Financial Statements of

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

December 31, 2016

KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613-212-5764
Fax 613-212-2896

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, 2016, 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.

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, 2016, 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 22, 2017

Ottawa, Canada

UNIVERSITY OF OTTAWA
RETIREMENT PENSION PLAN (1965)

Financial Statements

December 31, 2016

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Financial Position

December 31, 2016, with comparative information for 2015
(in thousands of dollars)

	2016	2015
Net Assets Available for Benefits		
Assets:		
Investments (note 6)	$ 2,055,307	$ 2,013,015
Receivables:		
Members' contributions	2,698	2,204
Sponsors' contributions	3,481	3,696
Accrued investment revenue receivable	2,859	1,989
	9,038	7,889
Cash	17,455	28,919
	2,081,800	2,049,823
Liabilities:		
Refund of contributions	80	82
Accounts payable and accrued liabilities	2,718	3,121
	2,798	3,203
Net assets available for benefits	$ 2,079,002	$ 2,046,620
Pension Obligations and Surplus		
Pension obligations	$ 1,900,585	$ 1,804,774
Surplus	178,417	241,846
Pension obligation and surplus	$ 2,079,002	$ 2,046,620

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, 2016, with comparative information for 2015
(in thousands of dollars)

	2016	2015
Increase in Assets		
Investment revenue:		
Short-term securities	$ 199	$ 160
Canadian equities	23,692	26,937
Foreign equities	9,842	12,407
Bonds and long-term instruments	12,275	11,957
Real estate and Infrastructure	15,232	12,752
Current year increase in market value of investments	1,468	124,802
	62,708	189,015
Contributions:		
Members:		
Current service	24,780	21,326
Past service	2,177	1,367
Sponsor:		
Current service	41,334	44,088
Special payment (note 5)	-	2,789
	68,291	69,570
Total increase in assets	130,999	258,585
Decrease in Assets		
Benefits paid	71,798	67,015
Members' withdrawals	16,399	10,919
Administrative expenses (note 7)	10,420	12,768
Total decrease in assets	98,617	90,702
Net increase in net assets	32,382	167,883
Net assets available for benefits, beginning of year	2,046,620	1,878,737
Net assets available for benefits, end of year	$ 2,079,002	$ 2,046,620

See accompanying notes to financial statements.

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Changes in Pension Obligations

Year ended December 31, 2016, with comparative information for 2015
(in thousands of dollars)

	2016	2015
Pension obligations, beginning of year	$ 1,804,774	$ 1,712,525
Increase in pension obligations:		
Interest on pension obligations	112,136	106,514
Benefits accrued	68,302	65,410
Changes in actuarial assumptions	4,465	-
	184,903	171,924
Decrease in pension obligations:		
Changes in actuarial assumptions	-	151
Benefits paid and members' withdrawals	88,197	77,934
Net experience gains	895	1,590
	89,092	79,675
Net increase in pension obligations	95,811	92,249
Pension obligations, end of year	$ 1,900,585	$ 1,804,774

See accompanying notes to financial statements.

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Changes in Surplus

Year ended December 31, 2016, with comparative information for 2015
(in thousands of dollars)

		2016		2015
Surplus, beginning of year	$	241,846	$	166,212
Increase in net assets available for benefits		32,382		167,883
Net increase in pension obligations		(95,811)		(92,249)
Surplus, end of year	$	178,417	$	241,846
Represented by:				
Net assets available for benefits	$	2,079,002	$	2,046,620
Pension obligations		(1,900,585)		(1,804,774)
Surplus, end of year	$	178,417	$	241,846

See accompanying notes to financial statements.

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. In accordance with these standards, the financial statements apply International Financial Reporting Standards for all accounting policies that do not relate to its investment portfolio or pension obligations. The financial statements reflect the following 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 for public market assets such as equities and bonds are valued at their year-end net asset value, representing the market value of the underlying financial instruments.

Bonds and debentures are valued at their year-end value reflecting discounted future cash flows based on year-end market interest rates.

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 private market investments are recorded at estimated fair values determined by external managers using appropriate industry valuation techniques and/or independent appraisers. Where applicable for real estate, a certified written appraisal from a qualified independent appraiser is required at least once every three years, as per investments policies. Development properties are carried at cost.

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.

2. Significant accounting policies (continued):

(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 and losses on sales of investments and the change in unrealized gains and losses. Net realized gains and 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.

(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, issued by the International Accounting Standards Board ("IASB"), has been identified as being relevant to the Plan.

Recognition and Measurement, and includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. The new standard will come into effect January 1, 2018, with early adoption permitted. Management does not expect any significant impact on either the Plan's financial position or its net investment income when adopting the new standard.

(b) New accounting pronouncement:

A new standard was issued by the IASB that was mandatory for annual accounting periods beginning on or after January 1, 2016. The Plan has adopted the following standard effective January 1, 2016.

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 adoption of this standard did not have an impact on the Plan's financial statements.

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 Plan's 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.

Please refer to note 6 for how the Plan has achieved the Statement of Investment Policies & Procedures 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, 2016 is based on an actuarial projection of a valuation performed by the Plan's actuary as at January 1, 2016.

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% (2015 - 6.25%), an inflation rate of 2.0% (2015 - 2.0%), a rate of return on assets of 4.25% (2015 - 4.25%) over inflation and a salary escalation rate of 1.0% over inflation (2015 - 1.0%) 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 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 $2,109,109 (2015 - $1,993,544).

The actuarial valuation as of January 1, 2016 was filed in accordance with the Ontario Pension Benefits Act funding rules. The next required filing date for an actuarial valuation report is as of January 1, 2019 at the latest. In accordance with applicable legislation, no annual special payments were required nor remitted to the Plan for the calendar year 2016 (2015 - 2,700). Annual solvency special payments of $8,578, commencing in calendar year 2017, are required for five years. Requirements on current service contributions were met as of December 31, 2016.

The most recently filed actuarial valuation of the Plan, 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.

With respect to pension liabilities, as at December 31, 2016 and holding inflation and salary escalation assumptions constant, a reduction of 1% 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 16% or $304,100. An increase of 1% 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 $266,000.

(in thousands of dollars)

6. Investments:

(a) Investments details:

	2016	2015
Fixed income:		
Short-term investments	$ 38,362	$ 16,398
Bonds and long-term investments:		
Canadian:		
Direct holdings	81,758	67,850
Held through funds	149,702	189,775
Foreign:		
Direct holdings	23,115	24,375
Held through funds	111,477	112,129
	366,052	394,129
Canadian equities:		
Direct holdings	156,652	151,387
Held through funds	18,657	16,810
	175,309	168,197
Foreign equities:		
Direct holdings	381,374	385,849
Held through funds	450,666	458,445
	832,040	844,294
Real estate	236,012	194,530
Infrastructure	198,678	173,932
Hedge funds	208,854	221,535
	643,544	589,997
	$ 2,055,307	$ 2,013,015

(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 27, 2016. 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	0%	5%	15%
Foreign equities	30%	40%	50%
Total equities	30%	45%	55%
Nominal fixed income	15%	20%	35%
Real return assets	20%	35%	45%
Cash and short-term	0%	0%	10%

The pension plan investments are in compliance with the asset mix ranges as of December 31, 2016.

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. The pension plan generated a ten-year annualized real return after expenses of 4.28%.

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. The Plan generated a four year annualized return after expenses of 9.55% compared to a 9.53% benchmark return.

6. Investments (continued):

(b) Financial risk management (continued):

(i) Overview (continued):

The target benchmark is comprised of the following indices as of December 31, 2016:

Market Index	Weight
S&P/TSX Composite Index	5%
MSCI World Index (Canadian dollar)	40%
FTSE TMX Canada Bond Universe Index	15%
Barclays Global Aggregate Index (Canadian dollar)	5%
Real Return (Canadian rolling 4-year CPI + 5%)	35%
	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.

(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.

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(ii) Market risk (continued):

(a) Currency risk (continued):

As at December 31, 2016 and 2015, the Plan had exposure to foreign currencies net of currency hedging strategies as set out below:

2016	Foreign currency exposure	Hedged amounts	Net exposure	Value of +-5% fluctuation
United States	$ 906,271	$ 425,992	$ 480,279	$ 24,014
Euro	176,914	-	176,914	8,846
United Kingdom	61,317	-	61,317	3,066
Others	248,963	5,304	243,659	12,183
	$ 1,393,465	$ 431,296	$ 962,169	$ 48,108

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

A 1% increase in the Canadian dollar against all other currencies would decrease the value of the Plan's assets by $9,622 (2015 - $9,487) or 0.46% (2015 - 0.47%). A 1% decrease in the Canadian dollar against all other currencies would increase the value of the Plan's assets by $9,622 (2015 - $9,487) or 0.46% (2015 - 0.47%). This calculation is based on the Plan's direct foreign currency holdings and does not include secondary impacts of exchange rate changes.

(in thousands of dollars)

6. **Investments (continued):**

(b) Financial risk management (continued):

(ii) Market risk (continued):

(b) Interest risk rate:

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, 2016 an increase or decrease of 1% in nominal interest rates would result in an decline or increase in the value of the fixed income investments of approximately $26,336 (2015 - $27,820) or 1.26% (2015 - 1.36%) of the Plan value. This is based on the duration of the holdings and does not include other variables such as convexity.

(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, 2016, the overall equity market exposure limits as a percentage of Plan assets were as follows:

	Minimum	Target	Maximum
Total equities	30%	45%	55%
Also subject to:			
Canadian equities	0%	5%	15%
Foreign equities	30%	40%	50%

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(ii) Market risk (continued):

(c) Price risk (continued):

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:

Sectors	2016	2015
Financial	17.2%	18.7%
Information technology	16.2%	13.8%
Industrials	14.4%	12.1%
Consumer discretionary	12.8%	16.4%
Health care	10.3%	12.4%
Consumer staple	9.9%	9.8%
Energy	9.9%	8.2%
Materials	5.3%	5.9%
Utilities	1.5%	1.1%
Telecommunication services	1.3%	1.6%
Real Estate	1.2%	-
	100.0%	100.0%

	2016	2015
Canadian equity:		
Fair value	$ 175,310	$ 168,197
+ / - 10% change in S&P TSX	17,531	16,819
Foreign equity:		
Fair value	832,039	844,294
+ / - 10% change in relevant market indices	83,204	84,429

(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.

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(iii) Credit risk (continued):

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:

	2016 Fair value		2015 Fair value	
Bonds:				
Federal government	$ 140,536	38.4%	$ 128,903	32.7%
Provinces	47,729	13.0%	60,872	15.4%
Municipal	2,564	0.7%	3,228	0.8%
Corporate	175,223	47.9%	201,126	51.1%
	$ 366,052	100.0%	$ 394,129	100.0%

	2016 Fair value		2015 Fair value	
Bonds:				
AAA to AA-	$ 139,597	38.1%	$ 172,235	43.7%
A+ to A-	77,918	21.3%	72,568	18.4%
BBB+ to BBB-	89,042	24.3%	84,790	21.5%
BB and less	59,495	16.3%	64,536	16.4%
	$ 366,052	100.0%	$ 394,129	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 47.1% of the market value of the Plan as at December 31, 2016 (2015 - 46.9%). The following individual investments exceed 1% of the cost or the market value of the total assets of the Plan as at December 31:

2016	Market value	Cost
Short Term Investment Fund		
RBC STIF Series II	$ 35,494	$ 35,494
Bonds and long-term instruments:		
BlackRock Universe Bond Index Fund	137,860	142,146
Pramerica Global Bond Fund	111,477	100,000
Equities held through funds:		
Axiom Global Equity Fund	221,058	116,412
Walter Scott & Partners Global Fund	235,665	198,918
Real estate:		
Armadale S.C Limited Partnership	25,473	13,780
Bentall Kennedy Prime Cdn Prpty Fd Ltd.	35,288	35,000
GPM Real Property 13 LTP	22,044	21,652
Infrastructure:		
Infrastructure Coalition	31,893	30,000
7311834 Canada Inc	30,482	18,236
CFIG Canadian Infrastructure Invest Partners LP	46,482	38,890
Macquarie Asia Infrastructure FD LP	20,548	20,056
Macquarie Infrastruture Partners III LP	24,465	23,581
Total of individual investments exceeding 1% of cost or market value	978,229	794,165
Total of individual investments not exceeding 1% of cost or market value	1,077,078	803,338
Total investments	$ 2,055,307	$ 1,597,503

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(v) Large individual investments (continued):

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

(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);

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

(in thousands of dollars)

6. Investments (continued):

(c) Fair value disclosure (continued):

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:

2016	Level 1	Level 2	Level 3	Total
Short-term securities	$ -	$ 38,362	$ -	$ 38,362
Canadian equities	156,653	18,657	-	175,310
Foreign equities	381,082	449,036	1,921	832,039
Bonds and long-term				-
instruments	263,077	102,975	-	366,052
Real estate	-	-	236,012	236,012
Infrastructure	-	-	198,678	198,678
Hedge funds	-	208,854	-	208,854
Cash	17,455	-	-	17,455
	$ 818,267	$ 817,884	$ 436,611	$ 2,072,762

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

(in thousands of dollars)

6. Investments (continued):

(c) Fair value disclosure (continued):

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

2016	Foreign equities	Bonds and long-term instruments	Real estate	Infrastructure
Fair value, beginning of year	$ 1,983	$ 2,543	$ 194,530	$ 173,932
Gains (losses) recognized	(62)	-	(2,321)	(7,411)
Purchases	-	-	43,803	32,157
Transfers to other levels	-	(2,543)	-	-
	$ 1,921	$ -	$ 236,012	$ 198,678

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 other levels	-	(113)	-	-
	$ 1,983	$ 2,543	$ 194,530	$ 173,932

(in thousands of dollars)

7. Administrative expenses:

		2016		2015
Investment management and consulting fees	$	8,979	$	10,039
Transaction costs		210		232
Actuarial fees		293		255
Custodial fees		344		349
Audit fees		43		42
Administrative fees (note 9)		1,444		1,512
Harmonized sales tax (recovery) expense		(893)		339
	$	10,420	$	12,768

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, 2016, these commitments totaled $221,300 (2015 - $264,824).

9. Charges and professional fees:

Charges and professional fees related to the Plan in the amount of $596 (2015 - $1,137) were paid by the University of Ottawa and subsequently reimbursed by the Plan.