



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Tel 905-523-8200
Fax 905-523-2222

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the calculation of the annual pension increase, effective January 1, 2023, for The Contributory Pension Plan for Hourly-Rated Employees of McMaster University, including McMaster Divinity College. The financial information has been prepared by management in accordance with the approved amendments to Sections 2.16 and 6.06 of The Plan text dated July 1, 2002.

In our opinion, the annual pension increase, effective January 1, 2023, of 0.00% for The Contributory Pension Plan for Hourly-Rated Employees of McMaster University, including McMaster Divinity College, is prepared, in all material respects, in accordance with the approved amendments to Sections 2.16 and 6.06 of The Plan text dated July 1, 2002.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Statement***" section of our auditor's report.

We are independent of The Contributory Pension Plan for Hourly-Rated Employees of McMaster University, including McMaster Divinity College in accordance with the ethical requirements that are relevant to our audit of the Statement in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management for the Statement

Management of the The Contributory Pension Plan for Hourly-Rated Employees of McMaster University, including McMaster Divinity College is responsible for the preparation of the financial information in accordance with the approved amendments to Sections 2.16 and 6.06 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.



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Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the financial information is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Contributory Pension Plan for Hourly-Rated Employees of McMaster University, including McMaster Divinity College's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
December 15, 2022

**McMASTER UNIVERSITY
CONTRIBUTORY PENSION PLAN
FOR HOURLY RATE EMPLOYEES
YEAR ENDING JUNE 30, 2022 ANNUAL PENSION INCREASE**

Income (1)

Net realized gain on sales of investments	6,381,202	
Investment income	1,595,202	
Change in net unrealized gain in investments	(17,741,403)	
		(9,764,909)

Expenses (1)

Investment manager	265,502	
Professional	90,070	
Trustee and custodial	18,907	
Audit	13,023	
Pension filing	5,784	393,286

Net Income (10,158,195)

Net Assets Market Value - June 30, 2021	76,165,244
Net Assets Market Value - June 30, 2022	63,352,785

Rate of Return (2) =
$$\frac{(10,158,195)}{\frac{1}{2}(76,165,244+63,352,785-(10,158,195))}$$

= (13.57) %

<u>Calculation of Five Year Average</u>		<u>%</u>
2022 Rate of Return		(13.57)
2021 Rate of Return		13.97
2020 Rate of Return		4.39
2019 Rate of Return		6.29
2018 Rate of Return		5.48
Total Return for Last Five Years		<u>16.56</u>
		%
Five Year Annual Average Return	(Total Return / 5)	= 3.31%
Rate of Return in excess of 6.0%	(3.31% - 6.00%)	= (2.69)%
Average CPI to June 30/22 (3)		= 5.53%
Final Pension Increase		= 0.00%

- (1) Amounts as Reported on June 30, 2022 Financial Statements
- (2) Formula as Established
- (3) The Average CPI is calculated as the percentage change in average monthly CPI for 12 months ended June 2022, relative to the average monthly CPI for 12 months ended June 2021