Financial Statements of

CANADIAN UNION OF PUBLIC EMPLOYEES EMPLOYEES' PENSION PLAN

Year ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Joint Board of Trustees

We have audited the accompanying financial statements of the Canadian Union of Public Employees Employees' Pension Plan, which comprise the statement of financial position as at December 31, 2016, the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Canadian Union of Public Employees Employees' Pension Plan as at December 31, 2016, the changes in its net assets available for benefits and the changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 27, 2017

Ottawa, Canada

CANADIAN UNION OF PUBLIC EMPLOYEES EMPLOYEES' PENSION PLAN

Statement of Financial Position

As at December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Cash	$ 1,939,288	$ 2,033,188
Due from broker	–	333,185
Accrued investment income	2,889,052	3,009,444
Members' contributions receivable	682,699	916,695
Employer contributions receivable	895,158	1,277,710
Investments (note 4(a), Schedule a)	748,254,574	676,774,589
	754,660,771	684,344,811
Liabilities		
Administration and consulting fees payable	1,019,667	875,674
Payable to administrative agent	468,953	485,406
Due to broker	1,093,062	–
	2,581,682	1,361,080
Net assets available for benefits	752,079,089	682,983,731
Pension obligations (note 6)	586,015,900	563,647,200
Surplus	$ 166,063,189	$ 119,336,531

See accompanying notes to financial statements.

On behalf of the administrator, the Joint Board of Trustees of the Canadian Union of Public Employees Employees' Pension Plan Trust Fund, we have reviewed and are in agreement with these prepared financial statements.

Brian Edgecombe
Co-chair
Joint Board of Trustees

June 29, 2017
Date

Charles Fleury
Co-chair
Joint Board of Trustees

June 29, 2017
Date

CANADIAN UNION OF PUBLIC EMPLOYEES EMPLOYEES' PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Increase in net assets:		
Net investment income:		
Investment income (note 4(b))	$ 21,644,827	$ 25,032,396
Changes in fair value of investment assets:		
Net realized gain on sales of investments	12,220,661	28,675,786
Current period change in net unrealized gains	47,534,962	(42,659,761)
	59,755,623	(13,983,975)
	81,400,450	11,048,421
Contributions (note 8):		
Members	8,432,600	8,390,047
Employer	11,718,087	11,785,102
	20,150,687	20,175,149
Transfers in	2,960,392	1,343,977
Total increase in net assets	104,511,529	32,567,547
Decrease in net assets:		
Benefits payments (note 9)	30,864,015	28,713,163
Administration expenses (note 10)	4,352,704	4,269,503
Transaction costs	199,452	238,304
Total decrease in net assets	35,416,171	33,220,970
Increase (decrease) in net assets	69,095,358	(653,423)
Net assets available for benefits, beginning of year	682,983,731	683,637,154
Net assets available for benefits, end of year	$ 752,079,089	$ 682,983,731

See accompanying notes to financial statements.

CANADIAN UNION OF PUBLIC EMPLOYEES EMPLOYEES' PENSION PLAN

Statement of Changes in Pension Obligations

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Pension obligations, beginning of year	$ 563,647,200	$ 541,203,600
Increase in pension obligations:		
Interest on pension obligations	33,003,923	31,665,886
Benefits accrued	19,335,300	18,381,200
Transfers in	2,960,392	1,343,977
	55,299,615	51,391,063
Decrease in pension obligations:		
Pensions, surplus allocations and termination payments (note 9)	(30,864,015)	(28,713,163)
Net experience gains	(2,066,900)	(234,300)
	(32,930,915)	(28,947,463)
Net increase in pension obligations	22,368,700	22,443,600
Pension obligations, end of year	$ 586,015,900	$ 563,647,200

See accompanying notes to financial statements.

1. Description of plan:

The following description of the Canadian Union of Public Employees Employees' Pension Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan Document.

(a) General:

The Plan is a contributory defined benefit pension plan covering employees of the Canadian Union of Public Employees and employees of some Local Unions of the Canadian Union of Public Employees. Under the Plan, the members are required to contribute to each Plan year 9.7% of their annual pensionable earnings. The employer shall contribute an amount, which, in addition to the members contributions, is sufficient to meet the cost of benefits earned during that Plan year plus all costs of administration of the Plan as defined in the Plan Text.

The Plan is registered under the Pension Benefits Act of Ontario: registration number 0231910.

The Plan is administered by a Joint Board of Trustees.

(b) Funding policy:

The Pension Benefits Act of Ontario requires that the Canadian Union of Public Employees, being the Plan sponsor, must fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of regular actuarial valuations, not less often than every three years.

(c) Service pensions:

A service pension is available equal to 2% of the highest average pensionable salary during any three non-overlapping continuous years, multiplied by the number of years of creditable service.

(d) Disability pension:

Disability pensions are not a benefit under the Plan. However, at retirement, a disabled employee's three year average pensionable salary is adjusted to reflect the salary increases which have taken place in the employee's job classification since the onset of disability.

(e) Death refunds:

Death refunds are equal to the greater of the commuted value of accrued benefits or two times the total contributions plus interest.

1. Description of plan (continued):

(f) Survivor's benefits:

A surviving spouse, who was the employee's spouse at the employee's date of retirement, receives a pension equal to 66 2/3% of the employee's pension, with full pension benefits to be made for five years from the date of the employee's retirement. If there is no such spouse, and the member dies after retirement but before receiving 120 payments, the payments will be continued to the member’s beneficiary until a total of 120 payments have been made. The surviving spouse or beneficiary shall be entitled to the bridge benefit should the member die prior to attaining age 65 while in receipt of the bridge benefit and it shall cease at the time the member would have attained age 65 or to the end of the guarantee period, if earlier, in the case of a beneficiary.

(g) Bridge benefit:

Plan members actively accruing benefits under the Plan and who retire to an immediate pension are entitled to a bridge benefit payable from the date of retirement until the earlier of age 65 or death. Reference should be made to the Plan document for a complete description of the bridge benefit amount and reductions.

(h) Withdrawal refunds:

Upon application and subject to lock-in provisions, withdrawal refunds, with interest on the contributions or commuted value of the accrued benefits, are payable when a member ceases to be employed by the Canadian Union of Public Employees, or a participating Local Union of the Canadian Union of Public Employees.

(i) Income taxes:

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

2. Summary of significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans as contained in Section 4600, *Pension Plans*, of Part IV of the CPA Canada Handbook – Accounting.

2. Summary of significant accounting policies (continued):

(a) Basis of presentation (continued):

Section 4600 makes reference to certain International Financial Reporting Standards (IFRS), which include guidance on fair value measurement and investment asset and liability disclosures. Section 4600 also requires that accounting policies not relating to investments or the pension obligation to comply with either accounting standards for private enterprises or IFRS on a consistent basis. The Plan has chosen to comply with Canadian accounting standards for private enterprises for its accounting policies that do not relate to its investment portfolio or its pension obligations.

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the employer and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(b) Financial assets and financial liabilities:

Financial assets and financial liabilities are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument.

Investments are measured at fair value. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits as the current period change in net unrealized gain (loss).

All non-investment financial assets and liabilities are subsequently measured at cost or amortized cost.

(c) Fair value measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining fair value, the Plan applies the guidance in IFRS 13, *Fair Value Measurement* ("IFRS 13"). 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.

2. Summary of significant accounting policies (continued):

(c) Fair value measurements (continued):

Fair values of investments are determined as follows:

Bonds and equities are valued at year-end quoted market prices using closing prices. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

Short-term notes and treasury bills 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.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the fund's proportionate share of underlying net assets at fair values determined using closing market prices.

Real estate equity is valued based on property appraisals obtained by the investment manager.

Derivative financial instruments, including foreign exchange forward contracts, are valued at year-end quoted market prices, where available. Where quoted market prices are not readily available, appropriate alternative valuation techniques are used which take into account current market and contractual prices of the underlying instruments as well as time value and yield curve or volatility factors underlying the positions.

(d) Investment income:

Investment income, which is reported on an accrual basis, includes interest income, dividends and distributions from pooled fund investments. Distributions from pooled fund investments include the Plan’s proportionate share of interest and dividends.

(e) Net realized gain on sale of investments:

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

(f) Contributions:

Contributions for current service are recorded in the year in which the related payroll costs are incurred. Pension buybacks are recognized in the year contributions are received by the Plan.

2. Summary of significant accounting policies (continued):

(g) Pension obligations:

Pension obligations are determined for accounting purposes based on actuarial valuations prepared by an independent firm of actuaries using the projected accrued benefit method pro-rated on service and management's long-term best estimate assumptions about future experience. The projected benefit method pro-rated on service is the valuation method required for accounting purposes and may differ from the valuation method used for funding purposes.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates. Significant management estimates include the assumptions used in calculating the obligations for pension benefits (note 6).

(i) Benefits:

Benefits include payments to retired members made during the year. Termination benefit payments and refunds and transfers to other pension plans are recorded in the period in which the member has elected for payment. Accrued benefits for active members of the Plan are recorded as part of the pension obligation.

(j) Future accounting pronouncements:

The following new standard, issued by the International Accounting Standards Board (IASB), has been identified as having a possible impact on the Plan in the future. The Plan will be assessing the impact of this standard on the financial statements.

IFRS 9 *Financial Instruments* (IFRS 9)

In July 2014, the IASB issued the final version of IFRS 9, which includes guidance on recognition and derecognition of financial assets and financial liabilities applicable to pension plan financial statements. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018, however early adoption is permitted.

3. Financial instruments:

The method used to determine the fair values of investments is as described in note 2(c). The fair values of all other financial assets and liabilities approximate their carrying values due to the expected short-term settlement of these financial 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 (inputs) 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 table illustrates the classification of the Plan's investments using the information fair value hierarchy as at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Cash	$ 6,957,761	$ –	$ –	$ 6,957,761
Short-term notes and treasury bills	–	22,620,077	–	22,620,077
Money market pooled fund	3,058,862	–	–	3,058,862
Canadian government bonds and debentures	–	148,559,702	–	148,559,702
Canadian corporate bonds and debentures	–	62,646,325	–	62,646,325
Foreign corporate bonds and debentures	–	9,440,963	–	9,440,963
Canadian stocks	307,325,569	–	–	307,325,569
Canadian real estate equity	–	64,162,356	–	64,162,356
Eligible foreign stocks	123,491,043	–	–	123,491,043
Derivatives	–	(8,084)	–	(8,084)
	$ 440,833,235	$ 307,421,339	$ –	$ 748,254,574

There were no transfers of amounts between levels in 2016 or 2015.

4. Investments:

(a) Investments:

	2016		2015	
	Market	Cost	Market	Cost
Cash	$ 6,957,761	$ 6,957,761	$ 18,313,323	$ 18,313,323
Short-term notes and treasury bills	22,620,077	22,595,558	4,963,204	4,958,975
Money market pooled fund	3,058,862	3,058,862	3,938,764	3,938,764
Canadian government bonds and debentures	148,559,702	150,271,085	141,789,021	140,075,497
Canadian corporate bonds and debentures	62,646,325	62,333,626	74,998,818	74,330,246
Foreign corporate bonds and debentures	9,440,963	8,734,419	9,249,076	8,155,198
Canadian stocks	307,325,569	207,720,063	241,772,464	194,251,291
Canadian real estate equity	64,162,356	59,766,776	56,324,207	52,120,209
Eligible foreign stocks	123,491,043	75,727,787	125,371,672	77,758,867
Derivatives	(8,084)	–	54,040	–
	$ 748,254,574	$ 597,165,937	$ 676,774,589	$ 573,902,370

(b) Investment income:

	2016	2015
Short-term notes and treasury bills	$ 441,422	$ 668,087
Canadian and foreign bonds and debentures	7,222,122	7,886,518
Canadian and eligible foreign stocks	13,981,283	16,477,791
	$ 21,644,827	$ 25,032,396

4. Investments (continued):

(c) The following table summarizes fair values of investments in fixed income securities at December 31 by the earlier of contractual repricing or maturity dates:

As of December 31, 2016	Within 1 year	1 to 5 years	6 - 10 years	10 - 20 years	Over 20 years	Total
Short-term notes and treasury bills	$ 22,620,077	$ –	$ –	$ –	$ –	$ 22,620,077
Government bonds and debentures	11,401,772	70,306,514	25,493,858	21,086,930	20,270,628	148,559,702
Corporate bonds	1,802,076	53,129,705	6,388,097	251,171	1,075,276	62,646,325
Foreign corporate bonds	291,886	4,235,118	3,583,219	–	1,330,740	9,440,963
	$ 36,115,811	$ 127,671,337	$ 35,465,174	$ 21,338,101	$ 22,676,644	$ 243,267,067

As of December 31, 2015	Within 1 year	1 to 5 years	6 - 10 years	10 - 20 years	Over 20 years	Total
Short-term notes and treasury bills	$ 4,963,204	$ –	$ –	$ –	$ –	$ 4,963,204
Government bonds and debentures	11,607,481	68,559,723	22,991,058	21,807,103	16,823,656	141,789,021
Corporate bonds	5,236,947	48,440,409	16,777,072	247,149	4,297,241	74,998,818
Foreign corporate bonds	–	4,656,243	3,929,925	–	662,908	9,249,076
	$ 21,807,632	$ 121,656,375	$ 43,698,055	$ 22,054,252	$ 21,783,805	$ 231,000,119

5. Financial risk management:

The Plan is exposed to several risks as a result of holding investments. The following is a description of these risks and how they are managed.

(a) Market risk:

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) other price risk, (ii) foreign currency risk, and (iii) interest rate risk, which are discussed below.

The investment policy of the Plan takes into consideration that there will be short-term volatility of returns and addresses market risks through the following strategies:

- asset allocation among various asset classes;
- diversification across many securities within each asset class; and
- diversification of styles through the use of two investment managers with balanced mandates, one specialized fixed income investment manager and one specialized manager for real estate investments.

(i) Other price risk:

Other price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from foreign currency risk and interest rate risk), whether those changes are caused by factors specific to an individual investment or its issuer or factors affecting all similar securities traded in the market. All investments present a risk of loss of capital. The maximum risk resulting from investments is equivalent to their fair value. As all of the Plan's investments are carried at fair value with fair value changes recognized in the statement of change in net assets available for benefits, all changes in market conditions will directly result in an increase (decrease) in net assets.

The most significant exposure to market price risk for the Plan arises from investments in equity securities. If equity prices on the respective stock exchanges for these securities had increased or decreased by 10% as at December 31, 2016, with all other variables held constant, the net assets of the Plan would have increased or decreased, respectively, by approximately $43.1 million (2015 - $36.7 million).

(ii) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in foreign exchange rates. Foreign currency exposure arises from the fund holding investments denominated in currencies other than the Canadian dollar.

5. Financial risk management (continued):

(a) Market risk (continued):

(ii) Foreign currency risk (continued):

As at December 31, 2016, if the Canadian dollar had strengthened or weakened by 5% in relationship to all foreign currencies, with all other variables held constant, the Plan’s net assets would have decreased or increased, respectively, by approximately $6.9 million (2015 - $7.3 million).

Included in the investments as at December 31, 2016 are United States dollar foreign exchange forward contracts which settle within a 1 year period with a total notional amount of $4.2 million (2015 - $8.6 million). Foreign exchange forward contracts are contractual obligations to exchange one currency for another currency at a specified price at a predetermined future date based on the notional amount specified in the contract.

Notional amounts of derivative contracts represent the contracted amount to which a rate or price is applied for computing the cash flows to be exchanged. Notional amounts are the basis upon which the returns from, and the fair value of, the contract is determined. They are not recorded as assets or liabilities in these financial statements and they do not necessarily indicate the amount of future cash flow or the current fair value of the derivative contracts. Accordingly, notional amounts do not indicate the Plan’s exposure to credit or market risks.

Derivative contracts are recorded in the statement of financial position at fair value. Derivative contracts become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. Fair values of derivative contracts can fluctuate significantly.

(iii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The value of the Plan's assets is affected by short-term changes in nominal and real interest rates.

As at December 31, 2016, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the Plan’s investments in nominal securities would have decreased or increased by approximately $11.6 million (2015 - $11.4 million).

(b) Credit risk:

The Plan is exposed to the risk that a counterparty defaults or becomes insolvent (credit risk). The maximum credit risk to which the Plan is exposed as at December 31, 2016 represents the total carrying amount of its investments and amounts receivable.

5. Financial risk management (continued):

(b) Credit risk (continued):

The Plan's Statement of Investment Policies and Procedures provides guidelines and restrictions for eligible investments taking into account credit ratings, maximum investment exposure and other controls in order to limit the impact of this risk. The Plan, through its external investment managers, minimizes the concentration of credit risk by trading with a number of approved brokers and counterparties on recognized and reputable exchanges. The risk of default is considered minimal as all transactions are settled and paid for upon delivery using approved brokers.

At December 31, 2016, the investment profile of the bond portfolio was 66% (2015 - 63%) government bonds and 34% (2015 - 37%) corporate bonds. The risk of default in the bond portfolio is mitigated through holding a diversified portfolio of securities and continuous credit monitoring.

The credit risk exposure for the Plan's investment in bonds and debentures as at December 31 is as follows:

Credit rating	2016		2015	
AAA	$ 42,713,090	20%	$ 50,631,847	22%
AA	84,804,804	38%	50,788,335	23%
A	68,891,671	31%	97,869,326	43%
BBB	18,385,709	8%	17,788,213	8%
BB	4,698,986	2%	5,479,171	2%
B	1,152,730	1%	1,415,465	1%
Non Rated	–	0%	2,064,558	1%
Total	$ 220,646,990	100%	$ 226,036,915	100%

(c) Liquidity risk:

Liquidity risk is the risk that the Plan will not be able to meet its financial obligations as they fall due. The Plan's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient cash and cash equivalents to meet its liquidity requirements in the short and longer term. The Employer is required to make contributions to the Plan in accordance with the applicable collective agreements and the actuarial valuations that are performed as required by the Ontario Pension Benefits Act. Excluding the pension obligation, the Plan's liabilities reflected in these financial statements have contractual maturities of less than 30 days.

6. Pension obligations:

An actuarial valuation for funding purposes was filed as of January 1, 2014 and the last actuarial valuation for accounting purposes was performed as of December 31, 2016 by Eckler, a firm of consulting actuaries.

A pension obligation of a defined benefit pension plan is the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected benefit method prorated on services.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. These assumptions reflect management's long-term best estimate assumptions. Significant long-term actuarial assumptions used in the valuation were:

	2016	2015
Discount rate	5.90%	5.90%
Inflation rate	2.25%	2.25%
Salary escalation rate	3.25%	3.25%
Mortality	2014 Private Sector Canadian Pensioners' Mortality Table, without size adjustment factor, and Improvement Scale CPM-B	2014 Private Sector Canadian Pensioners' Mortality Table, without size adjustment factor, and Improvement Scale CPM-B

7. Capital management:

The main objective of the Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Canadian Union of Public Employees ("CUPE"). The Plan fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the "SIPP"), which is reviewed annually by the Joint Board of Trustees of the CUPE Employees' Pension Plan. The SIPP was last amended on February 1, 2016.

The Plan's long-term objective for the total fund is to achieve a return of at least 3.75% above increases in the Consumer Price Index (CPI).

The SIPP permits four broad categories of assets: equities, fixed income, cash equivalents, and real estate. A set of benchmarks has been identified to measure performance of each category total rate of return based on a moving four-year average. The total investments annual rate of return is measured against a composite index made up of the weighted average of each category's benchmark return using a target allocation of the SIPP to weight the various categories.

7. Capital management (continued):

The Plan's investments were allocated within the allowed asset categories range, as of the date of the financial statements. The following table presents the asset allocation and annual rate of investment return for each asset category, and total investments, along with appropriate benchmarks.

Asset Categories	Benchmark	Asset Allocation			Annual Rate of Investment Return			
		SIP&P Target	As of December 31		Benchmark		Actual *	
			2016	2015	2016	2015	2016	2015
Cash & Equivalents	DEX 91 Days T-Bills	2 %	4 %	4 %	0.5 %	0.7 %	0.4 %	1.7 %
Fixed Income	DEX Universe	38 %	29 %	33 %	1.6 %	3.5 %	1.1 %	2.9 %
Canadian Equities	S&P/TSX Composite	30 %	35 %	30 %	21.1 %	(8.3)%	25.6 %	(7.9)%
Canadian Small Cap Equities	S&P/TSX Small Cap Index	6 %	6 %	6 %	38.5 %	(13.1)%	19.4 %	(6.7)%
Foreign Equities	MSCI World ex. Canada (C$)	15 %	17 %	18 %	3.8 %	18.9 %	8.7 %	15.7 %
Canadian Real Estate	IPD Canada Index	9 %	9 %	9 %	5.7 %	8.0 %	5.2 %	5.1 %
Total Pension Fund		**100 %**	**100 %**	**100 %**	**10.1 %**	**1.5 %**	**11.7 %**	**1.3 %**

***Net of investment management fees.**

The Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds in accordance with the approved SIPP combined with current market conditions. Increases in net assets are a direct result of investment income generated by investments held by the Plan and contributions into the Plan by pension plan members and by CUPE. The employer is required under the Pension Benefits Acts (Ontario) to pay contributions, based on actuarial valuations, necessary to ensure the benefits are funded on the Plan's provisions. More details on employee and employer contributions that were paid during the year are disclosed in note 8. No contributions remain past due as at December 31, 2016.

The Settlors (CUPE and the Staff Unions) agree to monitor the funding status of the Plan and will meet to negotiate a resolution to the funding problems, including increases in employer and employee contributions and/or benefit adjustments. The main use of net assets is for benefit payments to eligible Plan members. The Plan must be funded in accordance with the Pension Benefits Act of Ontario and the Plan is required to file financial statements with the Financial Services Commission of Ontario (FSCO). There were no changes in the way capital was managed this year.

8. Members' and employer contributions:

Pursuant to the last filed actuarial valuation as at January 1, 2014, the Plan was in a solvency deficit and special payments were required to be made for past services. Under the Plan, the members are required to contribute 9.7% of their annual pensionable earnings and the employer shall pay into the Trust Fund the contributions as required to cover current and past services for a minimum of 12.2% of members' pensionable earnings, less applicable expenses as agreed by the Settlors. In 2016, the employer put into the Trust Fund an additional 2.11% of members' pensionable earnings to cover past services. At the last filed actuarial valuation, the Plan had elected to defer for one year the start of the special payments related to the new solvency deficiency, consolidate existing solvency special payment schedules established at prior valuations and extend the amortization period of the new solvency deficiency as at January 1, 2014 from five years to ten years.

Contributions to the Plan consisted of:

	2016	2015
Employer:		
Current service	$ 8,806,822	$ 8,873,913
Past service payments	2,911,265	2,911,189
	11,718,087	11,785,102
Members:		
Required contributions	7,972,067	8,031,586
Past service buy backs	460,533	358,461
	8,432,600	8,390,047
Total contributions	$ 20,150,687	$ 20,175,149

9. Benefit payments

Benefit payments for the year ended December 31, 2016 were as follows:

	2016	2015
Retirement benefit payments	$ 29,257,026	$ 27,416,787
Termination benefit payments	371,360	524,486
Death benefit payments	1,235,629	771,890
	$ 30,864,015	$ 28,713,163

10. Administration expenses:

	2016	2015
Investment management fees	$ 2,047,054	$ 1,980,015
Actuarial, consulting and administration fees	1,001,565	952,724
Administrative agent fees	468,953	485,406
Custodian fees	255,718	240,076
Legal fees	112,581	90,183
Counseling fees	98,243	106,608
Board of Trustees	96,347	118,882
Seminars	90,910	63,272
Proxy and engagement fees	48,838	49,149
Performance management fees	37,968	36,442
Auditing and accounting fees	30,000	28,250
Fiduciary insurance	27,945	17,280
Administration system fees	22,374	22,374
Other services	14,208	19,431
Other consulting fees	–	59,411
	$ 4,352,704	$ 4,269,503

The administrative agent fees represent amounts charged by the Canadian Union of Public Employees for shared administration expenses including, but not limited to, a portion of salaries, office space and furniture.

CANADIAN UNION OF PUBLIC EMPLOYEES EMPLOYEES' PENSION PLAN

Schedule A – Individual Investments with Values in Excess of 1% of Total Plan Value

Year ended December 31, 2016

The individual book values or market values of the following investments exceed 1% of either the book value or the market value of the plan as at December 31, 2016.

	Book Value	Market Value
Canadian government bond and debentures:		
Provincial:		
Ontario 5.85%, 8 March 2033	$ 7,639,736	$ 7,448,350
Common and preferred stock:		
Canadian Natural Resources Ltd.	$ 4,402,626	$ 7,493,813
Suncor Energy Inc.	4,123,188	8,391,485
Air Canada	994,355	9,158,900
Bank of Montreal	2,604,686	7,954,954
Sun Life Financial Inc.	5,269,399	7,753,120
Husky Energy Inc.	6,431,623	4,406,217
	$ 23,825,877	$ 45,158,489
Canadian real estate equity:		
Bentall Kennedy Prime Can PRP FD ltd	$ 59,766,776	$ 64,162,360