

Financial Statements of

**ASSOCIATION OF PART-
TIME PROFESSORS OF THE
UNIVERSITY OF OTTAWA
PENSION PLAN (1991)**

Year ended December 31, 2017

ASSOCIATION OF PART-TIME PROFESSORS OF THE UNIVERSITY OF OTTAWA PENSION PLAN (1991)

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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 Association of Part-Time Professors of the University of Ottawa Pension Plan (1991), which comprise the statement of financial position as at December 31, 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.

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 Pension Plan as at December 31, 2017 and the changes in net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 21, 2018

ASSOCIATION OF PART-TIME PROFESSORS OF THE UNIVERSITY OF OTTAWA PENSION PLAN (1991)

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016	
Assets			
Investments (note 5)	\$ 9,709,878	\$ 8,473,788	
Contributions receivable from members	49,416	51,394	
Contributions receivable from sponsor	49,444	51,659	
	<u>98,860</u>	<u>103,053</u>	
Liabilities			
Due to plan members	\$ -	\$ 62,534	
	-	62,534	
	<u>Net assets available for benefits</u>	<u>\$ 9,808,738</u>	<u>\$ 8,514,307</u>
Pension Obligations			
	<u>Pension obligations - defined contribution</u>	<u>\$ 9,808,738</u>	<u>\$ 8,514,307</u>

See accompanying notes to financial statements.

Approved by the Board of Governors:

[SIGNED] _____ Governor

[SIGNED] _____ Governor

ASSOCIATION OF PART-TIME PROFESSORS OF THE UNIVERSITY OF OTTAWA PENSION PLAN (1991)

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Increase in Assets		
Investment revenue:		
Interest and dividends	\$ 25,779	\$ 25,295
<u>Current year increase in market value of investments</u>	<u>609,318</u>	<u>444,735</u>
	635,097	470,030
Contributions:		
Members - current service	469,294	476,090
<u>Sponsor - current service</u>	<u>469,198</u>	<u>476,090</u>
	938,492	952,180
Total increase in assets	1,573,589	1,422,210
Decrease in Assets		
Reimbursements and transfers	\$ 279,158	\$ 523,199
Total decrease in assets	279,158	523,199
Net increase in net assets	1,294,431	899,011
Net assets available for benefits, beginning of year	8,514,307	7,615,296
Net assets available for benefits, end of year	\$ 9,808,738	\$ 8,514,307

See accompanying notes to financial statements.

ASSOCIATION OF PART-TIME PROFESSORS OF THE UNIVERSITY OF OTTAWA PENSION PLAN (1991)

Notes to Financial Statements

Year ended December 31, 2017

1. Plan Summary Description:

The net assets are owned by the Association of Part-Time Professors of the University of Ottawa Pension Plan (1991) ("Plan"), which is registered under the Ontario Pension Benefits Act, 1987 (Registration # 0683177). The Plan is a contributory defined contribution 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 (Canada).

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

In accordance with the Plan document, members contribute 7% of their pensionable earnings. The sponsor matches the members' required contributions.

The maximum annual contribution that the member and the sponsor can contribute to the member's pension account is the lesser of 18% of the member's earned pensionable income or \$26,230 (2016 - \$26,010).

There has been no change in this policy during 2017.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for Pension Plans in Part IV of the CPA Canada Handbook - Accounting. 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 sponsor 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.

All investments are held in segregated funds and are recorded at fair value.

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.

(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.

ASSOCIATION OF PART-TIME PROFESSORS OF THE UNIVERSITY OF OTTAWA PENSION PLAN (1991)

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(d) Reimbursements and transfers:

Reimbursements and transfers include payments to retired members made during the year and accrual, if any, for unpaid but earned benefits as at year end, and member's withdrawals that 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 and dividends.

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

This amount consists of 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) 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 and the amount of accrued liabilities. 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:

There are no significant impacts from any future changes in accounting standards issued by the International Accounting Standards Board but not yet effective.

(b) New accounting pronouncement:

There were no new accounting standards effective during the year-ended December 31, 2017 which impacted the Pension Plan.

4. Capital management:

The Plan's capital consists of the net assets available for benefit. The Plan's capital is invested according to decisions made by each participant in the Plan. Upon retirement, the retirement pension will consist of all contributions made, increased by the investment revenue. During the year, the Plan has complied with the investment requirements.

ASSOCIATION OF PART-TIME PROFESSORS OF THE UNIVERSITY OF OTTAWA PENSION PLAN (1991)

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Investments:

Segregated Funds:	2017 Fair value	2016 Fair value
Discretionary	\$ 4,383,710	\$ 3,741,710
Balanced	1,460,695	1,242,363
Canadian equity	1,256,377	1,105,058
Guaranteed interest accounts	899,296	923,279
Fixed income	697,812	638,712
U.S. equity	529,944	414,357
International equity	387,560	307,468
Canadian money market	94,484	100,841
	\$ 9,709,878	\$ 8,473,788

(a) Establishing fair value:

The fair value of the segregated funds is based on the unit value reported by the funds at year-end. The funds establish the values of each by adding the fair value of all securities, both equities and fixed income securities, held by the funds and divided by the total units issued by the fund.

(b) 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).

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.

All investments are classified as Level 2. During 2017, there have been no transfers between the levels.

ASSOCIATION OF PART-TIME PROFESSORS OF THE UNIVERSITY OF OTTAWA PENSION PLAN (1991)

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Investments (continued):

(c) Risk management:

The Plan's Statement of Investment Policies and Procedures (SIP&P) sets out the Plan's investment framework. This SIP&P is unchanged from the prior year.

The Plan administrator is responsible for the implementation of the SIP&P and for monitoring the various risks to which the investment portfolio is exposed. It defines eligible investments and the asset mix of the Plan.

The Plan administrator will, from time to time, review the appropriateness of the investment funds being offered to ensure they can meet the risk/reward profiles of plan members.

Members of the Plan are exposed to several financial risks as a result of holding investments.

Investments are exposed to foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. Each of the exposures to financial risks is concentrated in the investment holdings and is managed by the respective underlying fund manager. Each fund offered within the Plan has policies, procedures, and recommended parameters to monitor these risk exposures.

Members of the Plan select their own investments within the fund list provided, and thus manage the level of risk they wish to take based on their selection.