

Fund Financial Statements of

**THE CONTRIBUTORY PENSION PLAN
FOR HOURLY-RATED EMPLOYEES
OF McMASTER UNIVERSITY INCLUDING
McMASTER DIVINITY COLLEGE**

Year ended June 30, 2016

Registration Number 0215418



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INDEPENDENT AUDITORS' REPORT

To the Administrator of The Contributory Pension Plan for Hourly-Rated Employees of McMaster University including McMaster Divinity College

We have audited the accompanying fund financial statements of The Contributory Pension Plan for Hourly-Rated Employees of McMaster University including McMaster Divinity College, which comprise the statement of net assets available for benefits as at June 30, 2016, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The fund financial statements have been prepared by management based on the financial reporting provisions of Section 76 of the Regulations to the Pension Benefits Act (Ontario).

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the fund financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the fund 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 fund 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 fund 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 fund financial statements present fairly, in all material respects, the net assets available for benefits of The Contributory Pension Plan for Hourly-Rated Employees of McMaster University including McMaster Divinity College as at June 30, 2016, and its changes in 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 Pension Benefits Act (Ontario).

Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to Note 1 (a) to the financial statements, which describes the basis of accounting. The fund financial statements are prepared to assist the Administrator of The Contributory Pension Plan for Hourly-Rated Employees of McMaster University including McMaster Divinity College to meet the requirements of the Financial Services Commission of Ontario. As a result, the fund financial statements may not be suitable for another purpose. Our report is intended solely for the Administrator of The Contributory Pension Plan for Hourly-Rated Employees of McMaster University including McMaster Divinity College and the Financial Services Commission of Ontario for complying with Section 76 of the Regulations to the Pension Benefits Act (Ontario) and should not be used by any other parties for any other purpose.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

November 8, 2016

**THE CONTRIBUTORY PENSION PLAN FOR HOURLY-
RATED EMPLOYEES OF McMASTER UNIVERSITY
INCLUDING McMASTER DIVINITY COLLEGE**

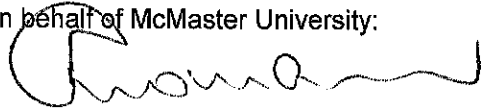
Statement of Net Assets Available for Benefits

June 30, 2016, with comparative information for 2015

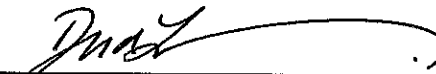
	2016	2015
Assets:		
Cash	\$ 256,758	\$ 318,182
Employer contributions receivable	90,924	89,286
Employee contributions receivable	37,811	39,158
Other receivables	10,225	13,108
Pooled fund investments (note 2)	52,591,285	52,080,556
Total assets	52,987,003	52,540,290
Liabilities:		
Accounts payable	77,235	58,126
Net assets available for benefits	\$ 52,909,768	52,482,164

See accompanying notes to fund financial statements.

On behalf of McMaster University:



Roger Couldrey
Vice-President (Administration)
McMaster University



Deidre Henne
Assistant Vice-President (Administration) & CFO
McMaster University

THE CONTRIBUTORY PENSION PLAN FOR HOURLY- RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Statement of Changes in Net Assets Available for Benefits

Year ended June 30, 2016, with comparative information for 2015

	2016	2015
INCREASE IN NET ASSETS:		
Net realized gain on sales of investments	\$ 4,125,099	\$ 3,085,618
Investment income	1,515,615	1,479,889
	5,640,714	4,565,507
Contributions:		
Employer current service	591,201	558,029
Employer special	587,448	587,448
Employee required	532,614	541,776
	1,711,263	1,687,253
	7,351,977	6,252,760
DECREASE IN NET ASSETS:		
Change in net unrealized gain on investments	4,079,939	183,055
Payments to members:		
Pension benefits	2,388,812	2,296,432
Termination payments	172,645	77,250
	2,561,457	2,373,682
Expenses:		
Investment manager	209,340	148,550
Professional	45,639	39,461
Trustee and custodial	13,392	12,922
Audit	10,899	11,387
Pension filing	3,707	3,216
	282,977	215,536
	6,924,373	2,772,273
Increase in net assets available for benefits	427,604	3,480,487
Net assets available for benefits, beginning of year	52,482,164	49,001,677
Net assets available for benefits, end of year	\$ 52,909,768	\$ 52,482,164

See accompanying notes to fund financial statements.

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

The Contributory Pension Plan for Hourly-Rated Employees of McMaster University including McMaster Divinity College (the "Plan") is a defined benefit registered pension plan in the Province of Ontario under registration number 0215418.

The Plan is operated in accordance with the Trust and Custodial Services Agreement dated June 30, 1999, between McMaster University ("Administrator") and CIBC Mellon Trust Company ("CIBC Mellon"), as Trustee.

1. Significant accounting policies:

(a) Basis of presentation:

As permitted under Section 76 of the Regulation to the Pension Benefits Act (Ontario), the Plan has prepared fund financial statements in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans require the Plan to comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") in Part I of The Chartered Professional Accountants' ("CPA") Canada Handbook or Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook - Accounting. The Plan has chosen to comply on a consistent basis with IFRS.

These fund financial statements have been prepared to assist the Administrator of The Contributory Pension Plan for Hourly-Rated Employees of McMaster University including McMaster Divinity College in meeting the requirements of the Financial Services Commission of Ontario under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario). As a result, these fund financial statements may not be suitable for another purpose.

The fund financial statements of the Plan do not purport to show the adequacy of the Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Plan's actuarial reports and information about McMaster University and McMaster Divinity College's financial health.

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

1. Significant accounting policies (continued):

(b) Basis of measurement:

The fund financial statements have been prepared on the historical cost basis, except for investments and derivative financial instruments which are measured at fair value through the statement of changes in net assets available for benefits.

(c) Functional and presentation currency:

These fund financial statements are presented in Canadian dollars, which is the Plan's functional currency. The fair values of foreign currency denominated investments are translated into Canadian dollars at year-end rates of exchange. Gains and losses arising from transactions are included in investment income within the statement of changes in net assets available for benefits.

(d) Financial assets and financial liabilities:

(i) Non-derivative financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

The Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits.

All other non-derivative financial assets including contributions receivable are measured at amortized cost.

The Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

1. Significant accounting policies (continued):

(d) Financial assets and financial liabilities (continued):

(i) Non-derivative financial assets (continued):

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits as a net realized gain on sale of investments.

(ii) Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

The Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets available for benefits when, and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Plan considers its accounts payable to be a non-derivative financial liability.

(e) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In determining fair value, the Plan follows the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"), in Part I of the CPA Canada Handbook. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

1. Significant accounting policies (continued):

(e) Fair value measurement (continued):

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value, other than interest and dividend income, are recognized in the statement of changes in net assets available for benefits as part of the change in net unrealized (loss) gain in investments.

Pooled funds 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 value using closing market prices.

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

1. Significant accounting policies (continued):

(e) Fair value measurement (continued):

Fair values of investments are determined as follows:

- (i) Bonds and equities are valued at year-end quoted closing prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.
- (ii) 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.
- (iii) Pooled funds 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.

Investment transactions are accounted for on the trade date.

(f) Investment income:

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

(g) Change in net unrealized gain in investments:

The change in net unrealized gain in investments is the change in the difference between the fair value and cost of investments from the beginning to the end of the year.

(h) Net realized gain on sales of investments:

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

(i) Income taxes:

The Plan is a Registered Pension Trust, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

(j) Foreign currency:

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

1. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of the fund financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of net assets and the reported amounts of changes in net assets available for benefits during the year. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

2. Pooled fund investments:

The following summary of pooled fund investments includes information provided in respect of individual investments with a book value or fair value in excess of 1% of the book or fair value of the Plan as at June 30, 2016, as required by the Pension Benefits Act (Ontario), with comparative information for 2015.

Fund name	Nature of investments held	2016 Fair value	2015 Fair value
Jarislowky Fraser Bond Fund	Canadian bonds	\$ 19,522,805	\$ 18,526,174
Jarislowky Fraser Canadian Equity Fund	Canadian equities	9,973,478	15,665,505
Jarislowky Fraser U.S. Equity Fund	U.S. equities	12,622,012	10,289,511
Jarislowky Fraser International Equity Fund	Foreign equities	10,472,990	7,599,366
		\$ 52,591,285	\$ 52,080,556

All pooled funds held by the Plan are managed by Jarislowky Fraser Limited. The book value of pooled fund investments at June 30, 2016 was \$49,029,001 (2015 - \$44,438,333).

3. Related party transaction:

The Administrator has provided administrative services without charge.

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

4. Financial instruments:

The investment objectives of the Plan are to efficiently fund the benefits of the participating plan members. As part of the risk management process, the Administrator has established a diversification policy, set rate of return objectives and developed specific investment guidelines.

(a) Fair value:

The fair value of investments is disclosed in note 2. The fair value of the Plan's other financial assets and liabilities, being cash, employee and employer contributions receivable, other receivables, and accounts payable, approximate carrying value due to the short-term nature of the 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 or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

The following is a summary of the Plan's assets carried at fair value:

2016		Level 1	Level 2	Level 3	Total
Canadian bonds	\$	-	\$ 19,522,805	\$ -	\$ 19,522,805
Canadian equities		-	9,973,478	-	9,973,478
U.S. equities		-	12,622,012	-	12,622,012
International equities		-	10,472,990	-	10,472,990
	\$	-	\$ 52,591,285	\$ -	\$ 52,591,285

2015		Level 1	Level 2	Level 3	Total
Canadian bonds	\$	-	\$ 18,526,174	\$ -	\$ 18,526,174
Canadian equities		-	15,665,505	-	15,665,505
U.S. equities		-	10,289,511	-	10,289,511
International equities		-	7,599,366	-	7,599,366
	\$	-	\$ 52,080,556	\$ -	\$ 52,080,556

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

4. 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 those changes are caused by factors specific to an individual investment, its issuer 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 net increase (decrease) 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.

As of June 30, 2016, had the value of all equity benchmarks increased or decreased by 10% with all other variables remaining unchanged, and assuming there is a perfect positive correlation between the Plan's equities and benchmarks, the value of the Plan's total equities would have increased or decreased respectively, by approximately \$3,307,000 (2015 - \$3,355,000).

(ii) Interest rate risk:

Interest rate risk is the risk that the market value of the Plan's investments will fluctuate due to changes in market interest rates. 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 fixed income securities held in the Bond Fund.

As at June 30, 2016, had the prevailing interest rates increased or decreased by 1% with all other variables remaining unchanged, the value of the bond securities component of the Plan would have increased or decreased by approximately \$1,484,000 (2015 - \$1,389,000).

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

4. Financial instruments (continued):

(b) Associated risks (continued):

(iii) Liquidity risk:

Liquidity risk is the risk that the Plan may be unable to meet pension payment obligations in a timely manner and at a reasonable cost. Management of liquidity seeks to ensure that even under adverse conditions, the Plan has access to immediate cash that is necessary to cover benefits payable, withdrawals and other liabilities. The Statement of Investment Policies & Procedures requires the plan's investments to be highly liquid, so they can be converted into cash on short notice. The plan's exposure to liquidity risk is considered negligible.

The accrued expenses of the plan are all due within 90 days or less.

The following table summarizes the contractual maturities of all fixed income securities as at June 30, 2016, by the earlier of contractual repricing or maturity dates:

Maturity range	2016		2015	
	Fair value	Percentage of fixed income	Fair value	Percentage of fixed income
0 to 5 years	\$ 9,312,378	47.7%	\$ 7,966,255	43.0%
5 to 10 years	5,036,884	25.8%	5,428,169	29.3%
Over 10 years	5,173,543	26.5%	5,131,750	27.7%
	\$ 19,522,805	100.0%	\$ 18,526,174	100.0%

(iv) 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 exchange rates. The Plan invests in financial instruments denominated in various foreign currencies, other than its measurement currency. Consequently, the Plan is exposed to risks that the exchange of various currencies may change in a manner that has an adverse effect on the value of the portion of the Plan's assets denominated in currencies other than the Canadian dollar. The Plan's overall currency positions and exposures are monitored on a regular basis by the investment manager.

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

4. Financial instruments (continued):

(b) Associated risks (continued):

(iv) Foreign currency risk (continued):

The Plan's currency exposure of its investments as at June 30, 2016, is as follows:

	2016		2015	
	Canadian dollar equivalent	Percentage of total	Canadian dollar equivalent	Percentage of total
US Dollar	\$ 13,266,569	25.2%	\$ 10,289,511	19.8%
Euro	4,098,156	7.8%	3,255,710	6.2%
Pound Sterling	2,101,185	4.0%	1,636,554	3.1%
Japanese Yen	1,641,422	3.1%	1,215,045	2.3%
Swiss Franc	1,020,062	2.0%	555,837	1.1%
Other	967,608	1.8%	936,220	1.8%
	\$ 23,095,002	43.9%	\$ 17,888,877	34.3%

As at June 30, 2016, if the Canadian dollar strengthened or weakened by 5% (2015 - 5%) in each respective foreign currency, with all other factors remaining constant, the following table summarizes the estimated impacts:

	2016		2015	
	Net exposure	Estimated impact	Net exposure	Estimated impact
US Dollar	\$ 13,266,569	\$ 663,329	\$ 10,289,511	\$ 514,476
Euro	4,098,156	204,908	3,255,710	162,786
Pound Sterling	2,101,185	105,059	1,636,554	81,828
Japanese Yen	1,641,422	82,071	1,215,045	60,752
Swiss Franc	1,020,062	51,003	555,837	27,792
Other	967,608	48,380	936,220	46,811
	\$ 23,095,002	\$ 1,154,750	\$ 17,888,877	\$ 894,445

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

4. Financial instruments (continued):

(b) Associated risks (continued):

(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 traded financial instruments is not backed by an exchange clearing house. The Plan policy does not permit investments in below investment grade securities. The credit risk is minimized by dealing with borrowers considered to be of high quality and by monitoring their credit risk. The Plan records all investments at fair value and therefore the values reflected in the statement of net assets available for benefits represent the maximum credit exposure to the Plan. The following is a summary of the June 30, 2016 weighted average of funds invested, and the respective allocation targets:

	Asset Mix %	Policy Asset Mix %		
		Minimum	Benchmark	Maximum
Canadian equities	18.9%	10.0	20.0	30.0
U.S. equities	23.9%	8.0	18.0	28.0
International equities	19.8%	7.0	17.0	27.0
Total equities	62.6%	40.0	55.0	70.0
Fixed income	36.9%	25.0	45.0	65.0
Cash	0.5%	0.0	0.0	10.0
Total	100.0%		100.0	

The following are the Plan's investments in interest-bearing financial instruments and the Plan's exposure to credit risk as at June 30, 2016:

Credit rating	2016		2015	
	Fair value	Percentage of portfolio	Fair value	Percentage of portfolio
AAA	\$ 3,045,557	15.6%	\$ 3,001,240	16.2%
AA	7,008,687	35.9%	6,521,213	35.2%
A	8,238,624	42.2%	7,317,839	39.5%
BBB	1,229,937	6.3%	1,685,882	9.1%
	\$ 19,522,805	100.0%	\$ 18,526,174	100.0%

THE CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2016

4. Financial instruments (continued):

(c) Interest bearing investments:

The following information is provided in respect of interest-bearing investments:

	2016		2015	
	Investment total	Average effective yield	Investment total	Average effective yield
Cash and equivalents	\$ 256,758	0.1%	\$ 318,182	0.1%
Jarislowsky Fraser Bond Fund	19,522,805	2.1%	18,526,174	2.2%

The average effective yield is the rate at which the future cash flows of the instrument must be discounted to arrive at the fair value of the instrument.

5. Capital risk management:

The capital of the Plan is represented by the net assets available for benefits. The main objective of the defined benefit Plan is to ensure the security of the promised pension benefits under the Plan. The Plan fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the "SIP&P"), which is reviewed annually by the Pension Committee. The Plan manages net assets available for benefits by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (contributions) in accordance with the approved SIP&P. The SIP&P was last amended effective October 22, 2015 to reflect changes required by the Financial Services Commission of Ontario.

Although there are no regulatory requirements relating to the level of net assets available for benefits, the funding to be maintained by the defined benefit Plan is determined through triennial actuarial valuations. No contributions remain past due as of June 30, 2016. The pension plan investments fell within the asset mix target ranges for the Plan as at June 30, 2016.

The Plan is required to file fund financial statements with the Financial Services Commission of Ontario annually.