

Financial Statements of

**BROCK UNIVERSITY  
PENSION PLAN**

Year ended June 30, 2009

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, 2009 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, 2009 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 2, 2009

# BROCK UNIVERSITY PENSION PLAN

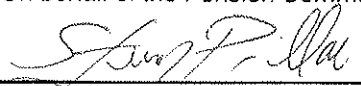
## Statement of Net Assets Available For Benefits

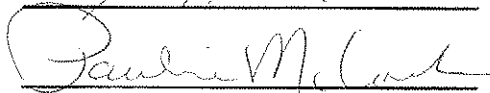
June 30, 2009, with comparative figures for 2008

	2009	2008
<b>Assets</b>		
Investments, at market value (note 3)	\$ 221,110,685	\$ 255,041,782
Accrued investment income	-	103
Contributions receivable:		
Employer	815,338	665,739
Employees	451,462	411,865
	222,377,485	256,119,489
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	350,010	2,682,473
Net assets available for benefits	\$ 222,027,475	\$ 253,437,016

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, 2009, with comparative figures for 2008

	2009	2008
Increase in net assets:		
Investment income (note 6)	\$ 6,710,045	\$ 12,789,868
Net realized gain on sale of investments	-	30,159,713
Contributions:		
Employer	9,801,422	7,911,472
Employee	5,398,751	4,875,016
Transfers from other pension plans	410,142	265,221
	22,320,360	56,001,290
Decrease in net assets:		
Increase in net unrealized loss in investments	32,483,841	45,896,702
Net realized loss on sale of investments	9,374,109	-
Benefit payments (note 7)	9,838,292	14,223,865
Administrative expenses and professional fees (note 8)	2,033,659	1,397,474
	53,729,901	61,518,041
Decrease in net assets	(31,409,541)	(5,516,751)
Net assets available for benefits, beginning of year	253,437,016	258,953,767
Net assets available for benefits, end of year	\$ 222,027,475	\$ 253,437,016

See accompanying notes to financial statements.

# BROCK UNIVERSITY PENSION PLAN

## Notes to Financial Statements

Year ended June 30, 2009

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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 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 gains 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, 2009

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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 3, are translated into Canadian dollars at the rate of exchange on the date of purchase.

### (f) Income taxes:

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

### (g) Capital disclosures:

The main objective of the Plan is to provide a diversified selection of investment options in which the members can choose 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.

# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2009

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## 1. Significant accounting policies (continued):

### (h) 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.

## 2. Changes in accounting policies:

Effective July 1, 2008, the Plan adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation" and Emerging Issues Committee ("EIC") issued Abstract No. 173 ("EIC-173"), "Credit and the fair value of Financial Assets and Liabilities".

Section 1535, "Capital Disclosures" establishes guidelines for the disclosures of both qualitative and quantitative information regarding the Plan's capital and how it is managed. As the Plan manages net investments rather than capital, the adoption of this election had no impact on the financial statements.

Section 3862, "Financial Instruments Disclosures" revises and enhances the disclosure requirements of Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 requires the Plan to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments for the Plan's financial position and performance, the nature and extent of risks arising from financial instruments to which the Plan is exposed during the period and at the Statement of Net Assets Available for Benefits date, and how the Plan manages those risks. Section 3863, "Financial Instrument Presentation" carries forward unchanged the presentation requirements of Section 3861.

The additional disclosures as a result of adopting these sections have been detailed in note 11.

Emerging Issues Committee ("EIC") issued Abstract No. 173 ("EIC-173"), Credit and the Fair Value of Financial Assets and Liabilities requires entities to take both counterparty credit risk and their own credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. As credit risk is already accounted for through fair value measurements, the adoption of this section has no impact on the financial statements.

# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2009

## 3. Investments:

The following table summarizes investments:

	2009 Market value	2008 Market value
Canadian common shares	\$ 75,197	\$ 86,532
Pooled funds	221,035,488	254,955,250
	<b>\$221,110,685</b>	<b>\$255,041,782</b>

## 4. 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	\$ 93,333,766	\$ 91,883,191
Walter Scott and Partners Canadian Institutional Trust		
Global Equity Fund	38,779,387	34,798,436
Integra Acadian Global Equity Fund	43,973,030	30,440,515
Aberdeen Canada Global Equity Fund	38,047,905	29,693,282
McLean Budden Canadian Equity Growth Fund	37,473,007	27,457,248
McLean Budden Fixed Income Fund	2,854,622	2,910,712
McLean Budden Money Market Fund	2,667,420	2,667,420



# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2009

## 5. Accounts payable and accrued liabilities:

	2009	2008
Portfolio administration fees	\$ 209,279	\$ 133,065
Actuarial and other professional fees	120,064	220,696
Custodial fees	12,227	46,517
Audit fees	8,440	6,500
Forward contract overpayment payable	-	2,275,695
	<u>\$ 350,010</u>	<u>\$ 2,682,473</u>

## 6. Investment income:

	2009	2008
Cash and short-term notes	\$ 72,484	\$ 189,293
Bonds and debentures - Canadian	3,629,910	1,117,043
Canadian common shares	322	677,887
Pooled funds:		
Canadian equity	2,971,596	738,454
Foreign equity	-	2,330,566
Balanced	-	7,513,655
Global	13,854	5,228
Other	13,641	67,986
Miscellaneous income	8,346	4,188
Foreign exchange gain (loss)	(108)	145,568
	<u>\$ 6,710,045</u>	<u>\$ 12,789,868</u>

## 7. Benefit payments:

	2009	2008
Pension benefits	\$ 5,910,203	\$ 5,984,539
Cash refunds	506,659	57,861
Transfers to other pension funds	3,421,430	8,181,465
	<u>\$ 9,838,292</u>	<u>\$ 14,223,865</u>

# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2009

## 8. Administrative expenses and professional fees:

	2009	2008
Portfolio administration fees	\$ 1,246,075	\$ 585,038
Actuarial and other professional fees	680,341	700,944
Custodial fees	96,007	107,393
Audit fees	11,236	4,099
	<u>\$ 2,033,659</u>	<u>\$ 1,397,474</u>

## 9. 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, 2009 were \$129,499 (2008 - \$147,381), being the exchange amount agreed to by the parties, and is included in the administrative fees in the statement of changes in net assets available for benefits. At June 30, 2009 accounts payable and accrued liabilities included \$65,129 (2008 - \$66,859) owing to the University relating to such services.

## 10. Fund managers' fees:

Fund managers' fees of certain pooled funds are netted against the unit value of those pooled funds.

## 11. 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 defined benefit component of the Plan is not significant, therefore, the Members bear the primary risks outlined below. 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, in order to make their investment decisions.

The investment vehicles provided in the Plan are segregated fund investments managed by independent investment firms. Members manage the following risks by allocating their funds among the segregated funds available and in doing so; delegate the risk management within the individual segregated funds to its investment advisors.

# BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2009

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## 11. Financial instruments (continued):

### (a) Fair values:

The fair values of investments are as described in note 3. The fair values of other financial assets and liabilities, being cash, accrued investment income, contributions receivable, accounts payable and accrued liabilities approximate the carrying values due to the short-term nature of these financial instruments.

### (b) Associated risks:

#### (i) Market price risk:

Market price risk is the risk that 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, 2009, 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 \$2,220,275 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, 2009

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## 11. 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.