

# Board of Governors

Agenda and Supporting Documents

Tuesday, November 28, 2017

4 pm

**Freed-Orman Commons, Assumption Hall**

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

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

RSVP to Carol Perkes: [carol7@uwindsor.ca](mailto:carol7@uwindsor.ca)/519-253-3000 Ext. 2005



**NOTICE OF MEETING**  
There will be a meeting of the  
Board of Governors  
Tuesday, November 28, 2017 at 4:00 pm  
Freed-Orman Commons, Assumption Hall

BG171128A

**AGENDA**

ITEM	DESCRIPTION	DOCUMENT/ACTION
	<i>Declaration of conflict of interest</i>	
1	Approval of the Agenda	
2	Minutes of the meeting of October 10, 2017 (p4)	Approval BG171010M
3	Business arising from the minutes	
4	Outstanding Business/New Business	
4.1	Reports:	
4.1.1	Remarks from the Chair	Allen-Information
4.1.2	President's Report	Wildeman-Information
4.1.2.1	Annual Report 2017	
4.1.2.2	Update on Campus Transformation Plan	
4.2	Audit Committee	
4.2.1	Draft Audited Financial Statements of the University of Windsor Pension Plans for the year-ended June 30, 2017 (p7,8,25)	Farmer-Approval BG171122-4.2.1a BG171122-4.2.1b
4.3	Executive Committee	
4.4	Governance Committee	
4.5	Investment Committee	Allison-Approval
4.5.1	Pooled Fund Clause – Working Capital SIPP (p42)	BG171128-4.5.1
4.5.2	PH&N Core Plus Bond Fund and Mortgage Pension Trust – Working Capital Portfolio (p43)	BG171128-4.5.2
4.6	Pension Committee	
4.7	Resource Allocation Committee	
4.7.1	2017/2018 Operating Budget Mid-year Review (p44)	Willis-Information BG161122-4.7.1
4.7.2	Planning for 2018/19 Operating Budget	Willis-Information
5	In Camera	
6	Adjournment	

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

**University of Windsor  
Board of Governors**

4.2.1(a&b):       **Audited Financial Statements of the University of Windsor Pension Plans for the year ended June 30, 2017**

Forwarded by:     **Audit Committee**

Item for:           **Approval**

**MOTION 1:**       **That the Board approve the Audited Financial Statements of the University of Windsor Retirement Plan for Faculty and Certain Employees for the year ended June 30, 2017.**

**MOTION 2:**       **That the Board approve the Audited Financial Statements of the University of Windsor Employees' Retirement Plan for the year ended June 30, 2017.**

**Rationale:**

The audited financial statements for the Pension Plans are special purpose statements. These financial statements present the Net Assets Available for Benefits as of June 30, 2017 and the Change in Net Assets Available for Benefits for the year then ended.

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

The University's external auditors, KPMG, are prepared to issue unqualified audit reports.

Fund Financial Statements of

**UNIVERSITY OF WINDSOR  
RETIREMENT PLAN FOR FACULTY AND  
CERTAIN EMPLOYEES**

Registration Number: 0366849  
Year ended June 30, 2017



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the University of Windsor Retirement Plan for Faculty and Certain Employees, which comprise the statement of net assets available for benefits as at June 30, 2017, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Section 76 of the Regulations to the Pension Benefits Act (Ontario).

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 76 of the Regulations to the Pension Benefits Act (Ontario), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the University of Windsor Retirement Plan for Faculty and Certain Employees as at June 30, 2017, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions Section 76 to the Regulations to the Pension Benefits Act (Ontario).

*Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the University of Windsor Retirement Plan for Faculty and Certain Employees to meet the requirements of the Financial Services Commission of Ontario. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Trustee of the University of Windsor Retirement Plan for Faculty and Certain Employees and the Financial Services Commission of Ontario and should not be used by parties other than the University of Windsor Retirement Plan for Faculty and Certain Employees and the Financial Services Commission of Ontario.

Chartered Professional Accountants, Licensed Public Accountants

November 24, 2017

Windsor, Canada

**UNIVERSITY OF WINDSOR**  
**RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES**

(REGISTRATION Number: 0366849)

**Statement of Net Assets Available for Benefits**

(in thousands of dollars)

Year ended June 30, 2017, with comparative information for 2016

		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Investments	note 4	504,702	458,195
Other assets		68	7
Total Assets		504,770	458,202
<b>Liabilities</b>			
Accrued liabilities		695	651
<b>Net Assets Available for Benefits</b>		<b>504,075</b>	<b>457,551</b>

*See accompanying notes to the financial statements.*

\_\_\_\_\_  
Administrator

\_\_\_\_\_  
Administrator



**UNIVERSITY OF WINDSOR****RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES**

(REGISTRATION Number: 0366849)

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

(in thousands of dollars)

Year ended June 30, 2017, with comparative information for 2016

		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Increase in net assets:</b>			
Investment income	note 6	13,730	10,753
Net realized gain on sale of investments		9,176	38,485
Current period increase (decrease) in market values of investments		28,804	(37,198)
Contributions:			
Employee		7,545	6,293
Employer:			
Current service		8,793	8,225
Special		4,635	4,635
Total Employer Contributions		13,428	12,860
		72,683	31,193
<b>Decrease in net assets:</b>			
Benefit payments		21,871	20,798
Transfers to other plans		1,741	1,434
Administrative expenses	note 7	2,547	2,254
		26,159	24,486
<b>Increase in net assets</b>		<b>46,524</b>	<b>6,707</b>
<b>Net assets available for benefits, beginning of year</b>		<b>457,551</b>	<b>450,844</b>
<b>Net assets available for benefits, end of year</b>		<b>504,075</b>	<b>457,551</b>

*See accompanying notes to financial statements.*

# UNIVERSITY OF WINDSOR RETIREMENT PLAN FOR FACULTY AND CERTAIN EMPLOYEES

(Registration Number: 0366849)

## Notes to Fund Financial Statements

(in thousands of dollars, unless otherwise noted)

Year ended June 30, 2017

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### 1. DESCRIPTION OF PLAN

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

#### (a) General

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

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

#### (b) Funding policy

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

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

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

#### (c) Benefits

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

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

**(c ) Benefits (cont'd)**

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

**(d) Income taxes**

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

**(e) Investment policy**

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

**2. BASIS OF PREPARATION**

**(a) Basis of presentation**

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

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

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans require the Faculty Plan to comply on a consistent basis with either International Financial Reporting Standards ("IFRS") or the Canadian accounting standards for private enterprises. The Faculty Plan has chosen to comply on a consistent basis with IFRS.

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

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

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

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

**(b) Basis of measurement**

The fund financial statements have been prepared on the historical cost basis, except for investments which are measured at fair value through the Statement of changes in net assets available for benefits.

**(c) Use of estimates and judgements**

The preparation of the fund financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the Statement of net assets available for benefits and the reported amounts of changes in net assets during the year. Actual results may differ from those estimates.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

When available, the Faculty Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

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

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

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

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

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

Fair values of investments are determined as follows:

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

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

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

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

**(b) Financial assets and financial liabilities**

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

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

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

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

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

**(i) Non-derivative financial assets (cont'd)**

The Faculty Plan de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Faculty Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. On de-recognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the Statement of changes in net assets available for benefits as a net realized gain (loss) on sale of investments.

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

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

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

Financial assets and liabilities are offset and the net amount presented in the Statement of net assets available for benefits when, and only when, the Faculty Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**(c) Net realized gain on sale of investments**

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

**(d) Investment recognition**

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

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

**(e) Foreign currency**

The functional and presentation currency of the fund financial statements is Canadian dollars. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are then translated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the Statement of changes in net assets available for benefits as a current period increase (decrease) in market values of investments.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(f) Fund unit valuation**

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

**4. INVESTMENTS**

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

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and short-term investments	14,849	14,702	13,489	13,373
Canadian bonds and debentures	250,545	252,762	241,506	236,908
Canadian common and preferred shares	207,125	207,390	196,772	212,348
	472,519	474,854	451,767	462,629
Non-Canadian common and preferred shares	266,322	192,800	219,779	181,927
	738,841	667,654	671,546	644,556

The following table summarizes the Faculty Plan's pro-rata share of the investments at fair value and cost in the Fund – 68.31% (2016 – 68.23 %):

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and short-term investments	10,143	10,043	9,203	9,124
Canadian bonds and debentures	171,147	172,662	164,779	161,642
Canadian common and preferred shares	141,487	141,668	134,258	144,885
	322,777	324,373	308,240	315,651
Non-Canadian common and preferred shares	181,925	131,702	149,955	124,129
	504,702	456,075	458,195	439,780

**5. STATUTORY DISCLOSURES**

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

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Pooled funds:				
FGP Short Term Investment Fund	10,819	10,672	10,456	10,340
FGP Universe Bond Fund	70,552	70,427	65,978	64,529
PHN Core Plus Bond Fund	88,858	91,051	86,933	87,032
PHN Long Bond Fund	51,715	52,627	51,122	49,581
FGP Long Bond Fund	39,419	38,656	37,472	35,766
FGP Small Cap Cdn Equity Fund	8,571	7,819	8,153	7,832
FGP Cdn Equity Fund	83,731	89,363	84,902	101,285
Fidelity Canadian Equity Pool	114,824	110,209	103,717	103,232
Baillie Gifford Global Alpha Fund	146,470	80,344	113,572	76,064
Burgundy Global Equity Fund	119,852	112,456	106,208	105,864
	<b>734,811</b>	<b>663,624</b>	<b>668,513</b>	<b>641,525</b>

**6. INVESTMENT INCOME**

The following represents the investment income earned by the Fund:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Canadian bonds and debentures	8,398	8,265
Canadian common and preferred shares	2,800	3,237
Non-Canadian common and preferred shares	8,901	4,258
	<b>20,099</b>	<b>15,760</b>
Faculty Plan's Pro-rata share of Fund investment income	<b>13,730</b>	<b>10,753</b>



**7. ADMINISTRATIVE EXPENSES**

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Investment management fees	2,097	1,861
Actuarial and investment consulting fees	132	98
Sponsor administrative and trustee fees	221	219
Pension information system fees	68	56
Audit fees	8	7
Miscellaneous	21	13
	<b>2,547</b>	<b>2,254</b>

**8. FINANCIAL INSTRUMENTS****(a) Fair values**

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

Fair value measurements recognized in the Statement of net assets available for benefits are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data. The Faculty Plan does not have financial instruments classified as Level 3.

**8. FINANCIAL INSTRUMENTS (cont'd)****(a) Fair values (cont'd)**

The following table illustrates the classification of the Faculty Plan's financial instruments using the fair value hierarchy as at June 30, 2017:

	<b>Level 1</b>	<b>Level 2</b>	<b>2017 Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and short term investments	4,030	10,819	14,849
Canadian bonds and debentures	-	250,545	250,545
Canadian common and preferred shares	-	207,125	207,125
Non-Canadian common and preferred shares	-	266,322	266,322
Total investments in Fund	4,030	734,811	738,841
Faculty Plan's share of Fund assets			504,702

  

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

**(b) Risk management****(i) Market risk**

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

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

**8. FINANCIAL INSTRUMENTS (cont'd)****(b) Risk management (cont'd)****(i) Market risk (cont'd)**

The Fund's investments in common and preferred shares are also sensitive to market fluctuations. An immediate hypothetical increase (decrease) of 10% in equity values will impact the Fund's equity investments by an approximate gain (loss) of \$47,345 (2016 - \$41,655). The Faculty Plan's pro-rata share of this gain (loss) would be \$32,341 (2016 - \$28,421).

**(ii) Liquidity risk**

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

**(iii) Credit risk**

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Faculty Plan. The Administrator does not expect any counterparties to fail to meet their obligations given their high credit ratings. The SIPP also establishes minimum credit rating requirements for such investments to mitigate this risk.

The Fund's fixed income investments are in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. In order to minimize the exposure of risk, a comprehensive investment policy has been developed. There were no significant concentrations of credit risk in the portfolio in either 2017 or 2016. The maximum credit risk exposure as at June 30, 2017 is \$250,545 (2016 - \$241,506). The Faculty Plan's pro-rata share of this risk exposure is \$171,147 (2016 - \$164,779).

The following table provides the breakdown of the total fixed income investments by credit rating. In addition to the table below, the Fund holds mortgages within pooled fund investments with a market value at June 30, 2017 of \$6,405 (2016 - \$6,959). The Faculty Plan's pro-rata share in the mortgage holdings is \$4,375 (2016- \$4,748).

Credit Rating	2017	2017	2016	2016
	Fund Fair Value	Plan's Pro-rata share by credit rating	Fund Fair Value	Plan's Pro-rata share by credit rating
	\$	\$	\$	\$
AAA	82,538	56,382	62,439	42,602
AA	78,721	53,774	66,352	45,272
A	47,291	32,304	56,768	38,733
BBB	30,456	20,805	38,564	26,312
BB and under	5,134	3,507	10,424	7,112
	244,140	166,772	234,547	160,031

**8. FINANCIAL INSTRUMENTS (cont'd)**

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

**(iv) Interest rate risk**

Interest rate risk is the risk that the market value of the Faculty Plan's investments will fluctuate due to the changes in the market interest rates. To properly manage the Faculty Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored. The Faculty Plan's investments in fixed income are sensitive to interest rate movements. An immediate hypothetical 1% increase (decrease) in interest rates, with all other variables held constant, would impact Canadian bonds and debentures by an estimated gain (loss) of approximately \$2,614 (2016 - \$2,520) for the Fund. The Faculty Plan's pro-rata share of this gain (loss) would be \$1,786 (2016 - \$1,720).

**(v) Foreign currency risk**

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign currency rates. The Faculty Plan is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse effect on the value of the portion of the Faculty Plan's underlying assets or liabilities invested in foreign transactions. The Administrator monitors the Faculty Plan's overall currency positions and exposures on a regular basis. In addition, the SIPP permits the hedging of market price risk using derivative financial instruments. The Faculty Plan's exposure to foreign currencies would not create a significant change in the fair value of the assets except for the Faculty Plan's exposure to the US dollar. If the US dollar strengthened or weakened by 5% the Fund's US dollar holdings would change by \$7,700 (2016- \$6,600). The Faculty Plan's pro-rata share of this risk exposure is \$5,260 (2016 - \$4,503).

**9. CAPITAL MANAGEMENT**

The capital of the Fund is represented by the net assets available for benefits. The Fund's objective when managing the capital is to safeguard its ability to continue as a going concern and to maintain adequate assets to support pension obligations. The Administrator has adopted the SIPP, which states investment objectives, guidelines and benchmarks used in investing the capital of the plan, permitted categories of investments, asset-mix diversification and rate of return expectations. The SIPP is reviewed annually and was last amended effective May 23, 2017. The SIPP was amended to change the asset mix such that the allocation to long bonds increased, the allocation to universe bonds decreased, and investment in alternatives such as real estate and infrastructure is permitted to a maximum of 10%.

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

**10. RELATED PARTY TRANSACTIONS**

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

The University provides certain administrative services to the Faculty Plan. The cost to the Faculty Plan for these services during the year ended June 30, 2017 was \$157 (2016 - \$155), which is included in Sponsor administrative and trustee fees in Note 7 – Administrative Expenses.

Fund Financial Statements of

**UNIVERSITY OF WINDSOR  
EMPLOYEES' RETIREMENT PLAN**

Registration Number: 0310573  
Year ended June 30, 2017



KPMG LLP  
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## INDEPENDENT AUDITORS' REPORT

To the Trustee of University of Windsor Employees' Retirement Plan

We have audited the accompanying financial statements of the University of Windsor Employees' Retirement Plan, which comprise the statement of net assets available for benefits as at June 30, 2017, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Section 76 to the Regulations to the Pension Benefits Act (Ontario).

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 76 to the Regulations to the Pension Benefits Act (Ontario), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the University of Windsor Employees' Retirement Plan as at June 30, 2017, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions Section 76 to the Regulations to the Pension Benefits Act (Ontario).

*Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the University of Windsor Employees' Retirement Plan to meet the requirements of the Financial Services Commission of Ontario. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Trustee of the University of Windsor Employees' Retirement Plan and the Financial Services Commission of Ontario and should not be used by parties other than the University of Windsor Employees' Retirement Plan and the Financial Services Commission of Ontario.

Chartered Professional Accountants, Licensed Public Accountants

The logo for Chartered Professional Accountants (CPA), featuring a stylized 'CPA' in a blue and white color scheme.

Windsor, Canada



**UNIVERSITY OF WINDSOR**  
**EMPLOYEES' RETIREMENT PLAN**

(REGISTRATION Number: 0310573)

**Statement of Net Assets Available for Benefits**

(in thousands of dollars)

Year ended June 30, 2017, with comparative information for 2016

		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Investments	note 4	234,139	213,351
Other assets		26	3
Total assets		234,165	213,354
<b>Liabilities</b>			
Accrued liabilities		326	303
<b>Net Assets Available for Benefits</b>		<b>233,839</b>	<b>213,051</b>

*See accompanying notes to the financial statements.*

\_\_\_\_\_  
 Administrator

\_\_\_\_\_  
 Administrator

**UNIVERSITY OF WINDSOR**  
**EMPLOYEES' RETIREMENT PLAN**

(REGISTRATION Number: 0310573)

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

(in thousands of dollars)

Year ended June 30, 2017, with comparative information for 2016

		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Increase in net assets:</b>			
Investment income	note 6	6,369	5,007
Net realized gain on sale of investments		4,257	17,920
Current period increase (decrease) in market values of investments		13,356	(17,264)
Required contributions:			
Employee		3,559	3,558
Employer		3,559	3,558
		31,100	12,779
<b>Decrease in net assets:</b>			
Benefit payments		6,915	6,267
Transfers to other plans		2,069	3,124
Administrative expenses	note 7	1,328	1,126
		10,312	10,517
<b>Increase in net assets</b>		20,788	2,262
<b>Net assets available for benefits, beginning of year</b>		213,051	210,789
<b>Net assets available for benefits, end of year</b>		233,839	213,051

*See accompanying notes to financial statements.*

## UNIVERSITY OF WINDSOR EMPLOYEES' RETIREMENT PLAN

(Registration Number: 0310573)

### Notes to Fund Financial Statements

(in thousands of dollars, unless otherwise noted)

Year ended June 30, 2017

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#### 1. DESCRIPTION OF PLAN

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

##### (a) General

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

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

##### (b) Funding policy

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

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

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

##### (c) Benefits

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

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

**(d) Income taxes**

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

**(e) Investment policy**

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

**2. BASIS OF PREPARATION**

**(a) Basis of presentation**

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

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

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans require the Employees' Plan to comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") or the Canadian accounting standards for private enterprises. The Employees' Plan has chosen to comply on a consistent basis with IFRS.

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

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

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

**(b) Basis of measurement**

The fund financial statements have been prepared on the historical cost basis, except for investments which are measured at fair value through the Statement of changes in net assets available for benefits.

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

**(c) Use of estimates and judgements**

The preparation of the fund financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the Statement of net assets available for benefits and the reported amounts of changes in net assets during the year. Actual results may differ from those estimates.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

When available, the Employees' Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

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

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

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

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

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

Fair values of investments are determined as follows:

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

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

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

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

**(b) Financial assets and financial liabilities**

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

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

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

The Employees' Plan de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Employees' Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. On de-recognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the Statement of changes in net assets available for benefits as a net realized gain (loss) on sale of investments.

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

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

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

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

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

Financial assets and liabilities are offset and the net amount presented in the Statement of net assets available for benefits when, and only when, the Employees' Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**(c) Net realized gain on sale of investments**

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

**(d) Investment recognition**

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

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

**(e) Foreign currency**

The functional and presentation currency of the fund financial statements is Canadian dollars. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are then translated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the Statement of changes in net assets available for benefits as a current period increase (decrease) in market values of investments.

**(f) Fund unit valuation**

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

**4. INVESTMENTS**

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

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and short-term investments	14,849	14,702	13,489	13,373
Canadian bonds and debentures	250,545	252,762	241,506	236,908
Canadian common and preferred shares	207,125	207,390	196,772	212,348
	472,519	474,854	451,767	462,629
Non-Canadian common and preferred shares	266,322	192,800	219,779	181,927
	738,841	667,654	671,546	644,556

The following table summarizes the Employees' Plan's pro-rata share of the investments at fair value and cost in the Fund - 31.69 % (2016 – 31.77 %):

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and short-term investments	4,706	4,659	4,286	4,249
Canadian bonds and debentures	79,398	80,100	76,727	75,266
Canadian common and preferred shares	65,638	65,722	62,514	67,463
	149,742	150,481	143,527	146,978
Non-Canadian common and preferred shares	84,397	61,098	69,824	57,798
	234,139	211,579	213,351	204,776



**5. STATUTORY DISCLOSURES**

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

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Pooled funds:				
FGP Short Term Investment Fund	10,819	10,672	10,456	10,340
FGP Universe Bond Fund	70,552	70,427	65,978	64,529
PHN Core Plus Bond Fund	88,858	91,051	86,933	87,032
PHN Long Bond Fund	51,715	52,627	51,122	49,581
FGP Long Bond Fund	39,419	38,656	37,472	35,766
FGP Small Cap Cdn Equity Fund	8,571	7,819	8,153	7,832
FGP Cdn Equity Fund	83,731	89,363	84,902	101,285
Fidelity Canadian Equity Pool	114,824	110,209	103,717	103,232
Baillie Gifford Global Alpha Fund	146,470	80,344	113,572	76,064
Burgundy Global Equity Fund	119,852	112,456	106,208	105,864
	<b>734,811</b>	<b>663,624</b>	<b>668,513</b>	<b>641,525</b>

**6. INVESTMENT INCOME**

The following represents the investment income earned by the Fund:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Canadian bonds and debentures	8,398	8,265
Canadian common and preferred shares	2,800	3,237
Non-Canadian common and preferred shares	8,901	4,258
	<b>20,099</b>	<b>15,760</b>
Employees' Plan's Pro-rata share of Fund investment income	6,369	5,007

**7. ADMINISTRATIVE EXPENSES**

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Investment management fees	969	870
Actuarial and investment consulting fees	139	58
Sponsor administrative and trustee fees	123	123
Pension information system fees	67	56
Audit fees	3	5
Miscellaneous	27	14
	<b>1,328</b>	<b>1,126</b>

**8. FINANCIAL INSTRUMENTS****(a) Fair values**

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

Fair value measurements recognized in the Statement of net assets available for benefits are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data. The Employees' Plan does not have financial instruments classified as Level 3.

**8. FINANCIAL INSTRUMENTS (cont'd)****(a) Fair values (cont'd)**

The following table illustrates the classification of the Employees' Plan's financial instruments using the fair value hierarchy as at June 30, 2017:

	<b>Level 1</b>	<b>Level 2</b>	<b>2017 Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and short term investments	4,030	10,819	14,849
Canadian bonds and debentures	-	250,545	250,545
Canadian common and preferred shares	-	207,125	207,125
Non-Canadian common and preferred shares	-	266,322	266,322
Total investments in Fund	4,030	734,811	738,841
Employees' Plan's share of Fund assets			234,139

  

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

**(b) Risk management****(i) Market risk**

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

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

## 8. FINANCIAL INSTRUMENTS (cont'd)

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

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

The Fund's investments in common and preferred shares are also sensitive to market fluctuations. An immediate hypothetical increase (decrease) of 10% in equity values will impact the Fund's equity investments by an approximate gain (loss) of \$47,345 (2016 - \$41,655). The Employees' Plan's pro-rata share of this gain (loss) would be \$ 15,004 (2016 - \$13,234).

#### (ii) Liquidity risk

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

#### (iii) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Employees' Plan. The Administrator does not expect any counterparties to fail to meet their obligations given their high credit ratings. The SIPP also establishes minimum credit rating requirements for such investments to mitigate this risk.

The Fund's fixed income investments are in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. In order to minimize the exposure of risk, a comprehensive investment policy has been developed. There were no significant concentrations of credit risk in the portfolio in either 2017 or 2016. The maximum credit risk exposure as at June 30, 2017 is \$250,545 (2016 - \$241,506). The Employees' Plan's pro-rata share of this risk exposure is \$79,397 (2016 - \$76,727).

The following table provides the breakdown of the total fixed income investments by credit rating. In addition to the table below, the Fund holds mortgages within pooled fund investments with a market value at June 30, 2017 of \$6,405 (2016 - \$6,959). The Employees' Plan's pro-rata share in the mortgage holdings is \$2,030 (2016 - \$2,211).

Credit Rating	2017 Fund Fair Value	2017 Plan's Pro-rata share by credit rating	2016 Fund Fair Value	2016 Plan's Pro-rata share by credit rating
	\$	\$	\$	\$
AAA	82,538	26,156	62,439	19,837
AA	78,721	24,947	66,352	21,080
A	47,291	14,987	56,768	18,035
BBB	30,456	9,651	38,564	12,252
BB and under	5,134	1,627	10,424	3,312
	244,140	77,368	234,547	74,516

**8. FINANCIAL INSTRUMENTS (cont'd)**

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

**(iv) Interest rate risk**

Interest rate risk is the risk that the market value of the Employees' Plan's investments will fluctuate due to the changes in the market interest rates. To properly manage the Employees' Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored. The Employees' Plan's investments in fixed income are sensitive to interest rate movements. An immediate hypothetical 1% increase (decrease) in interest rates, with all other variables held constant, would impact Canadian bonds and debentures by an estimated gain (loss) of approximately \$2,614 (2016 - \$2,520) for the Fund. The Employees' Plan's pro-rata share of this gain (loss) would be \$828 (2016 - \$800).

**(v) Foreign currency risk**

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign currency rates. The Employees' Plan is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse effect on the value of the portion of the Employees' Plan's underlying assets or liabilities invested in foreign transactions. The Administrator monitors the Employees' Plan's overall currency positions and exposures on a regular basis. In addition, the SIPP permits the hedging of market price risk using derivative financial instruments. The Employees' Plan's exposure to foreign currencies would not create a significant change in the fair value of the assets except for the Employees' Plan's exposure to the US dollar. If the US dollar strengthened or weakened by 5% the Fund's US dollar holdings would change by \$7,700 (2016 - \$6,600). The Employees' Plan's pro-rata share of this risk exposure is \$2,440 (2016 - \$2,097).

**9. CAPITAL MANAGEMENT**

The capital of the Fund is represented by the net assets available for benefits. The Fund's objective when managing the capital is to safeguard its ability to continue as a going concern and to maintain adequate assets to support pension obligations. The Administrator has adopted the SIPP, which states investment objectives, guidelines and benchmarks used in investing the capital of the plan, permitted categories of investments, asset-mix diversification and rate of return expectations. The SIPP is reviewed annually and was last amended effective May 23, 2017. The SIPP was amended to change the asset mix such that the allocation to long bonds increased, the allocation to universe bonds decreased, and investment in alternatives such as real estate and infrastructure is permitted to a maximum of 10%.

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

**10. RELATED PARTY TRANSACTIONS**

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

The University provides certain administrative services to the Employees' Plan. The cost to the Employees' Plan for these services during the year ended June 30, 2017 was \$94 (2016 - \$92), which is included in Sponsor administrative and trustee fees in Note 7 – Administrative Expenses.

**University of Windsor  
Board of Governors**

**4.5.1: Pooled Fund Clause – Working Capital SIPP**

Items for: **Approval**

Forwarded by: **Investment Committee**

**Pooled Fund Clause – Working Capital SIPP**

**MOTION:** That Administration update the Statement of Investment Policies and Procedures (SIPP) for the Working Capital Portfolio to include the pooled fund clause as stated:

“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”

**Rationale:**

The addition of the pooled fund clause to the Working Capital SIPP is being proposed to allow for consistency between the Pension, Endowment and Working Capital SIPPs (as the Pension and Endowment SIPPs already contain this clause).

**University of Windsor  
Board of Governors**

**4.5.2: PH&N Core Plus Bond Fund and Mortgage Pension Trust – Working Capital Portfolio**

Items for: **Approval**

Forwarded by: **Investment Committee**

**MOTION 1: That Administration be authorized to hold the PH&N Core Plus Bond Fund in the Working Capital portfolio, and that the SIPP be amended accordingly.**

**MOTION 2: That Administration be authorized to hold the PH&N Mortgage Pension Trust in the Working Capital portfolio, and that the SIPP be amended accordingly.**

**Rationale:**

The working capital funds (WC) of the University provide stability through cash flow volatility and are a source of income for the operating budget. The WC fluctuates within the fiscal year due to timing of tuition payments, and also fluctuates on a more long-term basis depending on the timing of capital expansion projects, long term debt replenishments, and the Faculties use of carryforward reserves.

A number of fixed income investment vehicles are allowable under Section III of the WC Statement of Investment Policies and Procedures (SIPP), including bonds, debentures, mortgages and mortgage-backed securities. The fixed income products currently employed by the WC fund include:

- PH&N Short Term Bond & Mortgage Fund
- PH&N Bond Fund. This is PH&N's most conservative universe product.

A long-term historical review of the University's WC indicates a portion of the fund is medium to long term in nature, and will not be used to meet short term cash flow requirements. This suggests that a slightly higher tolerance for duration and risk within the fixed income portfolio may be tolerated.

Two products from PH&N have been identified for potential improvement in the yields generated by the WC fund, without materially increasing risk:

1. PH&N Mortgage Pension Trust
2. PH&N Core Plus Bond Fund (currently employed in the Endowment and Pension Funds)

If approved, the SIPPs for these products would be added to the WC SIPP, along with the others PH&N products currently allowable, increasing the options available to Administration for the investment of the WC funds.



**University of Windsor  
Board of Governors**

4.7.1: **2017/2018 Operating Budget Mid-Year Review**

Item for: **Information**

Forwarded by: **Resource Allocation Committee**

**Rationale:**

- The process for ongoing monitoring of the Board-approved 2017/2018 operating budget includes a review of the University's spending at the mid-year point, once the final Fall enrolment numbers are in.
- As the mid-year review does not include a proposal to revise the 2017/2018 operating budget but rather provides a projection to year end, the mid-year review is provided for information only.
- *See attached.*

**UNIVERSITY OF WINDSOR**  
**2017/18 Operating Budget**  
**Mid-Year Adjustment**

	2017/18 APPROVED BASE BUDGET (\$000s)	Mid-Year Adjustment (\$000s)	2017/18 PROJECTION (\$000s)
<b>BASE OPERATING REVENUE</b>			
Student Academic Fees	\$ 164,179	\$ 5,500	\$ 169,679
Government Grant - Provincial	95,478	-	95,478
Government Grant - Federal	3,365	-	3,365
Investment Income	2,500	(500)	2,000
Other Revenue	2,529	-	2,529
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 268,051</b>	<b>\$ 5,000</b>	<b>\$ 273,051</b>
<b>BASE OPERATING EXPENDITURES</b>			
Faculty & Research Expenditures			
Direct Costs of Academic Delivery	\$ 140,724	\$ 650	\$ 141,374
Strategic Priority Fund (SPF 50)	6,440	-	6,440
Research Activity & Stimulus Funds	1,000	-	1,000
Enrolment Stimulus Fund	1,000	400	1,400
	<b>\$ 149,164</b>	<b>\$ 1,050</b>	<b>\$ 150,214</b>
Non-faculty Expenditures			
Academic & Student Services	\$ 23,319	\$ 400	\$ 23,719
Library	12,552	500	13,052
Scholarships	13,452	500	13,952
Administration	20,242	500	20,742
Information Technology	11,098	-	11,098
Facility Costs	27,623	(800)	26,823
External Debt Costs	6,920	-	6,920
Student Experience Fund	500	500	1,000
Enterprise Resource Planning Fund	1,681	-	1,681
Deferred Maintenance; Campus Improvements	1,500	1,700	3,200
Other initiatives	-	650	650
	<b>\$ 118,887</b>	<b>\$ 3,950</b>	<b>\$ 122,837</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 268,051</b>	<b>\$ 5,000</b>	<b>\$ 273,051</b>
<b>BALANCED POSITION PROJECTED</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>