

Financial Statements of

**UNIVERSITY OF OTTAWA  
RETIREMENT PENSION  
PLAN (1965)**

Year ended December 31, 2021

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

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Year ended December 31, 2021

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## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of Ottawa

### ***Opinion***

We have audited the financial statements of the University of Ottawa Retirement Pension Plan (1965) (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in pension obligations for the year then ended
- the statement of changes in surplus for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its changes in net assets available for benefits and its changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors’ report thereon, included in the Annual Report document.



Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report document as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Ottawa, Canada  
June 30, 2022

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

## Statement of Financial Position

December 31, 2021, with comparative information for 2020  
(in thousands of dollars)

	2021	2020
<b>Net Assets Available for Benefits</b>		
<b>Assets:</b>		
Cash	\$ 20,294	\$ 10,375
Investments (note 5)	3,019,645	2,800,384
<b>Receivables:</b>		
Members' contributions	3,579	3,605
Sponsor's contributions	4,930	4,561
Accrued investment revenue receivable	2,417	2,168
	3,050,865	2,821,093
<b>Liabilities:</b>		
Refund of contributions	800	446
Accounts payable and accrued liabilities	3,077	3,517
	3,877	3,963
<b>Net assets available for benefits</b>	<b>\$ 3,046,988</b>	<b>\$ 2,817,130</b>

### Pension Obligations and Surplus

Pension obligations (note 4)	\$ 2,789,448	\$ 2,778,130
Surplus	257,540	39,000
<b>Pension obligations and surplus</b>	<b>\$ 3,046,988</b>	<b>\$ 2,817,130</b>

Commitments (note 7)

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, 2021, with comparative information for 2020  
(in thousands of dollars)

	2021	2020
<b>Increase in Assets</b>		
Investment revenue:		
Short-term securities	\$ 10	\$ 195
Canadian equities	23,230	28,891
Foreign equities	21,414	21,443
Bonds, long-term instruments, hedge funds and private debts	16,819	15,306
Real estate and Infrastructure investments	21,897	15,241
Increase in market value of investments	178,742	167,708
	262,112	248,784
Contributions:		
Members:		
Current service	37,642	35,807
Past service	3,417	2,626
Sponsor:		
Current service	43,834	39,765
Provision for adverse deviation (note 4)	8,167	10,762
	93,060	88,960
<b>Total increase in assets</b>	<b>355,172</b>	<b>337,744</b>
<b>Decrease in Assets</b>		
Benefits paid	100,222	95,048
Termination benefit payments	13,675	13,056
Death benefit payments	2,547	1,341
Administrative expenses (note 6)	8,870	8,276
<b>Total decrease in assets</b>	<b>125,314</b>	<b>117,721</b>
<b>Net increase in net assets available for benefits</b>	<b>229,858</b>	<b>220,023</b>
<b>Net assets available for benefits, beginning of year</b>	<b>2,817,130</b>	<b>2,597,107</b>
<b>Net assets available for benefits, end of year</b>	<b>\$ 3,046,988</b>	<b>\$ 2,817,130</b>

See accompanying notes to financial statements.

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

## Statement of Changes in Pension Obligations

Year ended December 31, 2021, with comparative information for 2020  
(in thousands of dollars)

	2021	2020
Pension obligations, beginning of year	\$ 2,778,130	\$ 2,488,217
Increase in pension obligations:		
Interest on pension obligations	141,170	135,361
Benefits accrued	90,985	79,658
Changes in actuarial assumptions	(24,452)	85,308
Changes in plan provisions	2,779	-
Provision for adverse deviation (note 4)	(86,128)	96,870
Net experience losses	3,409	2,161
	127,763	399,358
Decrease in pension obligations:		
Benefits paid, death and termination benefit payments	116,445	109,445
Net increase in pension obligations	11,318	289,913
Pension obligations, end of year	\$ 2,789,448	\$ 2,778,130

See accompanying notes to financial statements.



# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

## Statement of Changes in Surplus

Year ended December 31, 2021, with comparative information for 2020  
(in thousands of dollars)

	2021	2020
Surplus, beginning of year	\$ 39,000	\$ 108,890
Increase in net assets available for benefits	229,858	220,023
Net increase in pension obligations	(11,318)	(289,913)
<b>Surplus, end of year</b>	<b>\$ 257,540</b>	<b>\$ 39,000</b>
Represented by:		
Net assets available for benefits	\$ 3,046,988	\$ 2,817,130
Pension obligations	(2,789,448)	(2,778,130)
<b>Surplus, end of year</b>	<b>\$ 257,540</b>	<b>\$ 39,000</b>

See accompanying notes to financial statements.

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements

Year ended December 31, 2021  
(in thousands of dollars)

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## 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.

For additional information, reference should be made to Note 3 and the regulations of the Plan.

## 2. Significant accounting policies:

### (a) Basis of presentation:

The financial statements have been prepared in accordance with Canadian accounting standards for Pension Plans in Part IV of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook applied with the significant accounting policies summarized below.

These Plan financial statements are presented in Canadian dollars, which is the Plan's functional currency. 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, infrastructure and private debt 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.

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2021  
(in thousands of dollars)

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## 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 and dividends.

The increase (decrease) in market value of investments 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 at the end of each year, adjusted for realized gains and losses in the year.

The gains and losses resulting from foreign currency translation have been included in the change in market value of investments.

### (f) Translation of foreign currencies:

These fund financial statements are presented in Canadian dollars, which is the Plan's functional currency. 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.

### (g) Use of estimates:

The preparation of financial statements 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.

### (h) Income taxes:

The Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2021  
(in thousands of dollars)

### 3. Capital risk management:

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.

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 June 23, 2021.

The following SIP&P asset mix has been established for the Plan:

Asset Class	Minimum	Target	Maximum
Fixed income: Short term	0%	0%	10%
Bonds and Long-term:			
Canadian - Held through funds			
Universe Bonds	5%	10%	17%
Corporate Bonds	5%	12%	18%
	10%	22%	35%
Absolute Return Assets:			
Bonds and Long-term (foreign) and Hedge funds	5%	10%	20%
Private Debt	0%	5%	10%
	5%	15%	30%
Equities:			
Canadian	0%	5%	10%
Foreign	15%	28%	40%
	15%	33%	50%
Real Return Assets:			
Real estate	5%	15%	20%
Infrastructure	5%	15%	20%
	18%	30%	40%

The pension plan investments are in compliance with the SIP&P asset mix ranges as of December 31, 2021.

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2021  
(in thousands of dollars)

#### 4. 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, 2021 is based on an actuarial projection of a valuation performed by the Plan's actuary as at January 1, 2021.

The assumptions used in determining the actuarial value of accrued pension obligations were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the most recent valuation are as follows:

Actuarial assumptions	2021	2020
Discount rate	6.10%	6.00%
Inflation rate	2.00%	2.00%
Rate of return on assets over inflation	4.10%	4.00%
Salary escalation rate over inflation plus	1.00%	1.00%

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 2014 to 2018. 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 \$2,960,237 (2020 - \$2,708,658).

In 2018, the Ontario government revised the rules for the funding of single-employer defined benefit pension plans. Under the new rules, the margin set at the discretion of the University of Ottawa has been replaced with an explicit prescribed Provision for Adverse Deviation ("PfAD"), a risk-based load factor applied to the best-estimate liabilities. The PfAD at December 31, 2021 is \$320,457 (2020 - \$406,585) which represents 15.25% (2020 - 20.24%) of the Plan's projected liability, excluding the value of future escalated adjustments.

The PfAD payment recorded in the Statement of Changes in Net Assets at December 31, 2021 is \$8,167 (2020 - \$10,762).

In accordance with the Ontario Pension Benefits Act funding rules, the actuarial valuation as of May 15, 2021 that was filed showed a going-concern surplus of \$231,824 including a PfAD in respect of the going concern liabilities, a solvency deficit of \$83,465 excluding the value of future indexation, and a solvency deficit of \$1,426,739 including the value of future indexation. The next required filing date for an actuarial valuation report is as of May 15, 2024 at the latest.

As at December 31, 2021, with respect to pension liabilities 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 and excluding the PfAD, of approximately 13% or \$361,328. 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 and excluding PfAD, of approximately 15% or \$418,417.

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2021  
(in thousands of dollars)

## 5. Investments:

(a) Investments assets by category:

	2021	2020
Fixed income:		
Short-term	\$ 39,491	\$ 59,104
Bonds and Long-term:		
Canadian:		
Direct holdings	139,401	129,117
Held through funds	374,792	405,274
Foreign:		
Direct holdings	83,240	57,949
Held through funds	153,233	148,457
	<u>750,666</u>	<u>740,797</u>
Canadian equities:		
Direct holdings	206,031	175,197
Held through funds	13,791	11,417
	<u>219,822</u>	<u>186,614</u>
Foreign equities:		
Direct holdings	610,548	615,321
Held through funds	377,110	403,885
	<u>987,658</u>	<u>1,019,206</u>
Real estate		
Direct holdings	58,471	61,327
Held through funds	266,356	202,360
Infrastructure	378,899	271,860
Hedge funds	209,834	221,846
Private debt	108,448	37,270
	<u>1,022,008</u>	<u>794,663</u>
	<u>\$ 3,019,645</u>	<u>\$ 2,800,384</u>

(b) Financial risk management:

(i) Overview:

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.

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2021

(in thousands of dollars)

## 5. Investments (continued):

### (b) Financial risk management (continued):

#### (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) Foreign currency risk:

Foreign 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. Foreign 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, 2021 and 2020, the Plan had exposure to foreign currencies net of currency hedging strategies as set out below:

	Foreign currency exposure		Hedged amounts		Net exposure		Value of +-5% fluctuation
<b>2021</b>							
United States dollar	\$ 1,312,934	\$	848,128	\$	464,806	\$	23,240
Euro	182,519		-		182,519		9,126
British Sterling pound	56,014		-		56,014		2,801
Others	328,349		47		328,302		16,415
	<b>\$ 1,879,816</b>	<b>\$</b>	<b>848,175</b>	<b>\$</b>	<b>1,031,641</b>	<b>\$</b>	<b>51,582</b>

	Foreign currency exposure		Hedged amounts		Net exposure		Value of +-5% fluctuation
<b>2020</b>							
United States dollar	\$ 1,227,393	\$	739,967	\$	487,426	\$	24,371
Euro	184,734		-		184,734		9,237
British Sterling pound	54,424		-		54,424		2,721
Others	379,104		(226)		379,330		18,967
	<b>\$ 1,845,655</b>	<b>\$</b>	<b>739,741</b>	<b>\$</b>	<b>1,105,914</b>	<b>\$</b>	<b>55,296</b>

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2021  
(in thousands of dollars)

## 5. 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, 2021, 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 \$60,264 (2020 - \$60,378) or 2.00% (2020 - 2.16%) 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.

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 table provides information on the Plan's price risk:

	2021	2020
<b>Canadian equity:</b>		
Fair value	\$ 219,822	\$ 186,613
+ / - 10% change in S&P TSX	21,982	18,661
<b>Foreign equity:</b>		
Fair value	\$ 987,658	\$ 1,019,206
+ / - 10% change in relevant market indices	98,766	101,921

#### (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.



# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2021  
(in thousands of dollars)

## 5. Investments (continued):

### (b) Financial risk management (continued):

#### (iii) Credit risk (continued):

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:

	2021		2020	
	Fair value		Fair value	
<b>Bonds:</b>				
AAA to AA-	\$ 333,568	44.4%	\$ 350,052	47.3%
A+ to A-	149,708	20.0%	131,340	17.7%
BBB+ to BBB-	183,019	24.4%	179,571	24.2%
BB and less	84,371	11.2%	79,834	10.8%
	\$ 750,666	100.0%	\$ 740,797	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 and PfAD (as described in note 4) 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.

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2021

(in thousands of dollars)

## 5. 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 45.8% of the market value of the Plan as at December 31, 2021 (2020 - 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:

2021	Market value
Fixed income:	
RBC Investor Services STIF	\$ 35,932
Bonds and long-term instruments:	
TD Emerald CA Bond	349,315
Pramerica Funds PLC Global	153,234
Equities held through funds:	
Comgest Growth Emerging Markets	83,169
BlackRock Cdn World Index CL-A FD	128,273
Walter Scott NCS Global Fund	165,668
Real estate:	
Bentall Kennedy Prime Cdn Prpty Fd Ltd.	41,928
GPM Real Property 13 LTP	42,192
TA Reality RA Fund XI UTP LP	33,218
Thirty Three Bloor St Ltd	33,791
Infrastructure:	
Axiom Infrastructure Canada III LP	51,615
IFM Global Infrastructure Canada LP Common	57,330
EagleCrest Infrastructure Canada LP	35,427
CFG Canadian Infrastructure Invest Partners LP	36,096
Macquarie Asia Infrastructure FD LP	43,680
Infrastructure Investments Fund Canadian II LP	45,367
Private debt:	
Broad Street Loan Partners IV Offshore	35,267
<b>Total of individual investments exceeding 1% of cost or market value</b>	<b>\$ 1,371,502</b>

#### (vi) COVID-19 pandemic:

The COVID-19 pandemic has continued to evolve and the economic environment in which the Plan operates could be subjected to volatility, which could impact the financial results. The duration of the COVID-19 pandemic, the effectiveness of steps undertaken by governments and central banks in response to the COVID-19 pandemic and vaccine efficacy, supply and availability remains uncertain. Certain significant judgements are particularly complex in the current uncertain environment and different amounts could be reporting under different conditions or assumptions. The Plan continues to monitor and assess the impacts of the COVID-19 pandemic on critical judgements, estimates and assumptions, which are described in note 2.

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2021  
(in thousands of dollars)

## 5. Investments (continued):

(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).

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:

2021	Level 1	Level 2	Level 3	Total
Cash	\$ 20,294	\$ -	\$ -	\$ 20,294
Short-term securities	3,559	35,932	-	39,491
Bonds and long-term instruments	153,234	596,714	718	750,666
Canadian equities	218,489	737	596	219,822
Foreign equities	989,957	(2,299)	-	987,658
Real estate investments	-	-	324,827	324,827
Infrastructure investments	-	-	378,899	378,899
Hedge funds	-	170,197	39,637	209,834
Private debt	-	14,169	94,279	108,448
	\$ 1,385,533	\$ 815,450	\$ 838,956	\$ 3,039,939

2020	Level 1	Level 2	Level 3	Total
Cash	\$ 10,375	\$ -	\$ -	\$ 10,375
Short-term securities	1,794	57,310	-	59,104
Bonds and long-term instruments	148,457	591,694	646	740,797
Canadian equities	184,559	1,401	654	186,614
Foreign equities	1,009,512	9,694	-	1,019,206
Real estate investments	-	-	263,687	263,687
Infrastructure investments	-	-	271,860	271,860
Hedge funds	-	188,130	33,716	221,846
Private debt	-	-	37,270	37,270
	\$ 1,354,697	\$ 848,229	\$ 607,833	\$ 2,810,759

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2021  
(in thousands of dollars)

## 5. 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:

2021	Bonds and long-term instruments	Canadian and foreign equities	Real estate	Infrastructure	Hedge funds	Private debt
Fair value, beginning of year	\$ 646	\$ 654	\$ 263,687	\$ 271,860	\$ 33,716	\$ 37,270
Gain (losses) recognized	72	(58)	41,415	62,761	2,037	39,149
Purchases	-	-	26,097	44,278	3,884	17,860
Sales	-	-	(6,372)	-	-	-
Transfers to other levels	-	-	-	-	-	-
	\$ 718	\$ 596	\$ 324,827	\$ 378,899	\$ 39,637	\$ 94,279

Transfers attributable to trading of security suspended pending finance restructuring.

2020	Bonds and long-term instruments	Canadian and foreign equities	Real estate	Infrastructure	Hedge funds	Private debt
Fair value, beginning of year	\$ 745	\$ 2,234	\$ 264,616	\$ 262,815	\$ 18,208	-
Gain (losses) recognized	(99)	(280)	(27,244)	8,795	15,508	-
Purchases	-	-	26,315	250	-	37,270
Sales	-	(1,300)	-	-	-	-
Transfers to other levels	-	-	-	-	-	-
	\$ 646	\$ 654	\$ 263,687	\$ 271,860	\$ 33,716	\$ 37,270

## 6. Administrative expenses:

	2021	2020
Investment management and consulting fees	\$ 5,502	\$ 5,225
Transaction costs	281	404
Actuarial and audit fees	444	402
Custodial fees	429	437
Administrative fees	2,214	1,832
Harmonized sales tax payment (recovery)	-	(24)
	\$ 8,870	\$ 8,276

# UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2021

(in thousands of dollars)

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## 6. Administrative expenses (continued):

The University provides certain administrative services to the Plan. The cost to the Plan for these services for the year ended December 31, 2021 was \$1,671 (2020 - \$1,408) which represents the exchange amount agreed to by the parties, and is included in administrative fees.

## 7. 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, 2021, these commitments totaled \$415,490 (2020 - \$312,708).