

Financial Statements of

**BROCK UNIVERSITY  
PENSION PLAN**

Year ended June 30, 2010

Registration Number 327767



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## AUDITORS' REPORT

To the Pension Committee of Brock University

We have audited the statement of net assets available for benefits of the fund of the Brock University Pension Plan as at June 30, 2010 and the statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply with Section 76 of the Regulations to the Pension Benefits Act (Ontario). These financial statements are the responsibility of the Plan's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits as at June 30, 2010 and the changes in net assets available for benefits for the year then ended in accordance with the basis of accounting described in note 1 to the financial statements.

These pension fund financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Administrator of the Brock University Pension Plan and the Financial Services Commission of Ontario for complying with Section 76 of the Regulations to the Pension Benefits Act (Ontario). The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Chartered Accountants, Licensed Public Accountants

St. Catharines, Canada  
October 8, 2010

# BROCK UNIVERSITY PENSION PLAN

## Statement of Net Assets Available For Benefits


June 30, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Investments (note 2)	\$ 250,052,549	\$ 220,682,657
Contributions receivable:		
Employer	851,312	815,338
Employees	483,531	451,462
Net unrealized gain on forward currency contracts	-	428,028
	251,387,392	222,377,485
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	349,694	350,010
Net unrealized loss on forward exchange contracts	4,187,702	-
	4,537,396	350,010
Net assets available for benefits	\$ 246,849,996	\$ 222,027,475

See accompanying notes to financial statements.

On behalf of the Pension Committee:

 Member

 Member

# BROCK UNIVERSITY PENSION PLAN

## Statement of Changes in Net Assets and Retained Earnings

Year ended June 30, 2010, with comparative figures for 2009

	2010	2009
Increase in net assets:		
Investment income (note 5)	\$ 6,808,053	\$ 6,710,045
Decrease in net unrealized loss in investments	3,705,600	-
Net realized gain on sale of investments	8,043,550	-
Contributions:		
Employer	10,193,820	9,801,422
Employee	5,754,774	5,398,751
Transfers from other pension plans	34,302	410,142
	34,540,099	22,320,360
Decrease in net assets:		
Increase in net unrealized loss in investments	-	32,483,841
Net realized loss on sale of investments	-	9,374,109
Benefit payments (note 6)	7,544,649	9,838,292
Administrative expenses and professional fees (note 7)	2,172,929	2,033,659
	9,717,578	53,729,901
Increase (decrease) in net assets	24,822,521	(31,409,541)
Net assets available for benefits, beginning of year	222,027,475	253,437,016
Net assets available for benefits, end of year	\$ 246,849,996	\$ 222,027,475

See accompanying notes to financial statements.

# BROCK UNIVERSITY PENSION PLAN

## Notes to Financial Statements

Year ended June 30, 2010

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The Brock University Pension Plan (the "Plan") is a registered pension plan in the Province of Ontario under registration number 327767. The Plan is a hybrid defined benefit money purchase pension plan, which contains both a defined contribution component and a defined benefit component. The defined contribution component of the plan is funded by Brock University (the "University") and member contributions and provides a benefit to members based on their accumulated account. The defined benefit component of the plan is funded by University contributions and provides for a guaranteed minimum benefit. The Plan provides pension benefits to substantially all permanent employees of the University.

### 1. Significant accounting policies:

#### (a) Basis of presentation:

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Commission of Ontario for financial statements under Section 76 of the Regulations to the Pension Benefits Act (Ontario). The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the Plan. Consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations.

#### (b) Investments:

Investments are stated at fair value. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits as an increase/decrease in net unrealized gain or loss in investments.

Fair values of investments are determined as follows:

Bonds, debentures and equities are valued at year-end quoted market prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2010

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## 1. Significant accounting policies (continued):

### (c) Net realized gain on sale of investments:

The net realized gain on sale of investments is the difference between proceeds received and the average cost of investments sold.

### (d) Investment income:

Investment income, which is recorded on the accrual basis, includes interest income, dividends and pooled fund distributions.

### (e) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year end exchange rate. Gains and losses arising from translations are included in the change in net unrealized gains or loss in investments.

Foreign currency denominated transactions are translated into Canadian dollars at the rate of exchange on the date of the related transaction. Cost of investments, as disclosed in note 2, are translated into Canadian dollars at the rate of exchange on the date of purchase.

### (f) Forward foreign currency hedging contracts:

The Plan enters into forward foreign currency contracts (the "contracts") to hedge approximately one half of the currency exposure of foreign investments. The fair value of the contracts is based on amounts quoted by the Plan's investment manager to realize favourable contracts or settle unfavourable contracts, taking into account current foreign exchange rates. The net change in the unrealized gain on the contracts is included in the current period change in fair value of investments. When the contracts are closed out the net gain or loss is reflected in the net realized gain or loss on sale of investments.

### (g) Income taxes:

The Plan is not subject to income taxes since it is a Registered Pension Trust as defined by the Income Tax Act.

# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2010

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## 1. Significant accounting policies (continued):

### (h) Capital disclosures:

The main objective of the Plan is to provide a diversified selection of investment options in which to invest the Fund's contributions. The Plan fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the "SIPP"), which is reviewed annually by the Fund. The Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employer contributions) in accordance with the approved SIPP.

Although there are no regulatory requirements relating to the level of net assets and funding to be maintained by the Plan, the Plan is required to file financial statements with the Financial Services Commission of Ontario.

### (i) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and are reported amounts of changes in net assets available for benefits during the year. Actual results could differ from those estimates.

### (j) Change in accounting policy:

The Canadian Institute of Chartered Accountants ("CICA") implemented revisions to Handbook Section 3862, "Financial Instruments - Disclosures," to include additional disclosures about fair value measurements of financial instruments and enhance the liquidity risk disclosures. These revisions require a three level hierarchy that reflects the significance of inputs used in making fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair values of assets and liabilities included in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Fair values of assets and liabilities included in Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. These amendments are effective for the Plan for the year ended June 30, 2010. The additional disclosures as a result of adopting these amendments have been detailed in note 10.

# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2010

## 1. Significant accounting policies (continued):

### (k) New accounting pronouncement:

The Accounting Standards Board's ("AcSB") April 2008 Exposure Draft, Adopting IFRS in Canada, proposed that, upon adoption of International Financial Reporting Standards ("IFRS") by publicly accountable enterprises, pension plans would continue to prepare their financial statements in accordance with the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 4100, Pension Plans ("Section 4100"), rather than International Accounting Standard 26, "Accounting and Reporting by Retirement Benefit Plans". On July 30, 2009, the AcSB issued an Exposure Draft that proposes changes to existing Section 4100 in the areas of investment assets and investment liabilities. In February 2010, the AcSB approved CICA Handbook Section 4600, Pension Plans ("Section 4600"), as Part IV of the CICA Handbook. The new Section 4600 was released April 2010 and is based on existing Section 4100 with substantive modifications and will be effective for annual financial statements for fiscal years on or after January 1, 2011. The Plan's management is currently in the process of evaluating the potential impact of adopting Section 4600.

## 2. Investments:

The following table summarizes investments:

	2010 Cost	2010 Market value	2009 Cost	2009 Market value
Canadian common shares	\$ 275,445	\$ 75,197	\$ 275,445	\$ 75,197
Pooled funds	278,934,364	249,977,352	257,885,802	220,607,460
				-
	\$ 279,209,809	\$250,052,549	258,161,247	\$220,682,657



# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2010

## 3. Statutory disclosure:

The following information is provided in respect of individual investments with a cost or fair value in excess of 1% of the cost or market value of the total Plan, as required by the Ontario Pension Benefits Act:

Security	Cost	Market value
Pooled funds:		
Alliance Bernstein Core Plus Bond Fund	\$ 97,561,595	\$104,030,346
Walter Scott and Partners Canadian Institutional Trust		
Global Equity Fund	43,146,546	38,700,188
Integra Acadian Global Equity Fund	49,842,490	34,584,345
Aberdeen Canada Global Equity Fund	43,935,249	36,923,285
McLean Budden Canadian Equity Growth Fund	38,692,110	29,883,370
McLean Budden Fixed Income Fund	2,686,882	2,786,331

## 4. Accounts payable and accrued liabilities:

	2010	2009
Portfolio administration fees	\$ 235,962	\$ 209,279
Actuarial and other professional fees	88,680	120,064
Custodial fees	16,204	12,227
Audit fees	8,848	8,440
	\$ 349,694	\$ 350,010

# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2010

## 5. Investment income:

	2010	2009
Cash	\$ 146	\$ -
Canadian common shares	-	322
Pooled funds:		
Canadian bonds and debentures	4,376,847	3,643,765
Canadian equity	615,146	980,462
Global	1,796,386	1,991,134
Money market	14,627	72,484
Other	(123)	13,640
Miscellaneous income	5,062	8,346
Foreign exchange gain (loss)	(38)	(108)
	<b>\$ 6,808,053</b>	<b>\$ 6,710,045</b>

## 6. Benefit payments:

	2010	2009
Pension benefits	\$ 5,257,124	\$ 5,910,203
Cash refunds	204,722	506,659
Transfers to other pension funds	1,853,994	3,421,430
Death Benefits	228,809	-
	<b>\$ 7,544,649</b>	<b>\$ 9,838,292</b>

## 7. Administrative expenses and professional fees:

	2010	2009
Portfolio administration fees	\$ 1,475,531	\$ 1,246,075
Actuarial and other professional fees	590,167	680,341
Custodial fees	98,692	96,007
Audit fees	8,539	11,236
	<b>\$ 2,172,929</b>	<b>\$ 2,033,659</b>

# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2010

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## 8. Related party transactions:

The University provides certain administrative services to the Plan. The cost to the Plan for these services in the year ended June 30, 2010 were \$132,545 (2009 - \$129,499), being the exchange amount agreed to by the parties, and is included in the administrative expenses and professional fees in the statement of changes in net assets available for benefits. At June 30, 2010 accounts payable and accrued liabilities included \$67,117 (2009 - \$65,129) owing to the University relating to such services.

## 9. Financial instruments:

The objectives of the Plan are to accumulate funds for the purpose of providing lifetime income in retirement for Members of the Plan. The objectives of the Administrator are to establish suitable investment vehicles that meet the risk tolerances of the Members and to provide information and education to enable the Members to understand the nature of the investments.

The investment vehicles provided in the Plan are pooled fund investments managed by independent investment firms. The Administrator manages the following risks by allocating the funds among the pooled funds available and in doing so; delegates the risk management within the individual pooled funds to its investment advisors.

### (a) Fair values:

The fair value of investments are disclosed in note 3. The fair value of other financial assets and liabilities, being contributions receivable and accounts payable and accrued liabilities, approximates their carrying value due to the short-term nature of these instruments.

Fair value measurements recognized in the statement of net assets available for benefits are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 inputs for assets and liabilities that are not based on observable market data.

The Plan's pooled funds are classified as Level 2 and the Canadian common shares are classified as Level 3 using the fair value hierarchy as at June 30, 2010.

# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2010

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## 9. Financial instruments (continued):

### (b) Associated risks:

#### (i) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market. As all of the Plan's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in net assets available for benefits, all changes in market conditions will directly affect the change in net assets available for benefits. Market price risk is managed by the Administrator through construction of a diversified portfolio of instruments traded on various markets and across various industries. In addition, market price risk may be hedged using derivative financial instruments such as futures contracts.

As at June 30, 2010, had the equity prices of all equity benchmarks increased or decreased by 1% and assuming there is a perfect positive correlation between the Plan's equities and the benchmarks, with all other variables held constant, the value of the Plan's total equities would have increased or decreased, respectively, by approximately \$2,458,648 or 1.0% of net assets.

#### (ii) Foreign currency risk:

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Plan invests in financial instruments and enters into transactions denominated in various foreign currencies. Consequently, the Plan is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse affect on the value of the portion of the Plan's assets or liabilities denominated in currencies other than Canadian dollars. The Plan's overall currency positions and exposures are monitored on a regular basis by the Administrator, in accordance with the currency risk management program. The sensitivity to foreign currency risk is included in the market price risk analysis.

# **BROCK UNIVERSITY PENSION PLAN**

Notes to Financial Statements (continued)

Year ended June 30, 2010

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## **9. Financial instruments (continued):**

### **(b) Associated risks (continued):**

#### **(iii) Liquidity risk:**

Liquidity risk is the risk that the Plan will not be able to meet its obligations as they fall due. The Plan maintains an investment policy, as approved by the Administrator, which contains asset mix guidelines which help to ensure the Plan is able to liquidate investments to meet its pension benefit or other obligations.

#### **(iv) Interest rate risk:**

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. The value of the Plan's assets is affected by short-term changes in interest rates and equity markets. Interest rate changes directly impact the value of any fixed securities in the pooled funds. The sensitivity to interest rate risk is included in the market price risk analysis.

## **10. Forward foreign currency hedging contracts:**

The Plan uses financial instruments to reduce risks associated with its investments and is committed under various forward foreign currency contracts to both purchase and sell various foreign currencies with a notional amount totaling \$50.6 million (2009 - \$50.1 million). The fair value of these forward foreign currency contracts is a loss of \$4,187,702 (2009 - gain of \$428,028).

Notional amounts are the contract amounts used to calculate the cash flows to be exchanged. There are a common measure of volume of outstanding transactions but do not represent credit or market risk.

The forward foreign currency contracts mature on July 20, 2010.

## **11. Comparative figures:**

Certain 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted per the current year.