

Financial Statements of

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

Year ended December 31, 2022

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

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Year ended December 31, 2022

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INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s 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 auditor’s 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 auditor's report thereon, included in the Annual Report document as at the date of this auditor's 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 auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 27, 2023

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Financial Position

December 31, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Net Assets Available for Benefits		
Assets:		
Cash	\$ 29,604	\$ 20,294
Investments (note 5)	2,773,317	3,019,645
Receivables:		
Members' contributions	3,779	3,579
Sponsor's contributions	4,036	4,930
Accrued investment revenue receivable	2,948	2,417
	2,813,684	3,050,865
Liabilities:		
Refund of contributions	542	800
Accounts payable and accrued liabilities	3,378	3,077
	3,920	3,877
Net assets available for benefits	\$ 2,809,764	\$ 3,046,988

Pension Obligations and Surplus

Pension obligations (note 4)	\$ 2,596,124	\$ 2,789,448
Surplus	213,640	257,540
Pension obligations and surplus	\$ 2,809,764	\$ 3,046,988

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, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Increase in Assets		
Investment revenue:		
Short-term securities	\$ 1,260	\$ 10
Canadian equities	22,749	23,230
Foreign equities	37,831	21,414
Bonds, long-term instruments, hedge funds and private debts	21,837	16,819
Real estate and Infrastructure investments	27,510	21,897
Increase in market value of investments	-	178,742
	111,187	262,112
Contributions:		
Members:		
Current service	38,493	37,642
Past service	1,085	3,417
Sponsor:		
Current service	40,782	43,834
Provision for adverse deviation (note 4)	6,049	8,167
	86,409	93,060
Total increase in assets	197,596	355,172
Decrease in Assets		
Benefits paid	106,450	100,222
Termination benefit payments	12,137	13,675
Death benefit payments	5,536	2,547
Administrative expenses (note 6)	8,146	8,870
Decrease in market value of investments	302,551	-
Total decrease in assets	434,820	125,314
Net increase (decrease) in net assets available for benefits	(237,224)	229,858
Net assets available for benefits, beginning of year	3,046,988	2,817,130
Net assets available for benefits, end of year	\$ 2,809,764	\$ 3,046,988

See accompanying notes to financial statements.

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Changes in Pension Obligations

Year ended December 31, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Pension obligations, beginning of year	\$ 2,789,448	\$ 2,778,130
Increase in pension obligations:		
Interest on pension obligations	149,992	141,170
Benefits accrued	91,545	90,985
Changes in actuarial assumptions	(190,848)	(24,452)
Changes in plan provisions	-	2,779
Provision for adverse deviation (note 4)	(163,842)	(86,128)
Net experience losses	43,952	3,409
	(69,201)	127,763
Decrease in pension obligations:		
Benefits paid, death and termination benefit payments	124,123	116,445
Net increase (decrease) in pension obligations	(193,324)	11,318
Pension obligations, end of year	\$ 2,596,124	\$ 2,789,448

See accompanying notes to financial statements.

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Statement of Changes in Surplus

Year ended December 31, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Surplus, beginning of year	\$ 257,540	\$ 39,000
Increase (decrease) in net assets available for benefits	(237,224)	229,858
Net (increase) decrease in pension obligations	193,324	(11,318)
Surplus, end of year	\$ 213,640	\$ 257,540
Represented by:		
Net assets available for benefits	\$ 2,809,764	\$ 3,046,988
Pension obligations	(2,596,124)	(2,789,448)
Surplus, end of year	\$ 213,640	\$ 257,540

See accompanying notes to financial statements.

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements

Year ended December 31, 2022
(in thousands of dollars)

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, 2022
(in thousands of dollars)

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, 2022
(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 October 31, 2022.

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%
	15%	22%	35%
Absolute Return Assets:			
Bonds and Long-term (foreign) and Hedge funds	0%	5%	10%
Private Debt	5%	10%	15%
	5%	15%	25%
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, 2022.

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2022
(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, 2022 is based on an actuarial projection of a valuation performed by the Plan's actuary as at January 1, 2022.

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	2022	2021
Discount rate	7.00%	6.10%
Inflation rate	2022 - 6.8%, 2023 - 3.5%, 2.0% thereafter	2.00%
Rate of return on assets over inflation	5.00%	4.10%
Salary escalation rate over inflation plus	0.00%	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 \$2,950,454 (2021 - \$2,960,237).

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, 2022 is \$156,615 (2021 - \$320,457) which represents 7.63% (2021 - 15.25%) 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, 2022 is \$6,049 (2021 - \$8,167).

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 \$304,750 including a PfAD in respect of the going concern liabilities, a solvency surplus of \$209,179 excluding the value of future indexation, and a solvency deficit of \$1,037,881 including the value of future indexation. The next required filing date for an actuarial valuation report is as of July 1, 2025 at the latest.

As at December 31, 2022, 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 \$337,496. 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 12% or \$311,535.

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2022
(in thousands of dollars)

5. Investments:

(a) Investments assets by category:

	2022	2021
Fixed income:		
Short-term	\$ 34,178	\$ 39,491
Bonds and Long-term:		
Canadian:		
Direct holdings	176,007	139,401
Held through funds	337,977	374,792
Foreign:		
Direct holdings	70,926	83,240
Held through funds	-	153,233
	584,910	750,666
Canadian equities:		
Direct holdings	193,468	206,031
Held through funds	11,953	13,791
	205,421	219,822
Foreign equities:		
Direct holdings	410,245	610,548
Held through funds	327,975	377,110
	738,220	987,658
Real estate		
Direct holdings	54,727	58,471
Held through funds	361,878	266,356
Infrastructure	368,214	378,899
Hedge funds	223,382	209,834
Private debt	202,387	108,448
	1,210,588	1,022,008
	\$ 2,773,317	\$ 3,019,645

(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, 2022

(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, 2022 and 2021, the Plan had exposure to foreign currencies net of currency hedging strategies as set out below:

2022	Foreign currency exposure	Hedged amounts	Net exposure	Value of +/-5% fluctuation
United States dollar	\$ 1,227,758	\$ 1,027,605	\$ 200,153	\$ 10,008
Euro	154,306	(23)	154,329	7,716
British Sterling pound	50,042	-	50,042	2,502
Others	206,970	(9)	206,979	10,349
	\$ 1,639,076	\$ 1,027,573	\$ 611,503	\$ 30,575

2021	Foreign currency exposure	Hedged amounts	Net exposure	Value of +/-5% fluctuation
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
	\$ 1,879,816	\$ 848,175	\$ 1,031,641	\$ 51,582

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2022
(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, 2022, 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 \$ 38,342 (2021 - \$60,264) or 1.38% (2021 - 2.00%) of the Plan value. This is based on the duration of the holdings and does not include other variables such as convexity.

The Pension's financial risks have increased during the year due to rising interest rates, inflation and market fluctuations. Management believes that these financial risks are appropriately mitigated and do not pose significant risk to the Pension's operations. There have been no significant changes in the policies, procedures, and methods used to manage these risks in the year.

(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:

	2022	2021
Canadian equity:		
Fair value	\$ 205,421	\$ 219,822
+ / - 10% change in S&P TSX	20,542	21,982
Foreign equity:		
Fair value	\$ 738,220	\$ 987,658
+ / - 10% change in relevant market indices	73,822	98,766

(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, 2022
(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:

	2022		2021	
	Fair value		Fair value	
Bonds:				
AAA to AA-	\$ 327,075	55.9%	\$ 333,568	44.4%
A+ to A-	106,987	18.3%	149,708	20.0%
BBB+ to BBB-	106,067	18.1%	183,019	24.4%
BB and less	44,781	7.7%	84,371	11.2%
	\$ 584,910	100.0%	\$ 750,666	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, 2022

(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, 2022 (2021 - 45.8%). The following individual investments exceed 1% of the cost or the market value of the total assets of the Plan as at December 31:

2022	Market value
Fixed income:	
RBC Investor Services STIF	\$ 30,815
Canadian Government	48,279
Bonds and long-term instruments:	
TD Emerald CA Bond	310,561
Equities held through funds:	
Comgest Growth Emerging Markets	70,763
BlackRock Cdn World Index CL-A FD	113,100
Walter Scott NCS Global Fund	144,112
Real estate:	
Bentall Kennedy Prime Cdn Prpty Fd Ltd.	44,766
Canfirst Ind Fd VII LP	29,650
GPM Real Property 13 LTP	48,862
TA Reality RA Fund XI UTP LP	37,359
Infrastructure:	
Axiom Infrastructure Canada III LP	52,584
IFM Global Infrastructure Canada LP Common	63,005
IIF Canadian II LP	47,788
Macquarie Asia Infrastructure FD LP	31,170
Macquarie Infra Partners III LP	37,961
Hedge Funds:	
DE Shaw Composite International FD	29,915
Private debt:	
Ares Capital Europe V	40,078
Broad Street Loan Partners IV Offshore	41,670
Carlyle CCOF II	47,405
Total of individual investments exceeding 1% of cost or market value	\$ 1,269,843

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2022
(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:

2022	Level 1	Level 2	Level 3	Total
Cash	\$ 29,604	\$ -	\$ -	\$ 29,604
Short-term securities	3,363	30,815	-	34,178
Bonds and long-term instruments	-	584,080	830	584,910
Canadian equities	203,079	1,719	623	205,421
Foreign equities	736,139	2,081	-	738,220
Real estate investments	-	-	416,605	416,605
Infrastructure investments	-	-	368,214	368,214
Hedge funds	-	169,850	53,532	223,382
Private debt	-	47,404	154,983	202,387
	\$ 972,185	\$ 835,949	\$ 994,787	\$ 2,802,921

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

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2022
(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:

2022	Bonds and long-term instruments	Canadian and foreign equities	Real estate	Infrastructure	Hedge funds	Private debt
Fair value, beginning of year	\$ 718	\$ 596	\$ 324,827	\$ 378,899	\$ 39,637	\$ 94,279
Gain (losses) recognized	112	-	62,752	404	346	60,703
Purchases	-	623	29,031	24,109	13,549	-
Sales	-	(597)	(5)	(35,198)	-	-
Transfers to other levels	-	-	-	-	-	-
	<u>\$ 830</u>	<u>\$ 622</u>	<u>\$ 416,605</u>	<u>\$ 368,214</u>	<u>\$ 53,532</u>	<u>\$ 154,982</u>

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	-	-	-	-	-	-
	<u>\$ 718</u>	<u>\$ 596</u>	<u>\$ 324,827</u>	<u>\$ 378,899</u>	<u>\$ 39,637</u>	<u>\$ 94,279</u>

6. Administrative expenses:

	2022	2021
Investment management and consulting fees	\$ 5,063	\$ 5,502
Transaction costs	222	281
Actuarial and audit fees	295	444
Custodial fees	354	429
Administrative fees	2,211	2,214
Harmonized sales tax payment	1	-
	<u>\$ 8,146</u>	<u>\$ 8,870</u>

UNIVERSITY OF OTTAWA RETIREMENT PENSION PLAN (1965)

Notes to Financial Statements (continued)

Year ended December 31, 2022
(in thousands of dollars)

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, 2022 was \$1,783 (2021 - \$1,671) 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, 2022, these commitments totaled \$387,853 (2021 - \$415,490).