Financial Statements of

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Year ended December 31, 2017

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

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Year ended December 31, 2017

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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, 2017, 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, 2017, 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

Ottawa, Canada

June 21, 2018

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Financial Position

December 31, 2017, with comparative information for 2016
(in thousands of dollars)

	2017	2016
Net Assets Available for Benefits		
Assets:		
Cash	$ 10,701	$ 17,455
Investments (note 6)	2,299,055	2,055,307
Receivables:		
Members' contributions	2,786	2,698
Sponsor's contributions	3,326	3,481
Accrued investment revenue receivable	3,269	2,859
	2,319,137	2,081,800
Liabilities:		
Refund of contributions	1,064	80
Accounts payable and accrued liabilities	2,712	2,718
	3,776	2,798
Net assets available for benefits	$ 2,315,361	$ 2,079,002
Pension Obligations and Surplus		
Pension obligations (note 5)	$ 1,991,681	$ 1,900,585
Surplus	323,680	178,417
Pension obligations and surplus	$ 2,315,361	$ 2,079,002

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, 2017, with comparative information for 2016
(in thousands of dollars)

	2017	2016
Increase in Assets		
Investment revenue:		
Short-term securities	$ 252	$ 199
Canadian equities	23,056	23,692
Foreign equities	9,980	9,842
Bonds and long-term instruments	12,468	12,275
Real estate and Infrastructure investments	16,591	15,232
Current year increase in market value of investments	202,086	1,468
	264,433	62,708
Contributions:		
Members:		
Current service	28,400	24,780
Past service	2,919	2,177
Sponsor:		
Current service	40,157	41,334
Special payment (note 5)	8,578	-
	80,054	68,291
Total increase in assets	344,487	130,999
Decrease in Assets		
Benefits paid	76,557	71,798
Termination benefit payments	16,339	11,988
Death benefit payments	3,732	4,411
Administrative expenses (note 7)	11,500	10,420
Total decrease in assets	108,128	98,617
Net increase in net assets	236,359	32,382
Net assets available for benefits, beginning of year	2,079,002	2,046,620
Net assets available for benefits, end of year	$ 2,315,361	$ 2,079,002

See accompanying notes to financial statements.

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Changes in Pension Obligations

Year ended December 31, 2017, with comparative information for 2016
(in thousands of dollars)

	2017	2016
Pension obligations, beginning of year	$ 1,900,585	$ 1,804,774
Increase in pension obligations:		
Interest on pension obligations	117,758	112,136
Benefits accrued	74,102	68,302
Changes in actuarial assumptions	992	4,465
	192,852	184,903
Decrease in pension obligations:		
Benefits paid, death and termination benefit payments	96,628	88,197
Net experience gains	5,128	895
	101,756	89,092
Net increase in pension obligations	91,096	95,811
Pension obligations, end of year	$ 1,991,681	$ 1,900,585

See accompanying notes to financial statements.

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Changes in Surplus

Year ended December 31, 2017, with comparative information for 2016
(in thousands of dollars)

	2017	2016
Surplus, beginning of year	$ 178,417	$ 241,846
Increase in net assets available for benefits	236,359	32,382
Net increase in pension obligations	(91,096)	(95,811)
Surplus, end of year	$ 323,680	$ 178,417
Represented by:		
Net assets available for benefits	$ 2,315,361	$ 2,079,002
Pension obligations	(1,991,681)	(1,900,585)
Surplus, end of year	$ 323,680	$ 178,417

See accompanying notes to financial statements.

1. Description of Plan:

The net assets 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 (Canada).

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 Hanbook - Accounting. In accordance with these standards, the financial statements apply International Financial Reporting Standards in Part I of the Chartered Professional Accountants (CPA) Canada handbook 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 values reflecting interest rates at that time.

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 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 members' withdrawals:

Benefits include payments to retired members made during the year and accrual, if any, for unpaid but earned benefits as at year end. Members' 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:

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

b) New accounting pronouncements:

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

5. Pension obligations:

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, 2017 is based on an actuarial projection of a valuation performed by Mercer, the Plan's actuary as at January 1, 2017.

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% (2016 - 6.25%), an inflation rate of 2.0% (2016 - 2.0%), a rate of return on assets of 4.25% (2016 - 4.25%) over inflation and a salary escalation rate of 1.0% over inflation (2016 - 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 smoothed actuarial value of net assets available for benefits at the end of the year is $2,257,726 (2016 - $2,109,109).

In accordance with the Ontario Pension Benefits Act funding rules, the actuarial valuation as of January 1, 2016 that was filed 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. The next required filing date for an actuarial valuation report is as of January 1, 2019 at the latest. In accordance with applicable legislation, annual solvency special payments of $8,578, commencing in calendar year 2017, are required for five years (2016 - $Nil). Requirements on current service contributions were met as of December 31, 2017.

With respect to pension liabilities, as at December 31, 2017 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 $318,669. 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 $278,835.

(in thousands of dollars)

6. Investments:

(a) Investments assets by category:

		2017		2016
Fixed income:				
Short-term	$	28,636	$	38,362
Bonds and Long-term:				
Canadian:				
Direct holdings		78,915		81,758
Held through funds		217,362		149,702
Foreign:				
Direct holdings		31,752		23,115
Held through funds		118,344		111,477
		446,373		366,052
Canadian equities:				
Direct holdings		139,364		156,652
Held through funds		11,064		18,657
		150,428		175,309
Foreign equities:				
Direct holdings		439,329		381,374
Held through funds		528,586		450,666
		967,915		832,040
Real estate				
Direct holdings		82,561		80,978
Held through funds		197,167		155,034
Infrastructure		222,044		198,678
Hedge funds		203,931		208,854
		705,703		643,544
	$	2,299,055	$	2,055,307

(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 to mitigate investments risks. 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 real return objective is 4.25% and is consistent with the actuarial discount rate and inflation rate assumptions. The SIP&P was last amended on June 22, 2017. No changes to the asset mix and risk profile were made.

The following SIP&P 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%
Absolute Return Assets	5%	10%	15%
Real return assets	15%	25%	35%
Cash and short-term	0%	0%	10%

The pension plan investments are in compliance with the SIP&P asset mix ranges as of December 31, 2017.

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 5.31%.

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 8.07% compared to a 8.05% 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, 2017:

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%
Absolute Return (LIBOR plus 400 basis point) (Canadian dollar)	10%
Real Return (Canadian rolling 4-year CPI + 5%)	25%
	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, 2017 and 2016, the Plan had exposure to foreign currencies net of currency hedging strategies as set out below:

2017	Foreign currency exposure	Hedged amounts	Net exposure	Value of +-5% fluctuation
United States	$ 914,379	$ 598,240	$ 316,139	$ 15,807
Euro	211,787	-	211,787	10,589
United Kingdom	81,721	-	81,721	4,086
Others	341,669	4,718	336,951	16,848
	$ 1,549,556	$ 602,958	$ 946,598	$ 47,330

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

A 1% increase in the Canadian dollar against all other currencies would decrease the value of the Plan's assets by $9,466 (2016 - $9,622) or 0.41% (2016 - 0.46%). A 1% decrease in the Canadian dollar against all other currencies would increase the value of the Plan's assets by $9,466 (2016 - $9,622) or 0.41% (2016 - 0.46%). This calculation is based on the Plan's direct foreign currency holdings and does not include secondary impacts of exchange rate changes.

6. Investments (continued):

(b) Financial risk management (continued):

(ii) Market risk (continued):

(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, 2017 an increase or decrease of 1% in nominal interest rates would result in a decline or increase in the value of the fixed income investments of approximately $34,465 (2016 - $26,336) or 1.49% (2016 - 1.26%) 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.

(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	2017	2016
Information technology	20.7%	16.2%
Financial	15.4%	17.2%
Consumer discretionary	13.8%	12.8%
Industrials	13.5%	14.4%
Health care	10.9%	10.3%
Consumer staple	9.9%	9.9%
Energy	6.4%	9.9%
Materials	4.7%	5.3%
Utilities	1.6%	1.5%
Telecommunication services	1.6%	1.3%
Real estate	1.5%	1.2%
	100.0%	100.0%

	2017	2016
Canadian equity:		
Fair value	$ 150,428	$ 175,309
+ / - 10% change in S&P TSX	15,043	17,531
Foreign equity:		
Fair value	$ 967,915	$ 832,040
+ / - 10% change in relevant market indices	96,792	83,204

(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:

	2017 Fair value		2016 Fair value	
Bonds:				
Federal government	$ 96,308	21.6%	$ 140,536	38.4%
Provinces	71,102	15.9%	47,729	13.0%
Municipal	3,810	0.9%	2,564	0.7%
Corporate	275,153	61.6%	175,223	47.9%
	$ 446,373	100.0%	$ 366,052	100.0%

	2017 Fair value		2016 Fair value	
Bonds:				
AAA to AA-	$ 208,865	46.8%	$ 139,597	38.1%
A+ to A-	94,662	21.2%	77,918	21.3%
BBB+ to BBB-	92,783	20.8%	89,042	24.3%
BB and less	50,063	11.2%	59,495	16.3%
	$ 446,373	100.0%	$ 366,052	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 50.2% of the market value of the Plan as at December 31, 2017 (2016 - 47.1%). The following individual investments exceed 1% of the cost or the market value of the total assets of the Plan as at December 31:

2017	Market value	Cost
Short Term Investment Fund		
RBC STIF Series II	$ 27,236	$ 27,236
Bonds and long-term instruments:		
BlackRock Universe Bond Index Fund	204,830	209,953
Pramerica Global Bond Fund	118,344	100,000
Equities held through funds:		
Axiom Global Equity Fund	201,572	174,257
Comgest Growth Emerging Markets	119,304	108,581
Walter Scott & Partners Global Fund	209,998	169,266
Real estate:		
Armadale S.C Limited Partnership	25,277	13,780
Bentall Kennedy Prime Cdn Prpty Fd Ltd.	35,930	35,000
GPM Real Property 13 LTP	27,025	25,000
TA Reality RA Fund XI UTP LP	23,915	18,379
Infrastructure:		
Infrastructure Coalition	32,172	30,000
Lasalle CIG IV INC REPE	23,512	22,645
CFIG Canadian Infrastructure Invest Partners LP	53,238	45,923
Macquarie Asia Infrastructure FD LP	33,056	32,003
Macquarie Infrastruture Partners III LP	26,384	24,489
Total of individual investments exceeding 1% of cost or market value	1,161,793	1,036,512
Total of individual investments not exceeding 1% of cost or market value	1,137,262	816,479
Total investments	$ 2,299,055	$ 1,852,991

(in thousands of dollars)

6. Investments (continued):

(b) Financial risk management (continued):

(v) Large individual investments (continued):

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

(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 Statement of Financial Position, classified using the fair value hierarchy described above:

2017	Level 1	Level 2	Level 3	Total
Cash	$ 10,701	$ -	$ -	$ 10,701
Short-term securities	-	28,636	-	28,636
Canadian equities	138,662	11,064	702	150,428
Foreign equities	426,132	539,987	1,796	967,915
Bonds and long-term				-
instruments	109,242	335,706	1,425	446,373
Real estate investments	-	-	279,728	279,728
Infrastructure investments	-	-	222,044	222,044
Hedge funds	-	203,931	-	203,931
	$ 674,036	$ 1,119,324	$ 505,695	$ 2,299,055

2016	Level 1	Level 2	Level 3	Total
Cash	$ 17,455	$ -	$ -	$ 17,455
Short-term securities	-	38,362	-	38,362
Canadian equities	156,653	18,657	-	175,310
Foreign equities	381,140	448,977	1,922	832,039
Bonds and long-term instruments	104,873	261,179	-	366,052
Real estate investments	-	-	236,012	236,012
Infrastructure investments	-	-	198,678	198,678
Hedge funds	-	208,854	-	208,854
	$ 642,666	$ 976,029	$ 436,612	$ 2,055,307

(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:

2017	Canadian and foreign equities	Bonds and long-term instruments	Real estate	Infrastructure
Fair value, beginning of year	$ 1,922	$ -	$ 236,012	$ 198,678
Gains (losses) recognized	(125)	-	8,124	(2,805)
Purchases	702	-	35,592	26,171
Transfers from other levels	-	1,425	-	-
	$ 2,499	$ 1,425	$ 279,728	$ 222,044

Transfers attributable to trading of security suspended pending finance restructuring.

2016	Canadian and 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	(61)	-	(2,321)	(7,411)
Purchases	-	-	43,803	32,157
Transfers to other levels	-	(2,543)	-	-
	$ 1,922	$ -	$ 236,012	$ 198,678

(in thousands of dollars)

7. Administrative expenses:

		2017		2016
Investment management and consulting fees	$	9,640	$	8,979
Transaction costs		172		210
Actuarial and audit fees		346		336
Custodial fees		354		344
Administrative fees		1,504		1,444
Harmonized sales tax recovery		(516)		(893)
	$	11,500	$	10,420

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 agreed terms and conditions. As at December 31, 2017, these commitments totaled $150,234 (2016 - $221,300).

9. Fees:

Fees related to the Plan in the amount of $1,176 (2016 - $596) were paid by the University of Ottawa and subsequently reimbursed by the Plan.