McGILL UNIVERSITY PENSION PLAN ANNUAL REPORT

DECEMBER 31, 2016

McGill

Members of the Pension ADMINISTRATION COMMITTEE

Ms. Rosemary Cooke	Elected by the Administrative & Support Staff
Mr. Simon Fulleringer	Elected by the Administrative & Support Staff
Ms. Lynne B. Gervais (Chair)	Appointed by the Principal & Chair of the Board
Ms. Kim Holden	Appointed by the Board of Governors
Mr. Michael Keenan	Appointed by the Board of Governors
Mr. Pierre Lavigne	Independent Member
Professor Christopher Ragan	Elected by the Academic Staff
Professor Julia Scott	Elected by the Academic Staff
Ms. Cristiane Tinmouth	Appointed by the Principal & Chair of the Board

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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 Wednesday, the 3rd day of May, 2017 at noon for the purposes of:

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

(b) electing one Administrative & Support Staff member, who is a member of the Plan as of December 31, 2016 to the Pension Administration Committee;

(c) receiving the financial report of the McGill University Pension Plan for the year ended December 31, 2016 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, 2016, 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.

Secretary, Pension Administration Committee
April 2017

Introduction
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 31, 2016.

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 2016

The following changes occurred in the membership of the PAC during the year. At the Annual Meeting held on May 4, 2016, Professor Christopher Ragan was acclaimed to a new three-year term in one of the Academic Staff positions while Ms. Rosemary Cooke was elected to a three-year term in one of the Administrative & Support Staff positions replacing Mr. James McVety whose term had ended. The PAC extends its thanks to Mr. McVety for his wise counsel and 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 and financial needs of its members. 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 *Quebec Supplemental Pension Plans Act* 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 2016, there were eight 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 the investment policy. The PIC consists of two 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. Michael Boychuk (Chair), Ms. Lynne B. Gervais (Chair of PAC), Mr. Clifton Isings, Ms. Kim Holden (PAC), Mr. Gilles Horrobin; Mr. Pierre Lavigne (PAC), Ms. Caroline Miller and Mr. Francois Lemarchand.

PIC members are appointed by the PAC, serve a first term of three years, renewable for a second term of two years and are limited to a maximum of two consecutive terms.

In September 2016, Ms. Caroline Miller was appointed to the PIC replacing Mr. Stephen Cotsman whose term had ended. In November 2016, Mr. Clifton Isings was appointed to the PIC replacing Mr. Russell Hiscock whose term had ended. The PAC and the PIC would like to express their sincere appreciation and thanks to Mr. Stephen Cotsman and Mr. Russell Hiscock for their wise counsel and contributions to the deliberations of the PIC.

During 2016, there were 4 regular meetings and 2 conference calls of the PIC.

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**, which is a closed fund; and,
- the **Supplemental Fund** holds University contributions related to 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.

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 December 2016, can be found on the Plan's website at: http://www.mcgill.ca/hr/bp/pensions/invest 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, Alternative Assets, 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 strategy that will best respond to their financial needs.

The PAC also offers a Balanced Account and glide path options that consist of allocations to the Equity Pool, Alternative Assets and the Fixed Income Pool. Current target allocation for the Balanced Account provides that 45% of the assets are allocated to the Equity Pool, 20% of assets are allocated to Alternative Assets and 35% are allocated to the Fixed Income Pool. The Balanced Account is the default investment option of the Plan. The calculation of the Defined Benefit Minimum Provision, as applicable, is compared to the performance of the Balanced Account.

SCHEDULE 1

Asset Allocation Policy

The actual asset allocation within the Accumulation Fund at any particular time will reflect the combination of the specific investment strategy selected by members. Currently, the vast majority of members are invested in the Balanced Account.

The actual asset allocation structure of the Accumulation Fund as at December 31, 2016 is shown in *Schedule 1*.

Accumulation Fund[1] - Asset Allocation – December 31, 2016

Asset Class	Assets (millions - CA$)	% of Pool Holdings	% of Fund
Equity Pool			
Canadian Equity	192.2	31.2%	
Global Equity	415.2	67.4%	
Cash & Cash Equivalents	9.3	1.5%	
Currency Forward Contracts	-1.0	-0.1%	
Total Equity Pool	**$ 615.7**	**100.0%**	**47.1%**
Alternative Assets			
Real Assets	88.9	31.9%	
Listed Real Assets	21.5	7.7%	
Private Investments	63.5	22.8%	
Absolute Return Strategies	96.8	34.7%	
Cash & Cash Equivalents	9.0	3.2%	
Currency Forward Contracts	-0.8	-0.3%	
Total Alternative Assets	**$ 278.9**	**100.0%**	**21.3%**
Fixed Income Pool			
Nominal Bonds	359.9	98.6%	
Cash & Cash Equivalents	5.3	1.4%	
Total Fixed Income Pool	**$ 365.2**	**100.0%**	**27.9%**
SRI Pool	**$ 28.1**	**100.0%**	**2.2%**
Money Market Pool	**$ 19.3**	**100.0%**	**1.5%**
Total Accumulation Fund	**$1,307.2**		**100%**

Note 1: The asset allocation differs from Note 3 of the Financial Report due to accounting adjustments.

SCHEDULE 2

Investment Manager and Structure Changes - 2016

The following investment manager changes were made during the year:

	Manager	Strategy	Assets[1] (millions - CA$)	Fund
New mandates				
April	Optimum	Municipal Bonds	50M	Fixed Income Pool
June	Brookfield Real Estate Finance Fund V	US Private Real Estate Mezzanine Debt	35M	Alternative Assets
October	MBI/TEC Private Debt Opportunities Fund I	Canadian Private Debt	20M	Alternative Assets
October	Brookfield Premier Real Estate Partners Fund	US Real Estate	20M	Alternative Assets
Terminated mandates				
April	Pembroke	Small Cap US Equity	(34M)	Equity Pool
September	Scopia	Absolute Return Strategies	(8M)	Alternative Assets
December	King Street Europe	Absolute Return Strategies	(12M)	Alternative Assets

Note 1: For new alternative assets investment, the asset amount is the commitment.

In 2016, the following investment structure changes were made:

- Alternative Assets were segregated from the Equiy Pool.
- The foreign exchange hedging policy bands were changed.
- A municipal bond mandate was added to the Fixed Income Pool.
- Private debt mandates were added to Alternative Assets.
- A securities lending program was put in place.
- The real estate investments were diversified geographically.

Market Performance

With stable interest rates, most of the return in 2016 came from strong North-American equity returns.

Within equity markets, the S&P/TSX Composite, the benchmark for Canadian equity, was the best performing sub-asset class with a return of 21.1% while the benchmark rate of return for Global Equities was 5.3%.

The FTSE TMX Universe Bond Index, the benchmark for fixed income, returned 1.7% in 2016. The benchmark for alternative assets (real assets, private investments and absolute return strategies) returned 5.3% outperforming the benchmark return for fixed income but lagging the equity benchmark of 11.5%.

Fund Performance

Schedule 3 shows the returns achieved by the various investment pools, the alternative assets and by the Balanced Account for the one, five and ten year periods ended December 31, 2016 along with their long-term objective. The applicable benchmark performance for each asset class is also presented in *Schedule 3*.

The benchmarks for cash and cash equivalents, equity and fixed income asset classes are publicly available and readily investable indices. The real assets benchmark is the additional return the asset class is expected to achieve in excess of the Consumer Price Index (CPI). The private investments 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 US T-Bill return.

Performance returns have been calculated by an independent measurement firm, are reported in Canadian dollars and are gross of fees except for Alternative Assets which are net of fees. Rounding differences of 0.1% and $0.1M may arise in some of the calculated returns and market values shown in this report.

SCHEDULE 3

Accumulation Fund Performance[1] - December 31, 2016

Asset Class	Annualized Returns (%) 1 year	5 years	10 years	Long-Term Objective (%)
Equity Pool				
Canadian Equities	16.8	12.7	7.1	
S&P/TSX Composite	*21.1*	*8.2*	*4.7*	
Value added vs benchmark	-4.3	4.5	2.4	
Global Equities	4.6	14.5	5.1	
Composite Global Equity Benchmark[2]	*5.3*	*14.7*	*5.1*	
Value added vs benchmark	-0.7	-0.2	0.0	
Total Equity Pool	**8.0**	**13.0**	**6.2**	**6.6**
Composite Equity Pool Benchmark[3]	*11.5*	*12.6*	*5.8*	
Value added vs benchmark	-3.5	0.4	0.4	
Alternative Assets				
Real Assets - Net	8.5	11.3	11.3	
CPI + 4%	*5.5*	*5.3*	*3.9*	
Net value added vs benchmark	3.0	6.0	7.4	
Listed Real Assets - Net	6.3	-	-	
Brookfield Custom Blend Index	*8.3*	-	-	
Net value added vs benchmark	-2.0	-	-	
Private Investments - Net	3.8	12.0	4.8	
Composite Private Investments Benchmark[4]	*7.0*	*20.1*	*9.5*	
Net value added vs benchmark	-3.2	-8.1	-4.7	
Absolute Return Strategies - Net	1.9	9.0	-	
US T-Bill + 5% (50% Hedged)	*3.5*	*7.7*	-	
Net value added vs benchmark	-1.6	1.3	-	
Total Alternative Assets - Net	**4.4**	**10.1**	**3.7**	**6.1**
Alternative Assets Benchmark[5]	*5.3*	*10.9*	*8.4*	
Net value added vs benchmark	-0.9	-0.8	-4.7	
Total Fixed Income Pool	**4.2**	**4.3**	**5.1**	**3.1**
FTSE TMX Universe Bond	*1.7*	*3.3*	*4.9*	
Value added vs benchmark	2.5	1.0	0.2	
Socially Responsible Investment (SRI) Pool	**8.4**	**9.5**	**-**	**5.2**
SRI Balanced Fund Benchmark	*8.0*	*8.8*	-	
Value added vs benchmark	0.4	0.7	-	
Money Market Pool	**0.8**	**0.9**	**1.4**	**0.6**
FTSE TMX 30-Day T-Bill	*0.5*	*0.8*	*1.2*	
Value added vs benchmark	0.3	0.1	0.2	
Balanced Account	**6.4**	**10.2**	**6.2**	**5.3**
Composite Balanced Account Benchmark[6]	*6.3*	*8.9*	*5.5*	
Value added vs benchmark	0.1	1.3	0.7	

Note 1: Different benchmarks indices were used in the five and ten-year periods, where applicable.
Note 2: 50% S&P 500 (50% Hedged) + 50% MSCI ACWI x US Net, effective October 1, 2014.
Note 3: 1/3 S&P/TSX Composite + 1/3 S&P 500 (50% Hedged) + 1/3 MSCI ACWI x US Net, effective January 1, 2016.
Note 4: 2/3 S&P 500 (50% Hedged) + 1/3 MSCI Europe + 3%, effective October 1, 2014.
Note 5: 40% (4% + CPI) + 25% (2/3 S&P 500 (50% Hedged) + 1/3 MSCI Europe + 3%) + 35% (US T-Bill (50% Hedged) + 5%) effective October 1, 2014.
Note 6: 45% Equity Pool Benchmark + 20% Alternative Assets Benchmark + 35% FTSE TMX Universe Bond, effective October 1, 2012.

Review of INVESTMENT OPTIONS

Long Term Objectives

The investment objective of the Plan is to optimize the long-term performance of each of the options available to Plan Members.

As shown in the following table, the performances of the Fixed Income Pool, Money Market Pool and Balanced Account surpassed their respective long-term objectives as at December 31, 2016, measured over ten years.

Schedule 4 provides the historic investment option performance.

Long Term Objectives - December 31, 2016

Equity Pool:	5.0% plus the annual change in the Canadian Consumer Price Index (CPI).
Alternative Assets:	4.5% plus the annual change in the Canadian CPI.
Fixed Income Pool:	1.5% plus the annual change in the Canadian CPI.
SRI Pool:	3.6% plus the annual change in the Canadian CPI.
Money Market Pool:	The return on the FTSE TMX 30-Day T-Bill Index, calculated as an average annual compound rate of return for the last three consecutive years.
Balanced Account:	3.7% plus the annual change in the Canadian CPI.

The following table includes comparative performance over 1, 5 and 10 years:

	1-year Return	5-year Return	10-year Return	Long-Term Objective
Equity Pool	8.0%	13.0%	6.2%	6.6%
Alternative Assets	4.4%	10.1%	3.7%	6.1%
Fixed Income Pool	4.2%	4.3%	5.1%	3.1%
SRI Pool	8.4%	9.5%	-	5.2%
Money Market Pool	0.8%	0.9%	1.4%	0.6%
Balanced Account	6.4%	10.2%	6.2%	5.3%
CPI for the period	1.5%	1.3%	1.6%	

Historic Investment Option Performance

Year	Equity Pool	Alternative Assets	Fixed Income Pool	SRI Pool	Money Market Pool	Balanced Account
2007	0.2%	-	2.9%	-	4.5%	1.4%
2008	-23.5%	-	1.9%	-17.7%[2]	2.8%	-14.9%
2009	16.9%	-	9.4%	16.5%	0.4%	14.2%
2010	14.3%	-	6.7%	9.6%	0.5%	12.0%
2011	-2.5%	-	8.9%	-1.7%	0.9%	1.9%
2012	13.8%	-	5.7%	7.8%	0.9%	11.1%
2013	24.1%	-	-0.5%	13.2%	0.9%	16.1%
2014	10.3%	-	9.3%	11.4%	1.0%	10.1%
2015	9.4%	-	3.1%	6.7%	0.9%	7.5%
2016	**8.0%[1]**	**4.4%[1]**	**4.2%**	**8.4%**	**0.8%**	**6.4%**

Note 1: In January 2016, Alternative Assets were segregated from the Equity Pool.

Note 2: 8 months only - the SRI Pool was established in April 2008.

SCHEDULE 4

SCHEDULE 5

Balanced Account

The strategic asset allocation for the Balanced Account as well as for the other investment pools and alternative assets 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 performance 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.

The majority of Plan Members allocate their assets to the Balanced Account. *Schedule 5* provides the strategic asset allocation policy of the Balanced Account.

The actual allocation of the Balanced Account at December 31, 2016, was 46.6% to the Equity Pool, 25.0% of Alternative Assets and 28.4% to the Fixed Income Pool.

Balanced Account – Asset Allocation Policy- December 31, 2016

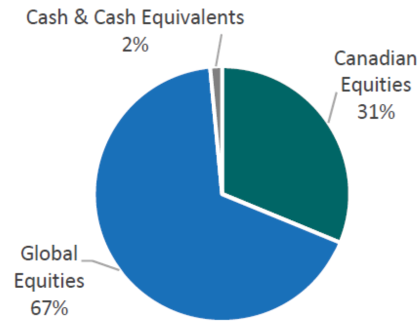
Asset Class	Actual Allocation(%)	Strategic Asset Allocation (%)	MIN %	MAX %
Equity Pool				
Canadian Equities	14.5	15	10	20
Global Equities	31.5	30	20	40
Cash & Cash Equivalents	0.7	-	-	3
Currency Forward Contracts	-0.1	-	-	-
Total Equity Pool	**46.6**	**45**	**30**	**63**
Alternative Assets				
Real Assets	8.0	8	3	15
Listed Real Assets	1.9	-	-	-
Private Investments	5.7	5	3	10
Absolute Return Strategies	8.7	7	4	10
Cash & Cash Equivalents	0.8	-	-	-
Currency Forward Contracts	-0.1	-	-	-
Other Alternative Assets	-	-	-	5
Total Alternative Assets	**25.0**	**20**	**10**	**40**
Fixed Income Pool				
Bonds	28.0	35	25	50
Cash & Cash Equivalents	0.4	-	-	5
Total Fixed Income Pool	**28.4**	**35**	**25**	**55**
Balanced Account	**100.0**	**100**		

Equity Pool

The Equity Pool's holdings ($615.7 million at year-end) include Canadian and Global Equities (including US, Non-North American and Global Dividend Equity), cash, cash equivalents and currency forward contracts.

In January 2016, Alternative Assets were segregated from the Equity Pool.

Summary of Equity Pool Composition



Ten Largest Publicly Traded Equity Holdings in the Equity Pool - December 31, 2016

Security Name	Market Value (millions CA$)	% of Equity Pool	% of Balanced Account
Canadian National Railway Co.	$7.8	1.3%	0.6%
Toronto Dominion Bank	$7.1	1.2%	0.5%
Exxon Mobil Corp	$6.9	1.1%	0.5%
Royal Bank of Canada	$6.0	1.0%	0.5%
Microsoft Corp.	$6.0	1.0%	0.5%
Suncor Energy Inc.	$5.9	1.0%	0.5%
Nike Inc.	$5.5	0.9%	0.4%
Costco Wholesale Corp.	$5.5	0.9%	0.4%
Coca-Cola Co.	$5.4	0.9%	0.4%
Merck & Co Inc.	$5.0	0.8%	0.4%

Canadian Equity Investments

The Equity Pool's holdings in Canadian equities ($192.2 million at year-end) were invested in Canadian equities through active large and small capitalisation strategies.

The following table provides the performance of each Canadian equity manager against their respective benchmark for the one, three and five year periods ended December 31, 2016.

Canadian Equity Performance - December 31, 2016

Manager	Assets under management (millions CA$)	Annualized Returns % 1 year	3 years	5 years
Fidelity (formerly Pyramis Global Advisors)	$57.9	15.8	10.0	11.5
S&P/TSX Composite		*21.1*	*7.1*	*8.2*
Value added vs benchmark		-5.3	2.9	3.3
QV Investors	$74.8	21.1	-	-
S&P/TSX Composite		*21.1*	-	-
Value added vs benchmark		0.0	-	-
Van Berkom & Associates	$59.5	13.0	10.7	19.1
S&P/TSX Cdn Small Cap Index		*38.5*	*5.4*	*4.3*
Value added vs benchmark		-25.5	5.3	14.8

US Equity Investments

The Equity Pool's holdings in US equities ($177.4 million at year-end) were invested in active and passive US large-cap strategies and in one small-cap strategy. The small-cap manager was terminated in April 2016.

The following table provides the performance of each active US equity manager against their respective benchmark for the one, three and five year periods ended December 31, 2016.

At December 31, 2016, 17.4% of the US equity portfolio was invested in a passive strategy versus 5.5% as at December 31, 2015.

US Equity Performance - December 31, 2016

Manager	Assets under management (millions CA$)	Annualized Returns % 1 year	3 years	5 years
Wellington	$146.6	4.2	-	-
S&P 500		*8.1*	-	-
Value added vs benchmark		-3.9	-	-
State Street Global Advisors	$30.7	8.3	-	-
S&P 500		*8.1*	-	-
Value added vs benchmark		0.2	-	-

Non-North American Equity Investments

The Equity Pool's holdings in non-North American equities ($170.3 million at year-end) were allocated to active strategies in developed and emerging markets.

The following table provides the performance of each non-North American equity manager against their respective benchmark for the one, three and five year periods ended December 31, 2016.

Non-North American Equity Performance - December 31, 2016

Manager	Assets under management (millions CA$)	Annualized Returns % 1 year	3 years	5 years
Hexavest	$52.0	0.4	8.5	14.5
MSCI EAFE		*-2.0*	*6.8*	*13.1*
Value added vs benchmark		2.4	1.7	1.4
William Blair & Company	$46.2	-6.1	6.5	13.2
MSCI EAFE + EM		*0.1*	*6.6*	*11.7*
Value added vs benchmark		-6.2	-0.1	1.5
Aberdeen Asset Management Ltd.	$72.1	9.5	6.9	8.8
MSCI EM		*7.7*	*5.7*	*7.4*
Value added vs benchmark		1.8	1.2	1.4

Note 1:Different benchmark indices were used in the three and five-year periods, where applicable.

Global Dividend Equity

The Equity Pool's holdings in global dividend equities ($67.6 million at year-end) were allocated entirely to a passive strategy.

The following table provides the performance of the global dividend equity manager against the respective benchmark for the one, three and five year periods ended December 31, 2016.

Global Dividend Equity - Performance - December 31, 2016

Manager	Assets under management (millions CA$)	Annualized Returns % 1 year	3 years	5 years
State Street Global Advisors	$67.6	6.3	11.8	-
MSCI World High Dividend Yield		*6.5*	*12.0*	-
Value added vs benchmark		-0.2	-0.2	-

Alternative Assets

In January 2016, the Alternative Assets were segregated from the Equity Pool. Members wishing to continue to hold Alternative Assets can do so via the Balanced Account or Glide Path options.

Alternative Assets ($278.9 million at year-end) are meant to provide diversification relative to the publicly-traded equity and fixed income markets.

The alternative assets include allocations to real assets (real estate and infrastructure), listed real assets, private investments, absolute return strategies, cash and cash equivalents and currency forward contracts.

The following table provides the performance of each alternative asset class against their respective benchmark for the one, three and five year periods ended December 31, 2016.

Alternative Assets Performance - December 31, 2016

Strategy	Assets under management (millions CA$)	Annualized Returns % 1 year	3 years	5 years
Real Estate Portfolio - Net	$60.0	10.7	6.7	10.9
CPI + 4%		*5.5*	*5.5*	*5.3*
Net Value added vs benchmark		5.2	1.2	5.6
Listed Real Assets - Brookfield - Net	$21.5	6.3	-	-
Brookfield Custom Blended		*8.3*	-	-
Net Value added vs benchmark		-2.0	-	-
Infrastructure Portfolio - Net	$28.9	3.9	9.6	-
CPI + 4%		*5.5*	*5.5*	-
Net Value added vs benchmark		-1.6	4.1	-
Private Investments[1] - Net	$63.2	3.8	11.7	12.0
2/3 S&P 500 (50% Hedged) + 1/3 MSCI (Europe) + 3%		*7.0*	*13.7*	*20.1*
Net Value added vs benchmark		-3.2	-2.0	-8.1
Absolute Return Strategies[1] - Net	$96.3	1.9	5.9	9.0
US T-Bill + 5% (50% Hedged)		*3.5*	*8.8*	*7.7*
Net Value added vs benchmark		-1.6	-2.9	1.3

Note 1: Asset pool and benchmarks calculated with hedging effect, effective October 1, 2014.

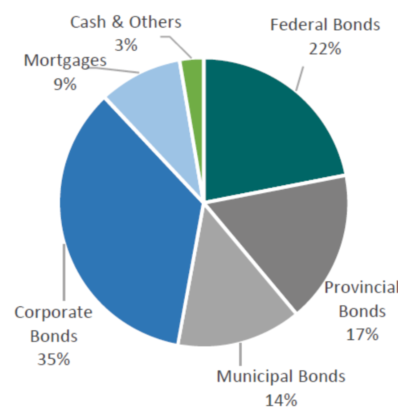
Note 2: Different benchmark indices were used in the three and five-year periods, where applicable.

Fixed Income Pool

The Fixed Income Pool's holdings ($365.1 million at year-end) include allocations to Canadian and global government bonds and corporate bonds, mortgages, municipal bonds, cash and cash equivalents.

The following table provides the performance of each manager in the Fixed Income Pool against their respective benchmark for the one, three and five year periods ended December 31, 2016.

Summary of Fixed Income Pool Composition



Fixed Income Pool Performance December 31, 2016

Manager	Assets under management (millions CA$)	Annualized Returns % 1 year	3 years	5 years
Phillips, Hager & North	$87.5	4.2	6.0	-
FTSE TMX Canada All Corporate Bond		*3.0*	*5.1*	-
Value added vs benchmark		1.2	0.9	-
Goldman Sachs Asset Management	$99.3	4.3	-	-
Barclays Global Aggregate		*3.7*	-	-
Value added vs benchmark		0.6	-	-
Fiera Capital	$46.2	0.9	3.2	-
FTSE TMX Canada Long Term Government		*1.3*	*3.8*	-
Value added vs benchmark		-0.4	-0.6	-
Canso Investment Counsel	$76.9	7.3	7.3	8.6
FTSE TMX Canada All Corporate Bond		*3.7*	*4.7*	*4.2*
Value added vs benchmark		3.6	2.6	4.4
Optimum[(1)]	$50.0	-	-	-
75% FTSE TMX Canada Short-Term + 25% Mid-Term Provincial Bond		-	-	-
Value added vs benchmark		-	-	-

Note 1: Mandate less than one year.

Ten Largest Fixed Income Pool Holdings - December 31, 2016

Security Name	Market Value (millions CA$)	% of Fixed Income Pool	% of Balanced Account
Gov't of Canada 0.25% 01-May-2018 SER F338	$5.6	1.5%	0.4%
Royal Bank of Canada Var RT 23-Mar-2020 SER CB19	$5.3	1.5%	0.4%
Ginnie Mae II Pool 4.0% 20-Jul-2046 DD	$5.0	1.4%	0.4%
Metropolitan Life Global FDG I 3.107% 16-Apr-2021 144A	$3.9	1.1%	0.3%
Altagas Ltd 4.6% 15-Jan-2018 MTN	$3.9	1.1%	0.3%
Shaw Communications Inc. 6.75% 09-Nov-2039 SR NTS	$3.5	1.0%	0.3%
Province of Ontario 2.9% 02-Dec-2046 SER DMTN228	$3.4	0.9%	0.3%
Bombardier Inc. 144A 7.5% 15-Mar-2025 DD	$3.3	0.9%	0.3%
Ginnie Mae II Jumbos 4.0% 20-Dec-2046 DD	$3.3	0.9%	0.3%
Gov't of Canada 0.0% T-Bill 09-Mar-2017	$3.2	0.9%	0.3%

Socially Responsible Investment ("SRI") Pool

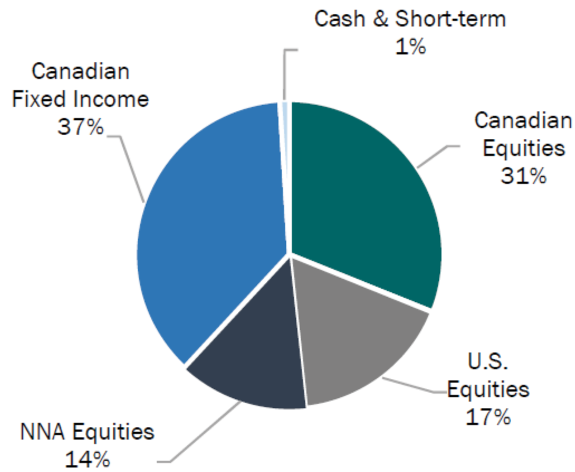
The SRI Pool was established on April 1, 2008. The SRI Pool has a minimum ongoing threshold of $8 million, set by the PAC, as a condition of maintaining this investment option under the Plan. At December 31, 2016, the SRI Pool had $28.1 million in assets.

The SRI Pool invests in the Phillips, Hager & North Community Values ("PH&N CV") Balanced Fund. PH&N focuses on environmental, social and governance factors in 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.

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 & cash equivalents.

The SRI Pool asset class allocation as at December 31, 2016 is shown in the "Summary of SRI Pool Composition" pie chart.

Summary of SRI Pool Composition



Socially Responsible Investment Pool - Performance - December 31, 2016

Manager	Assets under management (millions CA$)	Annualized Returns % 1 year	3 years	5 years
PH&N CV	$28.1	8.4	8.8	9.5
SRI Balanced Fund Benchmark		*8.0*	*7.9*	*8.8*
Value added vs benchmark		0.4	0.9	0.7

Ten Largest SRI Pool Holdings - December 31, 2016

Security Name	Market Value (in CA$ 000)	% of SRI Pool
Royal Bank of Canada	$720	2.6%
Toronto Dominion Bank	$650	2.3%
Province of Ontario 7.6% 02-Jun-2027	$560	2.0%
Gov't of Canada 0.75% 01-Sep-2021	$510	1.8%
Gov't of Canada 0.5% 01-Mar-2022	$490	1.7%
Bank of Nova Scotia	$440	1.6%
Enbridge Inc.	$410	1.5%
United Health Group Incorporated	$380	1.4%
Deutsche Post AG	$380	1.4%
Alphabet Inc., Class A	$360	1.3%

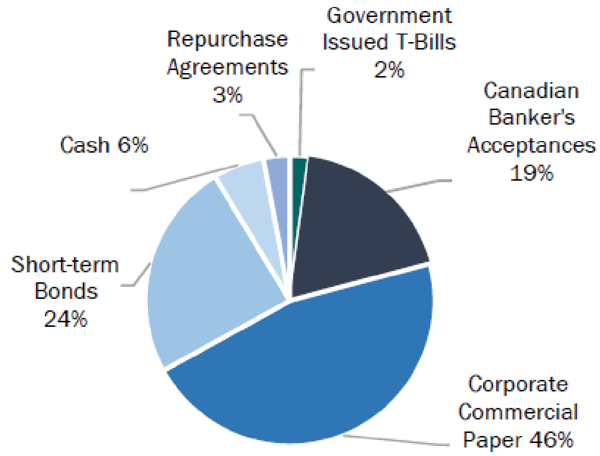
Money Market Pool

The Money Market Pool's holdings ($19.3 million at year-end) consisted of allocations to cash and cash equivalents. Cash equivalents may include Federal and Provincial Government issues, Banker's Acceptances, commercial paper, repurchase agreements and short-term bonds.

The assets are invested in the TD Emerald Canadian Short-Term Investment Fund and the TD Emerald Canadian Treasury Management Fund.

The Money Market Pool generated a return of 0.8% for the year, above the 0.5% return generated by its benchmark.

Summary of Money Market Pool Composition



Ten Largest Money Market Pool Holdings - December 31, 2016

Security Name	Market Value (in CA$ 000)	% of Money Market Pool
Gov't of Canada 0.48% Repurchase Agreement due 01-Apr-2017	$570	3.0%
Canadian Imperial Bank of Commerce 2.35% 18-Oct-2017	$290	1.5%
National Bank of Canada 1.951% 11-Dec-2017	$260	1.3%
Caisse Centrale Desjardins 03-Mar-2017	$230	1.2%
Toronto Dominion Bank 2.433% 15-Aug-2017	$220	1.2%
Bank of Nova Scotia 2.37% 11-Jan-2018	$210	1.1%
Storm King Funding 07-Apr-2017	$210	1.1%
bcIMC Realty Corporation 2.650% 29-Jun-2017	$210	1.1%
Plaza Trust 15-May-2017	$200	1.0%
Canadian Imperial Bank of Commerce 3.95% 14-Jul-2017	$200	1.0%

SCHEDULE 6

Glide Path Options

Glide Paths were introduced in 2014 as an alternative to constructing a personalized portfolio using the investment options available under the Plan.

A glide path is an evolving asset mix based on a member's age and risk tolerance. As a member approaches retirement, the asset mix becomes more conservative.

Schedule 6 provides the asset mix, age bands for the available glide path profiles (conservative, moderate and aggressive) as well as the performance of each glide path combination for the periods ended December 31, 2016, 2015 and 2014.

Glide Path Profiles - December 31, 2016

Funds/ Age Bands	Age 66 and above	Age 60 to 65	Age 50 to 59	Age 40 to 49	Age 30 to 39	Below Age 30
Conservative Risk Profile						
Fixed Income Pool	65%	65%	50%	40%	30%	20%
Equity Pool	25%	25%	35%	45%	55%	65%
Alternative Assets	10%	10%	15%	15%	15%	15%
Allocation	A	A	B	C	D	E
Moderate Risk Profile						
Fixed Income Pool	65%	50%	40%	30%	20%	10%
Equity Pool	25%	35%	45%	55%	65%	75%
Alternative Assets	10%	15%	15%	15%	15%	15%
Allocation	A	B	C	D	E	F
Aggressive Risk Profile						
Fixed Income Pool	50%	40%	30%	20%	10%	10%
Equity Pool	35%	45%	55%	65%	75%	75%
Alternative Assets	15%	15%	15%	15%	15%	15%
Allocation	B	C	D	E	F	F

Glide Path Performance

Allocation	A	B	C	D	E	F
2016	5.2%	5.6%	5.9%	6.3%	6.7%	7.1%
2015	5.3%	6.3%	6.9%	7.5%	8.1%	8.8%
2014	9.7%	9.8%	9.9%	10.0%	10.1%	10.2%

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 payments, 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, real estate and public equity securities.

Asset Allocation

The strategic long-term asset allocation mix is a 35% equity and 65% fixed income allocation. At December 31, 2016, 100% of the Pensioner Fund's portfolio was managed by external investment managers.

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. Where possible, the real estate investment weight will converge to zero, as investments are liquidated.

Schedule 7 shows the actual Pensioner Fund asset allocation as at December 31, 2016.

SCHEDULE 7

Pensioner Fund - Asset Allocation - December 31, 2016

Asset Class	Amount (millions CA$)	%	Strategic Asset Allocation%	MIN%	MAX%
Equity	56.9	34.6	35	20	45
Fixed Income	87.5	53.2	65	50	75
Real Estate	15.4	9.3	-	-	20
Cash & Cash Equivalents	4.7	2.9	-	-	10
Total Pensioner Fund	**$164.5**	**100%**	**100%**		

Investment Manager and Structure Changes - 2016

No investment manager changes were made during the year for the Pensioner Fund. However, the real estate weight was reduced from 12% to 9%.

Fund Performance

In 2016, the Pensioner Fund return of 3.3% was below the long-term objective of 4.3% (2.7% + CPI). The return was above the policy benchmark of 2.6%.

Schedule 8 shows the performance of each asset class and manager in the Pensioner Fund.

Chart 1 on page 21 provides the historical performance of the Pensioner Fund.

SCHEDULE 8

Pensioner Fund Performance - December 31, 2016

Asset Class/Manager	Asset under management (millions CA$)	Annualized Returns (%) 1 year	3 years	5 years
Equity Manager				
Vontobel	$56.9	1.2	-	-
MSCI ACWI Net		*4.1*	-	-
Value added vs benchmark		-2.9	-	-
Total Equity(2)	**$56.9**	**1.2**	**12.7**	**13.6**
Equity Benchmark(3)		*4.1*	*11.1*	*10.7*
Value added vs benchmark		-2.9	1.6	2.9
Fixed Income Managers				
Manulife Investments	**$64.1**	2.7	5.2	-
Manulife Custom Benchmark		*2.9*	*5.2*	-
Value added vs benchmark		-0.2	0.0	-
Canso Investment Counsel	**$23.4**	7.3	7.4	9.0
FTSE TMX Canada All Corporate Bond		*3.7*	*4.7*	*4.2*
Value added vs benchmark		3.6	2.7	4.8
Total Fixed Income	**$87.5**	**3.9**	**5.6**	**4.7**
FTSE TMX Universe Bond		*1.7*	*4.6*	*3.2*
Value added vs benchmark		2.2	1.0	1.5
Real Estate - Net	**$15.4**	**5.3**	**5.4**	**9.0**
CPI + 4%		*5.5*	*5.5*	*5.3*
Net Value added vs benchmark		-0.2	-0.1	3.7
Cash & Cash Equivalents	**$4.7**	**0.7**	**0.6**	**0.8**
FTSE TMX 30-Day T-Bill		*0.5*	*0.6*	*0.8*
Value added vs benchmark		0.2	0.0	0.0
Pensioner Fund	**$164.5**	**3.3**	**7.8**	**8.1**
Pensioner Fund Benchmark(1)		*2.6*	*7.0*	-
Value added vs benchmark		0.7	0.8	-

Note 1: 35% MSCI ACWI (Net) + 65% FTSE TMX Universe Bond Index from November 1, 2014; 35% S&P/TSX Composite + 65% FTSE TMX Universe Bond Index from October 1, 2012 to October 31, 2014.
Note 2: Vontobel from November 1, 2014; PH&N Dividend Fund prior to November 1, 2014.
Note 3: MSCI ACWI (Net) from November 1, 2014; S&P/TSX Composite prior to November 1, 2014.
Note 4: Different benchmark indices were used in the three and five-year periods, where applicable.

Benefits and ADMINISTRATIVE MATTERS

Plan Amendments

There were no amendments made to the Plan in 2016.

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.

Benefit Payments

During 2016, 581 individual settlements were transacted under the Plan totalling $108,500,641. The types of settlement transactions processed and the benefit amounts paid out of the Plan during 2016 are detailed in *Schedule 9* as well as in the Financial Report.

In 2016, 140 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, 2016, there were 1,112 retired members and beneficiaries receiving pensions from the Pensioner Fund. Of these, 667 are in the Old Pool with an average age of 86.1 years and 445 are in the New Pool with an average age of 74.9 years. The total of such pensions payments amounted to $28,225,995 in 2016.

During the year, 63 deaths were recorded among members of the Plan. Of this number, 10 were active members, 46 were retired members from the Old Pool and 7 were retired members from the New Pool (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.

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

Settlements in 2016

	Number	Total Amount	Average Payment
Transfers to LIRA/LIFs:	215	70,918,488	329,853
Transfers to McGill University - Group LIF	51	23,964,915	469,900
Death Benefits:	8	2,223,655	277,957
Annuity Purchases:	3	1,250,955	416,985
Lump-Sum Payments:	208	7,194,403	34,588
Transfers to other Pension Plans:	6	1,270,174	211,696
Other[1]:	90	1,678,052	18,645
Total:	581	$108,500,641	

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

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, 2015 actuarial valuation of the Pensioner Fund confirmed an excess of liabilities over assets of $98,082,000 on a solvency valuation basis (2012 - deficit of $91,251,000). 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 2016.

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 Inc., in their December 31, 2015 valuation report, established the financial position of the Plan.

The actuarial valuation of the Plan, as a whole, established that a funding deficiency of $78,007,000 existed as at December 31, 2015 (2012 - deficit of $97,206,000).

The degree of solvency is described as the ratio of solvency assets to the solvency liabilities. As at December 31, 2015, 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, 2015, was 80.8% (2012 - 74.8%). Under the *Supplemental Pension Plans Act*, university and municipal pension plans are not required to make contributions to amortize solvency deficits.

The Executive Summary of the Actuarial Valuation as at December 31, 2015, as prepared by the Plan actuary, Eckler Inc., can be found in *Appendix III*.

The next triennial actuarial valuation of the Plan will be performed as at December 31, 2018 and needs to be filed with the governmental authorities before the regulatory deadline of September 30, 2019.

SCHEDULE 10

Administration

The day-to-day administration of the Plan is performed by the Plan's record keeper, Morneau Shepell, and 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 investment and administrative fees for the investment options in the Accumulation Fund, as well as the fees for the Pensioner Fund, are presented in *Schedule 10*.

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

ACCUMULATION FUND

INVESTMENT FEES	**2016**	**2015**
Balanced Account	0.72%	0.63%
Equity Pool	0.45%	0.45%
Alternative Assets	1.88%	1.95%
Fixed Income Pool	0.23%	0.21%
SRI Pool	0.21%	0.20%
Money Market Pool	0.08%	0.09%
ADMINISTRATION FEES[1]	**2016**	**2015**
Balanced Account	0.23%	0.27%
Equity Pool	0.26%	0.27%
Alternative Assets	0.17%	0.27%
Fixed Income Pool	0.24%	0.27%
SRI Pool	0.26%	0.27%
Money Market Pool	0.31%	0.27%
PENSIONER FUND	**2016**	**2015**
INVESTMENT FEES	0.38%	0.38%
ADMINISTRATIVE FEES	0.16%	0.22%

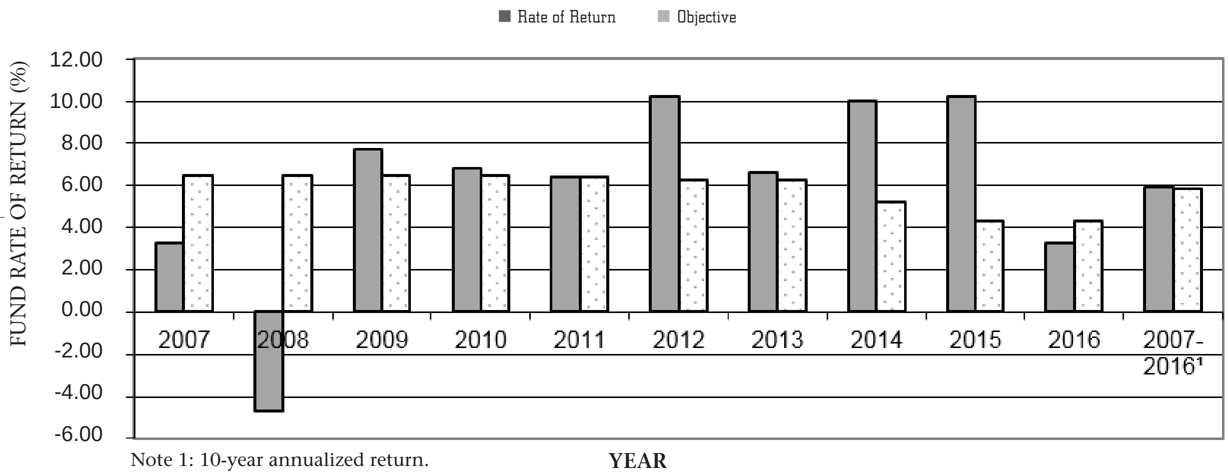
ANNUAL RECORD KEEPING FEES (per member)	**2016**	**2015**
Part A Member - Hybrid Plan:	$120.32	$118.02
Part B Member - Defined Contribution Plan:	$57.75	$56.65

* All fees include taxes and are subject to an annual indexation adjustment.

Note 1: In 2016, administrative expenses were allocated based on costs incurred by each pool and an amount allocated based on the pro-rated fair market value of each pool's assets relative to total assets. Prior to 2016, administrative expenses were allocated based on the fair market value of each pool's assets relative to total assets.

CHART 1

Pensioner Fund Performance from 2007 to 2016



Note 1: 10-year annualized return.

CONTACT US

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

688 Sherbrooke Street West, Suite 1420
Montreal, Quebec H3A 3R1
Tel: 514-398-6250, Fax: (514) 398-6889

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.

Staff Directory

Pension Administration

General Information
1-855-687-2111

John D'Agata (john.dagata@mcgill.ca)
Director – Pension Administration
514-398-6250

Karen Rasinger (karen.rasinger@mcgill.ca)
Communications and Administrative Officer
514-398-6250

Joanne St-Denis (joanne.st-denis@mcgill.ca)
Pensions and Benefits Officer
514-398-2748

Office of Investments

General Information
514-398-6040

Sophie Leblanc (sophie.leblanc2@mcgill.ca)
Chief Investment Officer
514-398-6040

Line Beauregard (line.beauregard@mcgill.ca)
Senior Manager – Finance & Governance
514-398-6040

La version française de ce rapport est disponible sur demande.

Appendix I

2016 RETIREMENTS

Name	Department or Faculty
Awissi/Dayoka Bruno/Dr	Medicine
Azzopardi/Mark/Mr	Bookstore
Barile/Christina/Ms	University Advancement
Beauchamp/Marie-Claude/Mme	Continuing Education
Beaulieu/Michèle/Dr	IDEA - Research & Innovation
Belanger/Marie Claire/Mrs	Psychiaty
Bissonnette/Danielle/Mme	Enrolment services
Black/Victor/Mr	Facilities Management
Branton/Philip E/Dr	Biochemistry
Brown/Gregory G/Dr	Biology
Cunningham/John/Mr	Librairies
De Souza/Maria/Mrs	Librairies
Della Neve/Mario/Mr	Physics
Dillon/David A/Prof	Integrated Studies in Education
Drodge/Linda/Ms	Student Health
Dunkley/Elizabeth/Ms	Librairies
Duplessis/Helene/Ms	Medicine
Ezer/Helene/Dr	Nursing
Gagne/Marcel/Mr	Facilities Management
Gallucci/Giuseppina/Mrs	Internal Audit
Garcia-Rejon/Maricruz/Mrs	Kinesiology & Physical Education
Garland/Trevor/Mr	Information Systems Resources
Gosselin Pellerin/Marjolaine/Dr	Endocrinology
Huot/Robert/Mr	Facilities Management
Jackson/Douglas A/Mr	Information Systems Resources
Khouri/Anastassia/Ms	Librairies
Kidd/Ian/Mr	Facilities Management
Kirby/Peter C/Mr	Natural Resources Sciences
Kolonics/Judith Diane/Ms	Librairies
Kovacevic/Miriam Mirjana/Mrs	Neurology & Neurosurgery
Larocque/Deborah/Ms	University Advancement
Lechowicz/Martin J/Prof	Biology
Lee Loy/Ailsa C/Mrs	Goodman Cancer Centre
Lesage/Renee/Mme	IT Services
Lewis/Barbara Jean/Ms	University Services
Lindsay/Judith/Ms	Librairies
Lochead/Marian/Ms	Information Systems Resources
Loft/Michael/Mr	Social Work
Malynowsky/Lydia Vladimera/Ms	Dentistry
Martinek/Peter/Mr	Librairies
Martone/Lydia/Ms	Office of the Vice-Principal (Administration & Finance)
Mayer/Helene/Ms	Engineering
Mongeon/Line/Ms	Electron Microscopy Facility
Pizzolongo/Candida/Mrs	Oncology
Powell/Nancy/Mrs	Residences - Macdonald Campus
Robert/Louise M/Miss	Librairies
Romero/Pedro/Dr	Biochemistry
Rowat/Vee/Ms	Student Affairs - Macdonald Campus
Russell/Phyllis/Mrs	Facilities Management
Sancho/Neville G F/Prof	Mathematics & Statistics
Savard/Louise/Mrs	University Safety

Appendix I – Retirements (continued)

Name	Department or Faculty
Sibbald/Kathleen M/Dr	Languages, Literatures & Cultures
Sood/Anand/Mrs	Urban Planning
St Martin/Ronald/Mr	Building Operations
Starnino/Adriana A/Miss	Continuing Studies
Strople/Stephen/Mr	University Secretariat
Tchadej/Boris/Mr	Facilities Management
Telmosse/Diane/Miss	School of Nursing
Toti/Joanna/Ms	Medicine
Turcotte/Rene A/Dr	Kinesiology & Physical Education
Verkade/Alison/Mrs	Human Resources
Waterway/Marcia J/Dr	Plant Science
Weldon/George/Mr	Medicine
Zhao/Julan/Ms	Chemistry

Appendix II
2016 DEATHS

Name	Department or Faculty
Benaquisto/Lucia/Prof	Sociology
Benfey/Bruno Georg/Dr	Pharmacology & Therapeutics
Blundell/John Edward/Dr	Neurosurgery
Boileau/Marc/Mr	Macdonald Campus
Boswell/William/Mr	Educational Studies
Boullata/Marita/Ms	Libraries
Burgess/Donald Arthur/Prof	Educational Studies
Carosielli/Giovanni/Mr	Building Services
Caucci/Ercole/Mr	Building Services
Devarennes Chung/Simone/Ms	Surgical Research
Dewey/Colleen/Mrs	Athletics
Doyle/Josephine M/Prof	School of Nursing
Finlayson/Janet Louise/Miss	Macdonald Campus
Fraser/Eileen/Ms	Economics
Garneau/Edith-Ann/Mrs	School of Nursing
Gilson/Denis F R/Prof	Chemistry
Goodchild/Bruce/Dr	Biology
Gooding/Barbara Anne/Sr	School of Nursing
Grassino/Alex/Dr	School of Physical & Occupational Therapy
Grondin/Bruno/Mr	Mining & Metallurgical Engineering
Ha-Huy/Phien/Mr	Facilities Management
Haworth/Lorna H/Prof	Curriculum & Instruction
Keough/Patrick S/Mr	Engineering & Design
Kontogiannea/Maria/Ms	Obstetrics & Gynaecology
Leask/Bernie/Mr	Graphics, Multimedia & Advertizing
Legault/Jean Maurice/Mr	Pathology
Linderman/Deborah/Dr	English
Lovasik/Susan E/Ms	Management

Appendix II – Deaths (continued)

Name	Department or Faculty
Lundgren/Jan/Prof	Geography
MacDonald/Ronald George/Mr	Design Services
Masson/Elinor/Mrs	Epidemiology & Biostatistics
Matte/Nicolas M/Dr	Law
McDonald/J Corbett/Dr	Occupational Health
McDonald/Thelma/Mrs	Education
McKinnon/Alastair T/Prof	Philosophy
Minde/Klaus/Dr	Psychiatry
Monk/Richard/Mr	Facilities Management
Mooney/Mary/Ms	Sports Medicine Clinic
Moss/Nathan/Mr	Secretariat
Murphy/Nancy Annie/Mrs	Residences
Nagy/Mike/Mr	Facilities Management - Macdonald Campus
Nahoul/Nouhad William/Mr	Facilities Management
Nowak/Jean/Ms	Medicine
Nuttall/Barbara/Miss	Neuropathology Laboratory
Porter/Myrtle/Miss	Montreal Neurological Hospital
Puhvel/Martin/Prof	English
Reiss/Nellie/Mrs	Libraries
Remsen/Derek/Mr	Physical Resources & Business Operations
Selby/David Adrian/Prof	Civil Engineering
Smith/Shane/Mr	Bookstore
Sutherland/Donald Marshall/Mr	McGill-Queen's University Press
Trudeau/Suzanne/Miss	Biochemistry
Vanderstap/Magtildis/Mrs	Libraries
Verilli/Anna/Miss	East Asian Studies
Werk/Annette/Mrs	Social Work

Appendix III
EXECUTIVE SUMMARY OF THE ACTUARIAL VALUATION

Eckler
CONSULTANTS + ACTUARIES

Highlights of the Actuarial Valuation as at December 31, 2015

At the request of the Pension Administration Committee, we have performed an actuarial valuation of the McGill University Pension Plan as at December 31, 2015. The results of such valuation were presented in a formal report dated June 23, 2016, 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, funding in the form of past service contributions over a maximum period of 15 years is required 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 3.9% 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 "CPM-2014 Public with generational projections using Projection Scale CPM-B"; and (d) tables of retirement rates based on the actual experience of the Plan, separately for Academic and Administrative and Support Staff Members.

The main results of the funding valuation are as follows:

- The actuarial liabilities were $1,525,574,000 as at December 31, 2015 (i.e. $1,186,210,000 under the DC Segment, $261,327,000 under the Pensioner Segment and $78,037,000 under the DB Minimum Segment). The market value of the Fund was $1,447,567,000 and there was therefore a funding deficiency of $78,007,000 as at the valuation date.
- As at the date of the preceding valuation (i.e. December 31, 2012), there was a funding deficiency of $97,206,000; the factors which contributed to the change in the funded position since the preceding valuation are the expected decrease in the funding deficiency due to minimum past service payments made by the University net of expected interest, the investment return of the Fund which was higher than the actuarial assumptions (positive effect of $27.3M), the investment return credited to DC Segment account balances which was higher than expected (positive effect of $33.8M), additional University contributions required for external settlements to be made in totality (positive effect of $41.5M), the changes made to actuarial assumptions (increase in liabilities of $81.1M) and an increase of $7.5M in the liabilities on account of other sources of experience gains and losses.
- The minimum past service payments to be made by the University to amortize the funding deficiency over 15 years are calculated at $7,700,400 per annum.

- With respect to current service, University contributions with respect to the DB Minimum Segment are calculated at $4,588,100 for 2016; these contributions are in addition to those required under the DC Segment, which are estimated at $24,126,000 for 2016. Effective January 1, 2014, active plan members participating in the DB Minimum Segment started paying 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 have been 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, 2015, solvency liabilities were calculated at $1,673,461,000 while assets were $1,447,067,000, for a solvency deficiency of $226,394,000 and a solvency ratio of 86.5%.

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 (80.8%) as per the Quebec Supplemental Pension Plans Act.

Minimum University contributions for 2016-2018

In view of the results of the actuarial valuation as at December 31, 2015, 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 $24,126,000 per annum for 2016

With respect to the DB Segments:

	Year 2016	Year 2017	Year 2018
• University current service contributions in respect of the DB Minimum Segment[2]	$4,588,100	$4,725,700	$4,867,500
• Minimum University contributions to amortize the funding deficiency	$7,700,400	$7,700,400	$7,700,400
• Total – DB Segments	$12,288,500	$12,426,100	$12,567,900

[1] Effective January 1, 2014, active plan members participating in the DB Minimum Segment started paying 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 are reduced by the same amount.
[2] Assuming payroll increases in 2017 and 2018 based on the valuation's wage inflation assumption.

The next required actuarial valuation is due no later than December 31, 2018 and needs to be filed with governmental authorities before the regulatory deadline of September 30, 2019. The University is required to continue to contribute based on the December 31, 2015 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 IV

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.

Alternative Assets: Any non-traditional asset (including hedge funds, private investments, real estate, listed real assets and infrastructure) with a potential economic value that would not be found in a standard investment portfolio.

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.

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

Barclays Global Aggregate Index: Fixed income index comprised of global investment-grade debt from twenty-four local currency markets.

Benchmark: A standard against which rates of return can be compared to measure value added against 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.

Brookfield Custom Blended Index: Custom index comprised of equities, commodities and bonds.

Cash Margin: 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.

Consumer Price Index (CPI): An indicator provided by Statistics Canada that measures the price of a representative basket of goods and services. Inflation is the annual rate of change of the CPI.

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.

Degree of Solvency: ratio of total solvency assets to total solvency liabilities at the valuation date, excluding balances for members who would not have been entitled to any benefits under the Defined Benefit Minimum Provision of the Plan.

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.

Diversification: A strategy to spread investment risk among different asset classes and different countries.

Duration: Measure used to approximate the impact on the fair value of fixed income securities for a given change in interest rates.

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 & cash equivalents from time to time.

Fair Value: The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

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.

FTSE TMX 30-day Treasury Bills Index: Measures the performance return attributable to 30-day Treasury Bills of the federal government.

FTSE TMX Canada Long-Term Government Bond Index: A subset of the FTSE TMX Canada Universe Bond Index comprised of only investment-grade Government of Canada, provincial, municipal and government agency bonds with a term to maturity greater than ten years.

FTSE TMX Universe Bond Index: Designed to be a broad measure of the Canadian investment-grade fixed income market.

FTSE TMX Canada All Corporate Bond Index: A subset of the FTSE TMX Universe Bond Index containing only corporate bonds from major industry groups.

FTSE TMX Canada Provincial Mid-Term Bond Index: Measures the performance return attributable to the Canadian mid-term bond market. Contains bonds with remaining effective terms between five and ten years.

FTSE TMX Canada Provincial Short-Term Bond Index: Measures the performance return attributable to the Canadian short-term bond market. Contains bonds with remaining effective terms less than or equal to five years.

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.

Glide Paths: Evolving asset mix based on a member's age and risk tolerance. As a member approaches retirement, the asset mix becomes more conservative.

Hybrid Plan: a pension plan that includes elements of both defined contribution and defined benefit provisions. Part A of the Plan is a hybrid plan arrangement.

Investment Objective – Alternative Assets: To provide long-term capital appreciation and income with a focus on capital preservation by investing in a diversified portfolio of alternative assets.

Investment Objective – Balanced Account: To provide capital accumulation over the long-term through allocations to the Equity Pool, Alternative Assets and the Fixed Income Pool with a target asset mix of 45% equity securities, 20% alternative assets 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 global equity securities.

Investment Objective – Fixed Income Pool: To provide a predictable source of interest income and reduced volatility of investment returns, by investing in a diversified portfolio of fixed income securities.

Investment Objective – Glide Path Option: To optimize capital accumulation over the long term through asset mix allocations to the Equity Pool, Alternative Assets and the Fixed Income Pool based on age and risk tolerance.

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

Liability-Driven Investment (LDI): Investment designed to reduce interest rate risk related to defined benefit pension plan liabilities.

Listed Real Assets: Real assets which are securitized, listed and traded on a financial market.

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

Manulife Custom Benchmark: The Liability Benchmark is a diversified bond portfolio whose cash flows match as closely as possible the cash flows of McGill's Pensioner Fund.

MSCI ACWI: Market capitalisation weighted index that is designed to measure the equity market performance of developed and emerging markets.

MSCI EAFE: Stock market index that is designed to measure the equity market performance of developed markets outside of the US & Canada.

MSCI EM: Market capitalization index that is designed to measure the equity market performance of emerging markets.

MSCI Europe: Market capitalisation index that is designed to measure developed market equity performance in Europe.

MSCI World High Dividend Index: Derived from the MSCI World Index and includes large and midcap stocks across developed market countries. The index in designed to reflect the performance of equities with higher dividend income 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 generally less than a year which are 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.

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

Part A: Refers to the hybrid part of the Plan for employees who joined or were eligible to join prior to January 1, 2009.

Part B: Refers to the defined contribution part of the Plan for employees who joined the Plan on or after January 1, 2009.

Pension Fund: Consists of employee and employer contributions into the Pension Plan plus the income, gains and/or losses derived from fund investments.

Plan: Means the McGill University Pension Plan as described in the Plan Document, as amended from time to time.

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

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

Real Assets: Physical or tangible assets with intrinsic value. Real assets include real estate, infrastructure, precious metals, commodities, agricultural land and oil.

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

S&P 500: 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 Canadian SmallCap: An index of smaller Canadian companies that have been included in the S&P/TSX Composite index.

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

Shares: Securities representing ownership in a company, usually carrying voting privileges.

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.

Solvency ratio: The ratio os actuarial liabilities to the total Plan’s assets at the valuation date.

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.

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, 2016, 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 2016 *Guide to the Annual Information Return* published by Retraite 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 set out in the 2016 *Guide to the Annual Information Return* published by Retraite 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, 2016, 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 2016 *Guide to the Annual Information Return* published by Retraite 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 meet the requirements of Retraite Québec. As a result, the financial report may not be suitable for another purpose.

Deloitte LLP[1]

Montreal, Quebec
March 22, 2017

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

Statement of Net Assets AVAILABLE FOR BENEFITS

As at December 31, 2016

Accumulation Fund

ASSETS	2016	2015
Investments (Note 3)	$1,288,498,006	$1,253,076,849
Cash	8,709,775	12,289,808
Currency contracts (Note 4)	459,527	2,128,759
Cash margin and stock index futures (Note 7)	562,799	2,197,406
Accrued investment income	3,369,934	3,622,754
Accounts receivable	15,547,792	4,873,785
McGill University contributions receivable	1,808,220	1,726,449
	1,318,956,053	1,279,915,810
LIABILITIES		
Currency contracts (Note 4)	2,311,466	15,066,403
Accounts payable and accruals	4,876,963	3,668,544
Due to Pensioner Fund (Note 6)	38,350	193,030
Owing to former members	1,678,133	708,501
	8,904,912	19,636,478
Net assets available for benefits	**1,310,051,141**	**1,260,279,332**

Pensioner Fund

ASSETS		
Investments (Note 3)	163,132,980	183,562,303
Cash	699,871	594,741
Accrued investment income	1,430,164	1,409,339
Accounts receivable	1,320	2,779,993
Receivable from Accumulation Fund (Note 6)	38,350	193,030
	165,302,685	188,539,406
LIABILITIES		
Currency contracts (Note 4)	10,101	21,233
Accounts payable and accruals	165,839	249,351
Due to McGill University	958,113	980,416
	1,134,053	1,251,000
Net assets available for benefits	**164,168,632**	**187,288,406**
Total net assets available for benefits	**$1,474,219,773**	**$1,447,567,738**

Statement of Changes in Net Assets AVAILABLE FOR BENEFITS

Year ended December 31, 2016

Accumulation Fund

	2016	2015
Net assets available for benefits, January 1	$1,260,279,332	$1,207,231,342
INCREASE		
Investment income (Note 5)	28,851,009	32,492,431
Realized gains	49,966,793	50,266,802
Members' regular contributions	25,128,862	24,185,149
Members' special contributions	5,945,316	6,068,507
Members' voluntary contributions	993,663	701,247
McGill University regular contributions	24,796,005	23,640,539
McGill University special contributions	30,810,774	27,943,563
Transfers from other registered plans	236,270	268,178
Total increase in net assets	166,728,692	165,566,416
DECREASE		
Administration expenses (Note 8)	3,016,744	3,381,745
Investment management fees	3,410,387	3,904,571
Retirement benefits	56,293,542	50,621,317
Retirement benefits - McGill University LIF/RIF	23,964,791	18,897,662
Termination benefits	26,018,530	35,838,139
Death benefits	2,223,655	1,691,539
Transaction costs	415,293	355,072
Total decrease in net assets	115,342,942	114,690,045
Change in unrealized fair value of investments (unrealized gains (losses))	(1,613,941)	2,171,619
Change in net assets available for benefits	**49,771,809**	**53,047,990**
Net assets available for benefits, December 31	**$1,310,051,141**	**$1,260,279,332**

Statement of Changes in Net Assets AVAILABLE FOR BENEFITS

Year ended December 31, 2016

Pensioner Fund

	2016	2015
Net assets available for benefits, January 1	$187,288,406	$197,374,540
INCREASE		
Investment income (Note 5)	5,204,651	5,384,833
Realized gains	1,416,147	3,206,530
Total increase in net assets	6,620,798	8,591,363
DECREASE		
Administration expenses (Note 8)	275,933	425,987
Investment management fees	159,959	171,658
Pension payments	28,225,995	28,912,415
Total decrease in net assets	28,661,887	29,510,060
Change in unrealized fair value of investments (unrealized gains (losses))	(1,078,685)	10,832,563
Change in net assets available for benefits	**(23,119,774)**	**(10,086,134)**
Net assets available for benefits, December 31	**164,168,632**	**$187,288,406**

Notes to the FINANCIAL REPORT

December 31, 2016

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.

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 the 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 began contributing 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.

Starting in 2015, Members can transfer their pension holdings into a Life Income Fund (LIF) or Retirement Income Fund (RIF) sponsored by McGill University.

(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, Alternative Assets, a Fixed Income Pool, a Socially-Responsible Investment Pool and a Money Market Pool. A Balanced Account and glide path options are also available, composed of allocations to the Equity Pool, Alternative Assets and the Fixed Income Pool in proportions determined from time to time by the Pension Administration Committee ("PAC").

Notes to the Financial Report

December 31, 2016

1. Summary Description of the Plan
(continued)

(F) ACCUMULATION FUND (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 related to 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.

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

In the event of a Plan termination, any actuarial deficit arising from the Defined Benefit Minimum Provision or from actuarial valuation needs is the responsibility of the University.

(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 financial reporting provisions described in the 2016 *Guide to the Annual Information Return* published by Retraite Québec.The basis of accounting used in this financial report materially differs from Canadian 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 Retraite Québec. Canadian 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 also applies International Financial Reporting Standards ("IFRS")-13, Fair Value Measurement. Investments as at December 31, 2016, have been valued using the closing price if the closing price is between bid price and ask 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 following significant accounting policies:

INVESTMENTS

Investments are recorded as of the trade date and are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2. Significant Accounting Policies
(continued)

INVESTMENTS (continued)

The fair value of investments is determined as follows:

(a) Currency contracts are valued using year-end foreign exchange rates, volatility and time to maturity.

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

(c) Fixed income investments are valued using price or yield equivalent quotations supplied by third-party vendors.

(d) Common stocks investments are valued at quoted market prices.

(e) Real assets investment valuations are based on periodic appraisals for privately-held real assets. Listed real asset investments are valued at quoted market prices.

(f) Private investments are calculated by an independent measurement firm. Current fair value estimates are primarily derived from the most recent financial statements pertaining to the Plan's private investments, adjusted for cash flows and foreign currency, as applicable.

(g) Absolute return strategies are valued depending on the underlying assets (currency contracts, fixed income, common stocks and real assets).

INCOME RECOGNITION

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

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 unrealized 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 the use of estimates include fair value of real assets investments, private investments and absolute return strategies. Actual results could differ from these estimates.

3. Investments and Financial Instruments

(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 53 days in the Accumulation Fund (2015 - 47 days) and 34 days in the Pensioner Fund (2015 - 45 days).

Fixed Income

In the Accumulation Fund, bonds, 40% of which are guaranteed by the federal or provincial governments (2015 - 49%), have a weighted average yield to maturity of 2.3% (2015 - 3.2%) and an average duration of 6.9 years (2015 - 7.6 years). In the Pensioner Fund, bonds, 39% of which are guaranteed by the federal or provincial governments (2015 - 35%), have a weighted average yield to maturity of 3.2% (2015 - 3.3%) and an average duration of 6.2 years (2015 - 6.5 years).

Common Stock

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

3. Investments and Financial Instruments (continued)

(A) TERMS AND CONDITIONS (continued)

Real Assets

Real assets consist of real estate and infrastructure investments.

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

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

In the Accumulation Fund, infrastructure investments consist of funds that invest directly in European and US infrastructure assets.

Listed Real Assets

In the Accumulation Fund, listed real assets are diversified globally.

Private Investments

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

Absolute Return Strategies

In the Accumulation Fund, absolute return strategies consist of non-Canadian investment in event driven, credit, US long/short, global/non-US long/short and trading oriented strategies.

(B) COMMITMENTS

In the Accumulation Fund, there are unfunded commitments in the amount of $98.7 million (2015 - $55.6 million) to fund private investments, real estate and infrastructure investments. It is anticipated that these commitments will be met in the normal course of operations.

(C) CREDIT RISK

Credit risk arises from the potential for a bond issuer to default on its contractual obligations to the Plan. Fixed income investments are recorded at fair value. This represents the maximum credit risk exposure of the Plan.

(D) 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, cash equivalent securities and government bonds. 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.

(E) INTEREST RATE RISK

Interest rate risk refers to the impact of interest rate changes on the Plan's financial position. It impacts the liabilities of the Plan as a result of the Defined Benefit Minimum Provision, as well as the liabilities of the Pensioner Fund.

Interest rate changes directly impact the fair value of fixed income securities held in the Plan and partially compensate the effect on the pension liabilities.

Duration is a measure used to approximate the impact on the fair value of fixed income securities for a given change in interest rates. To manage this risk, the duration of the Plan's fixed income securities are monitored and adjusted, as appropriate.

(F) 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. The Plan's largest foreign currency exposure is to the United States dollar. Diversification of assets is also used to manage foreign currency risk.

Note 4 quantifies the currency forward contracts outstanding at December 31, 2016 and 2015.

3. Investments and Financial Instruments (continued)

(G) 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. Asset class and sub-asset class diversification is used to manage this risk.

EFFECT OF THE VARIATIONS OF INTEREST RATE, FOREIGN CURRENCY AND EQUITY PRICE RISK

Type of risk	Variation	Effect on Accumulation Fund	Effect on Pensioner Fund
Interest rate risk	1% increase (decrease)	Decrease (increase) fair value of fixed income investments by by $24.4 million (2015 - $26.9 million)	Decrease (increase) fair value of fixed income investments by $5.3 million (2015 - $6.4 million)
Foreign currency risk on investments	$0.01 appreciation (depreciation) of the United States dollar versus the Canadian dollar	Increase (decrease) in the fair value of investments of approximately $3 million (2015 - $2.9 million)	Increase (decrease) in the fair value of investments of approximately $433 thousand (2015 - $456 thousand)
Foreign currency risk on forward contracts	$0.01 appreciation (depreciation) of the United States dollar versus the Canadian dollar	Decrease (increase) in the fair value of forward contracts of approximately $1.5 million (2015 - $1.5 million)	N/A
Equity price risk	10% change in equity prices	$62.2 million change in the fair value of the equity investments (2015 - $61.6 million)	$5.7 million change in the fair value of the equity investments (2015 - $5.9 million)

(H) 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:

3. Investments and Financial Instruments (continued)

(H) FAIR VALUE HIERARCHY (continued)

	Fair Value at December 31, 2016			
Accumulation Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Cash equivalents	53,499,287	-	-	53,499,287
Fixed income investments - Canadian				
Federal bonds	-	36,012,655	-	36,012,655
Provincial bonds	-	61,042,265	-	61,042,265
Municipal bonds	-	49,821,584	-	49,821,584
Corporate bonds	-	105,439,305	-	105,439,305
Mortgages	-	438,082	-	438,082
Fixed income investments - foreign				
Federal bonds	-	45,236,544	-	45,236,544
Corporate bonds	-	21,116,110	-	21,116,110
Mortgages	-	34,537,999	-	34,537,999
	-	353,644,544	-	353,644,544
Equity investments				
Common stocks - Canadian	290,639,718	-	-	290,639,718
Common stocks - foreign	255,541,844	-	-	255,541,844
Pooled funds - foreign	-	76,182,526	-	76,182,526
	546,181,562	76,182,526	-	622,364,088
Alternative assets				
Real Assets	-	-	78,601,369	78,601,369
Listed real assets	21,464,915	-	-	21,464,915
Private investments	-	-	57,858,291	57,858,291
Absolute return strategies	-	-	101,065,512	101,065,512
	21,464,915	-	237,525,172	258,990,087
Total Investments	**621,145,764**	**429,827,070**	**237,525,172**	**1,288,498,006**
Other Financial Assets				
Currency contracts	-	459,527	-	459,527
Cash margin and stock index futures	456,264	106,535	-	562,799
	456,264	566,062	-	1,022,326
Total financial assets evaluated at fair value	**621,602,028**	**430,393,132**	**237,525,172**	**1,289,520,332**
Financial liabilities				
Currency contracts	-	2,311,466	-	2,311,466
Total financial liabilities evaluated at fair value	**-**	**2,311,466**	**-**	**2,311,466**

3. Investments and Financial Instruments (continued)

(H) FAIR VALUE HIERARCHY (continued)

Accumulation Fund	Fair Value at December 31, 2015 Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Cash equivalents	36,609,261	-	-	36,609,261
Fixed income investments - Canadian				
Federal bonds	-	31,315,419	-	31,315,419
Provincial bonds	-	88,193,009	-	88,193,009
Corporate bonds	-	92,407,189	-	92,407,189
Mortgages	-	8,134,973	-	8,134,973
Fixed income investments - foreign				
Federal bonds	-	52,960,250	-	52,960,250
Corporate bonds	-	56,244,538	-	56,244,538
Mortgages	-	24,998,052	-	24,998,052
	-	354,253,430	-	354,253,430
Equity investments				
Common stocks - Canadian	259,758,987	-	-	259,758,987
Common stocks - foreign	296,700,430	-	-	296,700,430
Pooled funds - foreign	-	59,178,670	-	59,178,670
	556,459,417	59,178,670	-	615,638,087
Alternative assets				
Real assets	-	-	63,066,806	63,066,806
Listed real assets	20,185,031	-	-	20,185,031
Private investments	-	-	66,640,612	66,640,612
Absolute return strategies	-	-	96,683,622	96,683,622
	20,185,031	-	226,391,040	246,576,071
Total Investments	**613,253,709**	**413,432,100**	**226,391,040**	**1,253,076,849**
Other Financial Assets				
Currency contracts	-	2,128,759	-	2,128,759
Cash margin and stock index futures	1,932,777	264,629	-	2,197,406
	1,932,777	2,393,388	-	4,326,165
Total financial assets evaluated at fair value	**615,186,486**	**415,825,488**	**226,391,040**	**1,257,403,014**
Financial liabilities				
Currency contracts	-	15,066,403	-	15,066,403
Total financial liabilities evaluated at fair value	**-**	**15,066,403**	**-**	**15,066,403**

3. Investments and Financial Instruments (continued)

(H) FAIR VALUE HIERARCHY (continued)

	Fair Value at December 31, 2016			
Pensioner Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Cash equivalents	5,466,850	-	-	5,466,850
Fixed income investments - Canadian				
Federal bonds	-	1,730,133	-	1,730,133
Provincial bonds	-	31,235,696	-	31,235,696
Corporate bonds	-	47,678,230	-	47,678,230
Fixed income investments - foreign				
Corporate bonds	-	4,618,573	-	4,618,573
	-	85,262,632	-	85,262,632
Equity investments				
Pooled funds - Canadian	-	120,569	-	120,569
Pooled funds - foreign	-	56,916,664	-	56,916,664
	-	57,037,233	-	57,037,233
Alternative assets				
Real assets	-	-	15,366,265	15,366,265
	-	-	15,366,265	15,366,265
Total Investments	**5,466,850**	**142,299,865**	**15,366,265**	**163,132,980**
Total financial assets evaluated at fair value	**5,466,850**	**142,299,865**	**15,366,265**	**163,132,980**
Financial liabilities				
Currency contracts	-	10,101	-	10,101
Total financial liabilities evaluated at fair value	**-**	**10,101**	**-**	**10,101**

3. Investments and Financial Instruments (continued)

(H) FAIR VALUE HIERARCHY (continued)

	Fair Value at December 31, 2015			
Pensioner Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Cash equivalents	3,290,272	-	-	3,290,272
Fixed income investments - Canadian				
Provincial bonds	-	34,314,417	-	34,314,417
Municipal bonds	-	1,434,552	-	1,434,552
Corporate bonds	-	59,923,612	-	59,923,612
Fixed income investments - foreign				
Corporate bonds	-	3,353,464	-	3,353,464
	-	99,026,045	-	99,026,045
Equity investments				
Pooled funds - Canadian	-	104,284	-	104,284
Pooled funds - foreign	-	58,927,857	-	58,927,857
	-	59,032,141	-	59,032,141
Alternative assets				
Real assets	-	-	22,213,845	22,213,845
	-	-	22,213,845	22,213,845
Total Investments	**3,290,272**	**158,058,186**	**22,213,845**	**183,562,303**
Total financial assets evaluated at fair value	**3,290,272**	**158,058,186**	**22,213,845**	**183,562,303**
Financial liabilities				
Currency contracts	-	21,233	-	21,233
Total financial liabilities evaluated at fair value	-	**21,233**	-	**21,233**

During 2016 and 2015, there has been no transfer of amounts between Level 1 and Level 2 or to or from Level 3.

3. Investments and Financial Instruments (continued)

(H) FAIR VALUE HIERARCHY (continued)

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, 2015	$182,808,380	$21,999,493
Purchases	27,565,571	645,797
Sales	(3,213,129)	-
Change in fair value	19,230,218	(431,445)
Fair value, December 31, 2015	**$226,391,040**	**$22,213,845**
Purchases	42,131,661	-
Sales	(41,734,332)	(8,297,389)
Change in fair value	10,736,803	1,449,809
Fair value, December 31, 2016	**$237,525,172**	**$15,366,265**

4. Currency Contracts

Accumulation Fund — **Currency Contracts at December 31, 2016**

Long Position	Short Position	Notional CDN$ Equivalent	Average Exchange Rate	Assets CDN$	Liabilities CDN$
Canadian Dollar	US Dollar	212,284,100	1.3316	-	(1,769,602)
Canadian Dollar	Japanese Yen	5,788,344	0.0115	74	-
Canadian Dollar	Euro	3,927,218	1.4089	-	(60,265)
US Dollar	Canadian Dollar	5,696,362	0.7624	122,504	(60 547)
US Dollar	Euro	5,163,429	1.0459	-	(62,733)
US Dollar	Hong Kong Dollar	3,271,197	0.1289	79,962	-
Hong Kong Dollar	Canadian Dollar	4,533,659	5.9169	103,554	(83,774)
Euro	US Dollar	4,752,552	0.9408	63,822	(83,536)
Various currencies	Various currencies	14,290,096	-	89,611	(191,009)
Total		**$259,706,957**		**$459,527**	**($2,311,466)**

Accumulation Fund — **Currency Contracts at December 31, 2015**

Long Position	Short Position	Notional CDN$ Equivalent	Average Exchange Rate	Assets CDN$	Liabilities CDN$
Canadian Dollar	US Dollar	314,562,358	1.3551	114	(12,721,863)
US Dollar	Japanese Yen	38,348,825	0.0082	452,256	(880,880)
US Dollar	Pound Sterling	11,081,463	1.5050	205,394	(66,988)
US Dollar	Euro	53,319,032	1.0918	66,337	(101,956)
US Dollar	Australian Dollar	2,029,656	0.7219	33,634	(1,020)
Euro	Canadian Dollar	7,480,060	0.6750	151,686	-
Swedish Krona	Euro	3,232,291	9.2782	85,527	(306)
Various currencies	Various currencies	3,358,134	-	1,133,811	(1,293,390)
Total		**$433,411,819**		**$2,128,759**	**($15,066,403)**

4. Currency Contracts (continued)

Pensioner Fund — **Currency Contracts at December 31, 2016**

Long Position	Short Position	Notional CDN$ Equivalent	Average Exchange Rate	Assets CDN$	Liabilities CDN$
Canadian Dollar	US Dollar	3,583,192	1.3360	-	(10,101)
Total		**$3,583,192**		-	**($10,101)**

Pensioner Fund — **Currency Contracts at December 31, 2015**

Long Position	Short Position	Notional CDN$ Equivalent	Average Exchange Rate	Assets CDN$	Liabilities CDN$
Canadian Dollar	US Dollar	1,809,285	1.3728	-	(21,233)
Total		**$1,809,285**		-	**($21,233)**

As described in Note 3 (f), the Plan hedges foreign currency risk by entering into currency forward contracts. As at December 31, 2016, the Accumulation Fund had $259,706,957 (2015 - $433,411,819) of notional value outstanding, while the Pensioner Fund had $3,583,192 (2015 - $1,809,285) of notional value outstanding. The largest exposure is to the United States dollar. The combined impact of the currency forward contracts other than the US dollar is insignificant.

5. Investment Income

Accumulation Fund

	2016	2015
Cash & cash equivalents	738,057	401,114
Fixed income	9,708,831	11,334,630
Common stocks	16,028,552	18,240,461
Real assets	603,490	602,879
Private equity	1,338,204	1,636,253
Absolute return strategies	433,875	277,094
Total	**$28,851,009**	**$32,492,431**

Pensioner Fund

	2016	2015
Cash & cash equivalents	26,680	32,740
Fixed income	3,936,855	4,346,717
Common stocks	668,953	550,509
Real assets	572,163	454,867
Total	**$5,204,651**	**$5,384,833**

6. Receivable/Due to Accumulation and Pensioner Fund

As at December 31, 2016, $38,350 (2015 - $193,030) was the amount of the interfund account between the Accumulation Fund and the Pensioner Fund. The amount relates to administrative expenses.

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

Administration expenses include the following:

Accumulation Fund	2016	2015
Service provider record keeping fees	$ 1,014,417	$ 1,041,400
Salaries and benefits	871,913	828,890
Custodial	278,551	442,708
Actuarial	131,323	93,803
Performance measurement fees	107,044	98,857
Trustee	102,040	92,903
Liability insurance	96,584	113,169
Retraite Québec fees	84,177	79,498
Audit	47,498	51,723
Other expenses	283,197	538,794
Total	**$3,016,744**	**$3,381,745**

Pensioner Fund	2016	2015
Service provider record keeping fees	$ 54,518	$ 55,773
Salaries and benefits	119,348	129,129
Custodial	13,221	12,037
Actuarial	17,976	14,613
Performance measurement fees	14,652	15,428
Trustee	13,966	14,473
Liability insurance	13,221	17,662
Retraite Québec fees	11,522	12,407
Audit	6,502	8,058
Other expenses	11,007	146,407
Total	**$275,933**	**$425,987**

9. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Rooted in your future

Pension Management, McGill University
688 Sherbrooke Street West, Suite 1420
Montreal, Quebec H3A 3R1

Tel: (514) 398-6250
Fax: (514) 398-6889
www.mcgill.ca/hr