

Financial Statements of

**BROCK UNIVERSITY
PENSION PLAN**

Year ended June 30, 2011

Registration Number 327767



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INDEPENDENT AUDITORS' REPORT

To the Pension Committee of Brock University

We have audited the accompanying financial statements of Brock University Pension Plan which comprise the statement of net assets available for benefits as at June 30, 2011 and the statement of changes in net assets available for benefit for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Section 76 of the Regulations to the Ontario Pension Benefits Act.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 76 of the Regulations to the Ontario Pension Benefits Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Brock University Pension Plan as at June 30, 2011 and the changes in its net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 76 of the Regulations to the Ontario Pension Benefits Act.

Basis of Accounting and Restriction of Use

Without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Administrator of the Brock University Pension Plan to comply with the requirements of the Financial Services Commission of Ontario. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Administrator of the Brock University Pension Plan and the Financial Services Commission of Ontario and should not be used by parties other than the Administrator of the Brock University Pension Plan and the Financial Services Commission of Ontario.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a horizontal line that starts under the "K" and extends to the right, ending under the "P".

Chartered Accountants, Licensed Public Accountants

St. Catharines, Canada
December 1, 2011

BROCK UNIVERSITY PENSION PLAN

Statement of Net Assets Available For Benefits

June 30, 2011, with comparative figures for 2010

	2011	2010
Assets		
Investments (note 2)	\$ 282,471,350	\$ 250,052,549
Contributions receivable:		
Employer	901,685	851,312
Employees	515,535	483,531
	<u>283,888,570</u>	<u>251,387,392</u>
Liabilities		
Accounts payable and accrued liabilities (note 3)	378,237	349,694
Net unrealized loss on forward exchange contracts	1,552,866	4,187,702
	<u>1,931,103</u>	<u>4,537,396</u>
Net assets available for benefits	\$ 281,957,467	\$ 246,849,996

See accompanying notes to financial statements.

On behalf of the Pension Committee:


_____. Member


_____. Member

BROCK UNIVERSITY PENSION PLAN

Statement of Changes in Net Assets available for Benefits

Year ended June 30, 2011, with comparative figures for 2010

	2011	2010
Increase in net assets:		
Investment income (note 4)	\$ 10,021,603	\$ 6,808,053
Decrease in net unrealized loss in investments	22,373,749	3,705,600
Net realized gain on sale of investments	-	8,043,550
Decrease in unrealized loss of forward foreign currency contracts	2,634,836	-
Contributions:		
Employer	10,668,984	10,193,820
Employee	6,055,702	5,754,774
Transfers from other pension plans	391,455	34,302
	<u>52,146,329</u>	<u>34,540,099</u>
Decrease in net assets:		
Net realized loss on sale of investments	1,957,279	-
Benefit payments (note 5)	12,586,125	7,544,649
Administrative expenses and professional fees (note 6)	2,495,454	2,172,929
	<u>17,038,858</u>	<u>9,717,578</u>
Increase in net assets available for benefits	35,107,471	24,822,521
Net assets available for benefits, beginning of year	246,849,996	222,027,475
Net assets available for benefits, end of year	<u>\$ 281,957,467</u>	<u>\$ 246,849,996</u>

See accompanying notes to financial statements.

BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements

Year ended June 30, 2011

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, 2011

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 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 forward foreign currency contracts. 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, 2011

1. Significant accounting policies (continued):

(h) Capital disclosures:

The main objective of the defined benefit component of the Plan is to ensure the security of the promised pension benefits under the Plan. The primary investment objective of the defined contribution component of the Plan is to permit members to accumulate assets within the Plan in order to provide an appropriate level of retirement income, considering contribution rates under the Plan and the member's individual investment objectives and risk tolerances. 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, the funding to be maintained by the defined benefit component of the Plan is determined through triennial actuarial valuations. 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) New accounting pronouncement:

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 beginning on or after January 1, 2011. The Plan's management is currently in the process of evaluating the potential impact of adopting Section 4600.

BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2011

2. Investments:

The following summary of investments includes 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:

	2011 Cost	2011 Market value	2010 Cost	2010 Market value
Cash	\$ 11,511	\$ 11,511	\$ 6	\$ 6
Canadian common shares	-	-	275,445	75,197
Pooled funds:				
Alliance Bernstein Core Plus Bond Fund	102,909,034	110,049,093	97,561,596	104,030,346
Walter Scott and Partners Canadian Institutional Trust Global Equity Fund	45,155,351	45,434,619	43,146,546	38,700,188
Integra Acadian Global Equity Fund	50,028,080	40,759,324	49,842,490	34,584,345
Aberdeen Canada Global Equity Fund	46,722,368	45,582,325	43,935,249	36,923,286
McLean Budden Canadian Equity Growth Fund	35,984,502	32,151,355	38,692,110	29,883,370
McLean Budden Fixed Income Fund	3,852,922	3,891,824	2,686,882	2,786,331
McLean Budden Canadian Pooled Money Market Fund	3,199,162	3,199,162	2,374,674	2,374,675
Other	1,391,931	1,392,137	694,810	694,805
	\$ 289,254,861	\$ 282,471,350	\$ 279,209,808	\$ 250,052,549

Other investments include short-term investment funds and pending investments held by RBC Dexia.

3. Accounts payable and accrued liabilities:

	2011	2010
Portfolio administration fees	\$ 295,865	\$ 235,962
Actuarial and other professional fees	60,259	88,680
Custodial fees	13,913	16,204
Audit fees	8,200	8,848
	\$ 378,237	\$ 349,694

BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2011

4. Investment income:

	2011	2010
Cash	\$ -	\$ 146
Pooled funds:		
Canadian bonds and debentures	6,144,679	4,376,847
Canadian equity	1,637,977	615,146
Global	2,200,922	1,796,386
Money market	38,025	14,627
Other	-	(123)
Miscellaneous income	-	5,062
Foreign exchange (loss)	-	(38)
	<u>\$ 10,021,603</u>	<u>\$ 6,808,053</u>

5. Benefit payments:

	2011	2010
Pension benefits	\$ 5,642,122	\$ 5,257,124
Cash refunds	693,074	204,722
Transfers to other pension funds	5,615,031	1,853,994
Death Benefits	635,898	228,809
	<u>\$ 12,586,125</u>	<u>\$ 7,544,649</u>

6. Administrative expenses and professional fees:

	2011	2010
Portfolio administration fees	\$ 1,656,438	\$ 1,475,531
Actuarial and other professional fees	722,071	590,167
Custodial fees	109,836	98,692
Audit fees	7,109	8,539
	<u>\$ 2,495,454</u>	<u>\$ 2,172,929</u>

BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2011

7. 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, 2011 were \$137,339 (2010 - \$132,545), 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, 2011 accounts payable and accrued liabilities included \$32,745 (2010 - \$67,117) owing to the University relating to such services.

8. 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.

All plan assets are categorized as Level 2 as at June 30, 2011.

BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2011

8. 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, 2011, 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 \$2,819,575 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, 2011

8. 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.

The accounts payable and accrued liabilities are all due within 90 days or less.

(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.

(v) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Plan. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange trade financial instruments is not backed by an exchange clearing house.

9. Forward foreign currency 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 \$74.5 million (2010 - \$50.6 million). The fair value of these forward foreign currency contracts is a loss of \$1,552,866 (2010 - loss of \$4,187,702).

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, 2011.