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INDEPENDENT AUDITORS' REPORT

To the Administrator

We have audited the calculation of the average annual rate of return for The Contributory Pension Plan for Hourly-Rated Employees of McMaster University, including McMaster Divinity College, for the year ended June 30, 2017. The financial information has been prepared in accordance with the approved amendments to Section 2.16 of The Plan text dated November 20, 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 2.16 of The Plan text dated November 20, 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 average annual rate of return of 9.92% for The Contributory Pension Plan for Hourly-Rated Employees of McMaster University, including McMaster Divinity College, for the year ended June 30, 2017, is prepared, in all material respects, in accordance with the approved amendments to Sections 2.16 of The Plan text dated November 20, 2002.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

November 6, 2017
Hamilton, Canada

**McMASTER UNIVERSITY
CONTRIBUTORY PENSION PLAN
FOR HOURLY RATE EMPLOYEES
YEAR ENDING JUNE 30, 2017 AVERAGE ANNUAL RATE OF RETURN**

Income (1)

Net realized gain on sales of investments		2,563,598
Investment income		1,262,943
Change in net unrealized gain in investments		<u>1,185,432</u>

5,011,973

Expenses (1)

Investment manager	222,163	
Professional	130,846	
Trustee and custodial	12,750	
Audit	9,238	
Pension filing	<u>3,559</u>	<u>378,556</u>

Net Income 4,633,417

Net Assets Market Value - June 30, 2016 52,909,768

Net Assets Market Value - June 30, 2017 56,169,708

Rate of Return (2) = $\frac{4,633,417}{\frac{1}{2} (52,909,768 + 56,169,708 - 4,633,417)}$

= 8.87 % 52,223,029.50

Calculation of Five Year Average

	<u>%</u>
2017 Rate of Return	8.87
2016 Rate of Return	2.45
2015 Rate of Return	8.56
2014 Rate of Return	16.79
2013 Rate of Return	12.93
Total Return for Last Five Years	<u><u>49.60</u></u>

Five Year Annual Average Return $\frac{(\text{Total Return} / 5)}{}$ = 9.92 %

(1) Amounts as Reported on June 30, 2017 Audited Financial Statements
(2) Formula as Established