McGill

McGill University Pension Plan

Annual Report

December 31, 2013

Members of the Pension ADMINISTRATION COMMITTEE

Professor Reuven Brenner	Representing Academic Staff
Ms. Lynne B. Gervais (Chair)	Representing the Principal & Chair of the Board
Ms. Kim Holden	Representing the Board of Governors
Mr. Michael Keenan	Representing the Board of Governors
Mr. Pierre Lavigne	Independent Member
Mr. Jim McVety	Representating Administative & Support Staff
Professor Christopher Ragan	Representing Academic Staff
Ms. Cristiane Tinmouth	Representing the Principal & Chair of the Board
Ms. Kathleen Tobin	Representing Administrative & Support Staff

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Rooted in your future

McGill University PENSION PLAN

Notice of Annual Meeting of Pension Plan Members

The Annual Meeting of Members of the McGill University Pension Plan will be held in Room 232 of the Stephen Leacock Building, 855 Sherbrooke Street West, Montreal, Quebec on Friday, the 2nd day of May, 2014 at noon for the purposes of:

(a) tallying and announcing the voting results – continuance of voting procedures;

(b) electing one Administrative & Support Staff representative, who is a member of the Plan as of December 31, 2013 and current employee, to the Pension Administration Committee;

(c) receiving the financial report of the McGill University Pension Plan for the year ended December 31, 2013 and the independent auditor's report thereon;

(d) receiving the stewardship report of the Pension Administration Committee;

(e) receiving the investment performance report of the McGill University Pension Plan for the year ended December 31, 2013, including the:
- Accumulation Fund;
- Pensioner Fund; and

(f) conducting such other business as shall be properly brought before the assembly.

Attendance at the meeting shall be restricted to active and inactive members of the Plan, including beneficiaries. All attendees are requested to bring one of the following valid pieces of identification:

- McGill University Identification Card
- Personal Mail Ballot/Proxy Form

If you have not executed and returned the personal Mail Ballot/Proxy Form issued in your name, you are requested to bring this document to the meeting with you for identification and voting purposes.

John D'Agata
Secretary, Pension Administration Committee
April 2014

Introduction

42ND ANNUAL REPORT

This Annual Report reviews and highlights the investment and administrative activities of the Pension Administration Committee ("PAC") of the McGill University Pension Plan ("Plan") for the fiscal year ended December 31st, 2013.

Structure

The Committee is composed of nine members, of which four are elected by the members of the Plan, two are designated by the Board of Governors and two are designated by the Principal and the Chair of the Board. One independent member is appointed by the Board of Governors acting upon the recommendation of the PAC.

PAC Membership Changes in 2013

The following changes occurred in the membership of the PAC during the year. At the Annual Meeting held on May 3rd, 2013, Professor Christopher Ragan was elected to a three-year term as Academic Staff Representative replacing Professor Gerald Ratzer and Mr. Jim McVety was elected to a three-year term as Administrative & Support Staff Representative replacing Dr. Saul Ticktin. The PAC extends its thanks to Professor Ratzer and Dr. Ticktin for their wise counsel and valuable contributions to the deliberations of the PAC.

Responsibilities

As trustees of the Pension Plan, the members of the PAC have fiduciary responsibility for ensuring that investments are made on a prudent basis and in accordance with the demographic profile of its members and the financial needs of the membership. The PAC is also responsible for all administrative matters pertaining to the provision of benefits as set forth in the Plan Document and acts within the framework of legislation and regulations issued under the *Supplemental Pension Plans Act of the Province of Quebec* and the *Income Tax Act of Canada*. These responsibilities are discharged through regular meetings of the PAC and through a network of external advisors, consultants and the staff of Pension Administration and the Office of Investments. During 2013, there were nine meetings of the full PAC and a number of informal working group meetings. An internal support staff acting under the direction and guidance of the PAC carry out the daily investment and administrative operations of the Plan.

Pension Investment Committee ("PIC")

The fundamental role of the PIC is to develop detailed investment policies and set investment strategy that is recommended to the PAC for approval.

The PIC is responsible for overseeing the implementation of investment policy. The PIC consists of two non-voting members from the PAC, the Chair of the PAC as ex-officio and five independent external members who are not part of McGill University ("University") administration or staff and who are not members of another decision-making body within the pension plan governance structure.

The current members of the PIC are: Mr. Mark Smith, Chair; Professor Reuven

Brenner (PAC); Mr. Stephen Cotsman; Ms. Lynne B. Gervais (Chair of PAC); Mr. Russell Hiscock; Ms. Kim Holden (PAC); and Mr. Scott Taylor. PIC members are appointed by the PAC, serve a first term of three years, rene-wable for a second term of two years and are limited to a maximum of two consecutive terms.

In January 2014, Mr. Scott Taylor was reappointed to a new two-year term.

During 2013, there were four regular meetings of the PIC as well as two teleconference calls.

Fund INVESTMENTS

The assets of the Pension Fund are invested in three separate investment portfolios in accordance with the three liability segments of the Plan:

- assets in respect of active staff members are invested prior to retirement in the **Accumulation Fund**,
- assets in respect of retired members who have opted for an internal settlement are invested in the **Pensioner Fund**, and
- University contributions necessary to provide any supplementary pensions required to meet the provisions of the Defined Benefit Minimum Provision as well as to ensure adequate funding of the Pension Fund are invested in the **Supplemental Fund**.

The PAC has adopted a comprehensive Statement of Investment Policy which addresses such issues as investment objectives, risk tolerance, asset allocation, permissible asset classes, investment diversification, liquidity requirements, expected rates of return, valuation procedures and other issues relevant to the investment process, thereby establishing a framework within which all the investment managers must operate.

The policy is reviewed on a regular basis and updated when necessary to ensure that it continues to meet legal standards and the investment requirements of the membership. A copy of the policy, most recently updated in January 2014, can be found on the Plan's website at: http://www.mcgill.ca/hr/bp/pensions/invest/SIP or can be viewed in the offices of the PAC, during normal business hours.

The Accumulation FUND

The Accumulation Fund, consisting of an Equity Pool, a Fixed Income Pool, a Socially Responsible Investment (SRI) Pool, and a Money Market Pool, is the section of the Pension Fund in which the assets of active members are invested prior to retirement. This structure offers a wide range of possible financial strategies and will allow members to create the specific investment strategies that will best respond to their financial needs.

The PAC also maintains a Balanced Account that consists of allocations to the Equity Pool and the Fixed Income Pool. The current policy target provides that 65% of the assets of the Balanced Account are allocated to the Equity Pool and 35% are allocated to the Fixed Income Pool. The calculation of the Defined Benefit Minimum Provision, as applicable, is compared to the performance of the Balanced Account.

The investment objectives for the Equity Pool, Fixed Income Pool, SRI Pool, Money Market Pool, as well as the Balanced Account are disclosed in *Appendix V*.

Asset Allocation

The strategic asset allocation for the Balanced Account as well as the other investment pools is reviewed and adjusted periodically by the PAC (as recommended by the PIC) on the basis of a continuing review of the economic, political and financial factors which influence investment markets.

As the performances of individual managers and markets cause the asset classes to deviate from the strategic asset allocation, the assets are rebalanced regularly to bring the asset classes back within the parameters of the strategic asset allocation. Such rebalancing is achieved through directed cash flow or by actively transferring funds among managers when specified trigger points are reached.

Plan members allocate the majority of their assets to the Balanced Account. *Schedule 1* provides the strategic asset allocation policy of the Balanced Account. The actual allocation of the Balanced Account at December 31, 2013, was 70.5% to the Equity Pool and 29.5% to the Fixed Income Pool. Related benchmarks and the actual asset allocation of the Balanced Account at December 31, 2013 are also shown in *Schedule 1*.

The benchmarks for cash and cash equivalents, equity and fixed income asset classes were selected because all are publicly available and readily investable indices. The real estate benchmark is an absolute return expectation in excess of the rate of inflation. The private equity benchmark reflects the additional return that private equity is expected to achieve over and above the public equity markets. The absolute return strategies benchmark reflects the additional return the asset class is expected to achieve in excess of the DEX 30-Day T-Bill return.

The actual asset allocations within the Accumulation Fund at any particular time will reflect

SCHEDULE 1

Balanced Account – Asset Allocation as at December 31, 2013

Asset Class	Benchmark	Strategic Asset Allocation (%)	Actual Balanced Account (%)	MIN%	MID%	MAX%
Equity Pool						
Cash & Cash Equivalents:	DEX 30-Day T-Bill	0	0.1	0	0	5
Currency Forward Contracts:	Not applicable	-	-0.2	-	-	-
Canadian Equities:	S&P/TSX Composite	15	16.2	12	15	18
US Equities:	S&P 500	11	13.6	9	11	13
Non-North American Equities:	MSCI EAFE	5	6.9	3	5	7
	MSCI EM	6	6.4	4	6	8
Global Equities:	MSCI World High Dividend	8	10.0	4	8	12
Alternative Equities:						
Real Estate	4% + CPI	5	3.7	3	5	7
Private Equity	(2/3 S&P500 + 1/3 MSCI Europe) + 3%	8	4.9	4	8	10
Absolute Return Strategies	DEX 30-Day T-Bill + 5%	7	8.9	4	7	10
		65%	70.5%		65%	
Fixed Income Pool						
Cash & Cash Equivalents:	DEX 30-Day T-Bill	0	0.0	0	0	5
Bonds:	DEX Universe Bond	35	29.5	20	35	50
		35%	29.5%		35%	
Balanced Account		100%	100.0%		100%	

the strategic asset allocation policy with respect to the Balanced Account and the separate asset allocation policies followed by members who utilize an investment strategy other than the Balanced Account.

The actual management and asset allocation structure of the Accumulation Fund as at December 31, 2013 are shown in *Schedule 2*.

SCHEDULE 2

Accumulation Fund – Asset Allocation and Manager Structure – December 31, 2013

Asset Class	Manager		Amount (millions)	% of Pool Holdings
Equity Pool				
Cash & Cash Equivalents:	TD Asset Management	$	0.7	0.1%
Currency Forward Contracts:	TD Asset Management		-1.7	-0.2%
Canadian Equities:	State Street Global Advisors		81.4	10.6%
	Pyramis Global Advisors		34.3	4.4%
	Van Berkom & Associates		61.3	8.0%
US Equities:	State Street Global Advisors		108.7	14.1%
	Pembroke Management		39.4	5.1%
Non-North American Equities:	Hexavest		42.3	5.5%
	William Blair & Company		40.9	5.3%
	Aberdeen Asset Management		62.4	8.1%
Global Equities:	State Street Global Advisors		109.2	14.2%
Real Estate:	External		39.9	5.2%
Private Equity:	External		53.0	6.9%
Absolute Return Strategies:	External		97.5	12.7%
	Total Equity Pool:		769.3	100.0%
Fixed Income Pool				
Cash & Cash Equivalents:	TD Asset Management	$	0.4	0.1%
DEX Universe Bonds:	Phillips, Hager & North		118.8	35.9%
	TD Asset Management		34.2	10.3%
	Fiera Capital		108.4	32.7%
DEX Corporate Bonds:	Canso Investment Counsel		69.7	21.0%
	Total Fixed Income Pool:	$	331.5	100.0%
SRI Pool	Guardian Ethical Management	$	19.2	100.0%
Money Market Pool				
Cash & Cash Equivalents:	TD Asset Management	$	16.2	100.0%
	Total Accumulation Fund:	$	1,136.2	

Investment Management

The following investment manager changes were made in 2013:

In April 2013, the Gold asset class was eliminated with the sale of all units held in a gold exchange traded fund. The Plan's holdings in an emerging markets exchange traded fund were also sold.

In May 2013, a new active fixed income mandate was established, managed by Fiera Capital. The new mandate, totaling $112 million, was funded from the May 2013 terminations of the Philips, Hager & North High Yield Bond mandate and the TD Asset Management DEX Universe Bond mandate.

In June 2013, the Philips, Hager & North Real Return Bond mandate was eliminated. In addition, Pembroke was hired for a $30 million Small Cap US Equity mandate, funded by a partial sale of the Plan's holdings in State Street Global Advisors' S&P 500 Index Fund.

In February and December of 2013, commitments in the amounts of € 10 million and US $15 million respectively were made to two private equity funds investing in infrastructure.

Performance

MARKET PERFORMANCE

Public market performance returns were positive in 2013. The S&P/TSX Composite Index returned 13.0% for the year. Eight out of the ten Canadian sectors recorded positive returns, with the Financials sector accounting for two-thirds of the positive performance. The S&P/TSX SmallCap Index, the measure of Canadian small cap performance, returned 7.6% during the year. The DEX Universe Bond Index, which measures the performance of the Canadian bond market, lost 1.2% for the year, primarily the result of rising interest rates in 2013.

The Canadian dollar depreciated 6.7% versus the US dollar during the year, after appreciating 3.0% in 2012. In Canadian dollar terms, the S&P 500 returned 41.3% for the year outperforming the Canadian market for a third year in a row. Non-North American markets represented by the MSCI EAFE Index and the MSCI EM Index finished the year, in Canadian dollar terms, with returns of 31.6% and 4.3%, respectively.

FUND PERFORMANCE

Schedule 3 shows the gross rates of market returns achieved by the various asset classes comprising each of the investment pools and by the Balanced Account for the one, five and ten year periods ended December 31, 2013. The applicable benchmark performance for each asset class is also noted in *Schedule 3*.

The Equity Pool returned 24.1% for the year in comparison to its composite benchmark of 22.1%. The Canadian equity performance of 23.3% was significantly above the S&P/TSX Composite Index benchmark of 13.0%. The US equity performance of 42.9% was above the S&P 500 benchmark performance of 41.3% for the year, while the non-North American equity performance of 16.9%, was ahead of its composite benchmark of 16.0%. The global equity asset class returned 30.9% just under the benchmark return of 31.1% for the MSCI World High Dividend Yield Index. The performance of alternative equity assets at 17.5% underperformed its composite benchmark of 19.1%.

The Fixed Income Pool returned -0.5% for the year, surpassing the -1.9% return of its composite benchmark.

The Balanced Account's performance of 16.1% for the year outperformed its composite benchmark return of 13.2%.

The SRI Pool's performance of 13.2% in 2013 exceeded the 13.0% return of its benchmark, the GEM Balanced Benchmark.

The Money Market Pool returned 0.9% for the year, slightly underperforming the 1.0% return of the DEX 30-Day T-Bill Index.

SCHEDULE 3

Accumulation Fund Performance[1] as at December 31, 2013

Asset Class	Annualized Rates of Return 1 year	5 years	10 years
Equity Pool:			
Cash & Cash Equivalents	0.9%	0.8%	1.7%
Benchmark: DEX 30-Day T-Bill	1.0%	0.7%	1.9%
Canadian Equities	23.3%	13.9%	9.7%
Benchmark: S&P/TSX Composite	13.0%	11.9%	8.0%
US Equities	42.9%	16.4%	5.5%
Benchmark[2]: S&P 500	41.3%	14.8%	5.6%
Non-North American Equities	16.9%	9.9%	6.4%
Benchmark[3]: 54.5% MSCI EM + 45.5% MSCI EAFE	16.0%	8.9%	5.7%
Global Equities	30.9%	n/a	n/a
Benchmark: MSCI World High Dividend Yield Index	31.1%	n/a	n/a
Alternative Assets[4]	17.5%	7.8%	6.9%
Benchmark[5]: Alternative Assets	19.1%	11.5%	n/a
Total Equity Pool:	**24.1%**	**13.0%**	**8.2%**
Benchmark[6]: Composite Equity Pool	22.1%	12.3%	7.5%
Fixed Income Pool:			
Cash & Cash Equivalents	0.9%	0.7%	0.6%
Benchmark: DEX 30-Day T-Bill	1.0%	0.7%	1.9%
Bonds	-0.6%	6.2%	6.0%
Benchmark[7]: Composite Bond	-1.9%	6.4%	5.7%
Total Fixed Income Pool:	**-0.5%**	**6.0%**	**5.5%**
Benchmark[7]: Composite Fixed Income Pool	-1.9%	6.4%	5.5%
Balanced Account:	**16.1%**	**11.0%**	**7.7%**
Benchmark[8]: Composite Balanced Account	13.2%	10.4%	7.0%
Socially Responsible Investment Pool:	**13.2%**	**8.9%**	**n/a**
Benchmark: GEM Balanced	13.0%	9.6%	n/a
Money Market Pool:	**0.9%**	**0.7%**	**2.0%**
Benchmark: DEX 30-Day T-Bill	1.0%	0.7%	1.9%

Note 1: Returns have been determined by an independent performance measurement firm, are reported in Canadian dollars and are gross of fees. Different benchmark indices were used in the five- and ten-year periods, where applicable.

Note 2: Effective January 1, 2012.

Note 3: Effective October 1, 2012.

Note 4: Includes Real Estate, Private Equity and Absolute Return Strategies.

Note 5: Effective October 1, 2012, the policy allocation benchmark is 25% Real Estate Benchmark + 40% Private Equity Benchmark + 35% Absolute Return Strategies Benchmark.

Note 6: Effective October 1, 2012, policy allocation benchmark is 23.1% S&P/TSX Composite Index + 16.9% S&P 500 Index + 9.2% MSCI EM Index + 7.7% MSCI EAFE Index + 12.3% MSCI World High Dividend Yield Index + 30.8% Alternative Assets Benchmark.

Note 7: Effective October 1, 2013, policy allocation benchmark is 100% DEX Universe Bond Index.

Note 8: Effective October 1, 2012, policy allocation benchmark is 65% Composite Equity Pool Benchmark + 35% Composite Fixed Income Pool Benchmark.

The key to performance is meeting the long-term investment objectives that are specific to the Pension Fund.

As shown in the following table, the performances of the Equity Pool, Fixed Income Pool, Balanced Account and Money Market Pool surpassed their respective long-term objectives as at December 31, 2013, measured over no less than ten years.

The performance of the SRI Pool surpassed its respective long-term objective over five years.

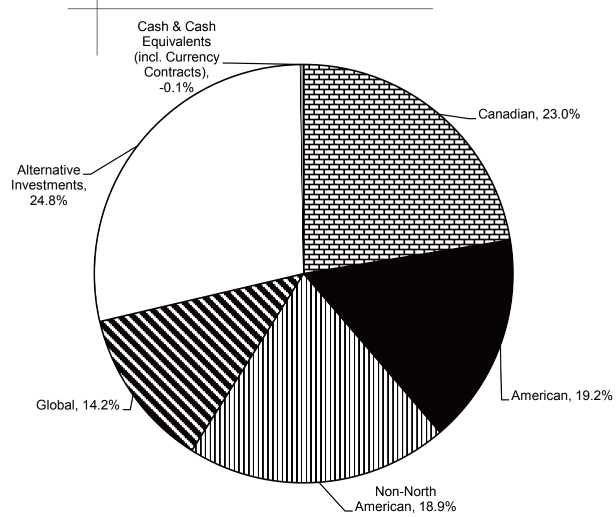
Long-Term Objectives

Equity Pool:	4.0% plus the annual change in the Canadian Consumer Price Index (CPI).
Fixed Income Pool:	2.0% plus the annual change in the Canadian CPI.
Balanced Account:	3.3% plus the annual change in the Canadian CPI.
SRI Pool:	3.3% plus the annual change in the Canadian CPI.
Money Market Pool:	The return on the DEX 30-Day T-Bill Index, before fees.

While the objectives above are meant to be long-term (no less than 10 years), the following table includes comparative performance over 1 and 5 years:

	1-year Return	Long-Term Objective	5-year Return	Long-Term Objective	10-year Return	Long-Term Objective
Equity Pool:	24.1%	5.2%	13.0%	5.6%	8.2%	5.8%
Fixed Income Pool:	-0.5%	3.2%	6.0%	3.6%	5.5%	3.8%
Balanced Account:	16.1%	4.5%	11.0%	4.9%	7.7%	5.1%
SRI Pool:	13.2%	4.5%	8.9%	4.9%	n/a	n/a
Money Market Pool:	0.9%	1.0%	0.7%	0.7%	2.0%	1.9%
CPI for the period:	0.8%		1.6%		1.8%	

Summary of Equity Pool Investments



Investment Manager Performance

Schedule 4 shows the gross rates of market returns achieved by the investment managers and the alternative equity portfolios of the Accumulation Fund for the calendar year 2013 and, where applicable, over the five and ten-year periods ending December 31st, 2013. The benchmarks applicable to each manager and alternative equity portfolio are also noted in *Schedule 4*.

EQUITY POOL

The Equity Pool includes Canadian, US, non-North American and global equities, investments in alternative strategies, cash and cash equivalents and foreign currency contracts.

Manager Performances[1] as at December 31, 2013

Manager	Annualized Rates of Return 1 year	5 years	10 years
Canadian Equity Managers:			
Pyramis Global Advisors	20.0%	n/a	n/a
Benchmark: S&P/TSX Composite	13.0%	n/a	n/a
State Street Global Advisors	13.2%	n/a	n/a
Benchmark: S&P/TSX 60	13.3%	n/a	n/a
Van Berkom & Associates	43.3%	26.9%	12.9%
Benchmark: S&P/TSX SmallCap Index	7.6%	14.0%	3.4%
US Equity Managers:			
State Street Global Advisors	41.9%	n/a	n/a
Benchmark: S&P 500 LargeCap Index	41.3%	n/a	n/a
Pembroke Management[2]	n/a	n/a	n/a
Benchmark: Russell 2000	n/a	n/a	n/a
Non-North American Equity Managers:			
Hexavest	35.9%	n/a	n/a
Benchmark: MSCI EAFE Index	31.6%	n/a	n/a
William Blair & Company	29.1%	11.3%	n/a
Benchmark[3]: MSCI EAFE + EM Index	24.4%	8.0%	n/a
Aberdeen Asset Management Ltd.	0.6%	16.9%	n/a
Benchmark: MSCI EM Index	4.3%	12.3%	n/a
Global Equity Managers:			
State Street Global Advisors	30.9%	n/a	n/a
Benchmark: MSCI World High Dividend Index	31.1%	n/a	n/a
Alternative Equity:			
Real Estate Portfolio	14.3%	10.0%	7.0%
Benchmark[3]: (4% + CPI)	5.2%	5.0%	6.4%
Private Equity Portfolio	19.1%	6.2%	5.2%
Benchmark[3]: (2/3 S&P500 + 1/3 MSCI Europe) + 3%	42.1%	18.0%	10.9%
Absolute Return Strategies	25.6%	n/a	n/a
Benchmark: DEX 30-Day T-Bill + 5%	6.0%	n/a	n/a
Bond Managers:			
TD Asset Management[4]	n/a	n/a	n/a
Fiera Capital[5]	n/a	n/a	n/a
Phillips, Hager & North	-0.3%	n/a	n/a
Benchmark: DEX Universe Bond Index	-1.2%	n/a	n/a
Canso Investment Counsel:	7.4%	n/a	n/a
Benchmark: DEX Universe Corporate Bond Index	0.8%	n/a	n/a
Socially Responsible Investment Manager:			
Guardian Ethical Management	13.2%	8.9%	n/a
Benchmark: GEM Balanced	13.0%	9.6%	n/a
Money Market Manager:			
TD Asset Management	0.9%	0.7%	2.0%
Benchmark: DEX 30-Day T-Bill	1.0%	0.7%	1.9%

Note 1: Returns have been determined by an independent performance measurement firm, are reported in Canadian dollars and are gross of fees.
Note 2: Mandate began on June 28, 2013.
Note 3: Different benchmark indices were used in the five- and ten-year periods, where applicable.
Note 4: Mandate reinstated on June 18, 2013.
Note 5: Mandate began on May 16, 2013.

Ten Largest Canadian Publicly Traded Equity Holdings in the Equity Pool as at December 31, 2013

Security Name	Market Value (in millions)	% of Equity Pool	% of Balanced Account
Royal Bank of Canada	$10.8	1.4%	1.0%
Toronto Dominion Bank	$10.1	1.3%	0.9%
The Bank of Nova Scotia	$7.4	1.0%	0.7%
Suncor Energy	$4.9	0.6%	0.4%
Bank of Montreal	$4.5	0.6%	0.4%
Canadian National Railway	$4.5	0.6%	0.4%
Manulife Financial	$4.0	0.5%	0.4%
Valeant Pharmaceuticals International	$4.0	0.5%	0.4%
Enbridge	$3.7	0.5%	0.3%
Alimentation Couche-Tard	$3.5	0.4%	0.3%

CANADIAN EQUITY INVESTMENTS

The Equity Pool's holdings in Canadian equities ($177.0 million at year-end) were invested in Canadian equities through index and fully active strategies. For the year, Pyramis Global Advisors, employing a fully active investment approach, returned 20.0%, compared to the S&P/TSX Composite return of 13.0%. The performance of Van Berkom & Associates, who actively manage a small cap mandate, was very strong with a 43.3% return for the year, well above its S&P/TSX SmallCap Index benchmark return of 7.6%. State Street Global Advisors' indexed mandate return of 13.2% slightly underperformed the S&P/TSX 60 Index return of 13.3%.

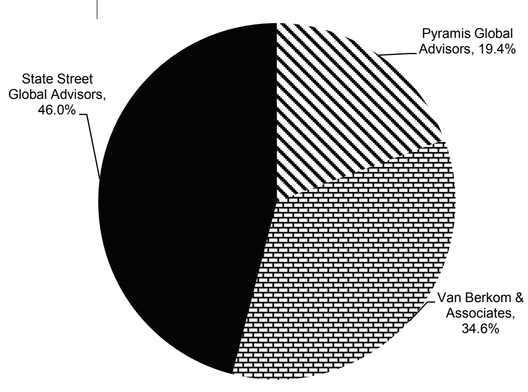
At December 31, 2013, approximately 46% of the Canadian equity portfolio was invested in an index strategy, versus 52% as at December 31, 2012. The entire Canadian equity portfolio was managed externally at year-end.

US EQUITY INVESTMENTS

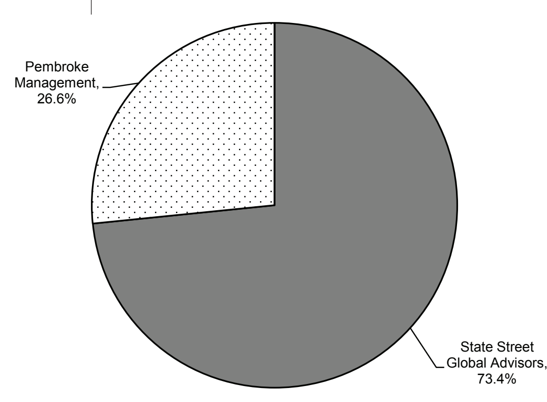
The Equity Pool's holdings in US equities ($148.1 million at year-end) were invested in an index strategy and a small-cap active strategy.

State Street Global Advisors following a largecap index mandate, returned 41.9% slightly above the S&P500 Index benchmark of 41.3%. Pembroke Management Ltd. was hired in June 2013 and returned 24.1% for the six-month period ended December 31, 2013 versus the 20.7% return of the Russell 2000 Index for the same period.

Management Structure in Canadian Equities



Management Structure in US Equities



Ten Largest US Publicly Traded Equity Holdings in the Equity Pool as at December 31, 2013

Security Name	Market Value (in Canadian millions)	% of Equity Pool	% of Balanced Account
Johnson & Johnson	$5.2	0.7%	0.5%
Chevron	$4.8	0.6%	0.4%
Pfizer	$4.0	0.5%	0.4%
AT & T	$3.7	0.5%	0.3%
Apple	$3.3	0.4%	0.3%
Merck	$3.0	0.4%	0.3%
Exxon Mobil	$2.9	0.4%	0.3%
Philip Morris International	$2.8	0.4%	0.3%
Intel	$2.6	0.3%	0.2%
Cisco Systems	$2.4	0.3%	0.2%

At December 31, 2013, approximately 73% of the US equity portfolio was invested in an index strategy versus 100% as at December 31, 2012.

The entire US equity portfolio was managed externally at year end.

NON-NORTH AMERICAN EQUITY INVESTMENTS

The Equity Pool's holdings in non-North American equities ($145.6 million at year-end) were allocated to active strategies in developed and emerging markets.

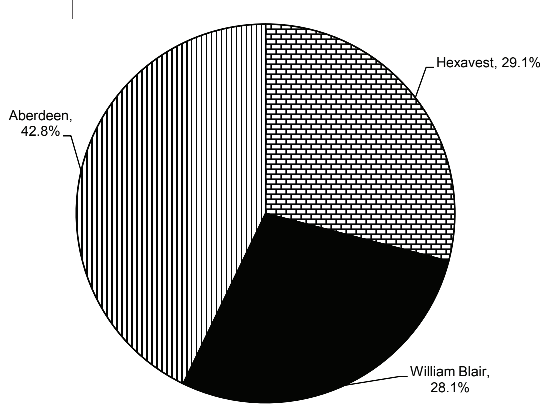
Hexavest, with a mandate to invest in developed non-North American markets, returned 35.9% which was above the 31.6% return of its benchmark, the MSCI EAFE Index. William Blair & Company, following an international growth mandate in developed and emerging markets, returned 29.1% for the year versus the benchmark return of 24.4% for the MSCI EAFE + EM Index.

Aberdeen Asset Management returned 0.6%, underperforming the 4.3% return of the MSCI EM Index.

At December 31, 2013, the entire non-North American equity portfolio was actively managed versus 97% as at December 31, 2012.

At December 31, 2013, the entire non-North American portfolio was managed externally versus 97% as at December 31, 2012.

Management Structure in Non-North American Equities



Ten Largest Non-North American Publicly Traded Equity Holdings in the Equity Pool as at December 31, 2013

Security Name	Market Value (in Cdn $ millions)	% of Equity Pool	% of Balanced Account
Roche Holdings (Switzerland)	$4.4	0.6%	0.4%
Nestle (Switzerland)	$4.1	0.5%	0.4%
Novartis (Switzerland)	$3.3	0.4%	0.3%
Vodafone (United Kingdom)	$3.2	0.4%	0.3%
Total (France)	$2.6	0.3%	0.2%
China Mobile (Hong Kong)	$2.4	0.3%	0.2%
Sanofi (France)	$2.4	0.3%	0.2%
iShares MSCI Japan ETF (Japan)	$2.2	0.3%	0.2%
Glaxosmithkline (United Kingdom)	$2.2	0.3%	0.2%
AIA Group (Hong Kong)	$2.2	0.3%	0.2%

GLOBAL EQUITY

The Equity Pool's holdings in global equities ($109.2 million at year-end) were allocated entirely to an index strategy.

State Street Global Advisors, following a high-dividend yield index mandate in developed markets, returned 30.9% for the year versus the 31.1% return of its benchmark, the MSCI World High Dividend Yield Index.

At December 31, 2013, 100% of the global equity portfolio was invested in an index strategy and managed externally.

ALTERNATIVE EQUITY INVESTMENTS

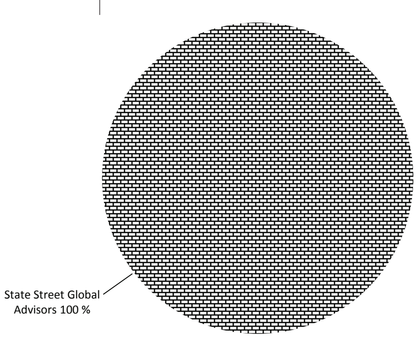
The Equity Pool's holdings in alternative strategies ($190.4 million at year-end) are meant to provide diversification relative to the publicly-traded equity and fixed income markets. The alternative equity investments include allocations to real estate, private equity and absolute return strategies.

The real estate porfolio return of 14.3% was significantly higher than the 5.2% return of its benchmark which is 4% + CPI. The real estate portfolio is entirely invested in privately-held Canadian real estate.

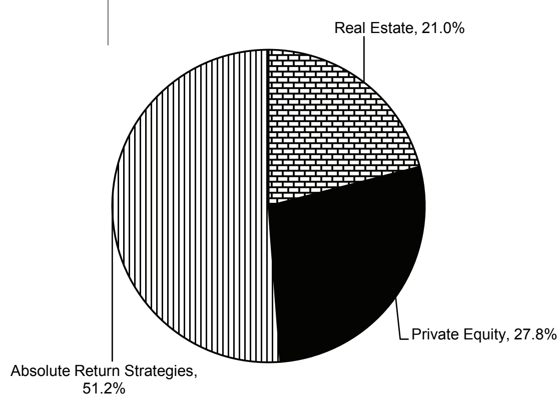
The private equity portfolio returned 19.1% versus the 42.1% return of its public markets based benchmark, which is a blend of the S&P500 and MSCI Europe indices returns plus 3%.

The absolute return strategies returned 25.6% for the year versus the 6.0% benchmark return of the DEX 30-day T-Bill + 5%.

Management Structure in Global Equity Investments



Management Structure in Alternative Equity Investments



Ten Largest Fixed Income Pool Holdings as at December 31, 2013

Security Name	Market Value (in Cdn $ millions)	% of Fixed Income Pool	% of Balanced Account
Gov't of Canada 1% 2015/11/01	$22.9	6.9%	2.0%
Province of Ontario 2.85% 2023/06/02	$11.4	3.4%	1.0%
Gov't of Canada 3.5% 2020/06/01	$5.1	1.5%	0.5%
The Bank of Nova Scotia 2.24% 2018/03/22	$4.9	1.5%	0.4%
Province of Ontario 7.6% 2027/06/02	$4.9	1.5%	0.4%
Province of Ontario 4.65% 2041/06/02	$4.1	1.2%	0.4%
Province of Ontario 5.6% 2035/06/02	$4.1	1.2%	0.4%
Province of Quebec 4.5% 2019/12/01	$3.9	1.2%	0.3%
Province of Ontario 3.15% 2022/06/02	$3.5	1.1%	0.3%
The Toronto-Dominion Bank 5.76% 2017/12/18	$3.5	1.0%	0.3%

FIXED INCOME POOL

The Fixed Income Pool's holdings ($331.5 million at year-end) include allocations to government bonds, corporate bonds and cash and cash equivalents. The Fixed Income Pool's holdings are primarily Canadian securities denominated in Canadian dollars.

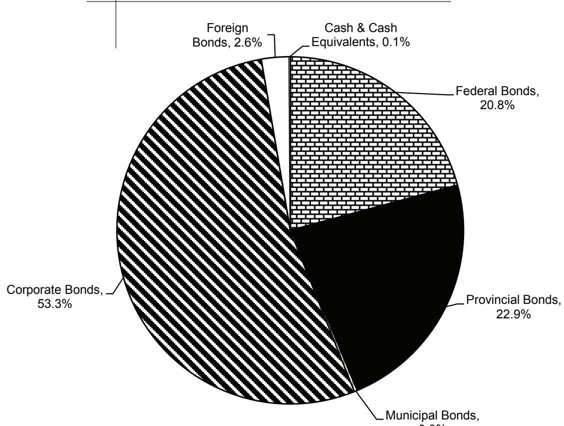
TD Asset Management, which manages an indexed bond mandate, was rehired in 2013 and returned 0.3% for the six-months ended December 31, 2013 versus the same return for the DEX Universe Bond Index. Phillips, Hager & North's actively managed DEX universe bond mandate returned -0.3% for the year versus the -1.2% return for its benchmark.

Canso Investment Counsel's corporate bond mandate returned 7.4% far surpassing the DEX Universe Corporate Index return of 0.8%.

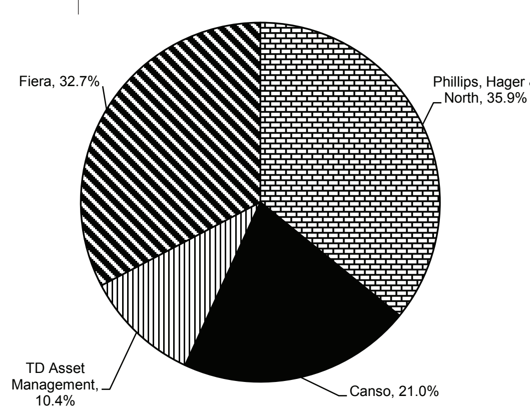
In May 2013, Fiera Capital was hired to manage a DEX universe bond mandate which returned -1.7% for the last seven months of the year equalling the -1.7% return for its benchmark during the same period.

As December 31, 2013, 10.4% of the fixed income portfolio was invested in an index strategy. The entire portfolio was managed externally at year-end.

Summary of Fixed Income Pool Investments



Management Structure in Fixed Income Investments



Ten Largest Socially-Responsible Investment (SRI) Pool Holdings as at December 31, 2013

Security Name	Market Value (in Cdn millions)	% of SRI Pool
Canada Housing Trust 3.35% 2020/12/15	$1.3	6.6%
Toronto Dominion Bank	$0.4	2.2%
Royal Bank of Canada	$0.4	2.2%
The Bank of Nova Scotia	$0.4	2.1%
Suncor Energy	$0.4	1.9%
Gov't of Canada 5.75% 2033/06/01	$0.3	1.5%
Gov't of Canada 5.75% 2029/06/01	$0.3	1.4%
Canadian National Railway	$0.3	1.4%
George Weston	$0.3	1.4%
Province of Ontario 8.50% 2025/12/02	$0.2	1.3%

SOCIALLY-RESPONSIBLE INVESTMENT ("SRI") POOL

The SRI Pool was established on April 1, 2008. The SRI Pool has a minimum ongoing threshold of $8 million, set by the PAC, as a condition of maintaining this investment option under the Plan. At December 31, 2013, the SRI Pool had $19.2 million in assets.

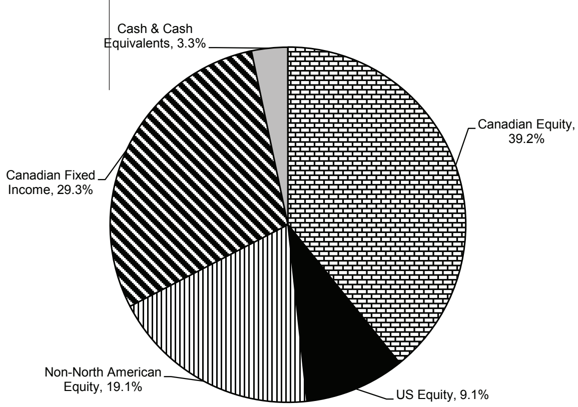
The SRI Pool invests in the Guardian Ethical Management ("GEM") Balanced Pool. However, as of January 2014, the SRI Pool will be investing in the Phillips, Hager & North Community Values ("PH&N CV") Balanced Fund. PH&N focuses on investment management within the fund and environmental, social and governance factors influence their decision making. In addition, PH&N works with Sustainalytics, a global leader in sustainability research and analysis, to ensure that investments in the fund meet sustainalytics minimum criteria for socially responsible investing.

Like the GEM Balanced Pool, the PH&N CV Balanced Fund, and in turn the SRI Pool, invests in Canadian equities, US equities, non-North American equities, Canadian fixed income and cash and cash equivalents. The SRI Pool asset class allocations as at December 31, 2013 are shown in the "Summary of SRI Pool Investments" pie chart.

Guardian Ethical Management, which has a "socially responsible" investment mandate, returned 13.2% for the year ending December 31, 2013 versus its benchmark return of 13.0%.

At December 31, 2013, the entire SRI Pool was managed externally by Guardian Ethical Management.

Summary of SRI Pool Investments



Money Market Pool Holdings as at December 31, 2013

Security Name	Market Value (in Cdn $ millions)	% of Money Market Pool
Gov't of Canada T-Bill 2014/01/03	$8.1	50.4%
Gov't of Canada T-Bill 2014/01/16	$1.5	9.3%
Gov't of Canada T-Bill 2014/01/30	$1.5	9.2%
Gov't of Canada T-Bill 2014/02/27	$1.0	6.5%
Gov't of Canada T-Bill 2014/02/13	$0.8	5.2%
Gov't of Canada T-Bill 2014/04/24	$0.8	5.2%
Gov't of Canada T-Bill 2014/03/13	$0.6	3.9%
Gov't of Canada T-Bill 2014/05/22	$0.6	3.9%
Gov't of Canada T-Bill 2014/03/27	$0.2	1.3%
Gov't of Canada T-Bill 2014/06/05	$0.2	1.3%

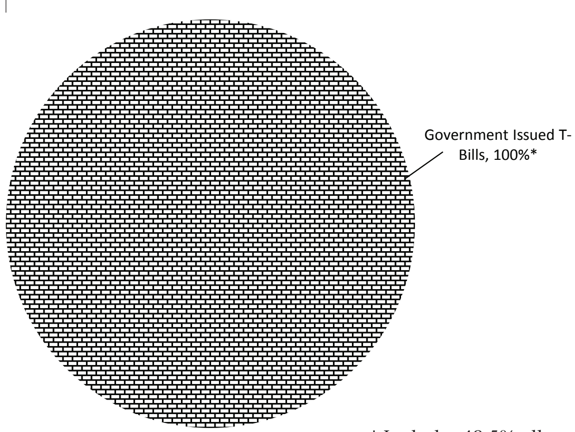
MONEY MARKET POOL

The Money Market Pool's holdings ($16.2 million at year-end) consisted of allocations to cash and cash equivalents. Cash equivalents may include Federal and Provincial Government issues, Banker's Acceptances and term deposits.

The externally-managed investments are invested in TD Asset Management's TD Emerald Government of Canada Fund.

The Money Market Pool generated a return of 0.9% for the year, slightly below the 1.0% return generated by its benchmark, the DEX 30-Day T-Bill Index.

Summary of Money Market Pool Investments



* Includes 48.5% allocation to a reverse repurchase agreement with a Canadian Schedule A chartered bank which matures on January 3, 2014. A reverse repurchase agreement is the immediate purchase of securities (i.e. Government of Canada T-Bills) and a simultaneous agreement to resell these securities at a later date and agreed upon price.

Unit Values

Up until October 31, 2013, unit values were calculated on a single-month basis with a one-month lag (i.e. units valued at October were based on the market value in effect in September). As of November 1, 2013, the use of unit values has been discontinued. Members' holdings in the various investment pools are valued on a daily market value basis with transactions being posted twice a month.

Unit values were net of all investment and administration expenses and fluctuated (subject to increase or decrease) based on prevailing market conditions. Consequently, the unit value returns could have been quite different from the market performance returns set out in *Schedule 3*, which are reported gross of fees and on a calendar basis.

The annual rates of return achieved by members in the various pools over the last 10 years, measured on the basis of unit values as at December 31st of each year (except 2013), calculated as described above, are shown in *Schedule 5*.

The actual rate of return earned during the year by a member's account will, of course, vary according to the mix of investments chosen by the member. For members who have changed their asset mix strategies from time to time over the years, their long-term rate of return will also reflect the gains and/or losses that were achieved as a result of such changes. Only the performance of the Balanced Account is taken into account in the calculation of the Defined Benefit Minimum Provision, if applicable. If you have participated in any of the other investment pools, your Defined Benefit Minimum Provision will be adjusted to reflect the impact of the investment gains or losses achieved under those pools relative to the performance of the Balanced Account. Members can view their personal rates of return on the website at: http://www.mcgill.ca/hr/bp/pensions/access.

Charts 1A (on page 22) and *IB* (on page 23) illustrate the historical progress of the unit values from inception of the Plan in 1972 until October 31, 2013. A listing of unit values from 2003 to October 31, 2013 is shown in *Appendix III*.

Updates on the web

Historical unit values and current performance numbers are updated quarterly and can be viewed on our web site: www.mcgill.ca/hr/bp/pensions/unithistory

SCHEDULE 5

Unit Values - Historic Performance[1]

Year	Balanced Account	Equity Pool	Fixed Income Pool	Socially Responsible Investment	Money Market Pool
2004	12.53%	13.75%	10.01%		2.36%
2005	14.97%	18.13%	7.96%		2.70%
2006	13.81%	17.89%	4.73%		3.99%
2007	2.23%	2.52%	0.94%		4.43%
2008	-15.68%	-23.62%	0.32%	-17.90%[2]	2.78%
2009	12.57%	12.26%	11.89%	14.01%	0.29%
2010	9.44%	12.31%	6.05%	7.46%	0.19%
2011	3.63%	1.38%	6.73%	0.20%	0.65%
2012	9.23%	10.12%	6.98%	5.15%	0.65%
2013 (to October 31st)	10.18%	16.23%	-1.70%	6.88%	0.53%
2013[3]	**16.07%**	**24.08%**	**-0.48%**	**13.22%**	**0.94%**
10-Year Annualized Rate of Return[4]:	7.74%	8.19%	5.49%	n/a	2.01%

Note 1: Up until October 31, 2013, unit values were calculated on a monthly basis with a one-month lag. For market performance on a calendar-year basis please refer to Schedule 3 on page 7.
Note 2: 8 months only – Socially Responsible Investment Pool was established in April 2008.
Note 3: The annual return for 2013 is based on market performance on a calendar basis.
Note 4: As of 2013, the 10-year annualized rate of return has been changed to reflect market performance on a calendar basis.

The Pensioner FUND

The Pensioner Fund is the section of the Pension Fund that contains the assets required to finance the benefits for retired staff who opted for an internal pension settlement prior to January 1, 2011. The investment objective of the Pensioner Fund is to optimize the return of the fund over the long term in such a manner as to provide high security for pensions in progress, to provide enhancements of pension amounts in accordance with the Plan Document and to minimize the possibility of actuarial deficiencies. It seeks to achieve this objective by investing in a diversified portfolio of fixed income and equity investments.

Asset Allocation

The strategic long-term asset allocation mix is a 35% equity and 65% fixed income allocation. At December 31, 2013, 100% of the Pensioner Fund's portfolio was managed by external investment managers.

As the investment performance of individual managers and markets move the actual asset allocation of the Pensioner Fund away from the strategic asset allocation policy established by the PAC, consideration is given to rebalancing the assets back to policy.

Schedule 6 compares the actual Pensioner Fund holdings to the policy allocation on the basis of market values as at December 31, 2013.

Investment Management

There were no investment manager changes made in 2013 in the Pensioner Fund.

Performance

In 2013, the Pensioner Fund had a rate of return of 6.6% for the year, above the long-term objective of 6.25%. The performance was strongly impacted by the equity return of 17.4% and by the real estate return of 10.5%.

The return on fixed income investments was 0.4% while cash and cash equivalents returned 1.0%.

SCHEDULE 6

Pensioner Fund - Asset Allocation Policy

Asset Class	December 31,2013 Amount (in Millions)	December 31,2013 % of Total Fund	MIN%	MID%	MAX%
Cash & Cash Equivalents	6.4	3.0	0	0	10
Fixed Income	105.4	50.5	45	65	75
Real Estate	32.5	15.6	0	0	15
Equity	64.4	30.9	25	35	45
Total Pensioner Fund:	$208.7	100.0%		100.0%	

Schedule 7 shows the gross rates of market returns achieved by the various asset classes and managers for the one, five and ten-year periods ending December 31, 2013. The applicable benchmark performance for each asset class and manager is also noted in *Schedule 7*.

Chart 2 on page 23 illustrates the historical performance of the Pensioner Fund for the past ten years as compared against the long-term objective.

SCHEDULE 7

Pensioner Fund Performance[1] as at December 31, 2013

	Annualized Rates of Return		
Asset Class/Manager	**1 year**	**5 years**	**10 years**
Cash & Cash Equivalents	1.0%	0.7%	-0.3%
Benchmark: DEX T-Bills 30-Day	1.0%	0.7%	1.9%
Canadian Equity: Phillips, Hager & North	17.4%	14.6%	7.4%
Benchmark: S&P/TSX Composite	13.0%	11.9%	8.0%
Real Estate Porfolio	10.5%	10.1%	11.2%
Benchmark[2]: 4% + CPI	5.2%	5.0%	9.7%
Fixed Income:	0.4%	n/a	n/a
Benchmark: DEX Universe Bond Index	-1.2%	n/a	n/a
Standard Life Investments	-1.3%	n/a	n/a
Benchmark: Customized Liability	-1.2%	n/a	n/a
Canso Investment Counsel	8.0%	n/a	n/a
Benchmark: DEX Universe Corporate Bond Index	0.8%	n/a	n/a
TD Asset Management	-1.3%	n/a	n/a
Benchmark: DEX Universe Bond Index	-1.2%	n/a	n/a
TOTAL PENSIONER FUND:	6.6%	7.5%	6.1%

Note 1: Returns have been determined by an independent performance measurement firm, are reported in Canadian dollars and are gross of fees.
Note 2: Different benchmark indices were used in the five- and ten-year periods.

Benefits and ADMINISTRATIVE MATTERS

Plan Amendments

In 2011, Amendment No. 24 with varying effective dates, as noted below, was announced.

Amendment No. 24 amended the Plan in order to comply with applicable legislation, to harmonize the Plan Document with current practices as well as to include other changes of an administrative nature.

The most significant changes introduced in Amendment No. 24 are:

- Effective January 1, 2012, required University and member contributions to the Plan will cease at the earlier of the member's Normal Retirement Date (month end coinciding with the member's 65th birthday) or the date a member ceases to be an active member of the Plan.
- Effective January 1, 2012, for Part A members only, stipends will no longer be recognized under the defined benefit minimum provision and will only be eligible for member and University contributions under the defined contribution component of the Plan.
- Effective January 1, 2013, required member contributions for members aged 40-49 will increase to 7% and required member contributions for members aged 50-65 will increase to 8%.
- Effective January 1, 2014, subsequent to the results of actuarial valuations to the Plan, in situations where additional contributions are necessary to offset funding deficiencies, Part A members (those who joined or were eligible to join prior to January 1, 2009) will assume an equal share of the additional funding requirements.

Members are reminded that the text of the current Plan Document and all formal amendments may be examined during normal business hours (Monday to Friday from 9:00 a.m. to 5:00 p.m.) at the offices of the Pension Administration Commitee located at: 688 Sherbrooke Street West, Suite 1420, Montreal, Quebec, H3A 3R1.

2013 Benefit Payments

During 2013, 678 individual benefit settlements were transacted under the Plan totalling $127,457,640. The types of settlement transactions processed and the benefit amounts paid out of the Plan during 2013 are summarized in *Schedule 8*.

In 2013, 314 members of the Plan retired. The new retirees who consented to have their names included in this Report are listed in *Appendix I*.

As at December 31, 2013, there were 1249 retired members and beneficiaries receiving pensions from the Pensioner Fund. Of these, 788 are in the Old Pool with an average age of 83.2 years and 461 are in the New Pool with an average age of 71.3 years. The total of such pensions payments amounted to $32,140,151 in 2013.

During the year, 64 deaths were recorded among members of the Plan. Of this number, 9 were active members, 47 were retired members from the Old Pool and 8 were retired members from the New Pool. Of the total, 56 were former employees of the University (see *Appendix II*).

Annuity Dividends

Historically, Plan Annuity Rates have been set on the basis of assumptions with respect to interest earnings and mortality rates in order to include provision for potential increases in pension payments. When surplus earnings emerge in the Pensioner Fund as a result of mortality experience or investment returns that are more favorable than the rates required to cover current pension payments; or when the present value of assets exceed the present value of liabilities as a result of changes in interest rates, these amounts can be set aside to provide increases in the form of "Annuity Dividends" to pensions currently in the course of payment. Annuity Dividends are granted on the advice of the Plan's actuary and are subject to there being sufficient assets in the Pensioner Fund to cover the future cost of pensions purchased. The last time an Annuity Dividend was declared was in 1997.

External Settlements Paid in 2013

	Number	Total Amount	Average Payment
Transfers to LIRA/LIFs:	412	$118,836,932	$ 288,439
Death Benefits:	12	1,315,343	109,612
Annuity Purchases:	19	4,318,177	227,272
Lump-Sum Payments:	142	1,638,606	11,539
Transfers to other Pension Plans:	11	891,992	81,090
Other[1]:	82	456,589	5,568
Total:	678	$127,457,639	$ 187,991

[1] Includes transfers to RRSPs, RIFs and marriage breakdown settlements.

In 2000, the Pensioner Fund was notionally separated into two accounts. One account represents the assets and liabilities in respect of the pensioners who purchased their pensions on the “old” rate basis (prior to January 1, 2000); the other covers the pensioners who annuitized under the “new” rate basis. Separate dividend distributions apply to each group. The new annuity rates, which came into effect on January 1, 2000, are based on revised mortality and interest rate assumptions. To view the full history of the Annuity Dividends that have been granted since the inception of this program and the impact dividends have had on the benefits paid to the McGill pensioners over the years, please refer to our website: www.mcgill.ca/hr/bp/pensions/.

The amount and frequency of each Annuity Dividend is determined by the PAC following an annual actuarial valuation of the liabilities of the Pensioner Fund. All Annuity Dividends are calculated and paid on an actuarial basis that is designed to distribute the benefits evenly over the remaining lifetimes of all pensioners, within the respective pools. Each new dividend is allocated on a compounded basis in which the benefit is expressed as a percentage increase to be applied to the total of the initial base pension plus all past dividends granted.

Once an Annuity Dividend has been granted it forms part of the contractual lifetime benefit and the member’s pension can never be reduced below this amount in the future. Nevertheless, it is important to note that although past dividends are guaranteed, future dividend increases are entirely dependent on the ability of the Pensioner Fund to continue to generate surplus earnings; there can be no guarantee that this will be the case.

Subsequent to changes in the *Supplemental Pension Plans Act*, pension plans must establish a reserve when the plan is in a surplus position. As a result of this change, the Plan must be 100% solvent and must have funded the reserve prior to using any surplus to fund a dividend, thus, severely decreasing the likelihood of future annuity dividend increases.

Annuity Dividend Valuation

The December 31, 2012 actuarial valuation of the Pensioner Fund confirmed an excess of liabilities over assets of $91,251,000 on a solvency valuation basis (2009 - deficit of $65,841,000). Consequently, no Annuity Dividends could be declared.

As a result of the significant deficit which existed in the Pensioner Fund, a separate annuity dividend valuation was not performed in 2013.

The PAC will advise all members who elected to purchase an internal annuity from the Plan, if surplus earnings emerge in the Pensioner Fund.

Actuarial Valuation of the Plan

The Plan is required to provide information and actuarial certification at least every three years. Plan actuaries, Eckler Ltd, in their December 31, 2012 valuation report, established the financial position of the Plan.

The actuarial valuation of the Plan as a whole, established that a funding deficiency of $97,206,000 existed as at December 31, 2012 (2009 - deficit of $46,313,000).

The degree of solvency is described as the ratio of solvency assets to the solvency liabilities. As at December 31, 2012, the degree of solvency, excluding the defined contribution balances for those members who would not have been entitled to receive any benefits under the defined benefit minimum provision of the Plan, had the Plan been terminated on December 31, 2012 was 74.8% (2009 - 84.0%). Under the *Supplemental Pension Plans Act*, as of January 2007, university and municipal pension plans are no longer required to make contributions to amortize solvency deficits.

The Executive Summary of the Actuarial Valuation as at December 31, 2012, as prepared by the Plan actuary, Eckler Inc., can be found in *Appendix IV*.

The next triennial actuarial valuation of the Plan must be performed no later than December 31, 2015.

Administration

The day-to-day administration of the Plan is performed by the staff of Pension Administration and the Office of Investments on the basis of policies and procedures established and monitored by the Pension Administration Committee.

The total fees for the investment options in the Accumulation Fund, as well as the total fees for the Pensioner Fund, are presented in *Schedule 9*.

SCHEDULE 9

Administrative and Investment Management Fees as a Percentage of the Investment Pools' Assets

ACCUMULATION FUND	2013	2012
Balanced Account	0.73%	0.66%
Equity Pool	0.87%	0.81%
Fixed Income Pool	0.40%	0.38%
Socially Responsible Investment Pool	0.80%	0.97%
Money Market Pool	0.28%	0.32%
PENSIONER FUND	0.52%	0.52%

CONTACT US

The offices of the Pension Administration Committee, Pension Administration and the Office of Investments are located at:

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Montreal, Quebec H3A 3R1
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A copy of this annual report and other documents can also be accessed through our web site at http://www.mcgill.ca/hr/bp/pensions.

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La version française de ce rapport est disponible sur demande.

CHART 1A

Accumulation Fund Unit Values Since Inception to October 31, 2013 (after fees)

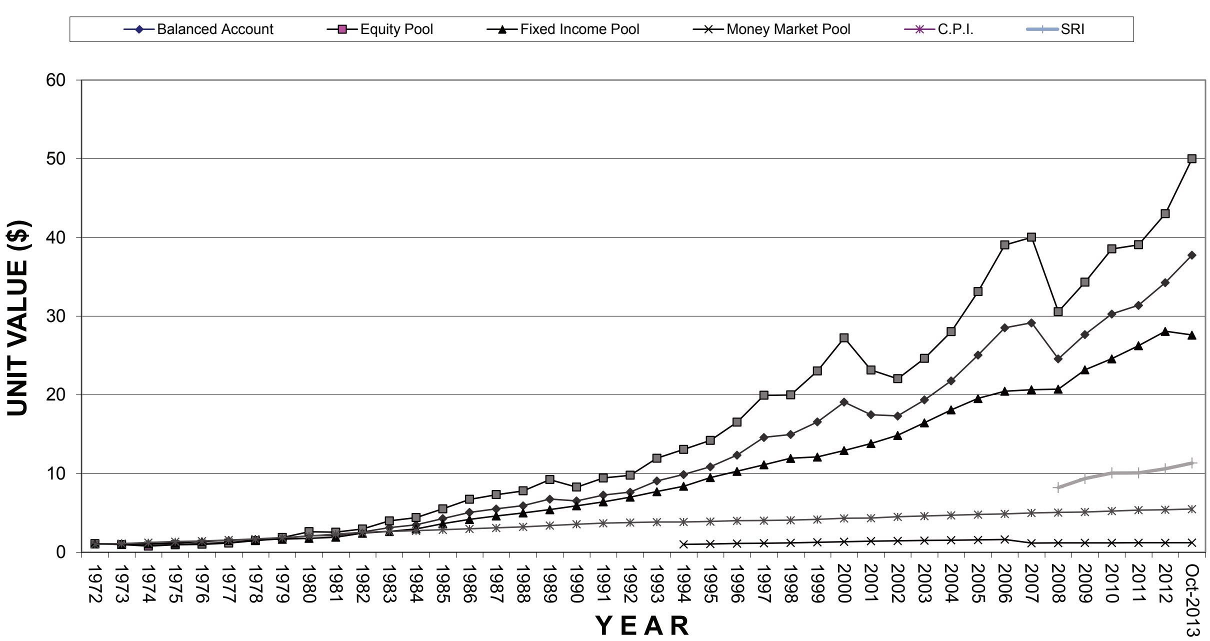


CHART 1B

Accumulation Fund Unit Values (logarithmic scale Since Inception, after fees)

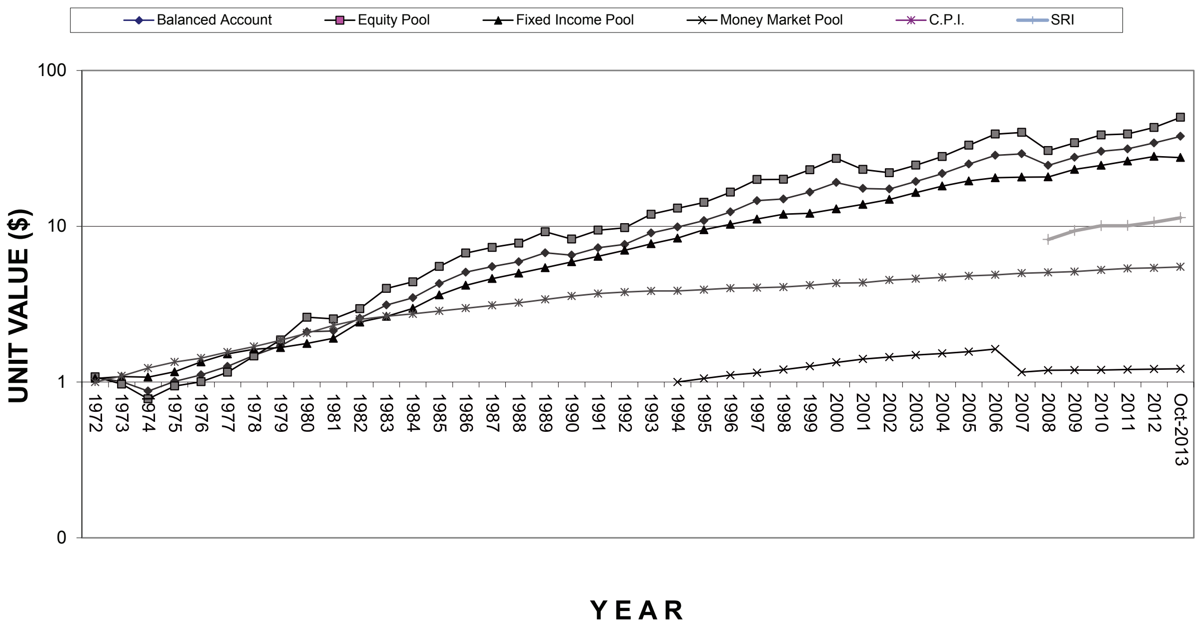
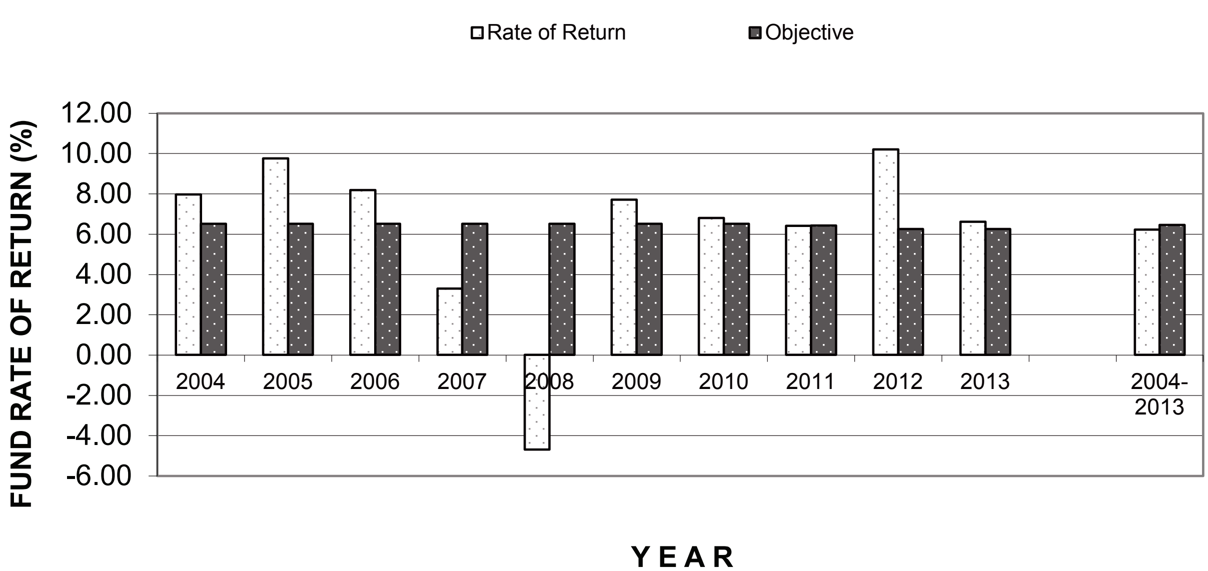


CHART 2

Pensioner Fund Performance History from 2004 to 2013



Current objective is 6.25%. From January 1, 2004 to August 31, 2011, the objective was 6.50%.

Appendix I

2013 RETIREMENTS

Name	Department or Faculty
Allnutt/Susann/Ms	Education
Amro/Jane/Ms	Information Systems Resources
Antecka/Emilia/Ms	Ophthalmology
Apraxine/Helen/Miss	Libraries
Archambault-Rozankovic/Lea/Mrs	Financial Services
Baker/Ted/Dr	Counselling Service
Baldry/Gwyneth/Mrs	CINE
Bamberger/Daintry Lee/Miss	Libraries
Beaulieu/Richard/Mr	Medicine
Bernstein/Gary/Mr	Network and Communication Services
Bocti/Susan L/Mrs	Biology
Bouwman/Zafiro/Ms	Libraries
Brodie/Hugh S/Mr	Network and Communication Services
Brown/Joan/Miss	Network and Communication Services
Cantin/Andre/Mr	Office of the VP (Communications External Relations)
Caouette/Claude/Mr	University Services
Cap/Patricia R/Mrs	Biomedical Engineering
Carson/Thomas/Mr	Libraries
Casella/Johanne/Mrs	Network and Communication Services
Champagne/Larry/Mr	Facilities Management
Champagne/Patricia/Ms	Financial Services
Charade/Alan G/Mr	Ancillary Services
Charron/Shirley A/Mrs	School of Continuing Studies
Chatfield/Debra/Ms	Student Services
Chew/Jennifer/Mrs	Montreal Neurological Institute
Chiasson/Louise/Mme	Information Systems Resources
Chouinard/Joanne/Ms	Dentistry
Coleman/Richard/Mr	Facilities Management
Cowan/Susan/Ms	Teaching & Learning Services
Czarnocki/Susan Amy/Ms	Libraries
Daigneault/Alain/Mr	Facilities Management
Davies/Deborah/Mrs	Electrical & Computer Engineering
De Angelis/Teresa/Ms	Office of Sponsored Research
De Fontenay/Herve/Mr	Language & Intercultural Communications
Di Lauro/Marie Helene/Mrs	Law
Dolphin/Bruce/Mr	Archives
Donnelly/Arlene Jo-Anne/Mrs	Human Resources
Dorrance/David/Mr	Athletics
Dow/Patricia Susan/Miss	Libraries
Dunphy/Kerry/Ms	Management
Eggeman/Martine/Ms	Enrolment Services
El-Jed/Belgacem/Mr	Facilities Operations & Development (Macdonald Campus)
Ellyett/William Russell/Mr	Athletics (Macdonald Campus)
Ezzy-Jorgensen/Frances J/Mrs	Oncology
Faubert/Leo/M	Facilities Operations & Development (Macdonald Campus)
Fee/Jacqueline/Ms	Development & Alumni Relations
Ferland/Michel/Mr	University Services
Fiorita/Laura/Miss	Pathology
Forgione/Agathe/Mrs	French Language Centre

Appendix I – Retirements (continued)

Name	Department or Faculty
Fournier/Alain/Mr	Facilities Operations & Development (Macdonald Campus)
Frenette/Arnold/Mr	University Services
Gacek/Joanna/Mrs	Financial Services
Gagnon-Alapi/Suzanne/Mrs	Bookstore
Gareau/Raymond/Mr	Facilities Operations & Development (Macdonald Campus)
Garreffa/Judy/Mrs	Financial Services
Gillam/Rose Mary/Mrs	Electrical Engineering
Gitlitz/Leonard/Mr	Bookstore
Gougeon/Rejeanne Denise/Dr	Medicine
Grossman-Canzer/Carole/Ms	Education
Gumbley/Joy/Ms	Office of Sponsored Research
Habberfield/Neil James/Mr	Facilities Management
Hackett/Lise/Ms	Libraries
Hatcher/Denis/Mr	Macdonald Campus Farm
Hendrick/Janis L/Ms	Enrolment Services
Hollingsworth/Elizabeth/Mrs	Enrolment Services
Hooper/Frederick G/Mr	Information Systems Resources
Isabel/Guy/Mr	Information Systems Resources
Jackel/Jane/Ms	Content & Collaboration Services
Jacobs-Starkey/Linda/Dr	School of Dietetics & Human Nutrition
Janukavicius/Margaret/Ms	Enrolment Services
Jensen/Carmen/Mrs	Content & Collaboration Services
Kerrigan/Richard/Mr	IT Customer Services
Kingsland/David E/Mr	Libraries – Macdonald Campus
Kirk/Pamela/Ms	Biochemistry
Kling/Norman/Mr	Information Systems Resources
Klukowski/Peter/Mr	Network & Communication Services
Koeck/Monika M/Ms	Financial Services
Kowalski/Grazyna/Ms	Office of the Associate Provost
Kratch/George Wayne/Mr	Human Resources
Lacombe/Christiane/Miss	Student Health Services
Lafleur/Levi/Mr	Real Estate Office
Lamarche/Robert/Mr	Biology
Laniel/Denyse/Ms	English & French Language Centre
Lariviere/Suzanne/Mrs	Epidemiology, Biostatistics & Occupational Health
Lauer/Kathy/Ms	Arts
Lavallée/Mariette/Mme	Neurobiology
Lavergne/Laura/Ms	Enrolment Services
Lawson/Dorothy C/Ms	Libraries
Legault/Ginette/Mrs	Campus Housing – Macdonald Campus
Lepage/Danielle/Mme	Medicine
Levine/Allan/Mr	Information Systems Resources
Little/Sylvia M J/Miss	Libraries
Lussier/Alain/Mr	Printing
Maguire/Kathleen/Ms	Management
Mainella/Laura/Mrs	Libraries
Malde/Lilavati/Mrs	Financial Services
Mansoori/Ahsan Ul Haq/Mr	Animal Resource Centre
Marcil/Hubert/Mr	Facilities Operations & Development
Martin/Michel/Mr	Facilities Operations & Development
Martin-Chin/Elizabeth/Mrs	Libraries
Mathieu/Gilyane/Ms	Information Technology Services

Appendix I – Retirements (continued)

Name	Department or Faculty
Mayhew/Katherine/Mrs	Enrolment Services
McAllister/James/Mr	Facilities Management
McCance/Colin G/Mr	Education
McCrea/Ellie L/Ms	Neuroimmunology
McDaid/Mary/Ms	Office of the Assistant Provost
McKinley/Patricia/Dr	School of Physical & Occupational Therapy
McMahon-Laporte/Nancy/Mrs	Music
McNeil/John/Mr	Libraries
McNicoll/Anna/Mrs	Biology
Menard/Lise/Ms	IT Customer Services – Macdonald Campus
Menon/Gopalakrishnan/Mr	Facilities Operations & Development
Merani/Amin P/Mr	Libraries
Micozzi/Antonio/Mr	Mechanical Engineering
Miele/Angelo S/Mr	Information Systems Resources
Miller/Alex/Mr	Information Systems Resources
Monk/Lindsay/Mr	Animal Resource Centre
Moore/Louise/Ms	Enrolment Services
Morehouse/Douglas D/Dr	Surgery
Morgan/Kenneth/Dr	Human Genetics & Medicine
Morrier/June A/Ms	Scholarship & Student Aid
Movafegh/Khandan/Mrs	Financial Services
Mow/Kin/Mr	Residences & Student Housing
Musil/Judy A/Mrs	IT Services
Newkirk/Marianna M/Dr	Medicine
Ng Ying Kin/Nmk/Dr	Psychiatry
Oshima-Takane/Yuriko/Dr	Psychology
Ostiguy/Louise/Ms	Music
Pamplin/Christine/Mrs	Physiology
Paquin/Etienne/Mr	Security Services
Parish/Colleen/Ms	History & Classical Studies
Parkinson/Marlene/Mrs	Natural Resource Sciences
Parle/Eileen/Miss	Law
Pasta/Francesco/Mr	IT Customer Services
Perrault/Jean/Mr	Facilities Management
Peterson/Kathryn/Ms	Science
Pharo/Judy Frances/Ms	Engineering
Pollack/Gerald/Dr	Biology
Pothier/Marie Anne/Ms	Music
Powell/Robert W S/Mr	IT Customer Services
Procyshyn/Norma/Mrs	Arts
Przykorski/Marek/Mr	Civil Engineering
Quik/Richard/Mr	Engineering
Ray/Hugh/Mr	Information Systems Resources
Reichman/Susan/Mrs	Education
Richard/Helen Mary/Miss	Office of the Provost
Richer/Louis/Mr	Network & Communication Services
Roby/Danielle/Ms	Information Systems Resources
Rohar/Michael/Mr	IT Customer Services

Appendix I – Retirements (continued)

Name	Department or Faculty
Rojas Carmona/Carlos/Mr	Libraries
Rosen/Connie Sandra/Miss	Office of the VP (Research & International Relations)
Rubin/Evelyn/Mrs	Biology
Rusnak/Elizabeth/Ms	Psychiatry
Ryan/Diane/Mrs	Athletics
Ryan/Lawrence/Mr	Athletics
Saeed/Jamilah P/Mrs	Meakins-Christie Lab
Sage/Anne/Ms	Engineering
Saka Miller/Nellie/Ms	Bookstore
Sarda/Armand/Mr	Human Resources
Sedgwick/Donald/Mr	Arts
Selway/Leslie/Miss	Mining & Materials Engineering
Sgro/Carmelo/Mr	Network & Communication Services
Simon/Mary/Mrs	Libraries
Smith/Ross A/Mr	Facilities Operations & Development
Staudt/Miriam/Mrs	Psychiatry
Stewart/Barbara J/Miss	Animal Sciences
St-Louis/Elizabeth A/Ms	Environmental Health & Safety
Suppa/Valerie/Ms	Dentistry
Terk/Meira/Ms	Development & Alumni Relations
Theriault/Roxane/Ms	Office of the VP (Research & International Relations)
Thompson/Andrew/Mr	Facilities Management
Topor Pop/Vasile/Dr	Physics
Trempe/Normand/Mr	Chemistry
Turner/Eleanor J/Mrs	Libraries
Vandernoot/Kathleen/Ms	Libraries
Wald/Lorne/Mr	Information Security
Watt/Katherine L/Miss	Libraries
Weiss-Dittmann/Brigitte/Mrs	Languages, Literatures & Cultures
Williams/Cecile/Mrs	Pathology
Willox/Stuart A/Mr	Macdonald Campus Farm
Wilmot/Katherine J/Mrs	Project Management Office
Wilmot/Steven/Mr	Content & Collaboration Services
Wood/Airlie N/Miss	Libraries
Wu/Ling/Miss	Enrolment Services
Yacoulis/Despina Debra/Ms	Hospitality McGill
Yau/Fernina Kit-Yee/Mrs	Enrolment Services
Young/Anna/Mrs	Law
Young/Irene/Mrs	Libraries
Young/Simon N/Dr	Psychiatry
Zervos/Nick/Mr	Music

Appendix II
2013 DEATHS

Active Plan Members whose deaths occurred in 2013:

Name	Department or Faculty
Blouin/Francois/Mr	Enrolment Services
Blanchette/Mark A/Mr	Facilities Management
Dougan/Maureen/Miss	Libraries
Farookhi/Riaz/Dr	Physiology
Head/Timothy W/Dr	Dentistry
Legare/Charlotte E/Ms	Graduate Studies Office
Nakatani/Hajime/Dr	East Asian Studies
Philip/Diane G/Ms	Libraries
Whitwell/Richard/Prof	Education

Retired Plan Members whose deaths occurred in 2013:

Name	Department or Faculty
Antonovych/Myroslava/Mrs	Libraries
Bairstow/Frances/Prof	Management
Bider/J Roger/Prof	Natural Resource Centre
Cartwright/Michael T/Prof	French Language & Litterature
Chan/Chiu Wing/Mr	Animal Science
Cockayne/Brian/Mr	Civil Engineering
Culley/Robert Charles/Prof	Religious Studies
D Eramo/Domenico/Mr	Facilities Management
Dallenbach/Rudi/Mr	Macdonald Campus Farm
Dias/Jose/Mr	Animal Resources Centre
Dolan/Charles/Mr	Chemical Engineering
D'Oliveira/Clarisse Anita/Mrs	Health Services
Dubin/Shirley/Mrs	Geography
Farant/Jean Pierre/Dr	Occupational Health
Flood/Joyce/Ms	Microbiology & Immunology
Forbes/R D Clarke/Dr	Pathology
Frost/Stanley B/Dr	Provost
Fung-A-Ling/Evelyn/Mrs	Biology
Goldberg/Bess/Mrs	Accounting
Graf/Paula/Miss	Residences & Food Services
Haberl/Margaret/Ms	Principal's Office
Jones/Archibald R C/Prof	Renewable Resources
Kernaghan/David B/Mr	Psychology
Knowles/John David/Mr	Physiology
LaDuke/Mary/Mrs	Medicine
Laleff/Stella/Miss	Physics
Lanthier/Paul-Emile/Mr	Facilities Management - Macdonald Campus
Lavallee/Olga/Mrs	Athletics
Leonard/Peter/Dr	School of Social Work
Lopes/Manuel/Mr	Animal Resources Centre
MacGregor/Douglas B/Mr	Geography
Maclachlan/Gordon A/Prof	Biology
MacLeod/Robert Angus/Prof	Microbiology & Immunology

Appendix II – Deaths (continued)

Name	Department or Faculty
McCaskill/Olivia P/Mrs	Religious Studies
McGillis/Donald/Mr	Electrical Engineering
Morgante/Antonio/Mr	Building Services
Nasella/Saverio/Mr	Facilities Management
Norsworthy/Hugh/Mr	Management
Oliver/Kathleen W/Miss	Dentistry
Selkirk/John/Mr	Residences & Student Housing
Senior/Hereward/Prof	History
Sessions/Vivian S/Mrs	Libraries
Sklar/Ronald B/Prof	Law
Smirnow/Valerie/Mrs	Pathology
Sokolowski/Eugenia/Mrs	Pathology
Taylor/Reginald R/Mr	Libraries
Thorpe/W David/Prof	McGill Systems Inc.
Troide/Lars E/Prof	English
Tyszkiewicz/Alexandra/Mrs	Libraries

Appendix III
UNIT VALUE HISTORY

2003	Balanced	Equity	Fixed	MMF
Jan:	17.3540	21.8714	15.2290	1.4493
Feb:	17.0718	21.2949	15.2817	1.4528
Mar:	16.8962	20.7734	15.5348	1.4560
Apr:	16.6278	20.2884	15.5088	1.4596
May:	17.1724	21.1801	15.6604	1.4633
Jun:	17.7196	21.8669	16.1379	1.4673
Jul:	17.9044	22.2442	16.1165	1.4712
Aug:	18.4525	23.3308	15.9285	1.4752
Sep:	18.8098	23.9054	16.0383	1.4791
Oct:	18.7357	23.5706	16.3446	1.4826
Nov:	19.2127	24.4562	16.3156	1.4860
Dec:	19.3661	24.6410	16.4558	1.4894

2004	Balanced	Equity	Fixed	MMF
Jan:	20.1508	25.9145	16.7430	1.4929
Feb:	20.8050	26.8790	17.0751	1.4963
Mar:	21.3357	27.7052	17.2653	1.4993
Apr:	21.1602	27.2757	17.4522	1.5023
May:	21.0476	27.1537	17.3262	1.5051
Jun:	21.1630	27.2987	17.4264	1.5077
Jul:	21.3096	27.6035	17.4016	1.5103
Aug:	21.0888	27.0563	17.6022	1.5130
Sep:	21.0239	26.7810	17.8328	1.5158
Oct:	21.1753	27.0982	17.7827	1.5185
Nov:	21.3621	27.3258	17.9626	1.5215
Dec:	21.7925	28.0294	18.1028	1.5246

2005	Balanced	Equity	Fixed	MMF
Jan:	22.4656	29.1164	18.3652	1.5279
Feb:	22.7639	29.5178	18.5330	1.5313
Mar:	23.3901	30.6765	18.4840	1.5343
Apr:	23.0769	30.0532	18.5631	1.5376
May:	23.1344	29.9807	18.8019	1.5409
Jun:	23.6103	30.7015	19.0697	1.5443
Jul:	23.8824	31.1277	19.2146	1.5476
Aug:	24.6414	32.5791	19.1772	1.5510
Sep:	24.7339	32.5708	19.4491	1.5544
Oct:	25.1308	33.2706	19.5248	1.5579
Nov:	24.4788	32.1154	19.4273	1.5617
Dec:	25.0545	33.1110	19.5429	1.5657

2006	Balanced	Equity	Fixed	MMF
Jan:	25.7284	34.2023	19.8134	1.5699
Feb:	26.4328	35.5417	19.7344	1.5743
Mar:	26.3327	35.2714	19.8369	1.5785
Apr:	27.0132	36.6001	19.7653	1.5834
May:	26.9609	36.6474	19.5790	1.5883
Jun:	26.1696	35.1219	19.5779	1.5936
Jul:	26.2878	35.4038	19.5484	1.5991
Aug:	26.7267	35.9556	19.8910	1.6049
Sep:	27.0561	36.3806	20.1818	1.6108
Oct:	27.0088	36.2247	20.2386	1.6165
Nov:	27.8154	37.7581	20.2863	1.6224
Dec:	28.5146	39.0342	20.4672	1.6281

2007	Balanced	Equity	Fixed	MMF
Jan:	29.0009	40.1696	20.2984	1.6341
Feb:	29.5130	41.1199	20.3348	1.6400
Mar:	29.6213	41.0314	20.5361	1.6454
Apr:	29.6918	41.2720	20.5283	1.6514
May:	29.8870	41.6067	20.6045	1.6572
Jun:	30.0617	42.1974	20.3309	1.6633
Jul:	29.7806	41.6921	20.2642	1.6692
Aug:	29.5262	41.1179	20.3010	1.1395
Sep:	29.3258	40.6423	20.3675	1.1438
Oct:	29.4669	40.7507	20.5116	1.1480
Nov:	29.6986	41.2270	20.5254	1.1522
Dec:	29.1511	40.0191	20.6587	1.1563

2008	Balanced	Equity	Fixed	SRI	MMF
Jan:	29.2701	40.0508	20.8448		1.1604
Feb:	28.4734	38.3491	20.9358		1.1643
Mar:	28.5605	38.3099	21.0553		1.1677
Apr:	28.8644	38.6270	21.3085	10.0000	1.1710
May:	29.4248	39.8404	21.2056	10.0000	1.1735
Jun:	29.9795	40.7614	21.4163	10.1362	1.1758
Jul:	29.3949	39.5961	21.5610	9.8906	1.1782
Aug:	28.8688	38.4603	21.6171	9.6495	1.1805
Sep:	29.3699	39.2365	21.7152	9.7252	1.1826
Oct:	27.0325	35.2275	21.0550	8.9411	1.1850
Nov:	25.0872	31.6132	20.6198	8.3603	1.1869
Dec:	24.5816	30.5670	20.7240	8.2101	1.1885

2009	Balanced	Equity	Fixed	SRI	MMF
Jan:	24.6485	30.3348	21.2031	8.1818	1.1900
Feb:	23.9394	29.0803	21.0319	7.9014	1.1910
Mar:	23.0994	27.5722	21.0281	7.6886	1.1916
Apr:	24.0007	28.8149	21.6084	8.0344	1.1921
May:	24.8310	30.2356	21.6277	8.2647	1.1922
Jun:	25.5056	31.3181	21.8168	8.6042	1.1923
Jul:	25.9479	31.9037	22.1350	8.7478	1.1923
Aug:	26.2321	32.1733	22.4609	8.9184	1.1922
Sep:	26.6452	32.8343	22.6076	9.0652	1.1922
Oct:	27.3814	34.1120	22.7810	9.3231	1.1922
Nov:	26.9649	33.1577	22.9264	9.1134	1.1921
Dec:	27.6708	34.3147	23.1881	9.3607	1.1920

2010	Balanced	Equity	Fixed	SRI	MMF
Jan:	27.9925	35.1812	23.1049	9.4469	1.1919
Feb:	27.5468	33.9080	23.4454	9.1742	1.1918
Mar:	27.9945	34.8452	23.4323	9.3701	1.1918
Apr:	28.5410	35.9659	23.3807	9.5375	1.1918
May:	28.7819	36.4000	23.4525	9.5888	1.1917
Jun:	28.0353	34.7846	23.5627	9.3351	1.1917
Jul:	27.7862	34.0024	23.8925	9.2101	1.1919
Aug:	28.5234	35.3850	23.9792	9.4233	1.1921
Sep:	28.6518	35.2457	24.4096	9.4983	1.1925
Oct:	29.7124	37.2280	24.6385	9.8056	1.1931
Nov:	30.2207	38.2701	24.7590	10.0093	1.1936
Dec:	30.2819	38.5385	24.5906	10.0590	1.1943

Appendix III – Unit Value History (continued)

2011	Balanced	Equity	Fixed	SRI	MMF
Jan:	31.1035	40.1866	24.5805	10.2667	1.1949
Feb:	31.3358	40.6712	24.4686	10.3562	1.1957
Mar:	31.8950	41.6112	24.6412	10.5420	1.1964
Apr:	32.0751	41.9069	24.7040	10.5398	1.1972
May:	32.3290	42.1546	25.0129	10.5606	1.1978
Jun:	32.3476	41.9536	25.3029	10.5437	1.1986
Jul:	31.9769	41.2628	25.2718	10.3627	1.1994
Aug:	31.7965	40.4194	25.7409	10.2033	1.1998
Sep:	31.2198	39.1932	25.7702	10.0512	1.2005
Oct:	30.4366	37.3901	25.9824	9.7724	1.2011
Nov:	31.4336	39.3131	26.1067	10.0260	1.2015
Dec:	31.3803	39.0696	26.2454	10.0794	1.2021

2012	Balanced	Equity	Fixed	SRI	MMF
Jan:	31.4659	38.9022	26.6652	9.9977	1.2025
Feb:	32.4169	40.5399	26.8916	10.3106	1.2032
Mar:	32.7868	41.3342	26.8569	10.4463	1.2038
Apr:	33.0225	41.7668	26.8655	10.4928	1.2045
May:	32.8858	41.4637	26.9038	10.4387	1.2051
Jun:	32.4764	40.2358	27.3800	10.1960	1.2058
Jul:	32.9679	41.1695	27.3701	10.3133	1.2065
Aug:	33.1362	41.3076	27.6435	10.3706	1.2071
Sep:	33.2695	41.5425	27.6226	10.4475	1.2078
Oct:	33.9243	42.5644	27.8772	10.6136	1.2085
Nov:	34.1678	42.9773	27.9126	10.6306	1.2092
Dec:	34.2756	43.0220	28.0763	10.5985	1.2099

2013	Balanced	Equity	Fixed	SRI	MMF
Jan:	34.7774	44.0141	28.0966	10.6798	1.2105
Feb:	35.4607	45.3658	27.9118	10.9100	1.2112
Mar:	36.2007	46.5678	28.0971	11.0748	1.2118
Apr:	36.4461	46.8783	28.2992	11.1382	1.2124
May:	36.8095	47.2891	28.6620	11.2141	1.2130
Jun:	37.0719	48.1118	28.1895	11.1992	1.2137
Jul:	36.6949	47.9345	27.5516	10.9892	1.2143
Aug:	37.1170	48.7166	27.6314	11.1829	1.2149
Sep:	37.2370	49.0263	27.4678	11.1577	1.2156
Oct:	37.7636	50.0033	27.6002	11.3281	1.2163

October 31, 2013 was the last unit value established for the Pension Plan. Effective November 1st, 2013, and as a result of the change in the Pension Plan record keeping platform, the Pension Plan will be valued on a daily, market value basis with transactions being posted twice a month on the 15th and last business day.

A complete listing of all unit values since the inception of the Plan in 1972 is available on our website at: www.mcgill.ca/hr/bp/pensions/unithistory

Appendix IV
EXECUTIVE SUMMARY OF THE ACTUARIAL VALUATION

Eckler
CONSULTANTS + ACTUARIES

Highlights of the Actuarial Valuation as at December 31, 2012

At the request of the Pension Administration Committee, we have performed an actuarial valuation of the McGill University Pension Plan as at December 31, 2012. The results of such valuation were presented in a formal report dated September 27, 2013, which has been filed with the government authorities. This document summarizes the process and results of this actuarial valuation.

The main objectives of the actuarial valuation are to determine the funded position of the Plan as at the valuation date, under both the funding and solvency bases, and to establish the contributions that are required to be made by the University to comply with the applicable legislation for the three-year period following the valuation date.

Funding valuation – Process and Results

For the funding valuation, the Plan's actuarial liabilities are first compared with the market value of assets as at the valuation date. For the defined contribution provisions ("DC Segment"), actuarial liabilities correspond, by definition, to accumulated contributions with interest and no funding surplus/deficiency can exist thereon. Conversely, for the defined benefit provisions, i.e. minimum pension provisions under Part A ("DB Minimum Segment") and pensions in course of payment ("Pensioner Segment"), a funding surplus/deficiency may exist. If a funding deficiency is revealed, it must be funded over a maximum period of 15 years by the University. In addition, the University must make contributions on account of current service; these contributions include those required under the DC provisions of the Plan and also those required on account of the DB Minimum Segment.

For the DB segments, actuarial liabilities and current service cost are a function of actuarial assumptions underlying the valuation process. A comprehensive review of actuarial assumptions was made in preparation for this valuation. The main assumptions used are: (a) a rate of interest of 4¾% per annum ("p.a."), net of expenses, to value liabilities for pensioners; (b) a rate of interest of 5¾% p.a., net of expenses, coupled with a wage inflation allowance of 3% p.a., to value liabilities on account of the DB Minimum Segment; (c) the mortality table known as the "UP1994 with Generational projections using Projection Scale AA"; and (d) tables of retirement rates based on the actual experience of the Plan, separately for Academic and Non-Academic Members.

The main results of the funding valuation are as follows:

- The actuarial liabilities were $1,379,148,000 as at December 31, 2012 (i.e. $1,036,694,000 under the DC Segment, $280,119,000 under the Pensioner Segment and $62,335,000 under the DB Minimum Segment). The market value of the Fund was $1,281,942,000 and there was therefore a funding deficiency of $97,206,000 as at the valuation date.
- As at the date of the preceding valuation (i.e. December 31, 2009), there was a funding deficiency of $46,313,000; the main factors which contributed to the change in the funded position since the preceding valuation are the investment return of the Fund which was higher than the actuarial assumptions (positive effect of $12.5M), the changes made to actuarial assumptions (increase in liabilities of $60.3M) and an increase of $3.1M in the liabilities on account of other sources of experience gains and losses, including the impact of any plan amendments since the last valuation.
- The minimum past service payments to be made by the University to amortize the funding deficiency over 15 years are calculated at $9,396,000 per annum; however, given temporary funding relief measures which were available under the Quebec pension legislation for 2013 and extended for 2014 and 2015, the required payments could be reduced to 20% of the above level for 2013, i.e. $1,879,000 and 50% of the above level for 2014 and 2015, i.e. $4,698,000. In 2013, the University has instructed the Pension Administration Committee that it has elected to take advantage of the

funding relief measures for 2013. In light of the cost-sharing measures introduced in 2014, the University has elected not to make use of the funding relief measures in 2014.

- With respect to current service, University contributions with respect to the DB Minimum Segment are calculated at $3,605,000 for 2013; these contributions are in addition to those required under the DC Segment, which are estimated at $28,369,000 for 2013. Effective January 1, 2014, active plan members participating in the DB Minimum Segment will start to pay an additional deficit sharing contribution of 2.2% of pensionable earnings per annum. As such, the University current service contributions required under the DC Segment will be reduced by the same amount.

Solvency valuation – Process and Results

The solvency valuation simulates what would have been the funded position of the Plan as at the valuation date had the Plan been terminated as at that date. The actuarial assumptions are prescribed by legislation. As at December 31, 2012, solvency liabilities were calculated at $1,555,323,000 while assets were $1,281,442,000, for a solvency deficiency of $273,881,000 and a solvency ratio of 82.4%.

The results of the solvency valuation do not have any direct impact on the funding requirements under the Plan; however, additional University contributions are required for external settlements to be made in totality, such additional contributions representing the unfunded portion of the settlements based on the degree of solvency (74.8%) as per the Quebec Supplemental Pension Plans Act.

Minimum University contributions for 2013-2015

In view of the results of the actuarial valuation as at December 31, 2012, the minimum contributions required to be made by the University until the next valuation are as follows:

With respect to the DC Segment[1]:

- Determined in accordance with the provisions of the Plan; based on earnings as at the valuation date, University contributions to the DC Segment are estimated at $28,369,000 per annum for 2013

With respect to the DB Segments:

	Year 2013	Year 2014	Year 2015
• University current service contributions in respect of the DB Minimum Segment[2]	$3,605,000	$3,713,000	$3,825,000
• Minimum University contributions to amortize the funding deficiency[3]	$1,879,000	$9,396,000	$9,396,000
• Total – DB Segments	$5,484,000	$13,109,000	$13,221,000

[1] Effective January 1, 2014, active plan members participating in the DB Minimum Segment will start to pay an additional deficit sharing contribution of 2.2% of pensionable earnings per annum. As such, the University current service contributions required under the DC segment will be reduced by the same amount.

[2] Assuming payroll increases in 2014 and 2015 based on the valuation's wage inflation assumption.

[3] The University elected to take advantage of funding relief for 2013. In light of the cost-sharing measures introduced in 2014, the University has elected not to make use of the funding relief measures in 2014.

The next required actuarial valuation is due no later than December 31, 2015 and needs to be filed with governmental authorities before the regulatory deadline of September 30, 2016. The University is required to continue to contribute based on the December 31, 2012 actuarial valuation report until a new actuarial valuation report is filed, at which time the University will adjust its contributions to reflect the new funding requirements revealed under this new valuation.

Respectfully submitted,

Jean-Francois Gariépy, FSA, FCIA

Dany Desgagnés, FSA, FCIA

Appendix V
GLOSSARY

Absolute Return Strategies: An investment strategy that seeks to earn a positive return by using a variety of investment management techniques.

Active Management: A management style whereby a manager selects individual investments with the goal of earning a return higher than a comparative benchmark.

Actuary: An independent professional who calculates pension plan liabilities and compares them to pension plan assets in order to determine the financial status of a pension plan.

Annualized Rate of Return: A rate of return expressed over one year, although the actual rates of return being annualized are for periods longer or equal to one year.

Annuity: A series of payments of a fixed amount for a specified period of time.

Asset Allocation: The proportion of assets invested in different asset classes such as cash and equivalents, fixed-income securities and equities.

Balanced Account: The investment option established by the Pension Administration Committee and which consists of allocations to the Equity and Fixed Income Pools in such proportions as shall be determined from time to time by the Committee.

Benchmark: A standard against which rates of return can be measured, such as stock and bond market indices.

Bonds: Evidence of a debt on which the issuer promises to pay the holder a specified amount of interest for a specified length of time and to repay the indebtedness at maturity.

Cash Margin: Margin is a minimum amount of cash that must be held in a trading account in order to trade in a particular market.

Commercial paper: Commercial paper is short-term debt, usually maturing in under a year but frequently in as little as a month.

Common shares: Securities representing ownership in a company, usually carrying voting privileges. Common shareholders share in growth through capital appreciation and may also be entitled to dividends, at the company's discretion.

Consumer Price Index (CPI): An inflationary indicator provided by Statistics Canada that measures the change in the price of a fixed basket of goods and services. The basket is supposed to reflect the average needs of a family.

Currency Forward Contracts: A contract that locks in the price at which an entity will buy or sell a specified amount of a foreign currency at a future date.

Defined Benefit Minimum Provision: Based on a formula that takes into account the plan member's credited service and highest 60-consecutive months of earnings. Applicable to members enrolled in the Plan or eligible to enroll in the Plan prior to January 1, 2009.

DEX 30-day Treasury Bills Index: Measures the performance return attributable to 30-day Treasury Bills of the provincial and federal governments.

DEX Universe Bond Index: Designed to be a broad measure of the Canadian investment-grade fixed income market. The Universe Index is divided into a variety of sub-indices (e.g. Short, Mid, Long) according to term and credit quality and also consists of four main credit or borrower categories: bonds issued by the Government of Canada (including Crown Corporations), Provincial bonds (including provincially-guaranteed securities), Municipal Bonds, and Corporate Bonds.

DEX Universe Corporate Bond Index: A subset of the DEX Universe Bond Index containing only corporate bonds from major industry groups.

Diversification: A strategy to spread investment risk among different asset classes, different types of assets, among securities, among economic sectors, and among different countries.

Duration: A measure of the interest rate sensitivity of a bond's market price taking into consideration its coupon and maturity date.

Emerging Markets: Markets in developing countries as defined by the International Finance Corporation (IFC) on the basis of Gross National Product (GNP) per capita. Countries classified as low or middle-income by the World Bank are considered developing or emerging countries.

Equity Pool: Those holdings of common and preferred shares and other such holdings which are generally considered to be equity securities. Equity Pool may hold cash and cash equivalents from time to time.

ETFs (Exchange-Traded Funds): A security that tracks an index or a basket of assets, but trades like a stock on an exchange.

Fixed Income Pool: Those holdings of bonds, debentures, mortgage loans, notes and other such holdings which are considered to be debt instruments. The Fixed Income Pool may hold cash and cash equivalents from time to time.

Funding Surplus: Means the amount, if any, by which the sum of the assets exceed the actuarial liabilities, as determined on a funding valuation basis.

Funding Deficiency: Means the amount, if any, by which the sum of the actuarial liabilities, as determined on a funding valuation basis, exceed the assets.

Funding Valuation: Assumes that the Plan will remain in effect indefinitely and is, therefore, based on long-term actuarial assumptions and methods.

High-Yield Bonds: A corporate bond that has been assigned a rating below investment grade by a rating agency reflecting lower credit quality of the issue.

Index Funds: An investment fund that closely replicates the composition of a particular market index (e.g. S&P 500 Index Fund).

Inflation: The term used to describe rising prices of goods and services within an economy. The purchasing power of the monetary unit declines when inflation is present.

Investment Objective – Balanced Account: To optimize capital accumulation over the long-term through allocations to the Equity and Fixed Income Pools with a target asset mix of 65% equity securities and 35% fixed income securities.

Investment Objective – Equity Pool: To provide long-term capital appreciation and dividend income by investing in a diversified portfolio of Canadian and foreign equity securities.

Investment Objective – Fixed Income Pool: To provide a predictable source of interest income, reduced volatility of investment returns and a hedge against deflation, by investing in a diversified portfolio of primarily Canadian fixed income securities. An allocation to real-return bonds will provide a hedge against inflation.

Investment Objective – Money Market Pool: To preserve capital, provide stable returns and maintain liquidity.

Investment Objective – SRI Pool: To optimize capital accumulation over the long-term in a "socially responsible" manner through allocations to equity and fixed income investments with a target asset mix of 65% equity securities and 35% fixed income securities including a maximum cash limit of 10%.

Liquidity: The ability to buy or sell an asset quickly with a minimal price impact.

Market Value: The price at which an investment can be bought or sold from/to non-related third parties.

Master Asset Vehicle II Notes (MAV II): Longer-term notes which were issued as part of the restructuring of Canadian non-bank asset-backed commercial paper.

MSCI EAFE: The Morgan Stanley Capital Inc. EAFE® Index (Europe, Australasia, Far East) is a free float adjusted (i.e. the equity of a company available to international investors) market capitalization index that is designed to measure the equity market performance of 22 developed markets, excluding the US & Canada.

MSCI EM: The Morgan Stanley Capital Inc. Emerging Market Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of 21 emerging markets.

MSCI World High Dividend Index: Derived from the MSCI World Index and includes large and midcap stocks across 24 developed market countries. The index in designed to reflect the performance of equities with higher than average dividend yields that are both sustainable and persistent.

Money Market Pool: Those holdings of cash, short-term investments and other such securities with maturities less than a year which are generally considered to be money market instruments.

New Pool: Represents plan members who purchased their pensions on or after January 1, 2000 on the "new" rate basis.

Non-North American Investments: Investments made in securities of companies generally Domiciled outside of Canada or the United States.

Appendix V – Glossary (continued)

Old Pool: Represents plan members who purchased their pensions on the "old" rate basis prior to January 1, 2000.

Pension Fund: Consists of employee and employer contributions into the Pension Plan plus the income, gains and/or losses derived from fund investments. In addition, the pension fund disburses all benefit payments provided by the Pension Plan and pays Pension Plan administration expenses.

Plan: Shall mean the McGill University Pension Plan as described in the Plan Document, as amended from time to time. The Pension Plan has been established for the purpose of providing retirement, death and termination benefits for employees and their beneficiaries.

Plan Document: The text of the McGill University Pension Plan as amended to January 1, 2012 and which is available for viewing by members at the offices of the Pension Administration Committee.

Private Equity: Equity capital invested in a private company and which may include, among others, investments in venture capital, corporate buyouts and mezzanine financing.

Rate of Return: The income earned (i.e. yield) plus/minus any realized and unrealized capital gains/losses for a particular period, usually expressed as a percentage.

Realized Gains/Losses: Capital gains/losses that result when an appreciated/depreciated asset is sold.

Real-Return Bonds: Evidence of a debt on which the issuer promises to pay the holder a periodic amount of interest for a specified length of time based on a real rate of interest and actual inflation. The bond's principal or indebtedness is repaid on maturity.

Rebalancing: An investment approach by which the investor or manager maintains an investment mix by reallocating funds periodically over time.

Russell 2000: An index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 index, which is made up of 3,000 of the biggest US stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the US.

S&P 500 LargeCap: A US index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index, with each stock's weight in the Index proportionate to its market value.

S&P/TSX 60: An index consisting of the 60 largest stocks listed on the Toronto Stock Exchange.

S&P/TSX Canadian SmallCap: An index of smaller Canadian companies that have been included in the S&P/TSX Composite index, but are not members of the S&P/TSX 60 or the S&P/TSX Canadian MidCap Indices.

S&P/TSX Composite: The principal broad market measure for Canadian equity markets.

Socially-Responsible Investment ("SRI") Pool: Those equity and fixed income holdings and other such securities which are managed within a socially responsible investment framework. The SRI Pool may hold cash and cash equivalents from time to time.

Solvency deficiency: Means the amount by which the sum of the actuarial liabilities, as determined on a solvency basis, exceeds the sum of the assets. A solvency valuation is based on the assumption that the Plan is being terminated.

Stock Index Futures: An agreement to buy or sell a standardized value of a stock index, on a future date at a specified price.

T-Bills: Treasury bills are short-term government debt, which do not pay interest but are sold at a discount to reflect short-term interest rates and mature at par value. The difference between the purchase price and the proceeds at maturity represents investment income.

Unit Value: The value/cost of each unit in a particular investment pool. Unit values for all the pools are calculated on a fair-value basis on the last business day of each month with a one-month lag. (e.g. the December unit values were based on the market values in effect on November 30th). Unit values are net of all investment and administrative expenses and fluctuate (subject to increase or decrease) on a monthly basis in accordance with prevailing market conditions.

Yield: A ratio obtained by dividing the annual income (dividends, interest, rent) by the current market price of an investment, generally expressed as a percentage.

Independent Auditor's REPORT

To the Pension Administration Committee of the McGill University Pension Plan

We have audited the accompanying Financial Report of the McGill University Pension Plan, which comprises the statement of net assets available for benefits as at December 31, 2013, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information. The Financial Report has been prepared by management based on the financial reporting provisions described in the 2013 *Guide to the Annual Information Return* issued by the Régie des rentes du Québec relating to the preparation of a Financial Report under Section 161 of the *Supplemental Pension Plans Act* (Québec).

Management's Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation of this Financial Report based on the financial reporting provisions described in the 2013 *Guide to the Annual Information Return* issued by the Régie des rentes du Québec relating to the preparation of a Financial Report under Section 161 of the *Supplemental Pension Plans Act* (Québec), and for such internal control as management determines is necessary to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this Financial Report 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 Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Report 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 Report.

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 Report presents fairly, in all material respects, the net assets available for benefits of the McGill University Pension Plan as at December 31, 2013, and the changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions set out in the 2013 *Guide to the Annual Information Return* issued by the Régie des rentes du Québec relating to the preparation of a Financial Report under Section 161 of the *Supplemental Pension Plans Act* (Québec).

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the Financial Report, which describes the basis of accounting. The Financial Report is prepared to assist the Pension Administration Committee of the McGill University Pension Plan to comply with the financial reporting requirements of the Régie des rentes du Québec. As a result, the Financial Report may not be suitable for another purpose.

Deloitte LLP[1]

Montreal, Quebec
March 12th, 2014

[1]CPA Auditor, CA, public accountancy permit No. A125888

Statement of Net Assets AVAILABLE FOR BENEFITS

As at December 31, 2013

Accumulation Fund

ASSETS	2013	2012
Investments (Note 3)	$1,124,043,571	$1,043,527,554
Cash	13,551,736	7,082,068
Currency contracts (Note 6)	100,511	656,527
Cash margin and stock index futures (Note 7)	1,020,544	-
Accrued investment income	2,427,416	1,850,644
Accounts receivable	8,050,739	1,411,731
McGill University contributions receivable	977,950	-
Due from Pensioner Fund (Note 5)	135,341	89,524
	1,150,307,808	1,054,618,048

LIABILITIES		
Currency contracts (Note 6)	1,758,071	68,104
Owing to former members	7,129,581	3,940,601
McGill University over-contributions	-	57,399
Accounts payable and accruals	5,243,722	1,736,366
	14,131,374	5,802,470
Net assets available for benefits	**1,136,176,434**	**1,048,815,578**

Pensioner Fund

ASSETS		
Investments (Note 3)	206,898,141	225,897,005
Cash	1,259,599	1,762,367
Currency contracts (Note 6)	6,211	-
Accrued investment income	692,688	752,337
Due from McGill University	94,425	182,531
	208,951,064	228,594,240

LIABILITIES		
Currency contracts (Note 6)	2,811	10,289
Accounts payable and accruals	68,190	64,039
Due to Accumulation Fund (Note 5)	135,341	89,524
	206,342	163,852
Net assets available for benefits	**208,744,722**	**228,430,388**
Total net assets available for benefits	**$1,344,921,156**	**$1,277,245,966**

Statement of Changes in Net Assets
AVAILABLE FOR BENEFITS

Year ended December 31, 2013

Accumulation Fund

	2013	2012
Net assets available for benefits, January 1	$1,048,815,578	$985,194,001
INCREASE		
Investment income		
Cash and cash equivalents	415,532	372,892
Fixed income	12,094,248	13,123,948
MAV II notes	-	124,007
Common stocks	16,189,950	13,952,625
Stock index futures	364,108	-
Real estate	3,597,421	1,395,371
Private equity	835,744	617,325
Absolute return strategies	8,610	-
	33,505,613	29,586,168
Members' regular contributions	23,423,550	15,798,838
Members' voluntary contributions	973,997	991,980
McGill University regular contributions	27,823,203	28,128,348
McGill University special contributions	11,095,581	10,191,376
Transfers from other registered plans	475,729	985,987
	63,792,060	56,096,529
Total increase in assets	97,297,673	85,682,697
DECREASE		
Administration expenses (Note 8)	2,661,564	2,803,839
Investment management fees	2,447,043	1,898,365
Transaction costs	349,153	399,861
Benefit payments	127,270,683	89,946,844
Total decrease in assets	132,728,443	95,048,909
Current year change in fair value of investments	122,791,626	72,987,789
Change in net assets available for benefits	**87,360,856**	**63,621,577**
Net assets available for benefits, December 31	**$1,136,176,434**	**$1,048,815,578**

Statement of Changes in Net Assets AVAILABLE FOR BENEFITS

Year ended December 31, 2013

Pensioner Fund

	2013	2012
Net assets available for benefits, January 1	$228,430,388	$240,546,878
INCREASE		
Investment income		
Cash and cash equivalents	119,489	174,233
Mortgage loans	-	99,734
Fixed income	4,659,288	4,441,224
MAV II notes	-	118,037
Common stocks	1,878,612	1,621,378
Real estate	3,677,579	1,818,924
Total increase in assets	10,334,968	8,273,530
DECREASE		
Administration expenses (Note 8)	545,899	659,151
Investment management fees	282,415	222,982
Pension payments	32,140,151	32,359,961
Total decrease in assets	32,968,465	33,242,094
Current year change in fair value of investments	2,947,831	12,852,074
Change in net assets available for benefits	**(19,685,666)**	**(12,116,490)**
Net assets available for benefits, December 31	**$208,744,722**	**$228,430,388**

Notes to the FINANCIAL REPORT

Year ended December 31, 2013

1. Summary Description of the Plan

(A) GENERAL

The McGill University Pension Plan ("Plan") is a retirement benefit arrangement for eligible employees ("Member") of McGill University ("University"). The Plan is a Registered Pension Plan Trust as defined in the Income Tax Act and is not subject to income taxes. The pension for each Member is determined in accordance with the accumulated value of the Member's pension account at retirement under a defined contribution arrangement, supplemented, as applicable, by a Defined Benefit Minimum Provision.

(B) FUNDING POLICY

Members are required to contribute 5.0% (up to age 39), 7.0% (age 40 to 49) and 8.0% (age 50 to 65) of Basic Earnings, as defined in the Plan Document, less 1.8% of the portion of Basic Earnings that is subject to a Quebec Pension Plan ("QPP") contribution. Prior to January 1, 2013, Members were required to contribute 5.0% of Basic Earnings less 1.8% of the portion of Basic Earnings subject to a QPP contribution.

Members who are Geographic Full-Time University staff ("GFT-U") are required to contribute 0.5% in addition to the aforementioned rates.

The University is required to make regular monthly contributions to the Plan equal to a percentage of Basic Earnings determined according to the following table, less 1.8% of the portion of Basic Earnings subject to a required employer contribution to the QPP:

	University Regular Contributions as a Percentage of Basic Earnings	
Members' age at end of preceding month	Regular Members	GFT-U Members
39 or less	5.0%	5.8%
40 to 49	7.5%	8.3%
50 to 65	10.0%	10.8%

For those Members enrolled in the Plan or eligible to enroll in the Plan prior to January 1, 2009 ("Part A Members"), there is a Defined Benefit Minimum Provision determined according to a highest average earnings formula.

The University is required to make additional contributions as may be necessary to fund the cost of the Defined Benefit Minimum Provision, as well as other payments as required by law.

Effective January 1, 2014, Part A Members will contribute an additional 2.2% to fund the actuarial deficit.

(C) RETIREMENT BENEFITS

The retirement benefit for each Member is determined in accordance with the accumulated value of the Member's pension account at retirement including, if applicable, the Defined Benefit Minimum Provision.

(D) TERMINATION BENEFITS

A termination benefit is payable when a Member ceases to be employed. The value of the termination benefit is determined in accordance with the accumulated value of the Member's pension account including, if applicable, the Defined Benefit Minimum Provision.

(E) DEATH BENEFITS

In the event of death before retirement, a lump sum death benefit equal to the accumulated value of the Member's pension account, including, if applicable, the Defined Benefit Minimum Provision, is paid to the beneficiary or beneficiaries entitled thereto.

In the event of death after retirement, the death benefit, if any, is determined according to the settlement option chosen at retirement.

(F) ACCUMULATION FUND

The Accumulation Fund is composed of an Equity Pool, a Fixed Income Pool, a Socially-Responsible Investment Pool and a Money Market Pool. A Balanced Account is also available, composed of allocations to the Equity Pool and the Fixed Income Pool in proportions determined from time to time by the Pension Administration Committee ("PAC").

Notes to the Financial Report

Year ended December 31, 2013

1. Summary Description of the Plan
(continued)

This structure offers a wide range of possible investment strategies permitting Members to create specific strategies that best respond to their individual financial needs.

All defined contribution assets of the Accumulation Fund are allocated to individual accounts and all investment income, gains and losses are distributed accordingly. Assets are, by definition, equal to liabilities and there can be no defined contribution surplus or deficit in the fund.

The Supplemental Fund holds University contributions arising from the Defined Benefit Minimum Provision, as well as the University's funding related to actuarial valuation needs.

The assets of the Supplemental Fund are invested in the Balanced Account and are included in the Accumulation Fund.

Any balance existing in the Supplemental Fund is the property of the University to be applied in such fashion as the University shall determine, including, but not limited to, the payment of University contributions otherwise required under the Plan.

Any actuarial deficit arising from the Defined Benefit Minimum Provision or from actuarial valuation needs is the responsibility of the University.

Effective January 1, 2014, Part A Members will begin sharing up to 50% of the cost of funding the actuarial deficit.

(G) PENSIONER FUND

The Pensioner Fund holds the assets required to secure the obligation for retired staff who opted for an internal pension settlement prior to January 1, 2011. Commencing January 1, 2011, Members can no longer opt for an internal settlement.

2. Significant Accounting Policies

BASIS OF PRESENTATION AND ACCOUNTING FRAMEWORK

The Financial Report has been prepared by management in accordance with the accounting framework for the preparation of a Financial Report mentioned in the 2013 *Guide to the Annual Information Return* published by the Régie des rentes du Québec ("Régie"). The basis of accounting used in this Financial Report materially differs from Accounting Standards for Pension Plans because it excludes the pension obligations of the Plan and its related disclosures.

The Plan applies Section 4600, Pension Plans, of Part IV of the CPA Canada Handbook ("the Handbook"). Section 4600 is the underlying accounting standard to the framework prescribed by the Régie. Accounting Standards for Private Enterprises in Part II of the Handbook have been chosen for accounting policies that do not relate to the Plan's investment portfolio, to the extent that those standards do not conflict with the requirements of Section 4600.

The Plan has also applied IFRS 13, Fair Value Measurement. Investments as at December 31, 2013 have been valued using the closing price.

The Financial Report is prepared on a going concern basis and presents the aggregate financial position of the Plan as a separate financial reporting entity independent of the University.

The Financial Report includes the accounts of Aylmer & Sherbrooke Investments Inc., a wholly-owned subsidiary until its dissolution on December 20, 2012. Aylmer & Sherbrooke Investments Inc. administered mortgage investments for the Pensioner Fund.

The Financial Report includes the following significant accounting policies:

INVESTMENTS

Investments are recorded as of the trade date and are carried at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

2. Significant Accounting Policies
(continued)

INVESTMENTS (continued)

The fair value of investments is determined as follows:

(a) Cash equivalents are valued using the amortized cost approach which accrues for interest income.

(b) Currency contracts are valued using year-end foreign exchange rates.

(c) Stock index futures are valued at the stock exchange's settlement price.

(d) Bond investments are valued using price or yield equivalent quotations supplied by third-party vendors.

(e) Common stock investments are valued at quoted market prices.

(f) Real estate investment valuations are based on periodic appraisals for privately-held real estate.

(g) Private equity investments are valued at management's best estimate of current fair values. Management's estimate is primarily derived from the most recent financial statements pertaining to the Plan's private equity investments, adjusted for cash flows and foreign currency, as applicable.

(h) Gold investments are valued at quoted market prices.

(i) Absolute return strategies are valued by the investment managers' fund administrator.

INCOME RECOGNITION

Investment income is recorded using the accrual method. Dividends and fund distributions are recorded when declared.

CURRENT YEAR CHANGE IN FAIR VALUE OF INVESTMENTS

The current year change in fair value of investments comprises both realized and unrealized gains and losses.

FOREIGN EXCHANGE

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the current year change in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

USE OF ESTIMATES

The preparation of the Financial Report requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Financial Report and the reported amounts of revenue and expenses during the reporting period. Key components of the Financial Report requiring management to make estimates include fair value of real estate, private equity and absolute return strategies. Actual results could differ from these estimates.

3. Investments

(A) TERMS AND CONDITIONS

The terms and conditions of the investments are described as follows:

Cash and Cash Equivalents

Cash equivalent investments, primarily securities issued or guaranteed by Canadian governments, have an average term to maturity of 39 days in the Accumulation Fund (2012 - 33 days) and 39 days in the Pensioner Fund (2012 - 30 days).

Bonds

In the Accumulation Fund, bonds, 44% of which are guaranteed by the federal or provincial governments (2012 - 51%), have a weighted average yield to maturity of 3.28% (2012 - 2.94%) and an average duration of 5.7 years (2012 - 6.9 years). In the Pensioner Fund, bonds, 46% of which are guaranteed by the federal or provincial governments (2012 - 48%), have a weighted average yield to maturity of 3.87% (2012 - 3.79%) and an average duration of 6.3 years (2012 - 6.9 years).

Common Stocks

In both the Accumulation Fund and Pensioner Fund, common stock, including trust units, are diversified by issuer and industry sector.

Notes to the Financial Report

Year ended December 31, 2013

3. Investments (continued)

(A) TERMS AND CONDITIONS (continued)

Real Estate

In both the Accumulation Fund and Pensioner Fund, real estate consists of investments in pooled funds investing directly in Canadian properties.

Private Equity

In the Accumulation Fund, private equity investments consist of investments in non-Canadian private equity funds of funds and direct funds.

Gold

In the Accumulation Fund, gold consists of investments in an exchange-traded fund.

Absolute Return Strategies

In the Accumulation Fund, absolute return strategies consist of non-Canadian managers employing a variety of different direct investment strategies.

(B) COMMITMENTS

There are commitments in the amount of $71.7 million (2012 - $24.9 million) to fund private equity and real estate investments. It is anticipated that these commitments will be met in the normal course of operations.

(C) FAIR VALUE

Accumulation Fund	2013	2012
Cash equivalents	$24,932,691	$33,286,634
Fixed income investments - Canadian		
Federal bonds	66,018,142	102,939,617
Provincial bonds	72,659,750	62,122,582
Municipal bonds	911,441	1,932,814
Corporate bonds	169,552,345	155,466,413
Fixed income investments - foreign		
Corporate bonds	8,080,659	2,440,582
	317,222,337	324,902,008
Equity investments		
Common stocks, Canadian	195,232,776	166,217,844
Common stocks, Foreign	396,666,886	327,181,125
Real estate	39,937,406	39,392,922
Private equity	52,594,889	49,182,765
Gold	-	24,397,570
Absolute return strategies	97,456,586	78,966,686
	781,888,543	685,338,912
	$1,124,043,571	**$1,043,527,554**

Notes to the Financial Report

Year ended December 31, 2013

3. Investments (continued)

(C) FAIR VALUE (continued)

Pensioner Fund	**2013**	**2012**
Cash equivalents	$4,565,490	$16,649,098
Fixed income investments - Canadian		
Federal bonds	15,882,560	17,997,125
Provincial bonds	32,570,008	36,207,934
Municipal bonds	1,750,591	1,643,251
Corporate bonds	53,479,523	57,075,838
Fixed income investments - foreign		
Corporate bonds	1,689,313	1,110,995
	105,371,995	114,035,143
Equity investments		
Common stocks, Canadian	64,436,825	56,569,609
Real estate	32,523,831	38,643,155
	96,960,656	95,212,764
	$206,898,141	**$225,897,005**

4. Financial Instruments

(A) CREDIT RISK

Credit risk arises from the potential for a bond issuer to default on its contractual obligations to the Plan. Although the Plan policy permits investments in below investment grade securities, it provides limits on such investments. Fixed income investments are recorded at fair value. This represents the maximum credit risk exposure of the Plan.

(B) INTEREST RATE RISK

Interest rate risk refers to the impact of interest rate changes on the Plan's financial position. Interest rate changes directly impact the fair value of fixed income securities held in the Plan. Interest rate changes will also have an indirect impact on the remaining assets in the Plan. Duration is a measure used to approximate the impact on the fair value of fixed income securities for a given change in interest rates.

Using this measure, it is estimated that a 1% increase (decrease) in interest rates would decrease (increase) the fair value of fixed income investments by $18.1 million in the Accumulation Fund and by $6.6 million in the Pensioner Fund as at December 31, 2013 ($22.4 million and $7.9 million respectively as at December 31, 2012). To manage this risk, the duration of the Plan's fixed income securities are monitored and adjusted, as appropriate.

(C) LIQUIDITY RISK

Liquidity risk refers to the risk that the Plan does not have sufficient cash to meet its liabilities, commitments, benefit payments and any other expected or unexpected cash flow requirements. The liquidity position of the Plan is analyzed regularly to ensure the Plan has sufficient liquid assets such as cash and cash equivalent securities. The Plan also maintains a portfolio of highly marketable assets that can be sold on a timely basis as protection against any unforeseen interruption to the cash flow requirements of the Plan.

(D) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value of a foreign currency denominated asset or liability will fluctuate due to changes in foreign exchange rates. Currency forward contracts are used in order to hedge the effect of changes in the value of foreign currencies on foreign investments. Note 6 quantifies the currency forward contracts outstanding at December 31, 2013 and 2012. Diversification of assets is also used to manage foreign currency risk. The Plan's largest foreign currency exposure is to the United States dollar. As at December 31, 2013, a $0.01 appreciation (depreciation) of the United States dollar versus the Canadian dollar would have resulted in an increase (decrease) in the fair value of the investments of approximately $2.6 million in the Accumulation Fund and $12 thousand in the Pensioner Fund ($2.5 million and $7 thousand respectively at December 31, 2012).

Notes to the Financial Report

Year ended December 31, 2013

4. Financial Instruments (continued)

(E) EQUITY PRICE RISK

Equity price risk is the risk that the fair value of an investment will fluctuate as a result of changes in market price. As at December 31, 2013, a 10% change in equity prices would result in a $78.2 million change in the value of the equity investments in the Accumulation Fund and a $9.7 million change in the value of the equity investments in the Pensioner Fund ($68.5 million and $9.5 million respectively as at December 31, 2012). Investment diversification is used to manage this risk.

(F) FAIR VALUE HIERARCHY

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the data used to perform each evaluation. The fair value hierarchy is made up of the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable data on the market each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value.

The following table presents the financial instruments evaluated at fair value on a recurring basis at December 31, classified according to the fair value hierarchy described above:

	Fair Value at December 31, 2013			
Accumulation Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Cash	13,551,736	-	-	13,551,736
Cash equivalents	-	24,932,691	-	24,932,691
Currency contracts	-	100,511	-	100,511
Cash margin and stock index futures861,917	158,627	-	1,020,544	
Fixed income investments	-	317,222,337	-	317,222,337
Common stocks	401,593,837	190,305,825 [1]	-	591,899,662
Real estate	-	-	39,937,406	39,937,406
Private equity	-	-	52,594,889	52,594,889
Absolute return strategies	-	-	97,456,586	97,456,586
Total financial assets evaluated at fair value	**416,007,490**	**532,719,991**	**189,988,881**	**1,138,716,362**

[1] Trust units

Financial liabilities				
Currency contracts	-	1,758,071	-	1,758,071
Total financial liabilities evaluated at fair value	**-**	**1,758,071**	**-**	**1,758,071**

Notes to the Financial Report

Year ended December 31, 2013

4. Financial Instruments (continued)

(F) FAIR VALUE HIERARCHY (continued)

Accumulation Fund	Fair Value at December 31, 2012 Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Cash	7,082,068	-	-	7,082,068
Cash equivalents	-	33,286,634	-	33,286,634
Currency contracts	-	656,527	-	656,527
Fixed income investments	-	324,902,008	-	324,902,008
Common stocks	298,488,812	194,910,157[1]	-	493,398,969
Real estate	-	-	39,392,922	39,392,922
Private equity	-	-	49,182,765	49,182,765
Gold	24,397,570	-	-	24,397,570
Absolute return strategies	-	-	78,966,686	78,966,686
Total financial assets evaluated at fair value	**329,968,450**	**553,755,326**	**167,542,373**	**1,051,266,149**

[1]Trust units

Financial liabilities				
Currency contracts	-	68,104	-	68,104
Total financial liabilities evaluated at fair value	**-**	**68,104**	**-**	**68,104**

During 2013 and 2012, there has been no transfer of amounts between Level 1 and Level 2 or to or from Level 3.

Pensioner Fund	Fair Value at December 31, 2013 Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Cash	1,259,599	-	-	1,259,599
Cash equivalents	-	4,565,490	-	4,565,490
Currency contracts	-	3,400	-	3,400
Fixed income investments	-	105,371,996	-	105,371,996
Common stocks	-	64,436,825[1]	-	64,436,825
Real estate	-	-	32,523,831	32,523,831
Total financial assets evaluated at fair value	**1,259,599**	**174,377,711**	**32,523,831**	**208,161,141**

[1]Trust units

4. Financial Instruments (continued)

(F) FAIR VALUE HIERARCHY (continued)

	Fair Value at December 31, 2012			
Pensioner Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Cash	1,762,367	-	-	1,762,367
Cash equivalents	-	16,649,098	-	16,649,098
Fixed income investments	-	114,035,143	-	114,035,143
Common stocks	-	56,569,609[1]	-	56,569,609
Real estate	-	-	38,643,155	38,643,155
Total financial assets evaluated at fair value	**1,762,367**	**187,253,850**	**38,643,155**	**227,659,372**

[1]Trust units

Financial liabilities				
Currency contracts	-	10,289	-	10,289
Total financial liabilities evaluated at fair value	**-**	**10,289**	**-**	**10,289**

During 2013 and 2012, there has been no transfer of amounts between Level 1 and Level 2 or to or from Level 3.

The following table summarizes movements in the fair value of financial instruments classified as Level 3 from the beginning balance to the ending balance:

	Accumulation Fund	**Pensioner Fund**
Fair value, January 1, 2012	$124,424,425	$53,449,977
Purchases	63,960,721	2,598,359
Sales	(31,433,090)	(22,165,883)
Change in fair value	10,590,317	4,760,702
Fair value, December 31, 2012	$167,542,373	$38,643,155
Purchases	15,601,674	1,364,623
Sales	(20,371,533)	(6,762,233)
Change in fair value	27,216,367	(721,714)
Fair value, December 31, 2013	**$189,988,881**	**$32,523,831**

5. Due from Pensioner Fund/Due to Accumulation Fund

At December 31, 2013, $135,341(2012 - $89,524) was the amount of the interfund account between the Accumulation Fund and the Pensioner Fund. The amount relates to an accrual for administrative expenses.

Notes to the Financial Report

Year ended December 31, 2013

6. Currency Contracts

Currency Contracts at December 31, 2013

Accumulation Fund	Average Exchange Rate	Notional CDN$ Equivalent	Assets CDN$	Liabilities CDN$
Currency Forwards:				
Australian Dollar (short)	0.9649	2,146,008	38,213	-
Danish Krone (long)	0.1966	95,070	57	-
Euro (short)	1.4675	2,019,721	1,494	-
Euro (long)	1.4745	1,618,276	-	(8,542)
Hong Kong Dollar (long)	0.1376	5,375,947	-	(11,326)
Japanese Yen (short)	0.0103	2,839,896	43,309	-
Norwegian Kroner (short)	0.1733	147,381	-	(1,450)
Pound Sterling (short)	1.7517	614,025	-	(3,648)
Singapore Dollar (long)	0.8549	346,194	-	(4,790)
Swedish Krona (long)	0.1630	97,120	1,526	-
Swiss Franc (short)	1.2007	883,580	2,255	-
United States Dollar (short)	1.0506	140,572,463	-	(1,704,241)
United States Dollar (short)	1.0666	6,846,959	13,409	-
United States Dollar (long)	1.0676	7,637,378	-	(24,074)
United States Dollar (long)	1.0637	399,932	248	-
Total		**$171,639,950**	**$100,511**	**($1,758,071)**

Currency Contracts at December 31, 2012

Accumulation Fund	Average Exchange Rate	Notional CDN$ Equivalent	Assets CDN$	Liabilities CDN$
Currency Forwards:				
Australian Dollar (short)	1.0308	4,079,776	5,279	-
Australian Dollar (long)	1.0333	320,852	-	(1,188)
Danish Krone (long)	0.1727	269,081	5,936	-
Euro (short)	1.2863	874,654	-	(20,124)
Hong Kong Dollar (short)	0.1276	2,439,284	21,274	-
Hong Kong Dollar (long)	0.1274	153,859	-	(1,609)
Japanese Yen (short)	0.0120	3,804,883	138,209	-
Japanese Yen (long)	0.0119	422,208	-	(13,238)
Norwegian Kroner (short)	0.1744	289,353	-	(7,120)
Pound Sterling (short)	1.5904	166,994	-	(3,194)
Pound Sterling (long)	1.5921	923,374	16,663	-
Singapore Dollar (long)	0.8140	1,357,944	4,207	-
Swedish Krona (long)	0.1485	194,171	5,935	-
Swiss Franc (short)	1.0621	786,607	-	(21,631)
United States Dollar (short)	1.0006	65,541,258	387,522	-
United States Dollar (long)	0.9890	8,397,205	71,502	-
Total		**$90,021,503**	**$656,527**	**($68,104)**

6. Currency Contracts (continued)

	Currency Contracts at December 31, 2013			
Pensioner Fund	**Average Exchange Rate**	**Notional CDN$ Equivalent**	**Assets CDN$**	**Liabilities CDN$**
Currency Forwards:				
Australian Dollar (short)	0.9647	357,904	6,211	-
United States Dollar (short)	1.0621	1,358,439	-	(2,811)
Total		**$1,716,343**	**$6,211**	**($2,811)**

	Currency Contracts at December 31, 2012			
Pensioner Fund	**Average Exchange Rate**	**Notional CDN$ Equivalent**	**Assets CDN$**	**Liabilities CDN$**
Currency Forwards:				
Australian Dollar (short)	1.0286	380,582	-	(343)
United States Dollar (short)	0.9847	771,020	-	(9,946)
Total		**$1,151,602**	-	**($10,289)**

As described in Note 4 (d), the Plan hedges foreign currency risk by entering into currency forward contracts. At December 31, 2013, the Accumulation Fund had $171,639,950 (2012 - $90,021,503) of notional value outstanding, while the Pensioner Fund had $1,716,342 (2012 - $1,151,602) of notional value. The largest exposure is to the United States dollar.

At December 31, 2013, a $0.01 appreciation (depreciation) of the Canadian dollar versus the US dollar would have resulted in an increase (decrease) in the fair value of the US dollar contracts of approximately $1,312,000 in the Accumulation Fund and approximately $13,000 in the Pensioner Fund.

7. Cash Margin and Stock Index Futures

The Plan enters into stock index futures contracts in order to efficiently and cost effectively gain market exposure to certain non-North American equity markets. The Plan is required to post cash margin as collateral in order to meet the requirements of the stock exchanges.

8. Administration Expenses

In the Accumulation Fund, administration expenses include the following expenses: Actuarial $206,164 (2012 - $72,131), Audit $57,789 (2012 - $50,238), Custodial $270,471 (2012 - $219,836) and Trustee $48,212 (2012 - $50,248).

In the Pensioner Fund, administration expenses include the following expenses: Actuarial $45,144 (2012 - $16,175), Audit $12,192 (2012 - $11,412), Custodial $17,002 (2012 - $13,347) and Trustee $10,575 (2012 - $12,012).

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