UNIVERSITY OF TORONTO (OISE)
PENSION PLAN

FINANCIAL STATEMENTS

JUNE 30, 2015

INDEPENDENT AUDITORS' REPORT

To the Administrator of the **University of Toronto (OISE) Pension Plan**

We have audited the accompanying financial statements of the **University of Toronto (OISE) Pension Plan**, which comprise the statement of financial position as at June 30, 2015, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and 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 the 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 the auditors' 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, the auditors 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 **University of Toronto (OISE) Pension Plan** as at June 30, 2015, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
December 8, 2015

UNIVERSITY OF TORONTO (OISE) PENSION PLAN

STATEMENT OF FINANCIAL POSITION
(with comparative figures as at June 30, 2014)
(thousands of dollars)

As at June 30

	2015	2014
	$	$
ASSETS		
Investment in Master Trust, at fair value *(note 3(a))*	**101,471**	93,402
Receivables and prepaid expenses	**666**	622
	102,137	94,024
LIABILITIES		
Refunds payable	**1,077**	
Accrued expenses	**423**	349
	1,500	349
Net assets available for benefits	**100,637**	93,675
Pension obligations *(note 7)*	**126,446**	126,079
Deficit	**(25,809)**	(32,404)

See accompanying notes

On behalf of the Governing Council of the University of Toronto:

(signed)
Ms. Sheila Brown
Chief Financial Officer

(signed)
Mr. Louis Charpentier
Secretary of the Governing Council

UNIVERSITY OF TORONTO (OISE) PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(with comparative figures for the year ended June 30, 2014)
(thousands of dollars)

Year ended June 30

	2015	2014
	$	$
INCREASE IN NET ASSETS		
Increase in fair value of investment in Master Trust *(note 3(b))*	**11,987**	14,548
Employer contributions *(note 4)*	**4,053**	4,076
Employee contributions *(note 1(b))*	**412**	416
Total increase in net assets	**16,452**	19,040
DECREASE IN NET ASSETS		
Retirement benefits	**6,972**	6,525
Refunds and transfers *(note 5)*	**1,077**	
Fees and expenses *(note 6)*	**1,441**	1,133
Total decrease in net assets	**9,490**	7,658
Net increase in net assets for the year	**6,962**	11,382
Net assets available for benefits, beginning of year	**93,675**	82,293
Net assets available for benefits, end of year	**100,637**	93,675

See accompanying notes

UNIVERSITY OF TORONTO (OISE) PENSION PLAN

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

(with comparative figures for the year ended June 30, 2014)

(thousands of dollars)

Year ended June 30

	2015	2014
	$	$
INCREASE IN PENSION OBLIGATIONS		
Interest on accrued benefits	**7,058**	6,808
Benefits accrued	**1,393**	1,417
Assumption changes		8,361
Total increase in pension obligations	**8,451**	16,586
DECREASE IN PENSION OBLIGATIONS		
Benefits paid	**8,049**	6,525
Experience gains	**35**	
Total decrease in pension obligations	**8,084**	6,525
Net increase in pension obligations for the year	**367**	10,061
Pension obligations, beginning of year	**126,079**	116,018
Pension obligations, end of year	**126,446**	126,079

See accompanying notes

UNIVERSITY OF TORONTO (OISE) PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. Description of Plan

The following description of the University of Toronto Ontario Institute for Studies in Education (OISE) Pension Plan (the "Plan") is a summary only. For more complete information, reference should be made to the official Plan text.

a) General

The Plan is a defined benefit plan covering substantially all full-time and part-time employees of OISE who were members of the Plan as of June 30, 1996.

The Plan is registered under the Pension Benefits Act (Ontario) (Ontario Registration Number 0353854) and with the Canada Revenue Agency.

Effective July 1, 1996, the Governing Council of the University of Toronto (the "University") became the administrator of the Plan. Prior to July 1, 1996, the OISE Board of Governors acted as the administrator. The investments, through the University of Toronto Master Trust ("Master Trust"), are managed by the University of Toronto Asset Management Corporation ("UTAM"), a separate non-share capital corporation controlled by its one member, the University of Toronto.

b) Funding

Plan benefits are funded by contributions and investment income. Required member contributions are made in accordance with a prescribed formula. The University's contributions are determined annually on the basis of an actuarial valuation taking into account the assets of the Plan and all other relevant factors.

c) Retirement benefits

At retirement, the number of years of pensionable service earned by a member is multiplied by a percentage of the average of the highest 36 months of earnings to determine the annual pension payable to that member. There are various early retirement provisions in place for different employee groups. Benefits are also payable in the case of termination of employment prior to retirement.

d) Death benefits

Death benefits are available for beneficiaries on the death of an active member and may be taken in the form of a survivor pension or a lump-sum payment. Death benefits may also be available for a spouse on the death of a retired member.

e) Escalation of benefits

The pension benefits of retirees are subject to cost of living adjustments equal to the greater of: i) 75% of the increase in the Consumer Price Index in Canada ("CPI") for the previous calendar year to a maximum CPI increase of 8% plus 60% of the increase in CPI in excess of 8%, or ii) the increase in the CPI for the previous calendar year minus 4%.

2. Summary of significant accounting policies

a) Basis of presentation

These financial statements have been prepared by the University in accordance with Canadian accounting standards for pension plans in Part IV (Section 4600) of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook applied within the framework of the significant accounting policies summarized below.

Section 4600 provides specific accounting guidance on investments and pension obligations. In accordance with Section 4600, Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook have been chosen for accounting policies that do not relate to the investment portfolio or pension obligations to the extent that those standards do not conflict with the requirements of Section 4600.

b) Investments and investment income

Investments are carried at fair value. The Plan is invested in the Master Trust. The unit value of the Master Trust is calculated based on the fair value of the underlying investments of the Master Trust.

Income from investments is recorded on an accrual basis. Distributions from a master trust arrangement are recorded when declared. Changes in fair values, representing realized and unrealized gains and losses, from one year to the next are reflected in the statement of changes in net assets available for benefits.

c) University of Toronto Master Trust

Investments within the Master Trust are carried at fair value. Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act. It is best evidenced by a quoted market price, if one exists. The calculation of estimated fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values.

Fair values of the investments held by the Master Trust are determined as follows:

(i) Short-term notes and treasury bills are valued based on cost plus accrued interest, which approximates fair value.

(ii) Bonds and equities are valued based on quoted closing market prices. If quoted closing market prices are not available for bonds, estimated values are calculated using discounted cash flows based on current market yields and comparable securities, as appropriate.

(iii) Investments in pooled funds (other than private investment interests and hedge funds) are valued at their reported net asset value per unit.

(iv) Hedge funds are valued based on the most recently available reported net asset value per unit adjusted for the expected rate of return of the fund through June 30. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value.

(v) Private investment interests consisting of private investments and real assets are comprised of private externally managed funds with underlying investments in equities, debt, real estate assets and commodities. The investment managers of these interests perform valuations of the underlying investments on a periodic basis and provide valuations periodically. Annual financial statements of the private investment interests are audited and are also provided by the investment managers. The value of the investments in these interests is based on the most recent valuation provided, adjusted for subsequent cash receipts and distributions from the fund and cash disbursements to the fund through June 30. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value.

(vi) Derivative financial instruments are used to manage particular market and currency exposures for hedging and risk management purposes with respect to the Master Trust's investments and as a substitute for more traditional investments. Derivative financial instruments and synthetic products that may be employed include debt, equity, commodity and currency futures, options, swaps and forward contracts. These contracts are supported by liquid assets with a fair value approximately equal to the fair value of the instruments underlying the derivative contract.

For all derivative financial instruments, the gains and losses arising from changes in the fair value of such derivatives are recognized as investment income (loss) in the year in which the changes in fair value occur. The fair value of derivative financial instruments reflects the daily quoted market amount of those instruments, thereby taking into account the current unrealized gains or losses on open contracts. Investment dealer quotes or quotes from a bank are available for substantially all of the Master Trust's derivative financial instruments.

(vii) Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at year end.

Interest income is recorded by the Master Trust on an accrual basis. Dividends are recorded by the Master Trust as revenue on the record date. Realized gains and losses on investments are recorded based on the average cost of the related investments. Unrealized gains and losses on investments are recorded by the Master Trust as a change in fair value since the beginning of the year or since the date of purchase when purchased during the year.

Income and expenses are translated at exchange rates in effect on the date of the transaction. Gains or losses arising from those translations are included in income.

Purchases and sales of investments are recorded by the Master Trust on a trade date basis and transaction costs are expensed as incurred.

d) Revenue and expense recognition

All employer and employee contributions and other revenue are reflected in the year in which they are due. All expenses are recorded on an accrual basis.

e) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets during the reporting period. The more significant estimates used in these financial statements would involve the determination of the fair value of investments where the values are based on non-observable inputs that are supported by little or no market activity, and the use of actuarial assumptions in the determination of the pension obligations. Actual results could differ materially from those estimates.

f) Pension obligations

Pension obligations are determined based on an actuarial valuation prepared by an independent firm of actuaries using an actuarial valuation report prepared for funding purposes. This valuation uses the projected benefits method pro-rated on service and management's best estimate of various economic and non-economic assumptions.

3. University of Toronto Master Trust

On August 1, 2000, the Master Trust was established to facilitate the collective investment of the assets of the University's pension plans. Each pension plan holds units of the Master Trust. The value of each unit held by a plan increases or decreases monthly based on the change in fair value of the underlying assets of the Master Trust. This value is used as the basis for the purchase and sale of units by the pension plans in the following month.

On May 31, 2011, substantially all of the Master Trust's publicly traded investments were transferred into new unitized investment pooled funds which are managed by UTAM. In 2014, four of the five UTAM pooled funds (UTAM International Equity Fund, UTAM US Equity Fund, UTAM Canadian Credit Fund and UTAM Canadian Fixed Income Fund) were dissolved, resulting in the Master Trust's pro rata share of the underlying investments of these pooled funds being transferred directly to the Master Trust. The overall investment strategy and risk profile of the Master Trust was not changed as a result of the initial formation and dissolution of the UTAM pooled funds.

The directly held investments of the UTAM pooled fund are considered to be directly held investments of the Master Trust for risk analysis disclosure purposes. As at June 30, 2015, the UTAM pooled fund accounted for 8.1% (2014 – 10.1%) of the Master Trust's investments.

a) Investment in Master Trust
(thousands of dollars)

As at June 30, 2015, the Plan's investment in the Master Trust consisted of 521,185 (2014 – 539,737) of the 20,922,679 (2014 – 20,895,609) outstanding units of the Master Trust. The Plan's investment in the Master Trust was $101,471 (2014 – $93,402) of the total fair value of $4,063,211 (2014 - $3,607,140) of the Master Trust.

The investments of the Master Trust and the Plan's investments, if the Plan's investment in the Master Trust had been proportionately consolidated, consisted of the following as at June 30, taking into account certain reclassifications resulting primarily from the allocation of the effect of futures and total return swap contracts. These futures and total return swap contract reclassifications at the Master Trust level resulted in $388,815 (2014 – $298,918) of short-term investments being reclassified to Canadian equities of $198,748 (2014 – $155,900), to United States equities of $128,525 (2014 – $79,940), to international equities of $54,854 (2014 – nil), to emerging markets equities of nil (2014 – $18,154) and to government and corporate bonds of $6,688 (2014 – $44,924), as well as $32,574 (2014 – $4,486) of Canadian equities, $19,621 (2014 – $35,432) of United States equities, $51,949 (2014 – $3,817) of international equities, $1,078 (2014 – nil) of emerging markets equities, and $17,140 (2014 – nil) of government and corporate bonds being reclassified to short-term investments.

	Master Trust		University of Toronto (OISE) Pension Plan	
	2015	2014	**2015**	2014
	$	$	**$**	$
Short-term investments	**62,708**	21,682	**1,566**	561
Government and corporate bonds	**1,295,455**	1,132,557	**32,352**	29,326
Canadian equities	**606,578**	573,618	**15,148**	14,854
United States equities	**693,182**	610,888	**17,311**	15,818
International equities	**625,136**	577,681	**15,611**	14,958
Emerging markets equities	**409,253**	359,511	**10,220**	9,309
Absolute return funds	**403,512**	306,298	**10,077**	7,931
	4,095,824	3,582,235	**102,285**	92,757
Derivative-related net (payable) receivable (*note 3(d))*	**(32,613)**	24,905	**(814)**	645
	4,063,211	3,607,140	**101,471**	93,402

Short-term investments of the Master Trust consist of cash, money market funds, short-term notes and treasury bills totalling $640,502 (2014 - $631,242), investment-related receivables of $517,563 (2014 - $331,678), offset by investment-related payables of $828,904 (2014 - $686,055) and the net effect of futures and total return swap contracts of $266,453 (2014 – $255,183) that were reclassified to other investment categories.

The Master Trust may enter into repurchase (or reverse repurchase) agreements that involve the sale (or purchase) of bonds to (from) a financial institution and the simultaneous agreement to repurchase (resell) that same security for a fixed price, reflecting a rate of interest, on a specific date. The affected securities sold (or purchased) under these agreements are not derecognized (or recognized) as investments as the Master Trust (or the seller) retains substantially all the risks and rewards of ownership. The difference between the sale and repurchase price (or purchase and resell price) is treated as interest expense (income) and is recognized over the life of the agreement using the effective interest rate method. These transactions involve risks that the value of the securities being relinquished (acquired) may be different than the price to be paid (received) on the expiry date or that the other party to the agreement will be unable or unwilling to complete the transaction as scheduled which may result in losses to the Master Trust. As at June 30, 2015, the Master Trust had entered into a number of these agreements with expiry dates in July 2015. The amount that the Master Trust has committed to repurchase securities under repurchase agreements is recognized as investment-related payables of $388,360 (2014 - $341,157) and the amounts the Master Trust expects to receive under reverse repurchase agreements is recognized as investment-related receivables of $6,756 (2014 – nil).

Included within the Master Trust's investments are hedge funds, private investments and real assets. These investments have been classified as follows:

	2015						
	Canadian equities $	United States equities $	International equities $	Emerging markets equities $	Government and corporate bonds $	Absolute return funds $	**Total $**
Hedge funds		**42,986**		**75,096**	**100,121**	**403,512**	**621,715**
Private investments	**88,585**	**173,114**	**54,417**	**46,851**	**236,521**		**599,488**
Real assets	**23,577**	**54,059**	**64,987**				**142,623**
	112,162	**270,159**	**119,404**	**121,947**	**336,642**	**403,512**	**1,363,826**

	2014						
	Canadian equities $	United States equities $	International equities $	Emerging markets equities $	Government and corporate bonds $	Absolute return funds $	Total $
Hedge funds				54,939	75,081	306,298	436,318
Private investments	28,144	173,742	58,919	34,013	146,745		441,563
Real assets	28,422	57,720	71,081				157,223
	56,566	231,462	130,000	88,952	221,826	306,298	1,035,104

b) Changes in the Master Trust
(thousands of dollars)

The total increase in fair value of the Master Trust was $466,025 (2014 – $543,228) of which the increase in fair value of the Plan's investment was $11,987 (2014 – $14,548). The following table shows the components of the net increase in net assets of the Master Trust for the years ended June 30:

	2015 **$**	2014 $
Increase in fair value		
Interest income		
Government and corporate bonds	**18,519**	27,891
Short-term investments	**1,070**	1,501
Dividend income		
Canadian	**28,202**	14,842
Foreign	**20,226**	25,184
Other income	**43**	110
	68,060	69,528
Net realized and unrealized gains from investments	**397,965**	473,700
Total increase in fair value of the Master Trust	**466,025**	543,228
Cash received on purchase of Master Trust units by pension plans	**228,999**	367,796
Cash paid on redemption of Master Trust units by pension plans	**(238,953)**	(222,894)
Net increase in net assets for the year	**456,071**	688,130
Net assets, beginning of year	**3,607,140**	2,919,010
Net assets, end of year	**4,063,211**	3,607,140

If the Plan had proportionately consolidated its share of the Master Trust, the investment income and the net realized and unrealized gains from investments for the years ended June 30 would be comprised of the following:

	2015 **$**	2014 $
Interest income	**504**	786
Dividend income	**1,248**	1,072
Other income	**1**	3
	1,753	1,861
Net realized and unrealized gains from investments	**10,234**	12,687
	11,987	14,548

c) Individually significant investments
(thousands of dollars)

The details of investments where the fair value exceeds 1% of the total fair value or cost of the Master Trust in the underlying portfolios are listed below:

	Fair Value $
Government and corporate bonds	
RP Corporate Index Plus Fund A1	**193,933**
Canadian equities	
UTAM Canadian Equity Fund	**328,242**
United States equities	
Stelliam Long Fund L.P.	**106,925**
ValueAct Capital International II, L.P.	**86,537**
Soroban Opportunities Cayman Fund	**42,986**
International equities	
MW TOPS International Equities Fund Class B1 USD Shares	**173,697**
Arrowstreet EAFE Alpha Extension Fund II S6	**103,670**
Artisan International Value Fund Instl. Shares	**101,642**
Arrowstreet EAFE Alpha Extension Fund II S5	**70,343**
Emerging markets equities	
Blackrock Emerging Markets Alpha Advantage Fund Ltd.	**191,463**
Gaoling Feeder Fund L.P.	**71,877**
LSV Emerging Market Equity Fund L.P.	**61,017**
Absolute return funds	
MW TOPS Composite Funds Class B USD Shares	**41,970**

d) Derivative financial instruments
(thousands of dollars)

Description
The Master Trust has entered into equity and fixed income index futures contracts which oblige it to pay the difference between a predetermined amount and the market value when the market value is less than the predetermined amount, or receive the difference when the market value is more than the predetermined amount.

The Master Trust enters into foreign currency forward contracts to minimize exchange rate fluctuations and the resulting uncertainty on future financial results. All outstanding contracts have a remaining term to maturity of less than one year. The Master Trust has significant contracts outstanding held in United States dollars, euros, Japanese yen and British pound sterling.

The Master Trust has entered into total return equity swap contracts to obtain exposure to a security or market without owning such security or investing directly in that market. Total return swaps contracts are agreements for the exchange of cash flows whereby one party commits to making payments based on the total return (income plus capital gains or losses) of an underlying instrument in exchange for fixed or floating rate interest payments. To the extent the total return of the instrument or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Master Trust will receive a payment from or make a payment to the counterparty.

The notional amounts of the derivative financial instruments do not represent amounts exchanged between parties and are not a measure of the Master Trust's exposure resulting from the use of financial instrument contracts. The amounts exchanged are based on the applicable rates applied to the notional amounts.

Risks
The Master Trust is exposed to credit-related losses in the event of non-performance by counterparties to these financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings.

Terms and conditions
The maturity dates of the foreign currency forward and futures contracts as at June 30, 2015 range from July 2015 to December 2015. The total return equity swap contracts with notional values of $64,610, $31,858 and $125,940 mature in January 2017, December 2018 and March 2019, respectively. Under the terms of these contracts, the swaps settle periodically, either on a monthly or quarterly basis. Collateral has been provided against these futures contracts as at June 30, 2015 in the form of short-term investments with a fair value of $15,187 (2014 – $5,155). The notional and fair value amounts of the derivative financial instruments as at June 30 are as follows:

	2015 $		2014 $	
	Notional Value	**Fair Value**	Notional Value	Fair Value
Derivative-related receivables:				
Foreign currency forward contracts				
- United States dollar	**367,755**	**5,621**	922,279	17,353
- Euro			197,543	1,713
- Other	**41,412**	**418**	141,987	1,642
		6,039		20,708
Futures contracts				
- United States dollar	**1,078**		79,940	608
- Other	**8,936**	**383**	42,366	99
		383		707
Total return equity swap contracts				
- United States dollar	**64,610**	**180**		
- Other			155,900	5,986
		180		5,986
Total derivative-related receivables		**6,602**		27,401
Derivative-related payables:				
Foreign currency forward contracts				
- United States dollar	**1,210,119**	**(21,965)**	126,760	(1,922)
- Euro	**217,010**	**(5,955)**		
- Other	**241,482**	**(4,741)**	7,986	(2)
		(32,661)		(1,924)
Futures contracts				
- United States dollar	**44,963**	**(1,367)**	53,586	(543)
- Other	**14,872**	**(736)**	10,861	(29)
		(2,103)		(572)
Total return equity swap contracts				
- Other	**157,798**	**(4,451)**		
		(4,451)		
Total derivative-related payables		**(39,215)**		(2,496)
Derivative-related net receivable (payable)		**(32,613)**		24,905

e) Risk management

Risk management relates to the understanding and active management of the risks associated with all areas of the Master Trust's investments. The investments of the Master Trust are primarily exposed to market risk (which includes foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To manage these risks within reasonable risk tolerances, the Master Trust, through UTAM, has formal policies and procedures in place governing asset mix among equity, fixed income and alternative assets, requiring diversification within categories, and setting limits on the size of exposure to individual investments and counterparties. In addition, derivative instruments are used in the management of these risks (see note 3(d)).

f) Market risk

Market risk is the risk that the value of an investment will fluctuate because of changes in market prices. The Master Trust is exposed to market risk from its investing activities. Market risk encompasses a variety of financial risks, such as foreign currency risk, interest rate risk and other price risk. Significant volatility in interest rates, equity values and the value of the Canadian dollar against the currencies in which the Master Trust investments are held can significantly impact the value of these investments. The Master Trust manages market risk by investing across a wide variety of asset classes according to the approved policy asset mix and hedging strategies established in the University of Toronto Pension Master Trust Statement of Investment Policies and Procedures ("SIP&P"). The following are the key components of market risk:

(i) Foreign currency risk

Foreign currency exposure arises from the Master Trust's direct holdings of investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. To manage foreign currency risk, the currency hedging policy is to hedge 65% of developed markets' currency exposures and 0% of emerging markets' currency exposures. Foreign currency exposure associated with other investments is fully hedged. The Plan also has an indirect exposure to foreign currency risk to the extent that the Master Trust's direct holdings have underlying investments denominated in foreign currencies.

The following table summarizes the Master Trust's directly held investment holdings and the underlying investments in the UTAM pooled fund by currency exposure, the impact of the currency hedging program and the net currency exposure as at June 30:

	(thousands of dollars)			
	2015			2014
	$			$
	Currency Exposure	**Net Currency Hedge**	**Net Currency Exposure**	Net Currency Exposure
United States Dollar	**1,094,068**	**(842,364)**	**251,704**	207,974
Chinese Renminbi	**103,383**		**103,383**	65,887
Euro	**280,301**	**(207,353)**	**72,948**	61,772
South Korean Won	**59,910**		**59,910**	55,896
New Taiwan Dollar	**53,018**		**53,018**	43,668
Japanese Yen	**138,991**	**(91,867)**	**47,124**	40,301
British Pound Sterling	**90,057**	**(45,772)**	**44,285**	43,042
South African Rand	**30,314**		**30,314**	26,956
Brazilian Real	**29,745**		**29,745**	39,096
Indian Rupee	**28,467**		**28,467**	24,586
Swiss Franc	**40,781**	**(20,851)**	**19,930**	18,144
Mexican Peso	**18,739**		**18,739**	18,391
Russian Ruble	**16,110**		**16,110**	19,391
Australian Dollar	**70,065**	**(55,934)**	**14,131**	15,880
Malaysian Ringgit	**13,575**		**13,575**	14,054
Other	**143,433**	**(65,791)**	**77,642**	69,123
Total	**2,210,957**	**(1,329,932)**	**881,025**	764,161

Since all other variables are held constant in assessing foreign currency risk sensitivity, it is possible to extrapolate a 5% absolute change in foreign exchange rates to any absolute percentage change in foreign exchange rates. A 5% absolute change in foreign exchange rates would have the following impact on the fair value of foreign currency denominated assets, net of the currency hedges, of the Master Trust:

	(thousands of dollars)	
	2015	2014
	$	$
	Change in Net Investment Value	Change in Net Investment Value
United States Dollar	**12,585**	10,399
Chinese Renminbi	**5,169**	3,294
Euro	**3,647**	3,089
South Korean Won	**2,996**	2,795
New Taiwan Dollar	**2,651**	2,183
Japanese Yen	**2,356**	2,015
British Pound Sterling	**2,214**	2,152
Other	**12,433**	12,281
Total	**44,051**	38,208

(ii) Interest rate risk

Interest rate risk refers to the effect on the fair value of the Master Trust's assets and liabilities due to fluctuations in interest rates. Among the Master Trust's assets, the most significant interest rate risk relates to its fixed income investments. These investments are in the form of fixed income securities directly held by the Master Trust and direct holdings of the Master Trust where there are underlying fixed income investments.

The following table summarizes the profile of the Master Trust's directly held fixed income securities which are subject to interest rate risk, based on term to maturity as at June 30:

(thousands of dollars)

	2015		2014	
Maturity Range	**Fair Value $**	**Weighted Average Yield**	Fair Value $	Weighted Average Yield
0-5 years	**359,551**	**1.25%**	145,213	1.41%
>5 years-10 years	**193,386**	**2.15%**	101,595	2.39%
>10 years	**222,395**	**3.33%**	115,090	3.33%
	775,332	**2.07%**	361,898	2.29%

As at June 30, 2015, for every 1% increase (decrease) in prevailing market interest rates, the fair value of the direct and indirect fixed income holdings in the Master Trust is estimated to decrease (increase) by approximately $54.7 million (2014 - $27.5 million).

(iii) Other price risk

(thousands of dollars)

Other price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk), whether those changes are caused by factors specific to the individual investment, its issuer, or factors affecting all similar securities traded in the market. The Master Trust's exposure to other price risk is primarily due to its equity investments. These investments are in the form of equity securities directly held by the Master Trust and direct holdings of the Master Trust where there are underlying equity investments.

The fair value of these equity investments subject to other price risk is $1,420,053 (2014 – $1,401,905). Since all other variables are held constant in assessing other price risk sensitivity, it is possible to extrapolate a 10% absolute change in the fair value to any absolute percentage change in fair value. A 10% absolute change in the fair value of these equity investments which are exposed to other price risk would be $142,005 (2014 – $140,190).

g) Credit risk
(thousands of dollars)

Credit risk of financial instruments is the risk of loss arising from the potential failure of a counterparty, debtor or issuer (collectively, the "debtor") to honour its contractual obligations. Credit risk can take the form of an actual default, such as a missed payment of borrowed principal or interest when it comes due, or can be based on an increased likelihood of default which could result in a credit rating downgrade by credit rating agencies. Both scenarios would result in a decrease in the fair value of the obligations issued by the debtor. The Master Trust's investments in non-government-guaranteed securities are exposed to credit risk. The fair value of these investments and other assets as presented in the statement of financial position represents the maximum credit risk exposure at the date of the financial statements. The use of forward foreign exchange contracts to hedge foreign currency risk exposure also exposes the Master Trust to credit risk. The Plan also has an indirect exposure to credit risk to the extent that the Master Trust's direct holdings have underlying investments in non-government-guaranteed securities.

The following table summarizes the fair value of directly held fixed income securities which were exposed to credit risk, by credit rating, as at June 30:

	2015		2014	
Credit Rating	**Fair Value $**	**% of Fixed Income Securities**	Fair Value $	% of Fixed Income Securities
AAA	**248,968**	**32.11**	215,915	59.66
AA	**202,897**	**26.17**	84,300	23.29
A	**194,202**	**25.05**	61,683	17.05
BAA and other	**129,265**	**16.67**		
	775,332	**100.00**	361,898	100.00

h) Liquidity risk

Liquidity risk is the risk of the Plan not being able to settle or meet its commitments in a timely manner. These commitments include payment of the Plan's pension obligations and operating expenses, margin requirements associated with synthetic investment strategies, and the Master Trust's future commitments in private investment interests. These liquidity requirements are managed through income and distributions generated from investments, monthly contributions made by the University and Plan members, and having a sufficient amount of assets invested in liquid instruments that can be easily sold and converted to cash.

i) Fair value hierarchy
(thousands of dollars)

The Plan is required to disclose, for each class of financial instruments, the methods and, when a valuation technique is used, the assumptions applied in determining fair values, through a three-level hierarchy, as at the financial statement date. The three levels are defined as follows:

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.

Level 2: Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. This category generally includes mutual and pooled funds, hedge funds, Government of Canada, provincial and other government bonds, Canadian corporate bonds, and certain derivative contracts.

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Financial instruments are classified in this level when the valuation technique is based on at least one significant input that is not observable in the market or due to a lack of liquidity in certain markets. This category generally includes private investment interests (which are comprised of private, externally managed pooled funds with underlying investments in equities, real estate assets and commodities) and securities that have liquidity restrictions.

	2015			
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Short-term investments	**342,411**	**269**		**342,680**
Government and corporate bonds		**1,039,108**	**266,798**	**1,305,906**
Canadian equities	**162,343**	**152,380**	**112,163**	**426,886**
United States equities	**120,657**	**193,462**	**270,159**	**584,278**
International equities		**502,827**	**119,404**	**622,231**
Emerging markets equities		**288,384**	**121,947**	**410,331**
Absolute return funds		**369,716**	**33,796**	**403,512**
	625,411	**2,546,146**	**924,267**	**4,095,824**
Derivative-related net payable *(note 3(d))*	**(5,991)**	**(26,622)**		**(32,613)**
	619,420	**2,519,524**	**924,267**	**4,063,211**
Plan's share of Master Trust	**15,469**	**62,920**	**23,082**	**101,471**

	2014			
	Level 1 $	Level 2 $	Level 3 $	Total $
Short-term investments	279,152	267		279,419
Government and corporate bonds		932,888	154,745	1,087,633
Canadian equities	197,889	165,195	56,566	419,650
United States equities	83,228	251,690	231,462	566,380
International equities		451,498	130,000	581,498
Emerging markets equities		252,405	88,952	341,357
Absolute return funds		259,129	47,169	306,298
	560,269	2,313,072	708,894	3,582,235
Derivative-related net receivable *(note 3(d))*	6,121	18,784		24,905
	566,390	2,331,856	708,894	3,607,140
Plan's share of Master Trust	14,666	60,380	18,536	93,402

For the purposes of the tables above, the fair value hierarchy of the underlying investments of the UTAM pooled fund held by the Master Trust has been disclosed, resulting in investments with a fair value of

$175,862 and $152,380 (2014 – $200,443 and $165,195) being classified as Level 1 and Level 2 investments, respectively. The Master Trust's investments in the UTAM pooled fund would be considered Level 2 investments.

The following table summarizes the changes in the fair value of financial instruments classified in Level 3 of the Master Trust for the years ended June 30:

	2015	2014
	$	$
Fair value, beginning of year	**708,894**	713,691
Purchases	**254,336**	100,738
Sales	**(166,826)**	(123,764)
Total realized gains	**28,646**	11,135
Total unrealized gains	**99,217**	7,094
Fair value, end of year	**924,267**	708,894

j) Hedge funds and private investment interests

The Master Trust invests in certain hedge funds and private investment interests which are comprised of externally managed funds with underlying investments in equities, debt, real estate assets and commodities. Because these investment interests are not readily tradable, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such interests existed. Sensitivity analysis demonstrates that a 10% absolute change in the fair value of investments in hedge funds and private investment interests would result in a change to the total fair value of these investments of the Master Trust of $136.4 million (2014 – $103.5 million).

Refer to note 3(k) for a breakdown of the Master Trust's uncalled commitments related to private investment interests.

k) Uncalled commitments

As at June 30, 2015, approximately 18.3% (2014 – 16.6%) of the Master Trust's investment portfolio is invested in private investment interests managed by third party managers. These private investment interests typically take the form of limited partnerships managed by a General Partner. The legal terms and conditions of these private investment interests, which cover various areas of private equity investments and real asset investments (e.g., real estate and infrastructure), require that investors initially make an unfunded commitment and then remit funds over time (cumulatively up to a maximum of the total committed amount) in response to a series of capital calls issued to the investors by the manager. As at June 30, 2015, the Master Trust had uncalled commitments of approximately $295.7 million (2014 - $197.3 million). The capital committed is called by the manager over a pre-determined investment period, which varies by fund but is generally about three to five years from the date the fund closes. In practice, for a variety of reasons, the total amount committed to a fund is very rarely all called.

4. Employer contributions

The University has made $1.0 million (2014 – $1.0 million) in current service cost contributions and $3.1 million (2014 – $3.1 million) in additional special payments. The special payments were made to fund the unfunded liability, since the actuarial funding valuation as of July 1, 2014 showed the present value of pension obligations exceeded the Plan's actuarial value of assets.

5. Refunds and transfers

(thousands of dollars)

Refunds and transfers consist of the following:

	2015	2014
	$	$
Refunds of contributions and other benefit payments:		
Upon death	**1,077**	
	1,077	

6. Fees and expenses

(thousands of dollars)

Fees and expenses consist of the following:

	2015	2014
	$	$
Investment management fees:		
External managers[1,4]	**920**	749
UTAM[1,2]	**109**	96
Pension records administration	**124**	117
Actuarial and related fees	**193**	80
Administration cost - University of Toronto[2]	**61**	61
External audit fees	**16**	15
Trustee and custodial fees[1]	**8**	10
Transaction fees[1,3]	**6**	3
Other fees	**4**	2
	1,441	1,133

[1] Reflect expenses that are directly charged to the Master Trust and are allocated back to the Plan.
[2] Represent related party transactions.
[3] Transaction fees represent the cost of purchasing and selling investments.
[4] External managers fees exclude performance based management fees, which are netted against the net realized and unrealized gains from the investments.

7. Pension obligations

Pension obligations are determined by applying best estimate assumptions agreed to by the University and the projected benefits method pro-rated on service. The pension obligations were determined by Aon Hewitt, a firm of actuaries, using an actuarial funding valuation performed as of July 1, 2014 which was extrapolated to June 30, 2015.

Significant assumptions used in the actuarial valuation are as follows:

	2015 %	2014 %
Interest rate	**5.75**	5.75
Consumer Price Index	**2.00**	2.00
Salary escalation rate	**4.00**	4.00

8. Capital management

The funding surpluses or deficits determined periodically in funding valuations prepared by an independent actuary are defined as the Plan's capital. The actuary's funding valuation is used to measure the long-term health of the Plan. A funding valuation is required to be filed with the pension regulator at least every three years. The most recently filed valuation was as of July 1, 2014 which disclosed an unfunded actuarial liability of $32.4 million on a going concern basis and a deficit of $43.9 million on a solvency basis. The next required actuarial funding valuation to be filed with the regulator will be as of July 1, 2017.

The objective of managing the Plan's capital is to ensure the Plan is funded to fully pay the benefits over the long term.

The University negotiates with the various employee groups to change member contribution levels to meet the ongoing funding of the Plan and makes special contributions to eliminate any deficits, all subject to meeting regulatory requirements. Contributions to the Plan have complied with all regulatory funding requirements during the reporting periods. No required contributions were past due as at June 30, 2015. More details on member and employer contributions can be found in the statement of changes in net assets available for benefits and in Note 4 – Employer Contributions.

In addition, the SIP&P provides guidance with respect to the investment of the Plan's assets in order to assist with the management of any funding surpluses or deficits. This guidance includes return objectives, normal risk tolerances, asset allocation and benchmarks for the evaluation of performance. The most recently amended SIP&P was approved by the administrator on June 1, 2015. There were no significant changes to the SIP&P as a result of the latest amendment.

The Plan holds units of the Master Trust, which invests across various asset classes and different geographical regions primarily through a number of segregated and pooled investments including third party managers and a UTAM pooled fund. The Plan's investments expose it to a variety of risks which are discussed in Notes 3(d) through 3(h). UTAM's manager selection and monitoring processes include a review of each third party pooled fund's risk management guidelines and processes. These reviews are generally based on discussions with the fund's manager and material provided by the manager. Reviews occur prior to making an investment and on an on-going basis thereafter to ensure a good understanding of each pooled fund's investment characteristics.

The Master Trust's policy asset mix is approved by the University's Pension Committee as per the SIP&P. The performance of the Master Trust is prepared by UTAM and is reviewed periodically by the Plan's administrator. This review includes an assessment of investment returns, comparison of returns to benchmarks contained within the SIP&P, ranking of returns in comparison to an appropriate investment universe, and other risk analyses required or requested by the Pension Committee and the University.

The SIP&P permits the following broad categories of assets: Equity, Credit, Rates and Other. Performance is measured against a reference portfolio benchmark that was introduced in May 2012. This reference portfolio benchmark return is made up of the weighted average of each category's benchmark return using the target allocation of the SIP&P to weight the various categories. The reference portfolio represents a shadow portfolio which is believed to be appropriate to the Master Trust's long-term horizon and risk profile. The overall target real return objective of the Master Trust is 4.0% (net of fees) over 10-year periods. The asset mix targets and ranges, along with the benchmark return indices for each asset category, are as follows:

		Asset Category Allocation		
Asset Categories	**Reference Portfolio Benchmark**	**Minimum**	**Target**	**Maximum**
		%	**%**	**%**
Equity				
Canadian	S&P TSX Composite Total Return Index	11.0	16.0	21.0
US	S&P 500 Total Return Index	13.0	18.0	23.0
Europe, Australasia and Far East	MSCI EAFE Total Return Index (net)	11.0	16.0	21.0
Emerging Markets	MSCI Emerging Markets Total Return Index (net)	5.0	10.0	15.0
Total Equity			60.0	
Credit	FTSE TMX Canada All Corporate Bond Total Return Index	10.0	20.0	25.0
Rates	FTSE TMX Canada All Government Bond Total Return Index	10.0	20.0	30.0
Other		0.0	0.0	15.0
			100.0	

The Master Trust's investments fell within the asset mix category ranges as at June 30, 2015.

9. Proposed merger

The University has applied for regulatory approval of the transfer of the net assets and pension obligations of the Plan to the University of Toronto Pension Plan ("U of T Pension Plan"), effective July 1, 2014. The U of T Pension Plan is also sponsored by the University and holds the remaining units of the Master Trust not owned by the Plan. Active members of the Plan will continue to accrue the same benefits under the U of T Pension Plan after the merger of the two plans, subject to the University's right to amend the U of T Pension Plan. As at June 30, 2015, the merger of the two plans was still subject to regulatory approval.

10. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2015 financial statements.