and 66% of full-time graduate enrolment in Fall 2018.
- International students hail from 85 different countries, with no individual country representing more than 12% of the total student population.



Financial Statements of

UNIVERSITY OF WINDSOR

Year ended April 30, 2019

Statement of Administrative Responsibility

The Administration of the University is responsible for the preparation of the financial statements, the notes and all other financial information contained in this annual report.

The Administration has prepared the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and judgments were employed. The Administration believes that the financial statements present fairly the University's financial position as at April 30, 2019 and the results of its operations for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the Administration has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors is responsible for ensuring that the Administration fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Governors carries out its responsibility for review of the financial statements principally through the Audit Committee. The members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with the Administration, as well as the external auditors, to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Audit Committee with and without the presence of the Administration.

The financial statements for the year ended April 30, 2019 have been reported on by KPMG LLP, Chartered Professional Accountants, the external auditors appointed by the Board of Governors. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Dr. Robert GordonPresident

Ms. Anna Maria Kirby
Acting Vice President, Planning and Administration

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of Windsor

Opinion

We have audited the financial statements of the University of Windsor (the "University"), which comprise:

- the statement of financial position as at April 30, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the University as at April 30, 2019, and its results of operations and changes in fund balances and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
 - The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada Approval date

Statement of Financial Position

(in thousands of dollars)

As at April 30, 2019, with comparative financial information for 2018

		2019	2018
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		42,658	44,909
Short-term investments	note 2	97	10,681
Accounts receivable		15,745	16,987
Inventories and prepaid expenses		10,302	9,319
Total current assets		68,802	81,896
Investments	note 2	178,289	169,701
Capital assets, net	note 3	450,040	436,656
		697,131	688,253
LIABILITIES and DEFERRED CONTRIBUTIONS			
Current			
Accounts payable and accrued liabilities	note 11	49,013	55,825
Deferred revenue		8,233	11,742
Deferred contributions	note 4	43,423	36,245
Current portion of long-term debt	note 7	2,261	2,178
Total current liabilities		102,930	105,990
Deferred capital contributions	note 5	181,361	169,111
Employee future benefits	note 6	94,257	105,519
Long-term debt	note 7	182,445	186,030
		560,993	566,650
NET ASSETS			
Unrestricted			
Funded operations		- (07.727)	- (406.257)
Unfunded operations		(97,737)	(106,257)
Total unrestricted		(97,737)	(106,257)
Internally restricted	note 8	115,141	115,193
Endowment	note 9	118,734	112,667
		136,138	121,603
Commitments and contingent liabilities	note 14		
		697,131	688,253

See accompanying notes

Statement of Operations

(in thousands of dollars)

Year ended April 30, 2019, with comparative financial information for 2018

		2019 \$	2018 \$
REVENUE			
Grants and contracts		134,954	131,338
Student fees		194,840	181,911
Sales and services		20,661	20,423
Investment income		12,341	8,305
Donations, non-endowment		1,707	1,582
Amortization of deferred capital contributions	note 5	8,084	7,749
Other revenue		9,972	8,912
		382,560	360,220
EXPENSES			
Salaries and benefits		252,327	236,779
Materials, supplies and services		44,262	39,159
Repairs and renovations		24,297	17,723
Cost of goods sold		4,990	4,982
Utilities		5,667	7,623
Interest on long-term debt		9,535	9,315
Scholarships and bursaries		18,539	18,027
Amortization of capital assets	note 3	21,053	20,254
Change in fair value of interest rate swaps	note 7	2,743	(5,399)
		383,414	348,463
Excess (deficiency) of revenue over expenses		(854)	11,757

See accompanying notes

Statement of Changes in Net Assets

(in thousands of dollars)

Year ended April 30, 2019, with comparative financial information for 2018

					2019	2018
	Unrest	ricted				
	Funded Operations	Unfunded Operations	Internally Restricted (note 8)	Endowment (note 9)		
	\$	\$	\$	\$	Total \$	Total \$
Net assets, beginning of year	-	(106,257)	115,193	112,667	121,603	142,288
Excess (deficiency) of revenues over expenses	1,145	(1,999)	-	-	(854)	11,757
Change in unexpended operating and restricted funds	25,961	-	(25,961)	-	-	-
Net contribution to investment in capital assets	(25,909)	-	25,909	-	-	-
Investment income allocated	-	-	-	7,564	7,564	4,349
Allocation for spending from accumulated investment returns	-	-	-	(5,619)	(5,619)	(5,320)
Employee future benefit remeasurement costs (note 6)	-	10,519	-	-	10,519	(33,473)
Contributed assets	-	-	-	-	-	239
Transfers and internal endowment contributions	(1,197)	-	-	1,197	-	-
External contributions	-	-	-	2,925	2,925	1,763
Net assets, end of year	-	(97,737)	115,141	118,734	136,138	121,603

See accompanying notes

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Statement of Cash Flows

(in thousands of dollars)

Year ended April 30, 2019, with comparative financial information for 2018

		2019	2018	
		\$	\$	
OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenses		(854)	11,757	
Add (deduct) non-cash items:		, ,		
Deferred contributions, net		7,178	3,039	
Amortization of deferred capital contributions		(8,084)	(7,749)	
Amortization of capital assets, net of loss on disposal		21,000	20,185	
Employee future benefits		(743)	(1,510)	
Interest rate swaps		2,743	(5,399)	
Amortization of debt transaction costs		54	50	
Net change in non-cash working capital	note 13	(12,805)	12,813	
Cash provided by operating activities		8,489	33,186	
FINANCING ACTIVITIES				
Repayments of long-term debt		(2,179)	(2,098)	
Proceeds from issuance of debt		-	40,000	
Deferral of bond costs		-	(519)	
Contributions deferred for capital purposes		20,334	8,768	
Trusteed sinking fund		(1,377)	(1,308)	
Investment income allocated to endowments		7,564	4,349	
Endowment investment income for spending		(5,619)	(5,320)	
External endowment contributions		2,925	1,763	
Cash provided by (used in) financing activities		21,648	45,635	
INVESTING ACTIVITIES				
Net change in investments		1,996	(782)	
Net purchase of capital assets		(34,384)	(67,588)	
Cash used in investing activities		(32,388)	(68,370)	
Net increase (decrease) in cash and cash equivalents		(2,251)	10,451	
Cash and cash equivalents, beginning of year		44,909	34,458	
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Cash and cash equivalents, end of year		42,658	44,909	

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See accompanying notes

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AUTHORITY

The University of Windsor (the "University") is a mid-sized comprehensive research and teaching university. The University operates under the authority of the University of Windsor Act, 1962-63 which defines the authority and responsibilities of the Board of Governors and the Senate. The University is a registered charity and therefore is, under Section 149(1)(f) of the Income Tax Act (Canada), exempt from payment of income tax.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared in accordance with Part III of the Chartered Professional Accountants (CPA) of Canada Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada.

The significant accounting policies of the University are summarized below:

(a) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and investments with a maturity of approximately three months or less at the date of purchase, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

(b) Financial Instruments

Financial instruments are recorded at fair value upon initial recognition. Investments in pooled funds and derivative instruments are subsequently measured at fair value. All other financial instruments are measured initially at fair value, and subsequently at amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair market value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and are amortized using the straight-line method.

(c) Investments and investment income

Investments reported at fair value consist of cash, money market funds, term notes, treasury bills, real assets (including infrastructure investments) and equity instruments as well as pooled fund investments, derivative contracts and any investments in fixed income securities that the University designates upon purchase to be measured at fair value. Fair value amounts represent estimates of the consideration that would be agreed upon by knowledgeable, willing parties who are under no compulsion to act. It is best evidenced by a quoted market price, if one exists. The calculation of estimated fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values.

Investments that are not designated to be measured at fair value are subsequently recorded at amortized cost.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

Investment income and losses, which consist of interest, dividends, income distributed from pooled funds, realized and unrealized capital gains and losses and realized and unrealized currency gains and losses, net of applicable transaction costs are recorded as investment income in the Statement of Operations except for the investment income designated for endowments.

The amount made available for spending against externally restricted endowments is recorded as investment income and any restricted amounts available for spending that remain unspent at year-end are deferred and categorized as deferred contributions. Investment income on externally restricted endowments in excess of the amount made available for spending, losses on externally restricted endowments, and deficiency of investment income compared to the amount available for spending are recorded as direct increases (decreases) to endowments.

(d) Derivative financial instruments

In order to manage its interest rate risk, the University has entered into interest rate swap agreements to convert variable rate interest on bankers' acceptances term loans to a fixed rate. The University does not designate interest rate swap agreements as hedges for accounting purposes. Accordingly, the interest rate swap contracts are marked to market based on the fair value provided by the financial institution, which is counterparty to these contracts, with changes in fair value recorded in the Statement of Operations.

(e) Inventories

Inventories are valued at lower of cost and net realizable value.

(f) Capital assets

Capital assets are recorded at cost. Contributed assets including land are recorded at fair market value at the date of contribution are reported in the Statement of Changes in Net Assets.

Amortization of capital assets includes any loss recognized on disposal or impairment in value of capital assets. When a capital asset no longer contributes to the University's ability to provide services, the carrying value is written down to its residual value. Amortization is provided on a straight line basis using the following rates:

Land improvements 20 Years **Buildings** 40 Years 15 Years Parking lots 5 to 20 Years Equipment Library and books 5 Years Computing systems 15 Years Leasehold improvements Term of lease Collections (Works of Art and Rare books) not amortized Capital in progress not amortized

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

(g) Revenue recognition

The University follows the deferral method of accounting for contributions which include donations and government grants.

Unrestricted contributions are recognized as revenue when received or receivable. The operating grant from the Province of Ontario is considered unrestricted and is recorded in the period to which the operating funds relate.

Externally restricted contributions, other than endowments, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred, and when expended, are amortized into revenue, at a rate corresponding with the amortization rate for the related capital assets. External endowment contributions and income preserved as capital protection on externally restricted endowments are recognized as direct increase in net assets in the year in which they are received. Income preserved as capital protection on internally restricted endowments is recorded as unrestricted revenue and transferred to internal endowments.

Donations of assets are recorded at fair value when a fair value can be reasonably estimated. Pledges receivable are not recorded as an asset in the accompanying financial statements. Endowment contributions are recognized as direct increases in net assets.

Tuition fees which relate to academic terms or parts thereof occurring after April 30 are recorded as deferred revenue.

Revenue from student fees and from the sale of services and products is recognized at the time the products are delivered or the services provided. All ancillary revenues from student fees and sale of goods and services are included in sales and services on the Statement of Operations.

Externally restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

(h) Employee future benefits

The University of Windsor Employees' Retirement Plan (Employee Plan) is a defined benefit plan, fully cost shared with its members. The University of Windsor Retirement Plan for Faculty and Certain Other Employees (Faculty Plan) is a money purchase plan with a defined benefit component that provides a minimum level of pension benefits. Under this hybrid Faculty Plan, the University and employees are required to make contributions based on a specified percentage of the employee's pensionable earnings. The amount of pension benefits provided to employees is based upon the accumulation of contributions and investment earnings thereon, when the employee retires, subject to a guaranteed minimum benefit amount.

The University has approved supplemental plans for certain retirees to provide them with benefits that are in excess of limitations within a Registered Plan.

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

Additionally, certain faculty are members of the Teachers' Superannuation Fund and employees who are members of CUPE 1001 are members of the CUPE 1001 Pension Plan. Both of these plans are multi-employer plans and as such, the University records the cost of providing these benefits equal to its requirement to make contributions on an annual basis.

The University provides other post-employment employee benefits such as medical, dental and life insurance to eligible employees and retirees.

The University accounts for the Employee and Faculty pension plans using the immediate recognition approach. The University recognizes the amount of the accrued benefit obligation net of the fair value of plan assets, adjusted for any valuation allowance, in the Statement of Financial Position. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, adjustments to the valuation allowance including the impact on finance costs, and past service costs, are recognized as a direct increase or decrease in net assets.

The accrued benefit obligations for the plans are determined based on the latest actuarial valuation reports prepared for funding purposes. The accrued obligation for the unfunded plan is prepared on a basis consistent with funded plans. The actuarial valuations are performed at least every three years. In the years between valuations, the University uses a roll-forward technique to estimate the defined benefit obligation. Assets of the pension plans are valued using fair values at April 30.

(i) Unrestricted unfunded operations

The changes in unfunded employee future benefits and the fair value of interest rate swaps are included in unrestricted unfunded operations.

(j) Internally restricted net assets

University policy permits Faculties and other departments to carry forward certain unexpended budget allocations for future purposes. These amounts are provided for by transfers to internally restricted net assets. Also included are amounts restricted for the purpose of investment in capital assets and unexpended departmental internally restricted funds.

(k) Contributed services

Volunteers contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

(I) Use of estimates

The preparation of financial statements requires Administration to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowance for accounts receivable, valuation of investments and assets and obligations related to pension and employee future benefits. Actual results could differ from those estimates.

(m) Agency obligations

The University acts as an agent which holds resources and makes disbursements on behalf of various unrelated individuals and groups. The University has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities, and subsequent distributions are reported as decreases to these liabilities.

NOTE 2 INVESTMENTS

	2019	2018
	\$	\$
Cash, money market funds, term notes and treasury bills	2,306	11,011
Government and corporate bonds	90,191	85,956
Real assets	1,864	-
Canadian equities	45,796	45,523
Global equities	38,229	37,892
	178,386	180,382
Less amounts reported as:		
Short-term investments	97	10,681
	178,289	169,701

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NOTE 3
CAPITAL ASSETS

			2019	2018
	Cost	Accumulated	Net Book	Net Book
		Amortization	Value	Value
	\$	\$	\$	\$
Land	15,324	-	15,324	14,862
Land improvements	8,293	1,286	7,007	7,402
Buildings	551,764	188,683	363,081	342,546
Parking lots	2,994	2,767	227	271
Equipment	194,614	179,263	15,351	17,237
Library and books	132,753	125,448	7,305	7,447
Computing systems	25,487	545	24,942	-
Leasehold improvements	1,075	473	602	765
Collections	1,854	-	1,854	1,793
Capital in progress	14,347	-	14,347	44,333
	948,505	498,465	450,040	436,656

In the year, amortization of capital assets totaled \$21,053 (2018 - \$20,254) including write downs and loss on disposals of \$53 (2018 - \$69).

NOTE 4 DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants, donations, contributions and investment income. Changes in deferred contributions are as follows:

	2019	2018
	\$	\$
Balance, beginning of year	36,245	33,206
Grants, contributions, donations and investment income	44,952	39,200
Recognized to revenue	(37,774)	(36,161)
Balance, end of year	43,423	36,245

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NOTE 5 DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unspent and unamortized amount of donations and grants received for the purchase of capital assets. Changes in deferred capital contributions are as follows:

	2019	2018
	\$	\$
Balance, beginning of year	169,111	168,092
Additions for capital purchases	20,334	8,768
Amortization of deferred capital contributions	(8,084)	(7,749)
Balance, end of year	181,361	169,111

NOTE 6 EMPLOYEE FUTURE BENEFITS

Defined benefit plans

The University measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at April 30 of each year. The latest actuarial valuations for funding purposes were completed as of July 1, 2017 for the Faculty Plan and as of January 1, 2018 for the Employee Plan. The next valuations are required to be completed as of July 1, 2020 and January 1, 2021, respectively. Valuation results report a going concern deficit for the Faculty Plan and a going concern surplus for the Employee Plan.

The assets of the funded plans are managed by external investment managers, are held by an independent custodian, and are completely separate and apart from the assets of the University.

The University also provides for other non-pension post-employment employee benefits. The University measures its accrued non-pension employee future benefits for funding purposes as of April 30. The latest actuarial valuation for funding purposes was completed as of April 30, 2019.

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NOTE 6
EMPLOYEE FUTURE BENEFITS (cont'd)

Information about the University's benefit plans as at April 30 is as follows:

(a) Reconciliation of the funded status of the defined benefit plans to the accrued benefit liability:

	2019			
	Pension		Other	Totals
	Faculty	Employee		
	\$	\$	\$	\$
Accrued benefit obligation	601,187	225,120	58,063	884,370
Fair value of plan assets	564,993	259,562	-	824,555
Valuation allowance	-	(34,442)	-	(34,442)
Plan deficit	(36,194)	-	(58,063)	(94,257)

	2018				
	Pensio	on	Other	Totals	
	Faculty	Employee			
	\$	\$	\$	\$	
Accrued benefit obligation	578,715	202,733	58,538	839,986	
Fair value of plan assets	531,734	245,708	-	777,442	
Valuation allowance	-	(42,975)	-	(42,975)	
Plan deficit	(46,981)	-	(58,538)	(105,519)	

In addition to the Plan assets, the University has invested \$924 (2018 - \$1,039) at April 30, 2019 related to its supplemental retirement arrangement obligations. The liability associated with this obligation is included in the accrued benefit obligation for the Employee Plan.

(b) Details of annual contributions and benefits paid are as follows:

		2019		
		Pension		
	Faculty	Employee	Multi-employer	
	\$	\$	\$	\$
Employer contributions	17,997	4,158	550	2,084
Employee contributions	7,992	4,165	537	-
Benefits paid	32,997	13,062	n/a	2,084

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NOTE 6
EMPLOYEE FUTURE BENEFITS (cont'd)

		201	8	
		Pension		Other
	Faculty	Employee	Multi-employer	
	\$	\$	\$	\$
Employer contributions	15,269	3,694	564	2,183
Employee contributions	7,730	3,694	563	-
Benefits paid	24,981	9,330	n/a	2,183

(c) Information on the Remeasurements and other items included in the Statement of Changes in Net Assets is as follows:

_	2019		
	Pension	Other	Total
	\$	\$	\$
Difference between actual and expected return on plan assets	(16,993)	-	(16,993)
Actuarial (gains) losses	20,257	(3,750)	16,507
Decrease in valuation allowance and impact on finance cost	(10,033)	-	(10,033)
Remeasurements and other items	(6,769)	(3,750)	(10,519)

	2018		
	Pension	Other	Total
	\$	\$	\$
Difference between actual and expected return on plan assets	11,801	-	11,801
Actuarial (gains) losses	18,527	(282)	18,245
Decrease in valuation allowance and impact on finance cost	3,427	-	3,427
Remeasurements and other items	33,755	(282)	33,473

Included in the salaries and benefits expense on the Statement of Operations, are the current service costs and finance costs of \$23,687 (2018 - \$19,829).

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NOTE 6
EMPLOYEE FUTURE BENEFITS (cont'd)

(d) The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation and benefit costs for accounting purposes are as follows:

	2019			
	Pension		Other	
_	Faculty	Employee		
Accrued Benefit Obligation:				
Discount rate	5.25%	5.6%	5.60%	
Rate of compensation increase	4.0%	3.0%	n/a	
Initial weighted average health care trend rate	n/a	n/a	6.13%	
Ultimate weighted average health care trend rate	n/a	n/a	4.00%	
Year ultimate rate reached	n/a	n/a	2030	
Benefit Cost:				
Discount rate	5.25%	5.6%	5.62%	
Rate of compensation increase	4.00%	3.00%	n/a	

		2018	
	Pension		Other
_	Faculty	Employee	•
Accrued Benefit Obligation:			
Discount rate	5.25%	5.6%	5.25% - 5.6%
Rate of compensation increase	4.0%	3.0%	n/a
Initial weighted average health care trend rate	n/a	n/a	6.5%
Ultimate weighted average health care trend rate	n/a	n/a	4.5%
Year ultimate rate reached	n/a	n/a	2030
Benefit Cost:			
Discount rate	5.9%	5.6%	5.6% - 5.9%
Rate of compensation increase	4.0%	4.0%	n/a

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NOTE 7 LONG-TERM DEBT

Details of the long-term debt are as follows:

			2019	2018
	Maturity	Interest	Principal	Principal
		Rate	Outstanding	Outstanding
			\$	\$
Series A Senior Unsecured				
Debentures	June 2046	5.37%	108,300	108,300
Less: Trusteed Sinking Fund			(28,088)	(26,711)
Transaction costs			(1,075)	(1,116)
			79,137	80,473
Series B Senior Unsecured				
Debentures	July 2057	3.75%	40,000	40,000
Less: Transaction costs			(496)	(509)
			39,504	39,491
TD Bank, Tranche 1	January 2043	3.03%	24,660	25,359
TD Bank, Tranche 2	June 2044	3.13%	38,845	39,845
Bank of Montreal	October 2023	6.425%	2,560	3,040
			184,706	188,208
Current portion of long-term debt			(2,261)	(2,178)
			182,445	186,030

The University issued a Series B Senior Unsecured Debenture in 2018, due July 16, 2057, with interest of 3.75% per annum. A sinking fund, by way of an internally restricted Endowment has been established.

The University has hedged until maturity the TD Bank credit facilities (Tranche 1 and 2) with interest rate swaps to lock in effective rates of 3.03% and 3.13%, respectively. The University has hedged the Bank of Montreal loan with an interest rate swap to lock in an effective rate of 6.425% until maturity. All of the credit facilities are unsecured.

The fair value of the interest rate swaps of \$3,481 (2018 - \$738) is recorded on the Statement of Financial Position (Net Assets, Unfunded Operations). The change in fair value of the interest rate swaps of \$2,743 (loss) (2018 - \$5,399 (gain)) is recorded in the Statement of Operations.

The principal repayments of the long-term debt required in the next five fiscal years are:

Fiscal Year	<u>Principal</u>
2020	2,261
2021	2,348
2022	2,439
2023	2,558
2024	2,302

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NOTE 8
INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2019	2018
	\$	\$
Invested in capital assets	93,755	67,846
Unexpended operating funds		
Purchase orders and special projects	19,730	20,973
Internally financed capital or repair projects	(36,324)	(15,043)
Budget carryforward for operations	21,755	24,612
Financial planning	3,417	3,417
	8,579	33,959
Unexpended restricted funds		
Unspent departmental research funds	9,439	9,978
Unspent departmental trust funds	3,368	3,410
	12,807	13,388
Total unexpended operating and restricted funds	21,386	47,347
		_
Total internally restricted net assets	115,141	115,193

NOTE 9 ENDOWMENT

Contributions restricted for endowment consist of restricted donations received by the University and contributions internally endowed by the Board of Governors. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors.

Investment income on endowments that is available for spending at the discretion of the University or is available for spending as conditions have been met, has been recorded in the Statement of Operations.

Under University policy, only a portion of the income is spent, and the balance is reinvested with the objective of protecting the real value of the endowment against inflation and fluctuations in market returns. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending, or if the investment return is negative, the amount that is made available for spending is funded from accumulated reinvested income.

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NOTE 9 ENDOWMENT (cont'd)

			2019	2018
	Externally	Internally	Total	Total
	Endowed	Endowed	Endowed	Endowed
	\$	\$	\$	\$
Endowment, beginning of year	98,472	14,195	112,667	110,766
Internal contributions	76	1,780	1,856	1,109
External contributions	2,920	5	2,925	1,763
Transfers to deferred contributions	(659)	-	(659)	-
Investment income (loss) allocated	7,564	-	7,564	4,349
Allocation for spending from accumulated	(5,619)	-	(5,619)	(5,320)
investment returns				
Endowment, end of year	102,754	15,980	118,734	112,667

NOTE 10 ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF) AND ONTARIO TRUST FOR STUDENT SUPPORT (OTSS)

Externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support matching programs to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under Phase I of the OSOTF program:

	2019	2018
Endowment Funds:	\$	\$
Balance, beginning of year	8,943	9,059
Investment income (loss)	132	-
Preservation (loss) of capital	2	(116)
Balance, end of year	9,077	8,943
Expendable Funds:		
Balance, beginning of year	733	614
Investment income	470	474
Bursaries awarded (2019 - 185; 2018 - 178)	(352)	(355)
Balance, end of year	851	733

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NOTE 10
ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF) AND ONTARIO TRUST FOR STUDENT SUPPORT (OTSS) (cont'd)

The University has recorded the following amounts under Phase II of the OSOTF program:

	2019	2018
Endowment Funds:	\$	\$
Balance, beginning of year	3,061	3,042
Preservation of capital	60	19
Balance, end of year	3,121	3,061
Expendable Funds:		
Balance, beginning of year	185	153
Realized investment income, net of direct investment-	149	150
related expenses and preservation of capital		
contributions		
Bursaries awarded (2019 – 69; 2018- 77)	(115)	(118)
Balance, end of year	219	185

The market value of the endowment as at April 30, 2019 is \$3,744 (2018 - \$3,634).

The University has recorded the following amounts under the OTSS program:

	2019	2018
Endowment Funds:	\$	\$
Balance, beginning of year	27,979	26,917
Donations	521	377
Preservation capital	466	685
Balance, end of year	28,966	27,979
Expendable Funds: Balance, beginning of year Realized investment income, net of direct investment- related expenses and preservation of capital contributions	2,251 1,345	1,846 1,328
Bursaries awarded (2019 - 595; 2018- 579)	(957)	(923)
Balance, end of year	2,639	2,251

The market value of the endowment as at April 30, 2019 is \$34,751 (2018 - \$33,057).

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NOTE 11

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities, are government remittances payable of \$ 3,503 (2018 - \$3,668) which includes amounts payable for HST and payroll related taxes.

NOTE 12

FINANCIAL INSTRUMENTS

The University's financial instruments have been recognized and measured as disclosed in note 1. The University manages certain risks associated with its financial instruments as follows:

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The University is subject to interest rate cash flow risk with respect to its floating rate debts. The University has addressed this risk by entering into interest rate swaps that fix the interest rates for the terms of the loans. All other debts of the University have fixed rates and are therefore not exposed to cash flow interest rate risk.

The University's short-term and portfolio investments are subject to interest rate fluctuations as maturing investments are reinvested at new rates of interest. The market value of investments in Government and Corporate bonds will fluctuate due to changes in market interest rates.

(b) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The University receives some research revenues in non-Canadian currencies and does not mitigate the potential for loss in revenues that could result due to a fall in value of the foreign currency between invoicing of such amounts and the time of receipt of funds. A portion of the University's investments for Endowment is invested outside of Canada. A reduction in the value of that foreign currency would have an adverse effect on the value of these investments. This risk is monitored through its investment managers.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. Accounts receivable are recorded net of an allowance for doubtful accounts of \$5,226 (2018 - \$4,819). The University does not expect other counterparties to fail to meet their obligations given their high credit ratings. The University has established policies and minimum credit rating requirements for such investments.

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NOTE 13 STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2019	2018
	\$	\$
Accounts receivable	1,242	1,258
Inventories and prepaid expenses	(983)	(1,795)
Accounts payable and accrued liabilities, net of impact of swaps	(9,555)	10,266
Deferred revenue	(3,509)	3,084
Net change in non-cash working capital balances	(12,805)	12,813

NOTE 14 COMMITMENTS AND CONTINGENT LIABILITIES

At April 30, 2019, commitments for future construction and renovations amounted to approximately \$5,936 (2018 - \$26,055). These projects will be financed by grants, internal funds, external borrowings and fundraising. Commitments for operations are reported in Note 8.

The University is a member of the Canadian University Reciprocal Insurance Exchange (CURIE). CURIE insures general liability, property and certain other risks. Annual premiums paid by the University will be determined by an Advisory Committee on the advice of the Actuary. There is provision under the agreement for assessments to the University if these premiums are not sufficient to cover any losses of CURIE.

The University has been named as a defendant or co-defendant in several actions for damages. The outcome and the amount of the losses, if any, are not determinable at this time and accordingly, no provision for losses has been made in the financial statements. The amount will be accounted for in the period when and if such losses are determined.

NOTE 15 RELATED PARTY TRANSACTIONS

The University is a 25% shareholder of LSRC Corp. ("Corporation"). LSRC Corp. is a special purpose project holding company for the purposes of constructing, financing, and maintaining the University of Windsor's new Lancer Sport & Recreation Centre ("LSRC"). LSRC Corp. was incorporated on April 25, 2019 and is a taxable corporation established under the Ontario Business Corporations Act. The year end for LSRC Corp. is June 30. Its issued and outstanding common shares are held equally by four shareholder groups. No one party has a controlling interest in the Corporation. The Common Shares are voting shares which allow each of the Shareholders to elect an equal number of the Board of Directors of the Corporation.

As at April 30, 2019, there has been no significant activity in the Corporation.

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4.2.2: External Auditor's Findings Report for the year-ended April 30, 2019

Item for: Information

Forwarded by: Audit Committee

The Audit Committee reviewed the External Auditor's Audit Findings Report for the year-ended April 30, 2019 and was satisfied with the report. KPMG, the University's external auditors, is prepared to issue unqualified audit reports. KPMG noted that minor audit differences for the year-ending April 30, 2019 are not material to the financial statements. The University is well within materiality parameters and has been appropriately reporting on all matters.

Additional Audit Committee Report:

The Audit Committee met on September 11, 2019. In addition to the items on the October 22, 2019 Board agenda, the Committee also received an update on completed and ongoing internal audits, noting that there were no significant concerns. However, there was a potential risk concern that was raised by both external and internal auditors. While the auditors commended the interim management team in Finance for their hard work to keep up with the system changes while closing out the fiscal year end, both KPMG and PWC stressed concern over staffing challenges and resources for both Finance and the UWinsite system, and recommended a review of human resources plans in these areas as relates to structure, succession planning and cross-competencies, and additional positions. In particular, the auditors noted that UWinsite Student is the most immediate concern and recommended additional staffing resources. In response, Administration reported that three new positions, who will be experts in the new UWinsite Student system, have been approved. Administration also agreed that succession planning and a review of structure need to be put in place. Progress updates will be provided to the Audit Committee.

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4.2.3: Appointment of External Auditors for 2019-2020

Item for: Approval

Forwarded by: Audit Committee

MOTION: That KPMG LLP be appointed as the University of Windsor's external auditors for 2019-2020.

Rationale:

- KPMG LLP has developed specialized expertise in the university sector at the University of Windsor and across the province.
- Under the Broader Public Sector Act, auditing services are considered contracted services, not consulting services, and therefore a request for proposal (RFP) is not required for the appointment of the external auditors.

Audit Committee Report

At its meeting, the Audit Committee reviewed the reappointment of the KPMG LLP as the external auditors. Given their specialized expertise and with the University going through a lot of systems and staffing changes, consistency with external auditors is recommended.

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4.3.1: Report on Faculty and Staff Hiring Trends

Item for: Information

Forwarded by: Executive Committee

Executive Committee Report:

The Executive Committee met on October 9, 2019. In accordance with the Board bylaw, the Committee approved, on behalf of the Board, the President's Annual Report on Faculty and Staff Appointments. Accompanying this was a report on faculty and staff hiring trends, which included diversity data based on faculty and staff who self-identified under the four designated group as listed in the federal contractors' program. At the request of the Executive Committee, diversity data from other Ontario universities, as well as data taken from the Canadian Labour Market Availability Pool, has also been added to the report to provide some comparison. The report on Faculty and Staff Hiring Trends is attached.

Report of the Provost on Faculty Hiring Trends

		2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
1	# of Faculty Hired	34	18	11	11	14	13	11	16	11	24	34	39
2	# of Faculty Retiring	12	8	6	13	12	14	13	12	16	20	19	11
3	# deceased while active	1			1	1	1	1	1	1	1	0	1
4	#resigned or terminated	7	9	10	10	7	10	2	4	7	5	3	6
5	Difference	14	1	-5	-13	-6	-12	-5	-1	-13	-2	12	21
6	Average Age of Faculty	49.07	49.32	49.88	50.38	51.17	51.61	52.03	52.99	53.60	53.61	53.46	52.99
7	Average Age of Retirement of Faculty	63.00	62.63	63.67	66.00	66.25	66.36	65.87	67.33	66.69	66.60	67.37	67.00
8	Total Faculty Members	566	571	571	572	566	565	550	542	552	556	573	594
9	Employment Equity Data - Faculty Hired												
	Women							45.5%	43.8%	18.2%	33.3%	58.8%	46.2%
	Aboriginal peoples							0.0%	0.0%	0.0%	8.3%	2.9%	7.7%
	Visible minorities							27.3%	25.0%	0.0%	12.5%	32.4%	28.2%
	Persons with Disabilities							18.2%	6.3%	9.1%	8.3%	5.9%	5.1%
10	Employment Equity Data - Total Faculty Members												
	Women							46.9%	47.6%	46.6%	46.7%	47.3%	45.3%
	Aboriginal peoples							0.8%	0.7%	0.7%	0.7%	0.9%	2.2%
	Visible minorities							18.4%	14.0%	13.4%	14.4%	17.9%	19.8%
	Persons with Disabilities							4.3%	3.3%	3.3%	3.9%	4.4%	5.6%

Note: For the purpose of this report a year is considered the period from July 1st to June 30th.

The report tracks faculty and librarians probationary tenure-track and tenured appointments, Learning Specialists - AAS probationary appointments, and Sessional Lecturers appointed under Articles 55:11 and 55:12 of the WUFA Collective Agreement. For the purpose of the report, this group is named "Faculty Hired".

Employment Equity Data

The terminology used for the designated groups are in accordance with the Employment Equity Act and Federal Contractors Program. The four federally designated groups are Aboriginal peoples, persons with disabilities, visible minorities and women.

The employment equity data shown in section #9 and #10 are reported in percentages compared to the data shown in sections #1 to #8.

The "Employment Equity Data – Faculty Hired" is the internal representation percentages of the faculty hired in section #1 as shown above.

The "Employment Equity Data – Total Faculty Members" is the internal representation percentages of full faculty complement by year, which includes lecturers, assistant professors, associate professors, full professors, ancillary academic staff (AAS), learning specialists AAS, sessional lecturers, and librarians. This information reflects data as of December of that year.

The historical information for the Employment Equity Data is starting in 2013, as this was the most recent University-wide Employment Equity Census, which was conducted in fall 2013.

The internal representation percentages of the designated groups Aboriginal peoples, persons with disabilities and visible minorities are collected from the University of Windsor Employment Equity Census and Survey. The data on women are extracted from the University's Human Resources Information System (HRIS). It is important to note that responding to the University of Windsor Employment Equity Census and Survey questions is voluntary and there is an option that an employee can choose not to answer the questions at this time. In addition, employees can update their status at any time.

Report of the Vice-President, Human Resources Permanent and Full-Time Staff Hiring Trends for 10 years (Period 2009 to 2019)

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
# of Staff Hired	8	14	24	11	6	20	29	36	43	51
# of Staff Retiring	11	21	22	14	20	30	21	28	24	23
# of Deceased Staff while active	2	0	1	2	2	1	3	1	2	4
# of Staff Resignations/Terminations	9	11	16	8	18	13	21	16	11	22
Difference	-14	-18	-15	-13	-34	-24	-16	-9	6	2
Employment Equity Data - Staff Hires										
Women					66.7%	65.0%	58.6%	66.7%	60.5%	78.4%
Aboriginal peoples					0.0%	0.0%	0.0%	2.8%	2.3%	2.0%
Visible minorities					16.7%	10.0%	17.2%	8.3%	4.7%	19.6%
Persons with Disabilities					0.0%	5.0%	6.9%	0.0%	2.3%	2.0%
Employment Equity Data - Total										
Women					65.1%	65.4%	66.3%	66.0%	65.8%	64.0%
Aboriginal peoples					3.0%	3.1%	2.8%	2.9%	2.9%	2.5%
Visible minorities					11.0%	10.7%	9.8%	10.0%	10.5%	11.5%
Persons with Disabilities					7.2%	7.2%	6.4%	5.8%	5.3%	5.2%

Note: For the purpose of this report a year is considered the period from July 1st to June 30th.

This report tracks all staff appointments. Terminations includes: end of employment, job elimination, incomplete probation, bumping, callback declines, disciplinary, salary continuance, other

Employment Equity Data

The terminology used for the designated groups are in accordance with the Employment Equity Act and Federal Contractors Program. The four federally designated groups are Aboriginal peoples, persons with disabilities, visible minorities and women.

The employment equity data shown in the chart are reported in percentages compared to the other data shown in the chart where the information reports raw numbers. The "Employment Equity Data – Staff Hires" is the internal representation percentages of the staff hired as shown above.

The "Employment Equity Data – Total" is the internal representation percentages of all non-academic employees, which includes full-time and part-time managerial and professional employees, all full-time and part-time unionized staff employees, full-time and part-time temporary staff employees (that have worked more than 12 weeks). This information reflects data as of December of that year.

The historical information for the Employment Equity Data is starting in 2013, as this was the most recent University-wide Employment Equity Census, which was conducted in fall 2013.

The internal representation percentages of the designated groups Aboriginal peoples, persons with disabilities and visible minorities are collected from the University of Windsor Employment Equity Census and Survey. The data on women are extracted from the University's Human Resources Information System (HRIS).

It is important to note that responding to the University of Windsor Employment Equity Census and Survey questions is voluntary and there is an option that an employee can choose not to answer the questions at this time. In addition, employees can update their status at any time.

Report of the Office of Human Rights, Equity and Accessibility (OHREA) Employment Equity Data Comparisons with Other University Institutions

	Canadian Labour Market Availability Pool	University of Windsor	Queen's University	Ryerson University	University of Toronto	Western University *	Wilfred Laurier	York University
Faculty								
Women	44.0%	45.3%	44.3%	42.0%	48.0%	33.9%	45.1%	45.2%
Aboriginal peoples	1.4%	2.2%	1.2%	1.0%	1.0%	0.5%	1.3%	1.6%
Visible minorities	21.1%	19.8%	14.2%	26.0%	19.0%	15.1%	14.6%	21.3%
Persons with Disabilities	8.9%	5.6%	4.0%	7.0%	7.0%	2.8%	3.6%	6.2%
Staff								
Women	48.2%	64.0%	65.6%	60.0%	66.0%	64.1%	68.9%	62.5%
Aboriginal peoples	4.0%	2.5%	2.4%	1.0%	1.0%	0.8%	1.6%	0.8%
Visible minorities	21.3%	11.5%	7.8%	35.0%	33.0%	7.6%	7.8%	28.8%
Persons with Disabilities	9.1%	5.2%	6.0%	6.0%	9.0%	3.2%	3.9%	3.9%

NOTES:

- Data as of 2018/2019 academic year
- Overall University percentages for faculty and staff
- * Western University most recent released employment equity report was in 2016 (no report provided for 2017 and 2018)
- * University of Toronto most recent released employment equity report was in 2017/2018 (no report provided for 2018/2019)
- Canadian Labour Market Availability Pool (Faculty is derived from the 2016 Canadian Census NOC 4011-University Professors and Staff is derived from the 2016 Canadian Census National Labour Market Availability). The University uses the Canadian Labour Market Availability Pool as its standard for determining where there is under-representation in the four federally designated groups: Aboriginal peoples, persons with disabilities, visible minorities, and women

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University of Windsor Board of Governors

4.5.1: Updates to Statement of Investment Policies and Procedures (SIPP) for the Pension Fund Regarding Pension Legislation Changes, Revised Capital Market Assumptions and Asset Mix Allocations

Item for: Approval

Forwarded by: Investment Committee

MOTION:

That the Investment Committee recommend to the Board of Governors that the Statement of Investment Policies and Procedures for the Pension Fund of the University of Windsor be updated to reflect:

- the New Ontario Funding Rules as published in 2018 under the Pension Benefits Act,
- revised Capital Market Assumptions, and
- updates to the allowable asset mix ranges and benchmarks to provide for the sourcing of the previously approved Alternative asset class.

Rationale:

 See attached memo dated May 1, 2019 on proposed updates to the Pension SIPP, followed by the revised Pension SIPP.

Investment Committee Report

The Investment Committee reviewed the changes to the Statements of Investment Policies and Procedures for the Pension Fund and the Endowment Fund at its May 24, 2019 meeting. In addition to updates made to reflect Board-approved asset mix changes, the SIPPs were revised in order to bring them into compliance with new pension rules and are consistent with how the rules have been applied at other universities based on interpretations provided by the Financial Services Commission Ontario (FSCO) and legal advisors.



MEMO

TO: Investment Committee

DATE: May 1, 2019

FROM: Todd Nelson and Misbah Lalani (Mercer)

SUBJECT: 2019 SIPP Review – Overview of Amendments

Background

As required by applicable pension regulations, the Investment Committee of the University of Windsor performs a review of the Statement of Investment Policies and Procedures (SIPP) annually.

The SIPP was last approved by the Board of Governors in May 2018. The proposed updates presented to the Committee for approval at the upcoming meeting are largely compliance and housekeeping in nature. In addition to ensuring continued compliance with the applicable legislative and regulatory requirements, the proposed changes for the 2019 annual review reflect:

- 1. Compliance with new requirements under the Ontario Pension Funding Reform;
- 2. Reflecting the recent infrastructure commitments made to the alternatives asset class; and
- 3. Minor housekeeping updates.

In the course of our review, we have indicated our proposed changes for the Committee's consideration directly in the SIPP in tracked-changes mode. Where a proposed change is compliance based or otherwise significant, we have made reference to it in this memo and have provided a description or rationale.

1. Ontario Pension Funding Reform

The 2018 Ontario Funding Reform introduced a shift in how a plan actuary is to view a plan's target asset allocation and the regulations required some additional disclosures to be included in the SIPP.

In the past (and until December 31, 2019) an actuary was able to "look through" a plans actual investments to determine the appropriate expected rate of return assumptions in setting the Going Concern discount rate for purposes of the pension valuations. However, the prescribed calculations for the Provision for Adverse Deviations¹ (PfAD) are to be based on the SIPPs target asset allocations to specific investment categories. Unfortunately, some of the prescribed investment categories and language are based on the 1990 Pension Benefit Act (PBA) which are somewhat limited relative to today's investment universe. As a result the following changes have been proposed to the SIPP:

Section III A: Categories of Investments (page 6 of pension SIPP) - Added a new "Categories of Investments" table as required under Regulation 709. The table aligns the Pension Plan's target asset mix with the investment categories listed in the PBA. Beginning in 2020, this table will be the basis for the PfAD and Going Concern Discount rate determinations by the Plan Actuary.

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¹ Provision for adverse deviations is akin to holding an "extra margin" for the non-fixed income investments. The higher the allocation to risky assets, the larger the "extra margin" that must be held (everything else being equal).

- In addition, the new PfAD calculations will only include investments as fixed income if the "minimum rating for target investment allocations" in the SIPP are investment grade or higher.
- Section III B: Asset Mix Benchmark (page 7 of pension SIPP) New language was added as a footnote to Table 1 to denote that the minimum rating for the <u>target</u> investment allocation of the Canadian fixed income portfolio is BBB low. The language also states that the managers are permitted discretion around the target benchmark. This is consistent with the fixed income limits defined in Part 2 of the SIPP (page 12).
- Note: In a Frequently Asked Questions document published by the Financial Services Commission of Ontario (FSCO) in February 2019, they clarified that as the legislation is currently drafted, the inclusion of any non-investment grade bonds (i.e. below BBB rated bonds) could potentially "taint" the entire fixed income portfolio and cause it to not count as fixed income for the purposes of PfAD. This means that even if a bond fund has 0.5% allocation to below investment grade bonds, the entire fixed income portfolio may then be considered as non-fixed income for the purposes of PfAD. This will not be an issue for any plan sponsor until they are required to file their next valuation under the new rules (a look through provision exists until the end of 2019 as well). This could potentially impact all Ontario registered pension plans that invest in core-plus mandates. There is no action for the Committee at this moment, and the industry is hoping for a resolution to this matter before the look through provisions expire. However, there is a possibility that the PH&N core-plus mandate may need to be restructured to separate the "plus" from the "core" in order to prevent tainting of the entire fixed income portfolio.

2. Infrastructure Commitments

The SIPP has also been modified in several places to reflect the commitments made to infrastructure managers JP Morgan Asset Management and IFM Investors. A 5% <u>target</u> allocation has been "sourced" from fixed income in a prorated fashion between Universe bonds and Long bonds. It is important to note that this is the "target" funding only. In practice, each asset class is managed within a range and the actual source of infrastructure dollar commitments may be drawn from any overweight asset class at the time of the capital call. The source of the target allocation was determined to be from Fixed Income as this had a beneficial impact on the pension valuation as opposed to sourcing the allocation from equities.

- Section III B: Table 1 Asset Mix Benchmark (page 7 of pension SIPP) Added 5% infrastructure and reduced fixed income by 5% and adjusted the permissible minimum/maximum ranges accordingly.
- Section III C: Table 2 Investment Mangers and Mandates (pages 7, 8 & 9 of pension SIPP)- Added target allocations to JP Morgan and IFM for 2.5% each. These targets can be adjusted in the future and do not commit the University to making any further capital commitments to these managers. Offsetting adjustments were also mandated to the Foyston, Gordon & Payne and Phillips, Hager & North fixed income target allocations.
- <u>Section III C (page 8)</u> Expected rates of return and volatility were updated to reflect the new target asset allocations and current capital market expectations.
- <u>Section III C (page 10)</u> Rebalancing note added for clarity to confirm that private market asset classes were not expected to be rebalanced due to the long-term illiquid nature of the investments.

3. Capital Market Assumptions (page 18 of pension SIPP)

Previously, the SIPP maintained the capital market assumptions, benchmark and real return expectations calculated as of the date of the most recent asset liability review. As the asset liability review process is conducted approximately every 7 years, these figures quickly become outdated. It is best practice to update these assumptions annually, and therefore the figures in Table 3 - Asset Class Input Factors have been updated according to Mercer's capital market assumptions as of December 31, 2018.

Mercer's capital market assumptions are intended to represent reasonable long-term expectations given current (and expected) market conditions. Assumptions are what is perceived to be the median of the distribution of possible future long-term returns.

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Statement of Investment Policies and Procedures

for the

Investment of the Pension Fund

of the

University of Windsor

Approved by:

The Board of Governors

Month day, 2019

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I. PENSION FUND – DESCRIPTION AND OBJECTIVES

The following definitions will be used in the document:

- The Employees' Retirement Plan and the Retirement Plan for Faculty and Certain Employees will be referred to as the "Pension Plans";
- The assets of the Employees' Retirement Plan and the Retirement Plan for the Faculty and Certain Other Employees will be referred to as the "Fund" which are invested together under a Master Trust Agreement for cost efficiencies;
- The investments made from the Fund will be referred to as the "Portfolio";
- The participants of the Pension Plans refer to active and retired Employees who have become entitled to participate in the Pension Plans in accordance with the provisions of the Pension Plans and continue to retain a right to benefits under the Pension Plans;
- The Investment Committee of the Board of Governors will be referred to as the "Committee";
- The Statement of Investment Policies and Procedures for the Investment of the Pension Funds will be referred to as the "SIPP";
- The firm(s) hired to invest the monies allocated to them by the Committee in keeping with the mandate provided by the Committee will be referred to as the "Investment Manager(s)";
- The firm(s) engaged to assist or provide advice in the management of the Pension Fund will be referred to as the "Consultant(s)";
- The firm(s) engaged to provide custodial service for the administration of the Pension Funds will be referred to as the "Custodian(s)"; and
- The University of Windsor will be referred to as the "University".

Description of the Pension Plans

The University provides pension benefits to employees through a hybrid pension plan and a defined benefits plan.

The Faculty and Certain Other Employees Plan is a hybrid plan and the University and employees are required to make contributions based on a specified percentage of employee's earnings. The amount of pension benefits provided to employees is based upon the accumulation of contributions and investment earnings, subject to a guaranteed minimum benefit amount.

The Employees' Retirement Plan is a defined benefit plan and both the University and the employees equally share in the cost of the plan.

Objective of the Fund

The primary objective of the Fund is to provide a secure source of assets to meet present and future obligations accumulated on behalf of the Pension Plans' participants. The Fund aims to provide a sufficient return to maintain contribution requirements at reasonable levels. The Fund should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return.

Purpose of the SIPP

The following SIPP has been prepared to provide the approved policies and procedures by which the Committee, the Investment Manager(s), the Consultant(s), and the Custodian(s) can achieve the objectives of the Fund as stated herein and to meet applicable pension legislation.

Operational Risk Factors

The SIPP has been prepared after careful consideration of the investment risks faced by the University and the participants in the operation of the Pension Plans. An asset-liability study was conducted in 2016/2017 to quantify these risks and guide the management of the Plan's assets to achieve the objectives of the Plan. In the course of the study and related discussions, the following risks were identified and considered in the development of the SIPP:

- Volatility of expected contributions under current going concern and solvency funding regulations;
- Overall long term expected contributions;
- Impact of investment volatility on pension payments;
- Level of inflation protection that can be provided; and
- Long term expected rate of return in real and nominal terms

II. ALLOCATION OF RESPONSIBILITIES

This section outlines the responsibilities of those charged with managing the Fund.

The Committee will:

- recommend to the Board of Governors policies for the investment of pension funds;
- recommend to the Board of Governors the selection and respective mandate(s) of the Investment Manager(s), the Consultant(s), and the Custodian(s) as required;
- review and evaluate, both quantitatively and qualitatively, the Investment Managers' performance at least semi-annually, including an evaluation of the rates of return achieved relative to objectives established, and monitor the degree of risk assumed in pursuing the objectives;
- review and evaluate, on a periodic basis, the Consultant(s) and the Custodians(s) performance as it relates to their respective responsibilities;
- conduct a review of the SIPP annually or more often if necessary;
- monitor the administration of the SIPP to ensure compliance and to recommend changes, not less frequently than annually;
- provide Consultant(s) and the Custodian(s) with relevant information as it relates to the administration of the Pension Plans (i.e. Pension Plan changes);
- evaluate alternative investment vehicles not currently allowed in this SIPP on a periodic basis; and where appropriate, make recommendations to the Board of Governors for implementation;
- coordinate the dissemination of information to the participants as required;
- delegate any responsibilities not specifically mentioned in the SIPP; and
- review pension governance as appropriate.

The Investment Manager(s) will:

- manage the asset mix and select securities within their respective mandate, subject to applicable legislation and the constraints set out in this SIPP;
- calculate monthly rates of return on their portion of the Portfolio and be prepared to report on all periods requested;
- provide the Committee and the Custodian with information in a common format as requested;
- provide trade execution including foreign exchange in timely and cost effective manner to benefit the Fund:
- provide the Committee with quarterly reports on the Portfolio, including a transaction listing, exposure to emerging markets, as applicable, and a Certificate of Compliance with the SIPP in a format determined by the Committee;
- provide the Committee with information regarding any material changes concerning their firm, including but not limited to, its key personnel or any legal or regulatory proceedings that may impact their specific company; and
- present to the Committee performance reviews at least semi-annually, as well as its expectations for future returns and proposed investment strategies for the following 12 to 24 months.

The Consultant(s) will:

- participate with the Committee and the Investment Manager(s) in the preparation and subsequent annual reviews of the SIPP if requested;
- in the event of changes in legislation, plan design, membership, business practices and/or cash flow that may affect investment of the Fund, the Consultant(s) would provide recommendations to changes in the SIPP if required;
- participate with the Committee and the Investment Manager(s) in the annual review of expectations about future returns on asset classes and planned investment strategies if requested;
- support the Committee in its quantitative and qualitative review and ongoing monitoring of the Investment Manager(s)' performance if requested;
- provide the Committee with necessary statistical information to review the SIPP if requested;
- provide the Committee with information regarding any material changes concerning their firm, including but not limited to, its key personnel or any legal or regulatory proceedings that may impact their specific company;
- support the Committee in the search and selection of potential Investment Managers if requested,
- apprise the Committee with information of any alternate investment vehicles and/or alternative investment strategies that should be considered and make recommendations regarding these alternatives, if requested.

The Custodian(s) will:

- fulfill the regular duties required by law of a Custodian in accordance with this SIPP;
- administratively support any movement of assets and collection of investment income that occur from time to time in the Fund in an efficient and timely manner;
- provide the Committee with quarterly performance reports of all Portfolio assets and monthly reports of all transactions during the period;
- maintain an accurate historical record of all holdings in the Fund;
- provide effective management of operational risks associated with capture and settlement of trading activity;
- provide the Committee with information regarding any material changes concerning their firm, including but not limited to, its key personnel or any legal or regulatory proceedings that may impact their specific company;
- assist staff at the University to reconcile asset market values reported by the Custodian(s) to the market values reported by the Investment Manager(s) on a monthly basis; and
- provide other information as requested concerning the Fund.

III. INVESTMENT POLICIES AND PROCEDURES

A. Categories of investments

<u>Based on the risk tolerance and obligations structure of the Plan, and with consideration to the purposes</u> and risks of various investments, the following categories of investments and loans have been adopted:

Investment Category	<u>Target Allocation</u>
Demand deposits and cash on hand	<u>0%</u>
<u>Canadian stocks</u>	<u>30%</u>
Non-Canadian stocks	<u>30%</u>
Canadian bonds and debentures	<u>35%</u>
Other investments (Infrastructure)	<u>5%</u>

A.B. Asset Mix Benchmark

An asset mix analysis conducted in 2016/17 considered historic and expected rates of return, correlation of expected returns and the volatility of expected returns of various asset classes and a review of current economic expectations. The analysis identified a long term asset mix that would balance the various goals of the Fund. Implementation of a new long term asset mix is implemented in multiple stages. The asset mix benchmark described in Table 1, with the minimum and maximum allocations subsequently adopted, represents the benchmark asset mix. A summary of Capital Market Assumptions used in the analysis is provided in Section HG.

Table 1: Asset Mix Benchmark (at market value)

	Benchmark Index	Benchmark	Minimum	Maximum
Asset Class		(%)	(%)	(%)
Cash/Short Term	FTSE Canada 91-Day T-Bill	0	0	20
Fixed Income – Universe	FTSE Canada Universe	-10 8	5 <u>3</u>	-20 18
Bonds <u>*</u>	<u>Bond</u>			
Fixed Income — Long Bonds*	FTSE Canada Long Bond	-30 27	20 17	40 <u>37</u>
Canadian Equities	S&P/TSX Capped	30	15	40
Global Equities	MSCI World	30	15	40
Alternative <u>Investments</u>	Consumer Price Index + 4%	- 0 5	0	10
(including Infrastructure and				
Private Equity Investments)				

^{*}Consistent with the benchmark indices shown above, the minimum rating for the target investment allocation of Canadian fixed income securities is BBB low (or equivalent), as rated by at least one credit rating agency that is recognized by a competent authority. Notwithstanding this target, actual quality requirements and permitted ranges shall be determined by the respective investment managers responsible for implementation of the strategy.

B.C. Investment Manager(s): Objectives and Evaluation

As part of the 2016/17 asset mix review, the Committee completed a review of the mandates of the Investment Managers. Table 2 outlines the Investment Managers and their respective mandates.

Table 2: Investment Managers and Mandates (percentage of market value of Portfolio)

	Universe Bonds (%)	Long Term Bonds (%)	Canadian Equities (%)	Global Equities (%)	Infra- structure Alternative Investments (%)	Total Allocation (%)
Foyston, Gordon & Payne	<u>54</u>	15 13.5	15			35 32.5
Fidelity Investments			15			15
Canada						
Phillips, Hager & North	5 4	15 13.5				20 17.5
Baillie Gifford				15		15
Burgundy Asset				15		15
Management						

JP Morgan Asset					0 2.5	0 2.5
Management						
IFM Investors					0 2.5	0 2.5
TOTAL	8	27	30	30	5	100

Each Investment Manager will be allocated funds in accordance with the asset mix identified in Table 2. The portfolio will be rebalanced among the managers in accordance with the Rebalancing Policy approved by the Committee. –The indices used in this SIPP were chosen as they are established indices in their particular market.

For an Investment Manager with an active mandate, it is expected that the annualized returns of the Investment Manager's portfolio and its component asset classes shall exceed the returns of the representative benchmark indexes plus the value-added targets identified below for that Investment Manager. Total portfolio value-added for a particular Investment Manager shall be the principal measure of performance; asset class value-added shall be a supplemental measure of performance.

The assets of the Fund are invested together to maximize returns while minimizing costs to the Fund. The overall fund is expected to generate a long term rate of return of the Consumer Price Index (CPI) plus 4.74.3%. The overall expected return in excess of the CPI can be separated into two components as follows:

- The Asset Mix Benchmark identified in Table 1 above has an expected real return of 3.84% and an expected annual surplus volatility of 10.910.3%, based on the analysis outlined in section HG; and
- The total fund return shall earn an annualized return of .90%, before fees, above the returns that could have been earned by passively investing the benchmark asset mix in the indices shown in the table below.

For the purpose of measuring rates of return for the Investment Manager(s), all returns shall be measured before investment management fees, but after transaction costs, over rolling four-year periods. All index returns shall be total returns. All foreign returns shall be calculated in Canadian dollars. The returns of all portfolio benchmarks utilizing more than one asset class shall be calculated assuming quarterly rebalancing.

In the benchmark tables below, the portfolio benchmark allocations and the minimum and maximum ranges are measured at market value.

Fovston, Gordon & Pavne

Asset Class			Max. (%)	Portfolio Benchmark (%)	Value-Added Target (% / annum)
Cash / Short Term	FTSE TMX-Canada 91-Day T-Bill	0	20	0	0.00
Universe Bonds	FTSE TMX Canada Universe	11 9	17 15	14.25 12.25	0.25

	Bond				
Long Bonds	FTSE TMX Canada Long Bond	34 33	52 51	42.75 <u>41.50</u>	0.25
Canadian Equities	S&P/TSX Capped Total Return	30 33	49 52	<u>46.25</u> 43	1.00
	Index				
Total *	Portfolio Benchmark			100	0.65

^{*}Includes value-added expectation for asset mix management.

Fidelity Investments Canada

Asset Class Pooled Fund	Benchmark Index	Min. (%)	Max. (%)	Portfolio Benchmark (%)	Value Added Target (% / annum)
Cash / Short Term	FTSE TMX-Canada 91-Day T-Bill	0	10	0	0
Canadian Equities	S&P/TSX Capped Total Return Index	90	100	100	1.00

Phillips, Hager & North

Asset Class	Benchmark Index	Min. (%)	Max. (%)	Portfolio Benchmark (%)	Value-Added Target (% / annum)
Universe Bonds	FTSE TMX Canada	22 20	28 26	25 23	0.25
	Universe Bond				
Long Bonds*	FTSE TMX-Canada Long	66 68	84 86	75 77	0.25
	Bond				
Total **	Portfolio Benchmark			100	0.25

^{*} A maximum of 20% of the total PH&N fixed income portfolio may be invested in the PH&N Core Plus Long Bond Fund.

Baillie Gifford

Asset Class Pooled Fund	Benchmark Index	Min. (%)	Max. (%)	Portfolio Benchmark (%)	Value-Added Target (% / annum)
Global Equities	MSCI All Country World (Gross Dividend)	100	100	100	1.50

Burgundy Asset Management

Asset Class					Value-Added Target
Pooled Fund	Benchmark Index	Min. (%)	Max. (%)	Benchmark (%)	(% / annum)

^{**}Includes value-added expectation for duration management.

Global Equities	MSCI World	100	100	100	1.50
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JP Morgan Asset Management

Asset Class Pooled Fund	Benchmark Index	Min. (%)	Max. (%)	Portfolio Benchmark (%)	Value-Added Target (%/ annum)
Infrastructure	Consumer Price Index (Canadian) + 4%	100	100	100	0

IFM Investors

Asset Class Pooled Fund	Benchmark Index	Min. (%)	Max. (%)	Portfolio Benchmark (%)	Value-Added Target (%/ annum)
Infrastructure	Consumer Price Index (Canadian) + 4%	100	100	100	0

The Committee will cause the Fund to be rebalanced in accordance with the approved Rebalancing Policy for the Pension Funds from time to time in order to:

- a) be consistent with the Asset Mix Benchmark in Table 1 above; and
- <u>b)</u> maintain the necessary allocations between the Investment Manager(s) to provide the desired level of style offset.
- b)c) Private market alternative asset classes are not expected to be rebalanced due to the long term illiquid nature of the investments.

Evaluation of Investment Managers

The Committee will consider the following criteria as it evaluates Investment Manager(s) or their respective mandates. Such criteria include but are not limited to:

- failure to meet the value-added or tracking error performance targets set out in this section;
- significant turnover in the Investment Manager(s)' key personnel;
- Committee decision to alter investment management strategy;
- significant change in the ownership of the firm, which may result in operational changes in the organization;
- dissatisfaction with client servicing;
- failure to satisfy the responsibilities set out in Section II Allocation of Responsibilities;
- failure to meet the investment constraints set out in Section III Investment Policies and Procedures subsection (c) Investment Constraints (1-5 inclusive) or any other expectations contained in the SIPP;
- significant changes in the method used by the firm to manage the funds and select investments (change in style), and;

• any legal proceedings and /or regulatory investigations that may impact their specific company.

CD. Investment Constraints

Part 1: The following are the acceptable investment vehicles for the Portfolio:

Cash/Short Term

Cash on hand, demand deposits, treasury bills, commercial paper, short-term notes and bankers' acceptances, term deposits and guaranteed investment certificates of less than or equal to a one-year term.

Fixed Income

Bonds, debentures or notes of Canadian or developed market foreign issuers whether denominated and payable in Canadian or a foreign currency. Preferred shares, mortgage-backed securities, maple bonds and asset-backed securities are also permitted. See fixed income limits section.

Investments in mortgage-backed securities will be managed in accordance with the underlying credit rating of the security and the limits contained in the Fixed Income limits below.

The Board of Governors has approved an exception to the above-mentioned investment constraints regarding fixed income to allow for investment into:

- the PH&N Core Plus Bond Fund (Appendix A)
- PH&N Long Bond Pension Trust Fund (Appendix A)
- PH&N Long Core Plus Bond Fund (Appendix A)
- PH&N Enhanced Long Bond Pension Trust (Appendix A)
- FGP Universe Bond Fund, and (Appendix B)
- FGP Long Term Bond Fund (Appendix B).

For the purpose of these investments, the investment constraints contained in the respective Investment Policy Statements apply.

Equity

Common shares, limited liability income trusts, rights, warrants, American deposit receipts (including Section 144a ADRs and EDRs), Global deposit receipts, and securities convertible into common shares (fixed income credit limit outlined below applies). All equity investment categories may be Canadian or non-Canadian funds.

Currency Hedging and Derivatives, Options, and Futures

Currency hedging and the use of derivatives including options, and futures may only be used with the prior written permission of the Committee, to be provided by the Chair of the Committee, if such hedging is done outside a pooled fund.

Private Placements

Illiquid Private Placements may only be purchased with prior written permission of the Committee, to be provided by the Chair of the Committee.

Infrastructure:

Indirect domestic or foreign infrastructure investment via independently managed open-ended or closed-ended pooled funds, limited partnerships, trusts and/or specialized corporate structures.

Part 2

Fixed Income Limits

The Investment Managers may invest in the permitted investment categories listed above, subject to the following quality constraints:

- The cash/short-term and fixed income investments in the securities of one issuer will not exceed 10% of the total market value of all cash/short-term and fixed income investments held by the fund, unless the issuer is guaranteed by the Government of Canada or one of the provinces in Canada.
- The purchase of short-term investments issued by corporations and financial institutions is restricted to those with a minimum rating of R1 (low) or Single A by the Dominion Bond Rating Service, or its equivalent.
- The purchase of fixed income instruments is restricted to those which have a minimum rating of BBB as established by the Dominion Bond Rating Service, Standard & Poor's or Moody's. In the event of a split rating, the more conservative rating will be used. The market value of fixed income instruments with a BBB rating shall not exceed 10% of the market value of the cash, short-term and fixed income securities. The average credit quality of the Portfolio shall be maintained at no lower than an A rating. The credit quality of the fixed income instruments shall be reported quarterly to the Committee.
- The market value of cash and bond investments in Canadian securities issued in a foreign currency will not exceed 20% of the total market value of the fixed income investments.
- The market value of investments held by non-Canadian bond issuers will not exceed 20% of the total market value of the fixed income investments.

Refer to Section $\underline{D} \in$, Part 1 for exceptions to the above-mentioned investment constraints regarding fixed income.

Part 3

Equity Limits

The market value of a single Canadian equity investment, represented as a percentage of the Canadian Equity portfolio, shall not exceed 10% of the portion of the Canadian Equity or Global Equity Portfolio managed by a particular Investment Manager. An Investment Manager may request permission of the Committee to hold more than 10% of the Canadian Equity in a single equity. Such a request shall be in writing and shall specify reasons for the request. In appropriate circumstances, the Committee is authorized to allow the Investment Manager to hold up to 10% of the Total Canadian Equity Portfolio in a single equity investment. A maximum of 10% of the Canadian equity portfolio may be invested in small cap stocks where small cap is defined to be stocks with a market capitalization of less than \$500 million. For global equities, an investment in the shares of any single company should not exceed 10% of the

market value of all non-Canadian equities held in the portion of the Non Canadian Equity Portfolio managed by a particular Investment Manager. A maximum of 10% of the global equity portfolio may be invested in small cap stocks where small cap is defined to be stocks with a market capitalization of less than \$750 million. Higher exposure is permitted within pooled funds.

The mandate for Global Equities is the MSCI All Country World Total Return Index (Baillie Gifford) or the MSCI World Index (Burgundy Asset Management). On a tactical basis within stated investment policies, Investment Managers for global equities may invest in emerging markets. Such investments provide an opportunity for excess returns. Exposure to emerging markets should not exceed the following % of the market values of each of the global equity managers:

- 1) Baillie Gifford 33%; and
- 2) Burgundy Asset Management 15%.

Part 4

Infrastructure Investments

Infrastructure investments shall consist primarily of well diversified core or core plus funds predominantly invested in developed countries. Infrastructure investments will include, but are not limited to, transportation, energy, power, utilities, water, waste, natural resources, communications, and certain social infrastructure projects.

Part 5

Other Limits

All investments shall be made in accordance with all applicable legislation and with Standard III C of the Institute of Chartered Financial Analysts. The standard requires that when an Investment Manager(s) undertakes an investment action for a specific portfolio or client, they consider its appropriateness and suitability for the portfolio or client. In such matters, the Investment Manager(s) shall take into account:

- the needs and circumstances of the client;
- the basic characteristics of the investment involved; and
- the characteristics of the total portfolio.

The Investment Manager(s) will use reasonable judgment to determine the applicable relevant factors.

Part 6

Policies of the Investment Manager(s)

In some circumstances the Investment Manager(s) may have published policies in place, which are more restrictive than those outlined in this document. Should the Investment Manager(s) wish to change existing policy, while respecting the University's policy, he/she shall inform the Committee through the Chair of the Committee in writing. The Investment Manager(s) shall specify the reason for the proposed change and the proposed time at which the change would be effected. The Investment Manager(s) shall notify the Committee of any proposed changes. Unless the Chair of the Committee registers the Committee's concern within a reasonable mutually agreed period, the Investment Manager(s) will be

authorized to effect the change.

To the extent the Fund invests in an Investment Manager's pooled funds, the foregoing investment constraints, and any other provisions of the SIPP that may be affected (including the proxy voting guidelines), shall not apply. The Investment Manager(s) shall be governed by the Investment Manager's own investment policy for the applicable pooled funds. The Investment Manager(s) shall inform the Chair of the Committee when and how the guidelines of the pooled funds differ from the guidelines of the SIPP and provide a minimum of 45 days advance notice of any changes to their pooled fund policies.

Part 7

Environmental, Social, and Governance Factors

Environmental, Social, and Governance (ESG) factors can affect the performance of companies and other entities in which the plan invests, and may therefore be considered where relevant and material to the assessment of investment value and mitigation of investment risk.

The plan administrator has delegated to the investment portfolio managers full discretion in evaluating ESG risks and opportunities, alongside other considerations, in regards to the Pension Plans' investments.

D.E. Evaluation of Service Providers

The Committee will consider the following criteria as it evaluates Consultant(s) and Custodian(s). Such criteria include but are not limited to:

- significant turnover in the firm(s) key personnel;
- significant change in the ownership of the firm, which may result in operational changes in the organization;
- dissatisfaction with client servicing;
- failure to satisfy the responsibilities set out in Section II Allocation of Responsibilities; and any legal proceedings and/or regulatory investigations that may materially impact their specific company. Evaluation of Investment Managers is detailed in Section III (CB).

E.F. Conflict of Interest Policy

These requirements apply to:

- the Committee;
- the Board of Governors;
- the Investment Manager(s);
- the Custodian;
- the Consultant(s); and
- any individual involved in the administration or decision-making process relating to the investment of the Fund.

Conflict of Interest

Any person to whom these requirements apply must disclose any direct or indirect association or material interest or involvement in aspects related to their role with regard to the Fund that would result in any potential or actual conflict of interest.

Without limiting the generality of the foregoing, a conflict of interest arises when one of the individuals governed by the guidelines receives a material benefit from any asset held in the Portfolio, or a benefit from any actual or proposed contracts which are or will be included in the *Portfolio*, other than entitlements that accrue by virtue of being a member of the Pension Plans or arising out of other normal business relationships.

Procedure on Disclosure

Any persons identified herein must disclose the nature and extent of their conflict to the Committee in writing, or request to have it entered in the minutes of the meeting of the Committee at the earliest of:

- a) upon first becoming aware of the conflict;
- b) at the first meeting in which the matter at issue is discussed;
- c) at the first meeting and every subsequent meeting in which they know or ought to have known that they have an interest in the matter to be discussed.

The Committee will record every disclosure in the minutes of the relevant meeting. For the purposes of b. above, the disclosure must be made verbally if knowledge of the conflict arises in the course of a discussion at the meeting.

If the party cannot exercise voting power on decisions affecting the Fund, they may elect not to participate in the activities related to the issue in conflict, or they may continue their activities with the approval of the Committee but shall not be present at the time of decision-making.

If the party disclosing the conflict does have voting power, s/he may remain at the meeting and participate in a discussion of the matter after which s/he shall withdraw from the meeting at the request of the Chair. During the absence of such person, the Committee will proceed with the discussion and reach its conclusion after which said person may return to the meeting. In this situation they may elect not to participate with respect to the issue in conflict, but s/he must not participate without the unanimous approval of the other members. The notification made by them shall be considered a continuing disclosure on that issue, subject to any future notification by him/her, for the purpose of the obligations outlined by these requirements.

Should any person fail to disclose his or her conflict and his or her conflict is known to the Chair or any member of the Committee, he or she shall forthwith be requested by the Chair to declare such interest.

No purchase by an Investment Manager is to be made of its own securities. Purchase of any related company, or companies in which the Investment Manager may have a conflict of interest, may not be made without prior approval by the Committee.

Related Party Transactions

For the purpose of this section, a "related party" and a "transaction" in respect of the Plan have the meanings given to such terms in Schedule III of the Pension Benefits Standards Regulation, 1985 (Canada). The following related party transactions are permitted for the Plan:

- any transaction that is required for the operation or administration of the Plan, the terms and conditions of which are not less favourable to the Plan than the market terms and conditions;
- any transaction the value of which is normal (that is, less than 3% of the market value of the Fund) or which is immaterial to the Plan (that is, the terms and conditions of the transaction are not less favourable to the Plan than the market terms and conditions); two or more transactions with the same related party shall be considered a single transaction; and
- any purchase of securities of a related party, provided that those securities are acquired at public exchange recognized under the Pension Benefits Standards Act and Regulations, 1985 (Canada).

Delegation of Voting Rights

The Investment Manager is delegated the responsibility of exercising all voting rights acquired through the Portfolio's investments. Subject to any securities that may be on loan in accordance with Section F - Lending of Cash and Securities, the Investment Manager will exercise all acquired voting rights with the intent of fulfilling the investment objectives and policies as outlined in this SIPP. Should the Investment Manager vote against management of a particular investment, they will notify the Committee.

Valuation of Investments

It is expected that all the securities held by the Portfolio will have an active market. Their valuation, therefore, will be based on their market value. If a security held by the Portfolio does not have an active market, it will be valued at least annually by the Investment Manager with the basis for such valuation made available to the Committee.

Lending of Cash and Securities

The Portfolio may not lend cash for any purpose. The purpose of the Fund is to make investments permitted in the SIPP.

The Portfolio may enter into securities loan agreements providing the loaned investments are secured by cash or highly liquid investments having a market value of at least 102% of the loan, and that this 102% level of security is maintained at least daily.

G.H. GCapital Market Assumptions

The capital market assumptions were used in the development of the benchmark. These assumptions, contained in Table 3, are intended to represent reasonable expectations for the next 20 years.

The development of asset class assumptions incorporates a wide range of considerations including:

- Historical return, risk and correlation statistics of broad indices;
- Estimation of expected future bond yields and returns, based on:
 - Convergence to the equilibrium yield curve (EYC), with
 - 10-year maturity of the EYC set to 90% of assumed long-term nominal GDP growth;
 - Remainder of the EYC established using long-term average term premia for other maturities;
- Estimation of component returns to develop total equity returns, using as starting points such items as:
 - Current level of equity earnings yield;
 - Inflation expectations (based on the inflation target set by the central bank);
 - Expected economic growth;

- Expected relative relationships between asset classes;
- Some forward-looking judgment.

The use of different historical periods, different indices and/or different assumptions about the distribution of returns will produce different estimates of return and risk characteristics for the benchmark asset mix.

Table 3: Asset Class Input Factors

Code	Expected Return ¹	Risk ²	Cash	Real Return Bonds	Ultra-Long Bonds (Strips)	Overall LT Bonds	Overall Universe Bonds	Can Equity (LC)	Global Equity (LC)	Global Low Vol Equity	Global Equity (SC)	Emerging Equity	Private Equity	Hedge Funds	Infrastructur e	Real Estate
Cash	2.08%	1.50%	1		-		_		-			•	_			-
Real Return Bonds	2.88%	7.50%	-0.19	1												
Ultra-Long Bonds (Strips)	2.31%	17.00%	-0.10	0.66	1											
Overall LT Bonds	3.18%	8.50%	-0.15	0.70	0.97	1										
Overall Universe Bonds	3.29%	5.40%	0.00	0.66	0.89	0.95	1									
Can Equity (LC)	6.10%	19.50%	-0.19	0.22	-0.16	-0.17	-0.30	1								
Global Equity (LC)	6.10%	16.11%	-0.32	0.01	0.00	-0.03	-0.16	0.70	1							
Global Low Vol Equity	5.59%	13.00%	-0.27	0.08	0.29	0.29	0.19	0.35	0.79	1						
Global Equity (SC)	6.61%	17.79%	-0.34	-0.04	-0.09	-0.10	-0.21	0.71	0.95	0.74	1					
Emerging Equity	8.00%	25.00%	-0.12	0.21	-0.02	0.00	-0.10	0.86	0.76	0.43	0.72	1				
Private Equity	8.63%	25.00%	-0.10	-0.01	0.06	0.04	-0.05	0.15	0.52	0.62	0.45	0.25	1			
Hedge Funds	5.36%	11.00%	-0.11	0.04	0.19	0.19	0.18	-0.03	0.33	0.49	0.28	0.13	0.81	1		
Infrastructure	6.38%	13.00%	0.14	0.49	0.23	0.20	0.16	0.42	0.32	0.26	0.29	0.44	0.31	0.20	1	
Real Estate	5.88%	13.00%	0.27	-0.09	-0.03	-0.11	-0.23	0.21	0.25	0.19	0.20	0.21	0.48	0.15	0.29	1

				•	*	*		*	•	•		•	•
			Overall		Ultra-	Can	Global		Global				
			long-	Real	long	equity	equity	Global	equity	Emer-			
		Overall	term	return	Bonds	(large	(large	low vol	(small	ging	Real	Infrast-	Hedge
	Cash	universe	bonds	bonds	(Strips)	cap.)	cap.)	equity	cap.)	equity	estate	ructure	funds
Expected Return ¹	2.0%	3.2%	3.2%	2.6%	2.5%	6.6%	6.6%	6.0%	7.2%	8.5%	5.4%	6.2%	5.1%
Risk ²	1.5%	5.4%	8.5%	7.5%	17.0%	19.5%	16.1%	13.0%	17.8%	25.0%	13.0%	13.0%	11.0%
=													
Correlations													
Cash	1.00	_						-					
Overall universe	0.00	1.00	_										
Overall long-term bonds	-0.15	0.95	1.00	_									
Real return bonds	-0.19	0.66	0.70	1.00	_								
Ultra-long Bonds (Strips)	-0.10	0.89	0.97	0.66	1.00	=							
Can equity (large cap.)	-0.19	-0.30	-0.17	0.22	-0.16	1.00	_						
Global equity (large cap.)	-0.32	-0.16	-0.03	0.01	0.00	0.70	1.00	=					
Global low vol equity	-0.27	0.19	0.29	0.08	0.29	0.35	0.79	1.00	_				
Global equity (small cap.)	-0.34	-0.21	-0.10	-0.0 4	-0.09	0.71	0.95	0.74	1.00	_			
Emerging equity	-0.12	-0.10	0.00	0.21	-0.02	0.86	0.76	0.43	0.72	1.00	_		
Real estate	0.27	-0.23	-0.11	-0.09	-0.03	0.21	0.25	0.19	0.20	0.21	1.00	_	
Infrastructure	-0.18	0.00	0.10	0.38	0.15	0.62	0.64	0.53	0.56	0.64	0.26	1.00	_
Hedge funds	-0.11	0.18	0.19	0.04	0.19	-0.03	0.33	0.49	0.28	0.13	0.15	0.35	1.00

¹ Expected returns include the expected level of inflation but do not include allowance for manager value added. Returns are gross i.e. do not reflect the expenses of investment management.

Based on the 2016/17 analysis Mercer Capital Market Assumptions, which used the foregoing inputs, the University's benchmark has an expected real return of 3.84%, plus expected manager value added of .9% to result in an overall expected real return of 4.73%. The expected annual volatility of return is 9.99.6%

² Risk is measured as the annual standard deviation of returns of the asset class.

and the expected annual surplus volatility is 10.910.3%.

The asset classes reported in Table 3 are defined as follows:

Canadian T-bills: FTSE TMX-Canada 91-Day T-Bill Total Return Index
Canadian Universe Bonds: FTSE TMX-Canada Universe Bond Total Return Index

Canadian Stocks: S&P/TSX Capped Total Return Index 60

Global Equities – Baillie Gifford Morgan Stanley Capital International All Country World Total

Return Index in Canadian Dollars (Gross Dividends)

Global Equities – Burgundy Asset

Management Morgan Stanley Capital International World Index

Infrastructure Consumer Price Index (Canadian) + 4%

Basis of Active Management Objectives

The following table was used to establish the Active Management Objectives of the Portfolio:

Table 4: Value-Added Targets by Asset Class (before fees)

Asset Class	Premium (Base Points)	Benchmark Index
	(Base Politis)	
Cash	0	FTSE TMX-Canada 91-Day T-Bill Total Return Index
Fixed Income – Universe	25	FTSE TMX-Canada Universe Bond Total Return Index
Bonds	25	
Fixed Income – Long	25	FTSE TMX Canada Long Bond Total Return Index
Bonds	25	
Canadian Equities	100	S&P/TSX Capped Total Return Index
Challes III.	450	MSCI All Country World Total Return Index (Gross of
Global Equities	150	Dividends) or MSCI World Index
<u>Alternative</u>		Consumer Price Index (Canadian) + 4%
<u>Investments</u> Infrastructure	0	
TOTAL*	90	

^{*}Based on the benchmark asset mix and on the allocation of active and passive mandates.

Appendices

Appendix A: **PH&N Fund Mandates** – Core Plus Bond Fund, Long Bond Pension Trust, Long Core Plus Bond Fund & Enhanced Long Bond Pension Trust

Appendix B: FGP Fund Mandates - Universe Bond Fund & Long Term Bond Fund

University of Windsor Board of Governors

4.5.2: Updates to Statement of Investment Policies and Procedures (SIPP) for the Endowment Fund Regarding Revised Capital Market Assumptions, and Asset Mix Allocations

Item for: Approval

Forwarded by: Investment Committee

That the Board of Governors approve that the Statement of Investment Policies and Procedures for the Endowment Fund of the University of Windsor be updated to reflect:

- revised Capital Market Assumptions, and
- updates to the allowable asset mix ranges and benchmarks to provide for the sourcing of the previously approved Alternative asset class.

Rationale:

MOTION:

- To allow for consistency between the Endowment and Pension SIPPs.
- See attached for revised Endowment SIPP.

Investment Committee Report

Like the Pension SIPPS, the Endowment Fund SIPPs were revised in order to bring them into compliance with new pension rules, and are consistent with how the rules have been applied at other universities based on interpretations provided by the Financial Services Commission Ontario (FSCO) and legal advisors.



Statement of Policies and Goals for the Management and Investment of Endowment Funds at the University of Windsor

Approved by:

The Board of Governors

October XX, 2019

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I. ENDOWMENT FUND - DESCRIPTIONS AND GOALS

The following definitions will be used in the document:

- The University of Windsor's Endowment Fund will be referred to as the "Fund";
- The investments made from the Fund will be referred to as the "Portfolio";
- The Investment Committee of the Board of Governors will be referred to as the "Committee";
- The Statement of Investment Policies and Goals for the Management and Investment of Endowment Funds will referred to as the "SIPP";
- The firm(s) hired to invest the monies allocated to them by the Committee in keeping with the mandate provided by the Committee will be referred to as the "Investment Manager(s)";
- The firm(s) engaged to assist or provide advice in the management of the Endowment Fund will be referred to as the "Consultant(s)";
- The firm(s) engaged to provide custodial service for the administration of the Endowment Funds will be referred to as the "Custodian(s)";
- The Board of Governors will be referred to as the "Board"; and
- The University of Windsor will be referred to as the "University".

The University of Windsor's Endowment Fund was established to generate a stable source of income to fund specific programs identified by the donors and the Board of Governors. With the impact of inflation and increase in student costs, the Fund will have an equity component that will allow the funds to grow over the long run. The Funds' Portfolio was established to ensure the appropriate investment of funds in cases where a donor, legacy or the Board of Governors have placed restrictions on the expenditure of capital in the endowed fund.

The donors normally, but not always, specify the manner in which the revenue generated from their "funds" may be spent. The majority of these funds support scholarships in specific faculties or academic units, where they are an essential source of revenue.

The Portfolio will be managed with the primary qualitative objective of generating a stable income to fund endowment requirements while maintaining the real long term capital value of the Portfolio.

The SIPP was developed to establish policies for the prudent management and investment of the University's endowments. The SIPP provides policy guidelines for investing the Portfolio to ensure sufficient funds to achieve the objectives of the Fund.

The University has developed policies for spending income issuing from endowments. The policies were designed to balance three goals: a flow of revenue adequate to meet donor requirements, growth of revenue over time, and protection for the stream of revenue against market fluctuations. The policies are described in *Section IV - B* of the SIPP.

II. ALLOCATION OF RESPONSIBILITIES

This section outlines the responsibilities of those charged with managing the Funds.

The Committee will:

- recommend to the Board policies for the investment of the Portfolio;
- recommend to the Board management and spending policies for the Endowment Funds;
- recommend to the Board appropriate levels for the Growth and Protection component of the Fund;
- recommend to the Board the selection and respective mandate(s) of Investment Manager(s), the Consultant(s), and the Custodian(s), if required;
- conduct a review of the SIPP every 3 years or more often if necessary, including a review of the asset mix policy;
- monitor the administration of the SIPP to ensure compliance;
- review and evaluate, both quantitatively and qualitatively, the Investment Manager(s')
 performance at least semi-annually, including an evaluation of the rates of return achieved
 relative to the objectives established, and monitor the degree of risk assumed in pursuing the
 objectives;
- provide Consultant(s) and the Custodian(s), if applicable, with relevant information as it relates to the administration of the Fund;
- recommend to the Board the implementation of contingency plans in circumstances where funds are not available to meet donor requirements; and
- delegate any responsibilities not specifically mentioned in the SIPP.

The Investment Manager(s) will:

- manage the asset mix and select securities within their respective mandate(s), subject to applicable legislation and the constraints set out in the SIPP;
- calculate monthly rates of return on their portion of the Portfolio and be prepared to report on all periods requested;
- provide the Committee and the Custodian(s), if applicable, with information in a common format as requested;
- provide the Committee with quarterly reports on the Portfolio, including a transaction listing and a Certificate of Compliance with the SIPP in a format determined by the Committee;
- provide the Committee with information regarding any material changes concerning their firm, including but not limited to, its key personnel or any legal or regulatory proceedings that may impact their specific company; and
- present to the Committee semi-annual reviews of investment performance as well as expectations for future returns on various pooled funds and proposed investment strategies for the following 12 24 months and the ensuing business cycle.

The Consultants(s) will:

- participate with the Committee and the Investment Manager(s) in the preparation and subsequent annual reviews of the SIPP, as requested;
- in discussion with the Committee prepare recommendations affecting changes to the endowment policies which may affect investment of the Funds' assets, as requested;
- participate with the Committee and the Investment Manager(s) in the annual review of expectations about future returns on asset classes and planned investment strategies, as requested;
- support the Committee in its quantitative and qualitative review and ongoing monitoring of the Investment Manager(s)' performance, as requested;
- support the Committee in the search, selection, and termination of Investment Manager(s), as requested;
- advise the Committee and Administration of changes in legislation, developments at the Investment Manager(s)' firms, and emerging business and investment strategies, including alternative investments, that may affect the Fund; and
- provide the Committee with appropriate statistical information to review the SIPP, as requested.

The Custodian(s) (if applicable) will:

• fulfill the regular duties required by law of a Custodian in accordance with the SIPP if appointed.

III. INVESTMENT POLICIES AND GOALS

Based on the Capital Market Assumptions as outlined in Section III F, the University's benchmark has an expected real return of 3.7% and an expected volatility of 9.5% based on the analysis outlined in that section.

A. Asset Mix Benchmarks

Long-term asset mix benchmarks listed in Table 1 will best balance the various goals of the Fund.

Table 1: Asset Mix Benchmark										
Asset Class	Percentage of Asset Mix									
Cash	5									
Fixed Income	3 <u>0</u> 5									
Canadian Equities	30									
Global Equities	30									
Alternative Investments Infrastructure	<u>5</u>									
TOTAL	100									

As the Portfolio is being actively managed, the asset mix may deviate from the mix in Table 1, but must remain within the limits presented in Section III - C: Asset Mix Policy and Investment Constraints. The asset mix benchmark will be reviewed by the Committee during periodic reviews of the SIPP.

B. Investment Manager(s): Objectives and Evaluation

I. Active Management Objectives

The Fund will be actively managed by the Investment Manager(s), employing security selection and asset mix strategies in an attempt to add value to the returns that would be earned by passively managing their mandate within the asset mix benchmark as described in Section III A. The Investment Manager(s')

decisions, however, shall always be subject to the aggregate and individual investment limits set out in Section III. The expected added value is included in Section III - G: Basis of Active Management Objectives.

The quantitative objective of active management will be to add 70 basis points per annum (.70 percent capital) to the Investment Policy Return (see item (c) below). This objective is to be achieved over four years.

(a) <u>Analysis and Evaluation of Investment Performance</u>

A semi-annual analysis of the total performance of the Fund will be used to evaluate the quantitative performance of the Investment Manager(s), the asset mix benchmark and the contribution of active management to investment performance. This analysis will involve comparing the actual fund return with the return that would have been earned had the asset mix benchmark been passively managed.

The following return definitions will be used in the attribution of Portfolio performance:

(b) Actual Total Fund Return

Actual total fund return is the time-weighted return actually earned by the total Fund. It contains the combined impact of investment policy and active management.

Time-weighted return for a given period is the investment return earned on a constant unit of assets held throughout the measurement period. This return is unaffected by a funds external cash flow and is therefore an effective standard for evaluating the Investment Manager(s') performance.

(c) <u>Investment Policy Return</u>

Investment policy return is the return that could have been earned by the passive management of the asset mix benchmark, assuming quarterly rebalancing. This return is the sum of the market index returns in the appropriate asset class multiplied by the proportion of the asset mix benchmark allocated to each class.

The difference between the actual total fund return and the investment policy return indicates the total impact that active management (security selection and asset mix shifts) has on investment policy. The performance of the Investment Manager(s), as stated earlier, will be considered satisfactory if the annualized return (before investment management fees) meets or exceeds the value added targets outlined in Table 4 (See Section III - G).

(d) Evaluation of Investment Manager(s)

The Committee will consider the following criteria as it evaluates Investment Manager(s) or their respective mandates.

Such criteria include but are not limited to:

- failure to meet the value-added performance targets in Section III;
- significant turnover in the firm's key personnel;
- Committee's decision to alter investment management strategy;
- significant change in the ownership of the firm, which may result in operational changes in the organization;
- dissatisfaction with client servicing;
- failure to satisfy the responsibilities in Section II;
- failure to meet the investment constraints in Section III C or any other expectations contained in this SIPP;
- any legal proceedings and/or regulatory investigations that may impact their specific firm; and
- significant changes in the method used by the firm to manage the funds and select investments (i.e. a change in style).

An Investment Manager(s) can be replaced only by the action of the Board.

C. Asset Mix Policy and Investment Constraints

Based on a style mix decision of a value bias being most appropriate for the objectives of the Fund, a 60/40 (slight growth/deep value) target mix was established.

The market value proportions will be monitored quarterly by Administration. Should the market values deviate +/- five percent (5%) from the above weightings, monies will be redistributed to rebalance the portfolios. Private market alternative asset classes are not expected to be rebalanced due to the long term illiquid nature of the investments.

The Portfolio is subject to investment constraints as stated below:

1. Asset Mix Policy

The market value of the individual asset classes will fall within the following minimum and maximum aggregate investment limits:

Table 2: Allowable Asset Mix Ranges											
Asset Class	Benchmark (percent)	Minimum (percent)	Maximum (percent)								
Cash	5	0	15								
Fixed Income	3 <u>0</u> 5	2 <u>0</u> 5	4 <u>0</u> 5								
Canadian Equities	30	15	40								
Global Equities	30	15	40								
Alternative Investments (including infrastructure and private equity investments)	<u>5</u>	0	10								

2. Investment Constraints

The following are the acceptable investment vehicles for the Portfolio:

Cash:

Cash on hand, demand deposits, treasury bills, commercial paper, short-term notes and bankers' acceptances, term deposits and guaranteed investment certificates of less than or equal to a one-vear term.

Fixed Income:

Bonds, debentures or notes of Canadian or developed market foreign issuers whether denominated and payable in Canadian or a foreign currency. Preferred shares, mortgage-backed securities, maple bonds and asset-backed securities are also permitted. See fixed income limits section.

Note: The Board has approved an exception to the investment constraints regarding fixed income limits to allow for investment into the FGP Universe Bond Fund. For the purpose of these investments, the investment constraints contained in the investment policy statement for the FGP Universe Bond Fund (Appendix B) applies.

Equity:

Common shares, limited-liability income trusts, rights, warrants, American Deposit Receipts, Global Deposit Receipts, subscription receipts and securities convertible into common shares. All equity investment categories may be in Canadian or non-Canadian funds.

Currency Hedging and Derivatives:

Currency hedging and the use of derivatives including options and futures may only be used with the prior permission of the Committee.

Private placements:

Private placements may only be purchased with prior written permission of the Committee.

Infrastructure:

Indirect domestic or foreign infrastructure investment via independently managed open-ended or closed-ended pooled funds, limited partnerships, trusts and/or specialized corporate structures.

3. Fixed Income Limits

The Investment Manager(s) may invest in the permitted investment categories listed above, subject to the following quality constraints:

- The cash, short-term and fixed income investments in the securities of one issuer will not exceed ten percent (10%) of the total market value of all cash, short-term and fixed income investments held by the Fund, unless the issuer is guaranteed by the Government of Canada or one of the provinces of Canada.
- The purchase of short-term investments issued by corporations and financial institutions is restricted to those with a minimum rating of R1 (low) or Single A by the Dominion Bond Rating Service, Standard & Poor's or Moody's.
- The purchase of fixed income instruments is restricted to those which have a minimum rating of BBB as established by the Dominion Bond Rating Service, Standard & Poor's or Moody's. In the event of a split rating, the more conservative rating will be used. The market value of fixed income instruments with a BBB rating shall not exceed ten percent (10%) of the market value of the cash, short-term and fixed income securities. The average credit quality of the Portfolio shall be maintained at no lower than an A rating. The credit quality of the fixed income instruments shall be reported quarterly to Administration.
- The market value of cash and bond investments in Canadian securities issued in a foreign currency will not exceed twenty percent (20%) of the total market value of the fixed income investments.
- The market value of investments held by non-Canadian bond issuers will not exceed twenty percent (20%) of the total market value of the fixed income investments.

4. Equity Limits

The market value of a single Canadian equity investment, represented as a percentage of the Canadian Equity Portfolio, shall not exceed ten percent (10%) of the portion of the Canadian Equity Portfolio managed by a particular Manager. An Investment Manager(s) may request permission to hold more than ten percent (10%) of the Canadian Equity in a single equity. Such a request shall be made in writing and shall specify reasons for the request. In appropriate circumstances, the Committee is authorized to allow the Investment Manager(s) to hold up to ten percent (10%) of the Total Canadian Equity Portfolio in a single equity investment.

If the S&P/TSX Composite Index weight of any single equity is greater than ten percent (10%), the Committee shall take into account the restrictions placed on the Investment Manager when evaluating their performance.

For non-Canadian equities, an investment in the shares of any single company should not exceed ten percent (10%) of the market value of all non-Canadian equities held.

5. Infrastructure Investments

Infrastructure investments shall consist primarily of well diversified core or core plus funds predominantly invested in developed countries. Infrastructure investments will include, but are not limited to, transportation, energy, power, utilities, water, waste, natural resources, communications, and certain social infrastructure projects.

6. Other Limits

All investments shall be made in accordance with all applicable legislation and with Standard III C of the Institute of Chartered Financial Analysts. The standard requires that when an Investment Manager(s) undertakes an investment action for a specific portfolio or client, they consider its appropriateness and suitability for the portfolio or client. In such matters, the Investment Manager(s) shall take into account:

- the needs and circumstances of the client;
- the basic characteristics of the investment involved; and
- the characteristics of the total portfolio.

The Investment Manager(s) will use reasonable judgment to determine the applicable relevant factors.

7. Policies of the Investment Manager(s)

In some circumstances the Investment Manager(s) will have published policies in place, which are more restrictive than those outlined in the SIPP. Should the Investment Manager(s) wish to change existing policy, while respecting the SIPP, they shall inform the University in writing at least 60 days prior to the change. The Investment Manager(s) shall specify the reason for the proposed change and the proposed

time at which the change would be effected. Unless the Committee registers concern within reasonable mutually-agreed upon period of time, the Investment Manager(s) will be authorized to effect the change.

To the extent the Fund invests in an Investment Manager(s') pooled funds, the foregoing investment constraints, and any other provisions of the SIPP that may be affected (including the proxy voting guidelines), shall not apply. The Investment Manager(s) shall be governed by the Investment Manager's own investment policy for the applicable pooled funds. The Investment Manager(s) shall inform the Chair of the Committee when and how the guidelines of the pooled funds differ from the guidelines of the SIPP and provide a minimum of 45 days advance notice of any changes to their pooled fund policies.

D. Conflict of Interest Policy and Disclosure Requirements

These guidelines apply to:

- the Committee;
- the Board;
- the Investment Manager(s);
- the Custodian(s);
- the Consultant(s); and
- any individual involved in the administration or decision-making process relating to the investment of the Fund.

1. Conflict of Interest

Any person listed above must disclose any direct or indirect association or material interest or involvement in aspects related to their role with regard to the Fund that would result in any potential or actual conflict of interest.

Without limiting the generality of the foregoing, a conflict of interest arises when one of the individuals governed by the guidelines receives a material benefit from any asset held in the Portfolio, or a benefit from any actual or proposed contracts which are or will be included in the Portfolio or arise out of other normal business relationships.

2. Procedures on Disclosure

Any persons listed above must disclose the nature and extent of their conflict to the Committee in writing, or request to have entered in the minutes of the meeting of the Committee at the earliest of:

- a) upon first becoming aware of the conflict;
- b) at the first meeting in which the matter at issue is discussed;
- c) at the first meeting and every subsequent meeting in which they know or ought to have known that they had an interest in the matter discussed.

For the purposes of b) above, the disclosure must be made verbally if knowledge of the conflict arises in the course of a discussion at the meeting. If the party cannot exercise voting power on decisions affecting the Fund, they may elect not to participate in the activities related to the issue in conflict, or they may continue their activities with the approval of the Committee.

If the party disclosing the conflict does have voting power, they may continue in their activities in respect to the issue in conflict only with the unanimous approval of the other participants with voting rights. In this situation they may elect not to participate with respect to the issue in conflict, but they must not participate without the unanimous approval of the other members. The notification made by them shall be considered a continuing disclosure on that issue, subject to any future notification by them, for the purpose of the obligations outlined by these guidelines.

No purchase by an Investment Manager(s) is to be made of its own securities. Purchase of any related company, or companies in which the Investment Manager(s) may have a conflict of interest, may not be made without prior approval by the Committee.

E. Other Investment Issues

1. Delegation of Voting Rights

The Investment Manager(s) are delegated the responsibility of exercising all voting rights acquired through the Portfolio's investments. The Investment Manager(s) will exercise all acquired voting rights with the intent of fulfilling the investment objectives and policies as outlined in the SIPP. Should the Investment Manager(s) vote against management of a particular investment, they will notify the Committee.

2. Valuation of Investments

It is expected that all securities held by the Portfolio will have an active market. Their valuation, therefore, will be based on their market value. If a security held by the Portfolio does not have an active market, it will be valued at least annually by the Investment Manager(s), using accepted principles of valuation analysis.

3. Lending of Cash and Securities

The Portfolio may not lend cash for any purpose. The purpose of the Fund is to make investments permitted in the SIPP.

The Portfolio may enter into securities loan agreements providing the loaned investments are secured by cash or highly liquid investments having a market value of at least 102 percent of the loan, and that this 102 percent level of security is maintained at least daily.

F Capital Market Assumptions

The capital market assumptions were used in the development of the benchmark. These assumptions, contained in Table 3, are intended to represent reasonable expectations for the next 20 years.

The development of asset class assumptions incorporates a wide range of considerations including:

- Historical return, risk and correlation statistics of broad indices;
- Estimation of expected future bond yields and returns, based on:
 - Convergence to the equilibrium yield curve (EYC), with
 - 10-year maturity of the EYC set to 90% of assumed long-term nominal GDP growth;
 - Remainder of the EYC established using long-term average term premia for other maturities;
- Estimation of component returns to develop total equity returns, using as starting points such items as:
 - Current level of equity earnings yield;
 - Inflation expectations (based on the inflation target set by the central bank);
 - Expected economic growth;
- Expected relative relationships between asset classes;
- Some forward-looking judgment.

The use of different historical periods, different indices and/or different assumptions about the distribution of returns will produce different estimates of return and risk characteristics in the asset mix benchmark.

Table 3: Asset Class Input Factors

0.4	Expected	D:-1-2	Ozak	Real Return	Overall	Overall Universe	Can Equity	Global Equity	Global Low Vol	Global Equity	Emerging	Private	Infrastructure	Real
Code	Return	Risk ²	Cash	Bonds	LT Bonds	Bonas	(LC)	(LC)	Equity	(SC)	Equity	Equity		Estate
Cash	2.08%	1.50%	1											
Real Return Bonds	2.88%	7.50%	-0.19	1										
Overall LT Bonds	3.18%	8.50%	-0.15	0.70	1									
Overall Universe Bonds	3.29%	5.40%	0.00	0.66	0.95	1								
Can Equity (LC)	6.10%	19.50%	-0.19	0.22	-0.17	-0.30	1							
Global Equity (LC)	6.10%	16.11%	-0.32	0.01	-0.03	-0.16	0.70	1						
Global Low Vol Equity	5.59%	13.00%	-0.27	0.08	0.29	0.19	0.35	0.79	1					
Global Equity (SC)	6.61%	17.79%	-0.34	-0.04	-0.10	-0.21	0.71	0.95	0.74	1				
Emerging Equity	8.00%	25.00%	-0.12	0.21	0.00	-0.10	0.86	0.76	0.43	0.72	1			
Private Equity	8.63%	25.00%	-0.10	-0.01	0.04	-0.05	0.15	0.52	0.62	0.45	0.25	1		
Infrastructure	6.38%	13.00%	0.14	0.49	0.20	0.16	0.42	0.32	0.26	0.29	0.44	0.31	1	
Real Estate	5.88%	13.00%	0.27	-0.09	-0.11	-0.23	0.21	0.25	0.19	0.20	0.21	0.48	0.29	1

										•	•	_
			Overall .		Can	Global		Global	_			
			long-	Real	equity	equity	Global	equity	Emer-			
		Overall	term	return	(large	(large	low vol	(small	ging	Real	Infrast-	Hedge
	Cash	universe	bonds	bonds	cap.)	cap.)	equity	cap.)	equity	estate	ructure	funds
Expected Return ¹	2.0%	3.2%	3.2%	2.6%	6.6%	6.6%	6.0%	7.2%	8.5%	5.4%	6.2%	5.1%
Risk ²	1.5%	5.4%	8.5%	7.5%	19.5%	16.1%	13.0%	17.8%	25.0%	13.0%	13.0%	11.0%
Correlations												
Cash	1.00	_										
Overall universe	0.00	1.00	_									
Overall long-term bonds	-0.15	0.95	1.00	=								
Real return bonds	-0.19	0.66	0.70	1.00	_							
Can equity (large cap.)	-0.19	-0.30	-0.17	0.22	1.00	=						
Global equity (large cap.)	-0.32	-0.16	-0.03	0.01	0.70	1.00	_					
Global low vol equity	-0.27	0.19	0.29	0.08	0.35	0.79	1.00	_				
Global equity (small cap.)	-0.34	-0.21	-0.10	-0.04	0.71	0.95	0.74	1.00	_			
Emerging equity	-0.12	-0.10	0.00	0.21	0.86	0.76	0.43	0.72	1.00	=		
Real estate	0.27	-0.23	-0.11	-0.09	0.21	0.25	0.19	0.20	0.21	1.00		
Infrastructure	-0.18	0.00	0.10	0.38	0.62	0.64	0.53	0.56	0.64	0.26	1.00	_
Hedge funds	-0.11	0.18	0.19	0.04	-0.03	0.33	0.49	0.28	0.13	0.15	0.35	1.00

Based on the 2017 analysis Mercer's Capital Market Assumptions, which used the foregoing inputs, the University's benchmark has an expected real return of 4.93.7% and an expected volatility of <u>12.2</u>9.5%.

The asset classes reported in Table 3 are modeled based on the following Total Return Indices:

Asset Class	Total Return Index
Cash	FTSE 91 Day Treasury Bill
Overall Universe	FTSE TMX Overall Universe
Overall long-term bonds	FTSE TMX Overall Long Term
Real return bonds	FTSE TMX RRB Overall
Canadian equity (large cap.)	S&P/TSX 60
Global equity (large cap.)	MSCI World Standard (CAD)
Global low vol equity	MSCI World Minimum Volatility (CAD)
Global equity (small cap.)	MSCI World Small Cap (CAD)
Emerging equity	MSCI Emerging Markets (CAD)
Real estate	REALpac/IPD Canada Property
Infrastructure	Composite of Mercer GIMD unlisted infrastructure managers
Hedge funds	HFRI FOF: Diversified (CAD)

Expected returns include the expected level of inflation (2%) but do not include allowance for manager value added. Returns are gross i.e. do not reflect the expenses of investment management.

G. Basis of Active Management Objectives

The following table was used to establish the Active Management Objectives of the Portfolio:

Table 4: Annual Value-Added Targets by Asset Class							
Asset Class	Premium (Base Points)	Benchmark Index					
Cash	0	FTSE TMX Canada 91-Day T-Bill Total Return Index					
Fixed Income	25	FTSE TMX Canada Universe Bond Total Return Index					
Canadian Equities	100	S&P/ TSX Capped Total Return Index (note *)					
Global Equities	150	MSCI All Country World Total Return Index (Gross of Dividends) or MSCI World Index					
Alternative InvestmentsInfrastru eture	0	Canadian CPI + 4%					
TOTAL	70						

^{*}This index represents the Main index including income trusts.

Risk is measured as the annual standard deviation in returns of the asset class.

H. Environmental, Social, and Governance Factors

Environmental, Social, and Governance (ESG) factors can affect the performance of companies and other entities in which the plan invests, and may therefore be considered where relevant and material to the assessment of investment value and mitigation of investment risk.

The plan administrator has delegated to the investment portfolio managers full discretion in evaluating ESG risks and opportunities, alongside other considerations, in regards to the Fund's investments.

IV. ENDOWMENT MANAGEMENT AND SPENDING POLICY

A. Introduction

The policies of the Fund were designed to comply with the terms of reference outlined by donors in the documents establishing the individual endowments and to balance the following goals of the University:

- to fund programs at the desired level, normally the level which is stipulated by the donor;
- to grow funding over time to provide continued support for future generations; the growth should reflect, as far as possible, the loss in value of money over time; and
- to protect the flow of funds to programs in any year when income earned is less than the required four percent (4 %) as outlined in the terms of reference.

B. Spending Policy and Endowment Protection

This policy provides for the use of re-invested income from the endowment as a source of funding in any year in which earnings are not adequate to support the designated program. This portion of the endowment will henceforth be referred to as the "Growth and Protection Fund".

1. General Operation of Policy

Expenditures from the Endowment Fund will be made from investment income earned net of applicable expenses, in the previous year or from the Growth and Protection Funds if required. The Fund operates under the University's fiscal year, May 1 to April 30. Annual net income earned is reported for this period.

Three sub accounts are to be established for each endowment:

- a. the original endowment donation;
- b. funds re-capitalized by the University; and
- c. the Growth and Protection Fund.

Note: The original donation and funds re-capitalized by the University are considered the endowment capital.

Each year the University will first allocate income up to four percent (4%), as per the terms of reference of the endowment, of the previous year's endowment capital for expenditure. The expenditure shall be funded from the previous year's income on the endowment capital. Note: there are certain exceptions to the four (4%) allocation due to grandfathering of this policy.

The University's policies are designed to provide spending stability should income fall below the four (4%) percent of capital. (See IV - B - 2: Contingency Plans.) That portion of the previous year's income which exceeds four (4%) percent of capital is allocated to the Growth and Protection Fund.

The size of the Growth and Protection Fund is established by the Board as a percentage of the endowment's capital. As of May 1, 2000 the Growth and Protection Fund will be set at 12 percent (12%) of the endowment's capital. When the Endowment Growth and Protection Fund reaches this size, any additional income will be allocated to the endowment's capital, i.e. the "Funds - Recapitalized by the University" account. This procedure increases the capital on which the four (4%) percent for spending is calculated as noted above.

Scholarships will be increased in \$100 increments. Where possible, donors will be consulted regarding any change to scholarship amounts.

2. Contingency Plans (where the previous year's income is less than four (4 %) percent of the endowment capital)

The University's policy is to maintain spending at the level published in the University calendar. The Growth and Protection Fund is now set at twelve percent (12%). The Growth and Protection Fund will enable the University's policy to be maintained in all but the most negative market conditions.

Specific policies governing the operation of the Growth and Protection Fund in adverse market conditions are the responsibility of the Committee. The appropriate response may vary, depending on specific market conditions.

In cases of severe and prolonged adverse market conditions where the University cannot maintain this policy, donors will be contacted wherever possible, to identify a mutually acceptable course of action. If donors cannot be contacted, the Board's policy will be applied.

3. Protection of New Endowments

New endowments will be protected should income be less than four (4%) percent of capital before an endowment has built up an adequate Growth and Protection Fund.

New endowments will be protected as follows:

- No payments will be made in the year in which an endowment is received. Expenditures
 made in the year after an endowment is established will depend on the income which it
 earns. Partial expenditures may be necessary if funds were not endowed for a full year.
- The University has established a General Growth and Protection Fund for emergency support.

4. General Growth and Protection Fund (see Table 5)

The University has several general endowments which allow the Board very broad discretion in spending. The Board has also established several endowments under its direct control (Board endowments). A General Growth and Protection Fund will be established by increasing the Growth and Protection Funds of these endowments by three (3%) percent to fifteen (15%) percent as of May 1, 2000. The policies governing the operation of this fund in years when income is less than five (5%) percent of capital are the responsibility of the Committee.

C. Donation Policies

1. Small Donations

The University and each Faculty or other campus unit of sufficient size will have a General Endowment Fund to encourage small donations. Donations in excess of \$100 may be made directly to the Faculty/unit endowment.

The fund will be administered as is any other endowment. Each Faculty will maintain an endowment fund. When an academic unit's endowment has accumulated \$25,000 for a specific program, a new endowment for that program will be established.

2. Larger Donations (\$1,000 per annum awards)

A donation that would generate \$1,000 per annum will become a Named Award. Although such awards would generally require a \$25,000 donation, the Committee may allow exceptions.

Named endowments will be administered separately and any income not required for expenditure will be used to increase the endowment's Growth and Protection Fund or it will be re-capitalized as

per the above policies. All endowments will be reviewed at each five-year anniversary for possible increases in the award in \$100 increments.

3. Implementation

Wherever possible, existing endowments will be restructured to conform to this policy.

APPENDIX A: SUPPLEMENTARY INFORMATION FOR THE BOARD OF GOVERNORS

The Investment Committee will use the following general guidelines in managing the Growth and Protection Fund. Specific approaches may vary depending on circumstances.

1. Guidelines for the Operation of Individual Growth and Protection Funds of Named Endowments

If income in any year is insufficient to meet the endowment's required spending, withdrawals shall be made first from the endowment's Growth and Protection Fund. If further funding is required, withdrawals shall be made from the General Growth and Protection Fund as outlined in item 2 of these guidelines.

2. Guidelines for the Operation of the General Growth and Protection Fund in Adverse Conditions

If income in any year is insufficient to meet the endowment's required spending, withdrawal will be made first from the endowment's individual Growth and Protection Fund and then from the General Growth and Protection Fund. To prevent the rapid depletion of the General Growth and Protection Fund, such withdrawals in aggregate shall be limited to 50 percent of its opening balance.

Funds will be withdrawn in the following order:

- first, to protect new endowments;
- <u>second</u>, to pay four (4%) percent on the original capital from all other endowments on a *pro-rata* basis if insufficient funds are available from individual Growth and Protection Funds;
- <u>third</u>, to pay on the re-capitalized amounts of original endowments in the age order of the original endowments, i.e. oldest to newest; and
- <u>finally</u>, funds from the General Growth and Protection Fund will be withdrawn *pro-rata*, based on capital, regardless of how the funds will be spent.

If in any one year where there is a shortfall of interest earned to satisfy the spending policy requirement of four (4%) percent for any individual endowment, the allocation of Growth and Protection to fund the respective shortfall will be as follows:

- first, up to 100% of the individual endowment's Growth & Protection Fund;
- second, up to 100% of the General Growth & Protection Fund; and
- third, up to 100% of the Expendable portion of the Board endowments.

In subsequent years when interest earned to satisfy the spending policy of any individual endowment exceeds the requirement of four (4%) percent, the amount of the shortfall from prior years funded

from the Expendable portion of the Board endowments will be directed to the General Growth & Protection Fund to replenish the fund.

3. Endowments for Which a 15 Percent Growth and Protection Fund is Recommended

Table 5: Endowments for Which a 15 Percent (15%) Growth and Protection Fund is Recommended							
Account#							
General Endowment (General Donations) †	60109						
Gertrude Rock (General Donation) †	60144						
University Graduate Scholarships (Board Established)	60083						
OSOTF Graduate (OSOTF restrictions only) [‡]	60415						
University Undergrad (Board Established)	60076						
OSOTF Undergraduate (OSOTF Restrictions) ‡	60362						
Pension Contribution Holiday	60427						

[†] The expendable portion could be re-capitalized to start the general Growth and Protection Fund.

[‡] The terms under which an endowment would be protected should be compatible with general OSOTF terms.