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INDEPENDENT AUDITORS' REPORT

To the Administrator

We have audited the calculation of the combined average annual rate of return for The Contributory Pension Plan for Salaried Employees of McMaster University, including McMaster Divinity College and The Contributory Pension Plan for Salaried Employees of McMaster University, including McMaster Divinity College 2000, for the year ended June 30, 2018. The financial information has been prepared in accordance with the approved amendments to Section 2.13 of The Plan text dated July 1, 2002.

Management's Responsibility for the Financial Information

Management is responsible for the preparation of the financial information in accordance with the approved amendments to Sections 2.13 of The Plan text dated July 1, 2002, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial information 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 the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial information 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 information 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 information

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 combined average annual rate of return of 9.57% for The Contributory Pension Plan for Salaried Employees of McMaster University, including McMaster Divinity College and The Contributory Pension Plan for Salaried Employees of McMaster University, including McMaster Divinity College 2000, for the year ended June 30, 2018, is prepared, in all material respects, in accordance with the approved amendments to Sections 2.13 of The Plan text dated July 1, 2002.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

November 8, 2018

McMASTER UNIVERSITY
CONTRIBUTORY PENSION PLAN FOR SALARIED EMPLOYEES
AVERAGE ANNUAL RATE OF RETURN FOR YEAR ENDING JUNE 30, 2018
(in thousands of dollars)

	Plan 2000 (2)	Original Plan (2)	Total
<u>Income</u>			
Investment income	45,765	90	45,855
Net realized gain on sale of investments	61,677	120	61,797
Net realized gain(loss) on sale of units in the Master Trust Fund	15,984	8	15,992
Change in net unrealized gain/(loss) in investments	40,524	101	40,625
	<u>163,950</u>	<u>319</u>	<u>164,269</u>
<u>Expenses</u>			
Investment managers	4,750	10	4,760
Professional	689	33	722
Administrative	298	0	298
Trustee and custodial	236	3	239
Pension filing	61	0	61
Audit	18	8	26
	<u>6,052</u>	<u>54</u>	<u>6,106</u>
Net Income (Loss)	<u>157,898</u>	<u>265</u>	<u>158,163</u>

Net Assets Market Value June 30, 2017	1,903,823	3,638	1,907,461
Net Assets Market Value June 30, 2018	2,063,331	4,060	2,067,391

$$2018 \text{ Rate of Return (1)} = \frac{158,163}{\frac{1}{2} (1,907,461 + 2,067,391 - 158,163)}$$

$$= 8.29 \%$$

Calculation of Five Year Average

	%
2018 Rate of Return	8.29
2017 Rate of Return	11.16
2016 Rate of Return	1.71
2015 Rate of Return	8.31
2014 Rate of Return	18.40

Total Return for Last Five Years 47.87

$$\text{Five Year Annual Average Return (Total Return / 5)} = \underline{\underline{9.57\%}}$$

(1) Formula as established

(2) Amounts as reported on June 30, 2018 Audited Statements

THE CONTRIBUTORY PENSION PLAN FOR SALARIED EMPLOYEES OF MCMASTER UNIVERSITY INCLUDING MCMASTER DIVINITY COLLEGE AND THE CONTRIBUTORY PENSION PLAN FOR SALARIED EMPLOYEES OF MCMASTER UNIVERSITY, INCLUDING MCMASTER DIVINITY COLLEGE 2000

Note to the Auditors' Report

For the year ended June 30, 2018

1. Combined average annual rate of return:

The combined average annual rate of return was determined by combining the results for the year ended June 30, 2018, of the fund of The Contributory Pension Plan for Salaried Employees of McMaster University including McMaster Divinity College and the fund of The Contributory Pension Plan for Salaried Employees of McMaster University including McMaster Divinity College 2000.