

Fund Financial Statements of

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

And Independent Auditors' Report thereon

Year ended June 30, 2021

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.

### ***Opinion***

We have audited the accompanying fund financial statements of The Contributory Pension Plan for Hourly-Rated Employees of McMaster University including McMaster Divinity College (the "Plan"), which comprise:

- the statement of net assets available for benefits as at June 30, 2021
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the fund financial statements, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "fund financial statements").

In our opinion, the accompanying fund financial statements, present fairly, in all material respects, the net assets available for benefits of the Plan as at June 30, 2021, 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 Regulations of the Pension Benefits Act (Ontario).

### ***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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the fund financial statements in Canada and we have fulfilled our other 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.

### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to Note 1(a) in the fund financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements. The fund financial statements are prepared to assist the Administrator of the Plan to meet the requirements of Section 76 of Regulations of the Pension Benefits Act (Ontario).

As a result, the fund financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the fund financial statements in accordance with the financial reporting provisions of Section 76 of Regulations of 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.

In preparing the fund financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 fund financial statements.

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



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We also:

- Identify and assess the risks of material misstatement of the fund financial statements, 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 Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the fund financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the fund financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

November 18, 2021

Hamilton, Canada

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

Statement of Net Assets Available for Benefits

June 30, 2021, with comparative information for 2020

	2021	2020
Assets:		
Cash	\$ 264,481	\$ 264,990
Employer contributions receivable	37,822	135,391
Employee contributions receivable	28,438	26,593
Other receivables	41,231	43,725
Pooled fund investments (note 2)	75,911,057	67,699,056
<b>Total assets</b>	<b>76,283,029</b>	<b>68,169,755</b>
Liabilities:		
Accounts payable	117,785	133,393
<b>Net assets available for benefits</b>	<b>\$76,165,244</b>	<b>\$68,036,362</b>

See accompanying notes to fund financial statements.

On behalf of McMaster University:

(signed)

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Saher Fazilat  
Vice-President (Operations and Finance)  
McMaster University

(signed)

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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, 2021, with comparative information for 2020

	2021	2020
INCREASE IN NET ASSETS:		
Net realized gain on sales of investments	\$ 3,860,769	\$ 1,418,154
Investment income	1,535,604	1,468,787
	5,396,373	2,886,941
Change in net unrealized gain in investments	4,485,648	454,949
	9,882,021	3,341,890
Contributions:		
Employer current service	552,313	680,858
Employer special	1,033,002	5,805,743
Employee required	387,268	436,448
	1,972,583	6,923,049
	11,854,604	10,264,939
DECREASE IN NET ASSETS:		
Payments to members:		
Pension benefits	3,083,251	2,785,744
Termination benefits	175,018	423,604
	3,258,269	3,209,348
Expenses:		
Professional	172,442	291,945
Investment manager	261,219	234,461
Trustee and custodial	18,079	19,686
Audit	9,239	9,184
Pension filing	6,474	5,207
	467,453	560,483
	3,725,722	3,769,831
Increase in net assets available for benefits	8,128,882	6,495,108
Net assets available for benefits, beginning of year	68,036,362	61,541,254
Net assets available for benefits, end of year	\$76,165,244	\$68,036,362

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, 2021

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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:

The Financial Services Regulatory Authority of Ontario ("FSRA") replaced the Financial Services Commission of Ontario ("FSCO") effective June 2019. As permitted by the Financial Services Regulatory Authority of Ontario ("FSRA") under Section 76 of the Regulation to the Pension Benefits Act (Ontario), the Plan, as outlined in CPA Canada Handbook Section 4600, 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, Section 4600 requires the Plan to comply (on a consistent basis) with either International Financial Reporting Standards (IFRS) - Part I of CPA Canada Handbook - Accounting or Canadian Accounting Standards for Private Enterprises - Part II of 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 Plan in meeting the requirements of the Financial Services Regulatory Authority of Ontario under Section 76 of Regulations 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.

### (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 CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF MCMASTER UNIVERSITY INCLUDING MCMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2021

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## 1. Significant accounting policies (continued):

### (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.

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 or loss 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, 2021

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## 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 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.

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.

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

Notes to Fund Financial Statements

Year ended June 30, 2021

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## 1. Significant accounting policies (continued):

(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 the reporting date.

The fair values of foreign currency denominated investments are translated into Canadian dollars at the reporting date 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.

(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.

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

Notes to Fund Financial Statements

Year ended June 30, 2021

## 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, 2021, as required by the Pension Benefits Act (Ontario), with comparative information for 2020.

Fund name	Nature of investments held	2021 Fair value	2020 Fair value
Jarislowsky Fraser Bond Fund	Canadian bonds	\$ 12,357,938	\$ 12,379,714
Jarislowsky Fraser Long Term Bond Fund	Canadian bonds	14,616,252	15,481,417
Jarislowsky Fraser U.S. Equity Fund	U.S. equities	17,075,393	14,037,727
Jarislowsky Fraser Canadian Equity Fund	Canadian equities	16,780,497	12,616,701
Jarislowsky Fraser International Equity Fund	International equities	15,080,978	13,183,497
		<b>\$ 75,911,058</b>	<b>\$ 67,699,056</b>

All pooled funds held by the Plan are managed by Jarislowsky Fraser Limited. The book value of pooled fund investments at June 30, 2021 was \$65,799,264 (2020 - \$62,072,911).

## 3. Related party transaction:

The Administrator has provided administrative services without charge.

## 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 CONTRIBUTORY PENSION PLAN FOR HOURLY-RATED EMPLOYEES OF MCMASTER UNIVERSITY INCLUDING MCMASTER DIVINITY COLLEGE

Notes to Fund Financial Statements

Year ended June 30, 2021

## 4. Financial instruments (continued):

The following is a summary of the Plan's pooled fund investments carried at fair value:

2021	Level 1	Level 2	Level 3	Total
Canadian bonds	\$ -	\$ 12,357,938	\$ -	\$ 12,357,938
Canadian long term bonds	-	14,616,252	-	14,616,252
U.S. equities	-	17,075,393	-	17,075,393
Canadian equities	-	16,780,497	-	16,780,497
International equities	-	15,080,978	-	15,080,978
	\$ -	\$ 75,911,058	\$ -	\$ 75,911,058
2020	Level 1	Level 2	Level 3	Total
Canadian bonds	\$ -	\$ 12,379,714	\$ -	\$ 12,379,714
Canadian long term bonds	-	15,481,417	-	15,481,417
U.S. equities	-	14,037,727	-	14,037,727
Canadian equities	-	12,616,701	-	12,616,701
International equities	-	13,183,497	-	13,183,497
	\$ -	\$ 67,699,056	\$ -	\$ 67,699,056

### (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. The COVID-19 pandemic and the measures taken to contain the virus continue to impact the market as a whole. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the pension fund is not known at this time. 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, 2021, 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 \$4,894,000 (2020 - \$3,984,000).

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

Notes to Fund Financial Statements

Year ended June 30, 2021

## 4. Financial Instruments (continued):

### (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 various Bond Funds.

As at June 30, 2021, had the prevailing interest rates increased or decreased by 1% with all other variables remaining unchanged, the value of the bond securities components of the Plan would have increased or decreased by approximately \$3,245,278 (2020 - \$3,478,537).

### (iii) Liquidity risk:

Liquidity risk is the risk that the Plan may be unable to meet pension payment obligations under both normal and stressed conditions 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 and 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, 2021, by the earlier of contractual repricing or maturity dates:

Maturity range	2021		2020	
	Fair value	Percentage of fixed income	Fair value	Percentage of fixed income
0 to 5 years	\$ 4,869,028	18.1%	\$ 4,939,506	17.7%
5 to 10 years	5,344,025	19.8%	5,094,754	18.3%
Over 10 years	16,761,137	62.1%	17,826,871	64.0%
	<b>\$ 26,974,190</b>	<b>100.0%</b>	<b>\$ 27,861,131</b>	<b>100.0%</b>

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

Notes to Fund Financial Statements

Year ended June 30, 2021

## 4. Financial instruments (continued):

(b) Associated risks (continued):

(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 Plan's currency exposure of its investments as at June 30, 2021, is as follows:

	2021		2020	
	Canadian dollar equivalent	Percentage of total	Canadian dollar equivalent	Percentage of total
US Dollar	\$ 17,951,938	23.6%	\$ 15,458,908	22.7%
Euro	4,769,099	6.3%	4,235,858	6.2%
Swiss Franc	2,544,761	3.3%	2,664,385	3.9%
Pound Sterling	2,372,831	3.1%	1,589,930	2.3%
Japanese Yen	2,064,545	2.7%	1,526,649	2.2%
Other	2,158,301	2.8%	1,745,494	2.8%
	<b>\$ 31,861,475</b>	<b>41.8%</b>	<b>\$ 27,221,224</b>	<b>40.1%</b>

As at June 30, 2021, if the Canadian dollar strengthened or weakened by 5% (2020 - 5%) in each respective foreign currency, with all other factors remaining constant, the following table summarizes the estimated impacts:

	2021		2020	
	Net exposure	Estimated impact	Net exposure	Estimated impact
US Dollar	\$ 17,951,938	\$ 897,597	\$ 15,458,908	\$ 772,945
Euro	4,769,099	238,455	4,235,858	211,793
Swiss Franc	2,544,761	127,238	2,664,385	133,219
Pound Sterling	2,372,831	118,642	1,589,930	79,496
Japanese Yen	2,064,545	103,227	1,526,649	76,332
Other	2,158,301	107,915	1,745,494	87,276
	<b>\$ 31,861,475</b>	<b>\$ 1,593,074</b>	<b>\$ 27,221,224</b>	<b>\$ 1,361,061</b>

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

Notes to Fund Financial Statements

Year ended June 30, 2021

## 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, 2021 weighted average of funds invested, and the respective allocation targets:

	Asset Mix %	Policy Asset Mix %		
		Minimum	Benchmark	Maximum
Canadian equities	22.5	10.0	20.0	30.0
U.S. equities	22.0	8.0	18.0	28.0
International equities	19.8	7.0	17.0	27.0
<b>Total equities</b>	<b>64.3</b>		<b>55.0</b>	
Fixed income	35.4	25.0	45.0	65.0
Cash	0.3	0.0	0.0	10.0
<b>Total</b>	<b>100.0</b>		<b>100.0</b>	

The following are the Plan's investments in interest-bearing financial instruments and the Plan's exposure to credit risk as at June 30, 2021:

Credit rating	Fair value	2021		2020	
		Fair value	Percentage of portfolio	Fair value	Percentage of portfolio
AAA	\$ 5,184,502		19.2%	\$ 3,526,147	12.7%
AA	11,003,337		40.8%	12,196,755	43.8%
A	8,453,523		31.3%	9,612,253	34.5%
BBB	2,332,828		8.7%	2,525,976	9.0%
	<b>\$ 26,974,190</b>		<b>100.0%</b>	<b>\$ 27,861,131</b>	<b>100.0%</b>

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

Notes to Fund Financial Statements

Year ended June 30, 2021

## 4. Financial instruments (continued):

### (c) Interest bearing investments:

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

	2021		2020	
	Investment total	Average effective yield	Investment total	Average effective yield
Cash and cash equivalents	\$ 264,481	0.0%	\$ 264,990	0.0%
Jarislowsky Fraser Bond fund	\$ 12,357,938	1.8%	\$ 12,379,714	1.6%
Jarislowsky Fraser Long term bond fund	\$ 14,616,252	2.5%	15,481,417	2.0%

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 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's risk management strategy has not changed due to the COVID-19 pandemic. 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 8, 2020 to reflect changes required by the Financial Services Regulatory Authority of Ontario.

The Plan's investment manager and other consultants as at June 30, 2021 are as follows:

Service	Manager and Consultants
Investment Consultant	Mercer Investment Consulting
Investment Manager	Jarislowsky Fraser & Company Limited
Actuary	Mercer Human Resources Consulting Ltd.
Custodian/Trustee	CIBC Mellon Trust Company

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, 2021. The pension plan investments fell within the asset mix target ranges for the Plan as at June 30, 2021.

The Plan is required to file fund financial statements with the Financial Services Regulatory Authority ("FSRA") of Ontario annually.