Financial Statements of

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of Ottawa

We have audited the accompanying financial statements of The University of Ottawa Retirement Pension Plan (1965), which comprise the statement of financial position as at December 31, 2015, the statement of changes in net assets available for benefits, the statement of changes in pension obligations and the statement of changes in surplus for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform 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.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The University of Ottawa Retirement Pension Plan (1965) as at December 31, 2015, the changes in net assets available for benefits, the changes in the pension obligations and the changes in surplus for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 27, 2016

Ottawa, Canada

UNIVERSITY OF OTTAWA
RETIREMENT PENSION PLAN (1965)

Financial Statements

December 31, 2015

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Financial Position

December 31, 2015, with comparative information for 2014
(in thousands of dollars)

	2015	2014
Net Assets Available for Benefits		
Assets:		
Investments (note 6)	$ 2,013,015	$ 1,865,951
Receivables:		
Members' contributions	2,204	1,859
Sponsors' contributions	3,696	3,720
Accrued investment revenue receivable	1,989	2,128
	7,889	7,707
Cash	28,919	8,720
	2,049,823	1,882,378
Liabilities:		
Refund of contributions	82	82
Accounts payable and accrued liabilities	3,121	3,559
	3,203	3,641
Net assets available for benefits	$ 2,046,620	$ 1,878,737
Pension Obligations and Surplus		
Pension obligations	$ 1,804,774	$ 1,712,525
Surplus	241,846	166,212
Pension obligation and surplus	$ 2,046,620	$ 1,878,737

Commitments (note 8)

See accompanying notes to financial statements.

Approved by the Board of Governors:

(signed) Governor

(signed) Governor

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2015, with comparative information for 2014
(in thousands of dollars)

	2015	2014
Increase in Assets		
Investment revenue:		
Short-term securities	$ 160	$ 293
Canadian equities	26,937	12,954
Foreign equities	12,407	10,449
Bonds and long-term instruments	11,957	13,964
Real estate	12,752	7,066
Current year increase in market value of investments	124,802	112,569
	189,015	157,295
Contributions:		
Members - current service	21,326	18,027
- past service	1,367	4,146
Sponsor - current service	44,088	45,360
- special payment (note 5)	2,789	2,789
	69,570	70,322
Total increase in assets	258,585	227,617
Decrease in Assets		
Benefits paid	67,015	62,875
Members' withdrawals	10,919	8,556
Administrative expenses (note 7)	12,768	12,501
Total decrease in assets	90,702	83,932
Net increase in net assets	167,883	143,685
Net assets available for benefits, beginning of year	1,878,737	1,735,052
Net assets available for benefits, end of year	$ 2,046,620	$ 1,878,737

See accompanying notes to financial statements.

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Changes in Pension Obligations

Year ended December 31, 2015, with comparative information for 2014
(in thousands of dollars)

	2015	2014
Pension obligations, beginning of year	$ 1,712,525	$ 1,618,604
Increase in pension obligations:		
Interest on pension obligations	106,514	100,997
Benefits accrued	65,410	66,282
	171,924	167,279
Decrease in pension obligations:		
Changes in actuarial assumptions	151	1,528
Benefits paid and members' withdrawals	77,934	71,431
Net experience gains	1,590	399
	79,675	73,358
Net increase in pension obligations	92,249	93,921
Pension obligations, end of year	$ 1,804,774	$ 1,712,525

See accompanying notes to financial statements.

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Changes in Surplus

Year ended December 31, 2015, with comparative information for 2014
(in thousands of dollars)

	2015	2014
Surplus, beginning of year	$ 166,212	$ 116,448
Increase in net assets available for benefits	167,883	143,685
Net increase in pension obligations	(92,249)	(93,921)
Surplus, end of year	$ 241,846	$ 166,212
Represented by:		
Net assets available for benefits	$ 2,046,620	$ 1,878,737
Pension obligations	(1,804,774)	(1,712,525)
Surplus, end of year	$ 241,846	$ 166,212

See accompanying notes to financial statements.

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1. Description of Plan:

The net assets of the Plan are owned by the University of Ottawa Retirement Pension Plan (1965) ("Plan"), which is registered under the Ontario Pension Benefits Act, 1987 (Registration #310839). The Plan is a contributory defined benefit pension plan under which contributions are made by the Plan members and the University of Ottawa. The Plan is exempt from income taxes under the provisions of the Income Tax Act.

For additional information, reference should be made to the Plan text.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for pension plans and reflect the following significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the employer and Plan members. They are prepared to assist Plan members and other parties in reviewing the activities of the Plan for the period.

(b) Financial instruments:

Financial assets and financial liabilities are recognized initially on the trade date, date upon which the Plan becomes a party to the contractual provisions of the instrument.

Equities, which are widely traded and have publicly quoted prices, are valued at the sale price last quoted during the year. The cost disclosed is determined on the average cost basis.

Pooled funds are valued at their year-end net asset value, which represents the market value of the underlying financial instruments.

Bonds and debentures are recorded at their year-end asset value based on discounted cash flow techniques.

Real estate and infrastructure investments are held in open or closed ended pooled funds or through securities of corporations or partnerships formed to invest in those assets. These investments are recorded at estimated fair values determined by using appropriate industry valuation techniques and best estimates by asset managers and/or independent appraisers. A certified written appraisal for each asset is required from a qualified independent appraiser at least once every three years; development properties are carried at cost.

2. Significant accounting policies (continued):

(b) Financial instruments (continued):

Receivables, refund of contributions and other accounts payable and accrued liabilities have been classified as loans, receivables and other liabilities and measured at amortized cost using the effective interest rate method. The fair value of these financial instruments approximates their carrying values due to their short-term maturity.

Hedging instruments are valued using pricing models that incorporate current market prices and the contractual prices of the underlying instruments, the time value of money and yield curves.

(c) Contributions:

Contributions for current service are recorded in the year in which the related payroll costs are incurred. Contributions for past service are recorded in the year received.

(d) Benefits paid and member's withdrawals:

Benefits include payments to retired members made during the year and accrual, if any, for unpaid but earned benefits as at year end. Member's withdrawals are recorded in the period in which the member has elected for payment.

(e) Investment revenue:

Investment revenue, which is reported on an accrual basis, includes interest income, dividends and distributions from pooled fund investments. Distributions from pooled fund investments include the Plan's proportionate share of interest, dividends and realized gains.

(f) Current year increase (decrease) in market value of investments:

This comprises the net realized gains (losses) on sales of investments and the change in unrealized gains and losses. Net realized gains (losses) on sales of investments represent the difference between proceeds received and the average cost of investments sold. The change in unrealized gains and losses represents the difference between the fair value and the cost of investments at the beginning and end of each year adjusted for realized gains and losses in the year.

(g) Translation of foreign currencies:

Transactions in foreign currencies are recorded at the rates of exchange in effect on transaction dates.

Investments denominated in foreign currencies and held at year-end are translated at exchange rates in effect at December 31. The resulting gains and losses have been included in the current year change in market value of investments.

2. Significant accounting policies (continued):

(h) Use of estimates and judgments:

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the amounts reported in the financial statements. The main estimates used are the fair value of investments classified as level 3, the amount of accrued liabilities and the actuarial assumptions underlying the obligations for pension benefits calculation. Actual results could differ from those estimated.

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

3. Accounting pronouncements:

(a) Future accounting pronouncements:

The following new standard and amendment, issued by the International Accounting Standards Board ("IASB"), have been identified as having a possible impact on the Plan in the future. The Plan is currently assessing the impact of this standard and amendment on the financial statements.

IFRS 9 *Financial Instruments: Classification and Measurement* ("IFRS 9") - In July 2014, the IASB issued the final version of IFRS 9, which includes guidance on recognition and derecognition of financial assets and financial liabilities applicable to pension plan financial statements. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018, however early adoption is permitted.

Disclosure Initiative - Amendments to IAS 1 "*Presentation of Financial Statements*" ("IAS 1") - The IASB issued amendments to IAS 1 to provide additional guidance to assist entities to apply judgment when meeting the presentation and disclosure requirements in IFRS. The amendments clarify that materiality applies to the whole financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments clarify that entities should use professional judgment in determining where and in what order information is presented in the financial statements. The amendments are to be applied for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

3. Accounting pronouncements (continued):

(b) New accounting pronouncements:

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that were mandatory for annual accounting periods beginning on or after July 1, 2014, and could have had a potential impact on the Plan. The Plan has adopted the following amendments effective January 1, 2015. The adoption of these standards did not have an impact on the Plan's financial statements.

IFRS 13 "*Fair Value Measurement*" ("IFRS 13") - The IASB issued amendments to IFRS 13 in its "Annual Improvements to IFRS" 2010-2012 cycle and 2011-2013 cycle. These amendments provide additional guidance on the measurement of short-term receivables and payables, and on the scope of the portfolio exception, respectively.

IAS 24 "*Related Party Disclosures*" ("IAS 24") - The IASB issued amendments to IAS 24 in its "Annual Improvements to IFRS" 2010-2012 cycle, extending the definition of a related party to include a management entity that provides key management personnel services.

4. Capital disclosures:

The Plan's capital consists of the surpluses or deficits determined regularly in the funding valuations prepared by an independent actuary. The actuarial valuation for funding purpose is used to measure the financial well-being of the Plan. The objective of monitoring the Plan's capital is to ensure the Plan is fully funded to pay the Plan benefits over the long term.

The actuary tests the Plan's ability to meet its obligations to all Plan members and beneficiaries. Using an assumed rate of return, based on the Statement of Investment Policies and Procedures, the actuary projects the Plan's benefits on a going-concern basis to estimate the current value of the liability, which it compares to the Plan assets and the present value of all future contributions. The result of the comparison is either a surplus or a deficit. As part of the funding valuation the actuary also performs a measurement of the Plans assets and liabilities on a solvency basis, which simulates the wind-up of the Plan, both including and excluding the value of future indexation.

An actuarial valuation for funding purpose is required to be filed with the pension regulator at least every three years. The most recent actuarial valuation performed by the actuary and funded position is disclosed in note 5.

See Note 6 for how the Plan has achieved the Statement of Investment Policies & Procedures (SIP&P) objectives in managing the Plan's capital assets.

5. Obligations for pension benefits:

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions of the Plan's administrator.

The actuarial present value of benefits as at December 31, 2015 is based on an actuarial projection of a valuation performed by Mercer as at January 1, 2014.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the most recent valuation are a discount rate of 6.25% (2014 - 6.25%), an inflation rate of 2.0% (2014 - 2.0%), a rate of return on assets of 4.25% (2014 - 4.25%) over inflation and a salary escalation rate going up to 1.0% (2014 - 1.0%) over inflation plus progress through the rank and a promotional scale.

The Plan’s demographic assumptions related to terminations, retirements and the promotional component of salary increases were reviewed and revised based on the experience of the Plan from 2008 to 2012. The mortality assumption is based on new mortality rates published by the Canadian Institute of Actuaries in February 2014.

The actual funding of the Plan on a going concern basis is based on a comparison of the above obligations with the assets valued on a basis other than the market value. The method utilized in setting the value of assets used to determine the funded position is intended to smooth out the fluctuations in the market value of assets from year to year. The actuarial value of net assets available for benefits at the end of the year is $1,993,544 (2014 - $1,794,472).

The actuarial valuation as of January 1, 2014 was filed in accordance with the normal Pension Benefits Act funding rules due to the solvency surplus position excluding the value of future indexation. As such, the University exited the funding relief pursuant to the Ontario Regulation 178/11 Solvency Funding Relief for Certain Public Sector Pension Plans, which was entered into in June of 2013 based on the funded position of the Plan as of January 1, 2013. The next required filing date for an actuarial valuation report is as of January 1, 2017 at the latest. Accordingly, the going concern deficit of $27,398 must be funded with annual special payments to the Plan in the amount of $2,789 for 15 years commencing in calendar year 2014. All required contributions were met as of December 31, 2015.

The most recent actuarial valuation of the Plan (not yet filed), as of January 1, 2016, showed a going-concern surplus of $189,665, a solvency deficit of $ 126,577 excluding the value of future indexation, and a solvency deficit of $1,336,245 including the value of future indexation.

(in thousands of dollars)

5. Obligations for pension benefits (continued):

With respect to pension liabilities, as at December 31, 2015 and holding inflation and salary escalation assumptions constant, a reduction of 100 basis point in the assumed long-term rate of return would result in an increase in the pension liabilities, measured on a going concern basis, of approximately 17% or $306,800. An increase of 100 basis points in the assumed long-term rate of return would result in a decrease in the pension liabilities, measured on a going concern basis, of approximately 14% or $252,700.

6. Investments:

(a) Investments details:

	2015	2014
Fixed income:		
Short-term securities	$ 16,398	$ 41,390
Bonds and long-term instruments:		
Canadian:		
Direct holdings	67,850	225,832
Held through funds	189,775	96,363
Foreign:		
Direct holdings	24,375	35,189
Held through funds	112,129	–
	394,129	357,384
Canadian equities:		
Direct holdings	151,387	172,828
Held through funds	16,810	18,478
	168,197	191,306
Foreign equities:		
Direct holdings	385,849	366,689
Held through funds	458,445	433,199
	844,294	799,888
Real estate	194,530	179,660
Infrastructure	173,932	97,795
Hedge funds	221,535	198,528
	$ 2,013,015	$ 1,865,951

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management:

(i) Overview:

The Board of Governors has approved a Statement of Investment Policies and Procedures (SIP&P) that provides a framework of guidelines and procedures for managing the Plan's assets. The SIP&P is prepared in accordance with applicable legislation and is reviewed annually by the Board of Governors. Compliance with the SIP&P is monitored on a quarterly basis.

The Plan invests in assets that expose it to a range of investment risks to earn a higher rate of return than would be achieved without incurring investment risk. Investment risk and return objectives are established to determine an appropriate asset mix policy, strategic ranges for asset classes, and diversification policies. Relevant factors include the investment time horizon, expected return and volatility of various asset classes, the regulatory environment, liquidity needs, and other Plan specific factors.

The SIP&P was last amended on June 22, 2015. The real return objective was maintained at 4.25% and is consistent with the actuarial discount rate and inflation rate assumptions.

The following asset mix has been established for the Plan:

Asset Class	Minimum	Target	Maximum
Equities:			
Canadian equities	5%	8%	20%
Foreign equities	35%	42%	50%
Total equities	40%	50%	60%
Nominal fixed income	15%	20%	35%
Real return assets	15%	30%	40%
Cash and short-term	0%	0%	10%

The pension plan investments are in compliance with the asset mix ranges as of December 31, 2015.

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(i) Overview (continued):

The expected return objectives of the Plan are to:

a) Earn a minimum real rate of return, after expenses paid from the Plan, of 4.25% (CPI + 4.25%) over ten-year moving periods. This objective was met as the pension plan generated a ten-year annualized real return after expenses of 5.1%.

b) Achieve a minimum absolute rate of return, after expenses paid from the Plan, which exceeds the benchmark return by 0.50% over four-year moving periods. This objective was not met as the Plan generated a four year annualized return after expenses of 11.6% compared to a 12.0% benchmark return.

The target benchmark is comprised of the following indices as of December 31, 2015:

Market Index	Weight
S&P/TSX Composite Index	8%
MSCI World Index (Canadian dollar)	42%
FTSE TMX Canada Bond Universe Index	15%
Barclays Global Aggregate Index (Canadian dollar)	5%
Real Return (Canadian rolling 4-year CPI + 5%)	30%
	100%

(ii) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Plan's exposure to market risk arises from its investment in different types of assets. The vast majority of the Plan's investments expose it to some form of market risk however the degree of risk varies considerably among different investments. One of the key ways that the Plan manages market risk is through appropriate diversification. All risk exposure is in the context of total Plan assets, including those in pooled funds.

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(ii) Market risk (continued):

(a) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Plan is exposed to currency risk through its investment in financial instruments denominated in currencies other than the Canadian dollar. Fluctuations in the currency value compared to the Canadian dollar impact on the increase or decrease in the investment fair value or cash flows. Currency risk is managed through diversification among currencies, SIP&P guidelines that limit foreign currency denominated securities, and use of currency hedging. Currency hedging is intended to reduce risk by reducing the volatility from the Plan's holdings of foreign currency denominated investments through use of currency future and forward contracts.

As at December 31, 2015 and 2014, the Plan had exposure to foreign currencies net of currency hedging strategies as set out below:

2015	Foreign currency exposure	Hedged amounts	Net exposure	Value of +/- 5% fluctuation
United States	$ 857,046	$ 423,338	$ 433,708	$ 21,685
Euro	158,428	–	158,428	7,921
United Kingdom	93,578	–	93,578	4,679
Others	264,867	1,897	262,970	13,149
	$ 1,373,919	$ 425,235	$ 948,684	$ 47,434

2014	Foreign currency exposure	Hedged amounts	Net exposure	Value of +/- 5% fluctuation
United States	$ 688,295	$ 335,064	$ 353,231	$ 17,662
Euro	128,530	38,394	90,136	4,506
United Kingdom	77,757	–	77,757	3,888
Others	213,135	–	213,135	10,657
	$ 1,107,717	$ 373,458	$ 734,259	$ 36,713

6. Investments (continued):

(b) Financial risk management (continued):

(ii) Market risk (continued):

(a) Currency risk (continued):

A 1% increase in the Canadian dollar against all other currencies would decrease the value of the Plan's assets by $9,487 (2014 - $7,314) or 0.47% (2014 - 0.39%). A 1% decrease in the Canadian dollar against all other currencies would increase the value of the Plan's assets by $9,487 (2014 - $7,314) or 0.47% (2014 - 0.39%). This calculation is based on the Plan's direct foreign currency holdings and does not include secondary impacts of exchange rate changes.

(b) 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. Pension liabilities also contain a significant component of interest rate risk. The Plan's interest rate risk exposure arises due to any mismatches between the interest rate sensitivity of the assets and the liabilities. The Plan's fixed income investments are used to partially hedge the Plan's interest rate risk.

Changes in interest rates directly affect the value of the Plan's fixed income investments and have an impact on the value of equity investments and exchange rates. As at December 31, 2015 an increase of 1% in nominal interest rates would result in a decline in the value of the fixed income investments of approximately $27,820 (2014 - $18,404) or 1.36% (2014 - 0.98%) of the Plan value. A 1% reduction in nominal interest rates would increase the value of the fixed income investments by $27,820 (2014 - $18,404) or 1.36% (2014 - 0.98%) of the Plan value. This is based on the duration of the holdings and does not include other variables such as convexity.

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(ii) Market risk (continued):

(c) Price risk:

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Plan's exposure to price risk results primarily from its holdings of domestic and foreign equities (including pooled funds), as well as through its investments in real estate and infrastructure.

As at December 31, 2015, the overall equity market exposure limits as a percentage of Plan assets were as follows:

	Minimum	Target	Maximum
Total equities	40%	50%	60%
Also subject to:			
Canadian equities	5%	8%	20%
Foreign equities	35%	42%	50%

Concentration of price risk exists when a significant portion of the portfolio is invested in securities with similar characteristics or subject to similar economic, market, political or other conditions. The following tables provide information on the Plan's price risk:

	2015	2014
Financial	18.7%	21.7%
Consumer discretionary	16.4	12.0
Information technology	13.8	13.2
Health care	12.4	9.8
Industrials	12.1	13.3
Consumer staple	9.8	9.9
Energy	8.2	11.6
Materials	5.9	6.2
Telecommunication services	1.6	1.2
Utilities	1.1	1.1
	100.0%	100.0%

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(ii) Market risk (continued):

(c) Price risk (continued):

	2015	2014
Canadian equity:		
Fair value	$ 168,197	$ 191,306
+ / - 10% change in S&P TSX	16,819	19,131
Foreign equity:		
Fair value	844,294	799,888
+ / - 10% change in relevant market indices	84,429	79,988

(iii) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Plan's main exposure to credit risk comes from its investment in debt instruments.

Credit risk is managed through limits on minimum credit rating requirements and limits on investing in the securities of a single issuer and its related companies. All credit quality ratings must be rated by a recognized rating agency. The maximum credit exposure of the Plan is represented by the fair value of the investment.

Concentration of credit risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. The primary credit portfolio concentrations are as follows:

	2015 Fair value		2014 Fair value	
Bonds:				
Federal government	$ 128,903	32.7%	$ 85,698	24.0%
Provinces	60,872	15.4	125,516	35.1
Municipal	3,228	0.8	10,799	3.0
Corporate	201,126	51.1	135,371	37.9
	$ 394,129	100.0%	$ 357,384	100.0%

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(iii) Credit risk (continued):

	2015 Fair value		2014 Fair value	
Bonds:				
AAA to AA-	$ 172,235	43.7%	$ 169,256	47.4%
A+ to A-	72,568	18.4	115,830	32.4
BBB+ to BBB-	84,790	21.5	42,496	11.9
BB and less	64,536	16.4	29,802	8.3
	$ 394,129	100.0%	$ 357,384	100.0%

(iv) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plan is exposed to liquidity risk through its accrued pension benefits (as described in note 5) and investment commitments. The Plan manages short-term liquidity through forecasting its requirements to maintain a level of liquidity that is sufficient to meet its financial obligations as they become due. Liquidity risk is managed by limits on investments in illiquid asset classes and limits on holdings of certain types of investments.

The Plan's objective is to have sufficient liquidity to meet its liabilities when due. The Plan monitors its cash balances and cash flows generated from operations to meet its requirements. The Plan’s liabilities reflected in these financial statements have contractual short term maturities and are subject to normal trade terms.

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(v) Large individual investments:

Large individual investments primarily consist of pooled funds that hold numerous underlying financial instruments and real properties. In total, these large investments represent 46.9% of the market value of the Plan as at December 31, 2015 (2014 - 37.8%). The following individual investments exceed 1% of the cost or the market value of the total assets of the Plan as at December 31:

2015	Market value	Cost
Bonds and long-term instruments:		
BlackRock Universe Bond Index Fund	$ 178,326	$ 180,127
Pramerica Global Bond Fund	112,128	100,000
Equities held through funds:		
Jarislowsky Fraser Special Equity Pooled Fund	14,531	15,880
Axiom Global Equity Fund	232,891	117,192
Walter Scott & Partners Global Fund	227,832	180,520
Real estate:		
Armadale S.C Limited Partnership	24,788	13,780
Bentall Kennedy Prime Cdn Prpty Fd Ltd.	32,489	32,300
Infrastructure:		
Infrastructure Coalition	35,000	28,258
7311834 Canada Inc	32,725	18,236
CFIG Canadian Infrastructure Invest Partners LP	53,681	42,458
Total of individual investments exceeding 1% of cost or market value	944,391	728,751
Total of individual investments not exceeding 1% of cost or market value	1,068,624	780,454
Total investments	$ 2,013,015	$ 1,509,205

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(v) Large individual investments (continued):

2014	Market value	Cost
Cash and short-term securities:		
Short-term investment fund	$ 37,127	$ 37,127
Bonds and long-term instruments:		
BlackRock Universe Bond Index Fund	85,658	82,907
Equities held through funds		
Jarislowsky Fraser Special Equity Pooled Fund	14,018	15,494
Axiom Global Equity Fund	225,317	142,351
Walter Scott & Partners Global Fund	212,342	184,147
Real estate:		
Armadale S.C Limited Partnership	24,072	13,780
Bentall Kennedy Prime Cdn Prpty Fd Ltd.	26,809	26,000
Infrastructure:		
Infrastructure Coalition	29,899	27,430
7311834 Canada Inc	24,516	18,236
CFIG Canadian Infrastructure Invest Partners LP	27,913	24,824
Total of individual investments exceeding 1% of cost or market value	707,671	572,296
Total of individual investments not exceeding 1% of cost or market value	1,158,280	889,528
Total investments	$ 1,865,951	$ 1,461,824

(c) Fair value disclosure:

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

(in thousands of dollars)

6. Investments (continued):

(c) Fair value disclosure (continued):

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the Consolidated Statement of Net Assets Available for Benefits, classified using the fair value hierarchy described above:

2015	Level 1	Level 2	Level 3	Total
Short-term securities	$ –	$ 16,398	$ –	$ 16,398
Canadian equities	151,387	16,810	–	168,197
Foreign equities	397,424	444,887	1,983	844,294
Bonds and long-term instruments	981	390,605	2,543	394,129
Real estate	–	–	194,530	194,530
Infrastructure	–	–	173,932	173,932
Hedge funds	–	221,535	–	221,535
Cash	28,919	–	–	28,919
	$ 578,711	$ 1,090,235	$ 372,988	$ 2,041,934

2014	Level 1	Level 2	Level 3	Total
Short-term securities	$ –	$ 41,390	$ –	$ 41,390
Canadian equities	172,828	18,478	–	191,306
Foreign equities	374,836	425,052	–	799,888
Bonds and long-term instruments	878	353,863	2,643	357,384
Real estate	–	–	179,660	179,660
Infrastructure	–	–	97,795	97,795
Hedge funds	–	198,528	–	198,528
Cash	8,720	–	–	8,720
	$ 557,262	$ 1,037,311	$ 280,098	$ 1,874,671

(in thousands of dollars)

6. Investments (continued):

(c) Fair value disclosure (continued):

The classification of financial instruments at level 3 for 2015 has been modified following new information received.

The following table reconciles the fair value of financial instruments classified in Level 3 from the beginning balance to the ending balance:

2015	Foreign equities	Bonds and long-term instruments	Real estate	Infrastructure
Fair value, beginning of year	$ –	$ 2,643	$ 179,660	$ 97,795
Gains (losses) recognized	223	–	2,603	25,944
Purchases	1,760	13	12,267	50,193
Transfers to level 1	–	(113)	–	–
Fair value, end of year	$ 1,983	$ 2,543	$ 194,530	$ 173,932

2014	Canadian Equities	Bonds and Long-Term instruments	Real Estate	Infrastructure
Fair value, beginning of year	$ 3,779	$ 2,468	$ 144,555	$ 60,940
Gains (losses) recognized	–	–	8,233	10,196
Purchases	–	175	26,872	26,659
Transfers to level 1	(3,779)	–	–	–
Fair value, end of year	$ –	$ 2,643	$ 179,660	$ 97,795

(in thousands of dollars)

7. Administrative expenses:

	2015	2014
Investment management and consulting fees	$ 10,039	$ 9,444
Transaction costs	232	771
Actuarial fees	255	371
Custodial fees	349	332
Audit fees	42	36
Administrative fees (paid to the University of Ottawa - $1,137) (2014 - $1,054)	1,851	1,547
	$ 12,768	$ 12,501

8. Commitments:

The Plan has funding commitments related to real estate and infrastructure investment vehicles, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2015, these potential commitments totaled $264,824 (2014 - $155,582).

9. Subsequent event:

In January and February 2016, the Plan closed on commitments related to infrastructure and real estate investment vehicles in the amount of $58,400.

In June 2016, the Board of Governors approved the filing of the most recent actuarial valuation of the Plan as of January 1 2016, to be filed before September 30, 2016. In accordance with the requirements of the Ontario Pension Benefits Act the solvency deficit, excluding the value of future indexation must be funded with annual special payments to the Plan. The minimum payments on a calendar basis will be $2,789 in 2016 and $8,000 for the next three years starting in 2017.