

**SEIU AFFILIATES OFFICERS AND
EMPLOYEES PENSION PLAN -
CANADA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
SEIU Affiliates Officers and Employees Pension Plan - Canada

Opinion

We have audited the fund financial statements of **SEIU Affiliates Officers and Employees Pension Plan - Canada** (the "Plan"), which comprise the statements of net assets available for benefits as at December 31, 2018, and the statements of changes in net assets available for benefits for the year then ended, and notes to the fund financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying fund financial statements present fairly, in all material respects, the net assets available for benefits of **SEIU Affiliates Officers and Employees Pension Plan - Canada** as at December 31, 2018, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 76 of the Regulations to the Ontario Pension Benefits Act.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for Audit of the Fund Financial Statements* section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the fund financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the fund financial statements, which describes the basis of accounting. The fund financial statements are prepared to assist the Trustees of the Plan to meet the requirements of Pension Regulator. As a result, the fund financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the Trustees of the Plan and the Pension Regulator and should not be used by parties other than the Trustees of the Plan or the Pension Regulator.

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

Management is responsible for the preparation and fair presentation of the fund financial statements in accordance with the financial reporting provisions of Section 76 of the Regulations to the Ontario Pension Benefits Act, and for such internal control as management determines is necessary to enable the preparation of fund financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITORS' REPORT (cont'd)

Auditor's Responsibilities for the Audit of the Fund Financial Statements

Our objectives are to obtain reasonable assurance about whether the fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these fund financial statements.

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

- Identify and assess the risks of material misstatement of the fund financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the fund financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

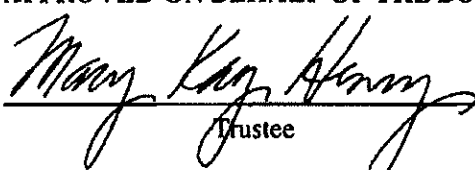
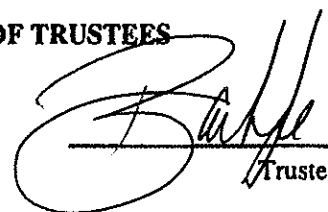
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SF Partnership, LLP

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**
Statement of Net Assets Available for Benefits
December 31, 2018

	2018	2017
ASSETS		
Investments (note 4a)	\$112,523,435	\$115,189,078
Cash	632,309	400,113
Receivables		
Employer contributions (note 9b)	668,968	562,519
Accrued interest and dividends	175,580	160,553
Due from Related Parties (note 5)	381,023	363,791
Total Assets	<u>114,381,315</u>	<u>116,676,054</u>
LIABILITIES		
Accounts Payable and Accrued Charges	112,703	174,929
Due to Related Parties (note 6)	126,555	143,446
Total Liabilities	<u>239,258</u>	<u>318,375</u>
Net Assets Available for Benefits	<u>\$114,142,057</u>	<u>\$116,357,679</u>

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES

Trustee
Trustee

(The accompanying notes are an integral part of these financial statements.)

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2018

	2018	2017
Increase in Assets		
Investment income		
Interest	\$ 1,165,892	\$ 1,163,689
Dividends	1,806,083	6,419,072
Change in net unrealized (loss) gain on investments	(6,999,254)	739,477
Net realized gain on sale of investments	<u>3,321,655</u>	<u>393,074</u>
	(705,624)	8,715,312
Investment service fees (note 9a)	<u>(564,670)</u>	<u>(548,593)</u>
	(1,270,294)	8,166,719
Employer contributions (note 9b)	5,756,798	5,770,044
Interest on SEIU Canadian Council receivable (note 5)	23,179	29,918
Miscellaneous income	<u>8,786</u>	<u>14,925</u>
Total Increase in Assets	<u>4,518,469</u>	<u>13,981,606</u>
Decrease in Assets		
Benefits paid		
Pension	5,380,446	4,817,320
Lump sum payments	<u>1,068,042</u>	<u>600,904</u>
	6,448,488	5,418,224
Administrative expenses (note 8)	<u>285,603</u>	<u>309,268</u>
Total Decrease in Assets	<u>6,734,091</u>	<u>5,727,492</u>
Net (Decrease) Increase in Assets	(2,215,622)	8,254,114
Net Assets Available for Benefits - Beginning of Year	<u>116,357,679</u>	<u>108,103,565</u>
Net Assets Available for Benefits - End of Year	<u>\$114,142,057</u>	<u>\$116,357,679</u>

(The accompanying notes are an integral part of these financial statements.)

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**
Notes to Financial Statements
December 31, 2018

1. Summary Description of the Plan

a) Description of the Plan

The Plan is a registered pension plan in the province of Ontario under registration number 0226951. The Plan is a defined benefit plan and provides pension benefits to officers and employees of local labour unions affiliated with the Service Employees International Union ("SEIU") and those of local labour unions who have agreed to be covered by the Plan.

The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

The Plan covers employees of local labour unions affiliated with the SEIU and employees of affiliates to those local labour unions who have agreed to be covered by the Plan. Employees earning salaries at the rate of more than \$4,000 per year are covered. Benefit amounts are payable in accordance with schedules taking into consideration age, length of service, and average maximum earnings.

b) Pension Benefits

Participants vested in accordance with provincial law are entitled to monthly pension benefits beginning at normal retirement age (65) equal to 2% of the participant's final average salary (highest three years of compensation with a maximum annual compensation of \$132,334) times the number of years of service. The Plan permits early retirement at ages 55-64 (age 50-54 if certain conditions are met) at a possible reduced benefits rate. At termination, the Plan will pay the commuted value of a participant benefits as a single lump sum. If the participant is subject to the pension laws, and the provincial law requirements are met, the participant may elect to convert part of his pension benefit into a lump sum payment. Lump sums can only be taken in 1% increments, up to a maximum of 25% of the pension benefit. Each January, cost of living adjustments of 1.5% are made to pensioners and beneficiaries who have been in payment status for at least six months. All lump sum payments are made in accordance with provincial laws.

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**
Notes to Financial Statements
December 31, 2018

1. Summary Description of the Plan (cont'd)

c) Death and Disability Benefits

If an active participant who is eligible for an immediate or deferred pension dies before retirement, a death benefit is payable to the participant's spouse as if the participant had retired with his/her current years of service at age 65 on a 100% joint and survivor option, however the value of the survivor's pension may not exceed that actuarial equivalent of the 66 2/3% of the participants actual accrued benefit at the time of death. The pension is paid to the surviving spouse for their lifetime beginning immediately if death occurred past the participant's 55th birthday, otherwise, the pension will start on the first day of the month following the date of death of the participant and will be paid for the first 24 months following the participant's death or for as long as any of the participants dependent children are under age 18, whichever is longer. A participant must be married (as defined by the Plan and or provincial law) and vested, before spouse protection is in place. If the participant was not eligible for the spouse's death benefit (above), and died before retirement and on or after April 1, 1992, the death benefit is payable immediately as a lump sum equal to the Commuted Value of the pension the participant earned at the date of death.

Disability pension benefits are payable to a disabled participant of any age with at least 10 years of current service. The amount of the benefit is the participant's normal pension based on the service accrued and final average salary at the time of the disability. This benefit is payable on the first day of the seventh month following commencement of total and permanent disability. If the participant dies before age 55, the spouse's benefit would be paid for a period of not more than 24 months following the death of the participant. Benefits are suspended at the end of the 24 month period and deferred to the month after the participant would have attained age 55.

d) Funding Policy

Funding of the Plan was provided by employer contributions at the rate of 26.4% (2017 - 26.4%) of covered payroll of participants for the year ended December 31, 2018. The Plan currently meets the funding requirements of the Ontario Pension Benefits Act.

e) Priorities Upon Termination

It is the intent of the trustees to continue the plan in full force and effect. Termination shall not permit any part of the Plan to be used for or diverted to purposes other than the exclusive benefit of the pensioners, beneficiaries, and participants. In the event the Plan terminates, the net assets of the Plan will be allocated among the pensioners, beneficiaries, and participants as described in the summary plan description.

SEIU AFFILIATES OFFICERS AND EMPLOYEES PENSION PLAN - CANADA

Notes to Financial Statements

December 31, 2018

2. Summary of Significant Accounting Policies

a) Basis of Presentation

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Commission of Ontario for financial statements under Section 76 of the Regulations to the Ontario Pension Benefits Act. The Plan has prepared these financial statements in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit. The basis of accounting used in these financial statements materially differs from Canadian accounting standards for pension plans as it excludes the actuarial liabilities of the Plan and the accompanying disclosures, consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations.

In accordance with the option in Chartered Professional Accountants ("CPA") of Canada Handbook Section 4600, Pension Plans, which provides specific accounting guidance on investments and pension obligations, the Plan has elected to adopt accounting standards for private enterprises ("ASPE") in Part II of the CPA Handbook for accounting policies that do not relate to either investments or pension obligations.

The Plan's assets are invested in the Service Employees International Union Master Trust ("Master Trust"). CIBC Mellon Global Securities Services Company ("CIBC Mellon") operates the Master Trust, a unitized pooled trust fund to facilitate the collective management of the investment assets for the SEIU Affiliates Officers and Employees Pension Plan - Canada and the SEIU Pension Plan for Employees of the Service Employees International Union - Canada.

The financial statements reflect both the assets held by the Plan directly and its share of the net assets of the Master Trust. These financial statements have been prepared using a pro rata number of units of the Master Trust held by the Plan at the fiscal year end.

b) Investments

The fair value of the Plan's interest in the Master Trust is based on the beginning of the year value of the Plan's interest in the Master Trust plus actual contributions and allocated investment income less actual distributions and allocated administrative expenses. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Underlying investments in the Master Trust are stated at fair value using the listed market prices or most recent bid and ask quotation where available, except for insurance company pooled separate accounts, which are stated at the fair value reported by the insurance company, and mortgages, which are stated at estimated fair values as reported by the custodian. Investments held directly by the Plan are stated at fair value based on listed market prices.

Purchases and sales of securities are recorded on a settlement date basis. The fair value of securities purchased and sold just before the fiscal year end did not change significantly from the trade date to the fiscal year end and the purchases and sales did not significantly affect the composition of the Plan's net assets available for benefits.

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**
Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies (cont'd)

b) Investments (cont'd)

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

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

c) Other Financial Assets and Liabilities

All other financial assets and liabilities are initially measured at fair value. The Plan subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and receivables. Financial liabilities measured at amortized cost include accounts payable and accrued charges.

d) Employer Contributions

Employer contributions receivable represents the net realizable amount of contributions earned but not received as of the date of the statements of net assets available for benefits. Contribution revenue is based upon salaries paid to covered employees during the period, net of payroll audit expenses.

e) Revenue Recognition

Employer contributions, miscellaneous income, interest and dividends are recognized on the accrual basis.

f) Benefits

Benefit payments to participants are recorded during each month when distribution is due.

g) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars by use of the exchange rate in effect at the transaction date. At year end, investments held and other assets and liabilities are translated at the rate in effect at year end. The resulting gains and losses are included in the administrative expenses, with the exception of gains and losses on investments held at year end, which are included in the change in unrealized gain (loss) on investments.

h) Income Taxes

The Plan is not subject to income taxes since it is a Registered Pension Trust as defined by the Income Tax Act.

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**
Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies (cont'd)

i) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases during the reporting period. Estimates are used in the determination of fair values of the Plan's investment portfolio and other assets. Actual amounts could differ from these estimates.

3. Financial Risk Management

Investments in Master Trust

The investments in the Master Trust are exposed to financial risks associated with the underlying securities held in its investment portfolio. These financial risks include fair value measurement risk, credit risk, liquidity risk and market risk. The Master Trust follows the guidelines established in the Plan's Statements of Investment Policies and Procedures ("SIP&P") which sets out the Plan's investment framework and risk limits. The purpose of the SIP&P is to ensure that the Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The SIP&P is approved by the Plan's Board of Trustees. It defines eligible investments, asset mix ranges and diversification requirements. Compliance with the SIP&P is evaluated and reported to the Board of Trustees on a regular basis. The Plan's processes for selecting and evaluating its portfolio managers, as well as its investment security selection processes are key components of the Plan's financial risk management system.

a) Fair Value Measurement Risk

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).

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**
Notes to Financial Statements
December 31, 2018

3. Financial Risk Management (cont'd)

Investments in Master Trust (cont'd)

a) Fair Value Measurement Risk (cont'd)

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

As at December 31, 2018, the following presents the Master Trust investments and the Plan's proportionate share within the fair value hierarchy:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Master Trust Investments	<u>\$ 82,815,268</u>	<u>\$ 23,687,965</u>	<u>\$ 13,061,042</u>	<u>\$119,564,275</u>

Plan's share of Master Trust assets	<u>\$ 77,938,504</u>	<u>\$ 22,293,028</u>	<u>\$ 12,291,903</u>	<u>\$112,523,435</u>
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	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Master Trust Investments	<u>\$ 81,933,777</u>	<u>\$ 28,735,314</u>	<u>\$ 12,027,157</u>	<u>\$122,696,248</u>

Plan's share of Master Trust assets	<u>\$ 76,930,683</u>	<u>\$ 26,970,077</u>	<u>\$ 11,288,318</u>	<u>\$115,189,078</u>
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The following is a reconciliation of Level 3 fair value measurements:

	2018		2017	
	Master Trust	Plan's Share	Master Trust	Plan's Share
Balance - beginning of year	\$ 12,027,157	\$ 11,288,318	\$ 11,354,864	\$ 10,612,120
Investment income	474,431	445,889	467,360	437,710
Unrealized gains	<u>559,454</u>	<u>557,696</u>	204,933	238,488
Balance - end of year	<u>\$ 13,061,042</u>	<u>\$ 12,291,903</u>	\$ 12,027,157	\$ 11,288,318

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**
Notes to Financial Statements
December 31, 2018

3. Financial Risk Management (cont'd)

Investments in Master Trust (cont'd)

b) Credit Risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Plan.

The Plan's exposure to credit risk on its investments in the Master Trust is limited to the investments in short-term Canadian notes and treasury bills and the investments in equity pooled funds where those funds have underlying investments in debt securities. The credit risk associated with these investments are managed by the pooled fund managers. The Plan's investments in the Master Trust are recorded at fair value. Consequently, investment values in short-term Canadian notes and treasury bills, and Canadian fixed income pooled funds described in note 4c represent the maximum credit exposure of the Plan's credit risk on its investment in the Master Trust at December 31, 2018.

The following are the Master Trust investments in interest-bearing financial instruments, the exposure to credit risk and the Plan's proportionate share of it.

Credit Ratings	AAA \$	AA \$	A \$	BBB \$	BB \$	Not Rated \$	Total \$
As at December 31, 2018							
Master Trust	12,551,764	16,264,259	7,115,613	5,524,544	309,374	2,430,799	44,196,353
Plan's Share	11,812,616	15,306,488	6,696,589	5,199,215	291,156	2,287,654	41,593,718
As at December 31, 2017							
Master Trust	17,049,470	11,724,091	5,903,327	3,921,791	371,538	2,311,792	41,282,009
Plan's Share	16,002,105	11,003,869	5,540,680	3,680,872	348,714	2,169,777	38,746,017

c) Liquidity Risk

Liquidity risk is the risk that the Plan may be unable to meet pension payment obligations in a timely manner and at a reasonable cost. Management of liquidity seeks to ensure that even under adverse conditions, the Plan has access to immediate cash that is necessary to cover benefits payable, withdrawals and other liabilities. The SIP&P requires the Plan's investments to be highly liquid, so they can be converted into cash on short notice. The Plan's exposure to liquidity risk is considered negligible.

A maturity analysis of the investments that are held for managing liquidity risk is disclosed in note 4c.

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**
Notes to Financial Statements
December 31, 2018

3. Financial Risk Management (cont'd)

Investments in Master Trust (cont'd)

d) Market Risk

Market risk is the risk that the fair value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment or its issuer or factors affecting all similar securities traded in the market. Market risk is comprised of currency risk, interest rate risk and equity price risk. The Plan's SIP&P establishes criteria to lessen this risk by investing across a broad spectrum of asset classes and investment strategies.

Foreign Currency Risk

The Plan holds financial instruments in foreign currencies. The Plan is therefore exposed to currency risk as the value of these financial instruments will fluctuate due to changes in foreign exchange rates.

As at December 31, 2018, a 5% increase (decrease) in the foreign currency exchange rates would result in a change in net assets available for benefits of \$1,549,655 (2017 - \$1,753,358).

	Changes in Net Assets available for Benefits as of	
	December 31, 2018	December 31, 2017
United States Dollar	\$ 940,621	\$ 1,018,463
Euro	198,627	222,393
Japanese Yen	120,642	165,187
Hong Kong Dollar	106,454	112,721
British Pound	59,992	60,819
South Korean Won	44,160	34,727
Danish Krone	13,765	46,928
Indonesian Rupia	9,443	24,872
Other currencies	55,951	67,248
	<u>\$ 1,549,655</u>	<u>\$ 1,753,358</u>

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**
Notes to Financial Statements
December 31, 2018

3. Financial Risk Management (cont'd)

Investments in Master Trust (cont'd)

d) Market Risk (cont'd)

Interest Rate Risk

Interest rate risk relates to the impact of interest rate changes on the Plan's cash flows and financial position. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

As at December 31, 2018, a 1% increase (decrease) in nominal interest rates would result in an approximate decrease (increase) in the fair value of fixed income investments of \$2,745,185 (2017 - \$2,039,229).

Equity Price Risk

The Plan is exposed to equity price risk as the value of equity financial instruments will fluctuate as a result of changes in equity prices. In order to limit the level of equity price risk, the SIP&P limits the sensitivity of the Plan's investments in equities with regard to specific stock market benchmarks to a maximum allocation of 60% of total plan assets.

The following sensitivity analysis summarizes the impact on the Plan's net assets available for benefits, following reasonably possible changes in equity prices for each stock market benchmark to which the Plan has a significant exposure.

Equity Price Risk	Stock Market Benchmark	Change in Price Index	Changes in Net Assets Available for Benefits as of	
			December 31, 2018 \$ (+/-)	December 31, 2017 \$ (+/-)
Canadian common stock	S&P TSX Composite	+/- 10%	\$ 2,354,810	\$ 2,597,571
Canadian real estate	IPD Canadian Property Index	+/- 10%	1,229,190	1,128,832
Canadian equity pooled funds	S&P TSX Composite	+/- 10%	165,805	190,772
International equity pooled funds	MSCI ACWI CAD	+/- 10%	3,280,540	3,631,015
			<u>\$ 7,030,345</u>	<u>\$ 7,548,190</u>

Other Financial Assets and Liabilities

Other financial assets and liabilities held directly by the Plan are exposed to credit risk and interest rate risk.

Credit risk on other financial assets held directly by the Plan is minimized by dealing with counterparties that are considered to be of high quality, setting and monitoring compliance with portfolio guidelines, diversification and obtaining collateral where appropriate.

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**
Notes to Financial Statements
December 31, 2018

4. Investments

- a) Below is a schedule showing the composition of the Master Trust investments and the Plan's proportionate share thereof at fair value and at cost as of December 31, 2018:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Cash	\$ 565,607	\$ 565,607	\$ 793,121	\$ 793,121
Short-term Canadian notes and treasury bills	99,844	99,844	199,682	199,682
Canadian common stock	25,021,500	18,553,032	27,674,991	17,219,205
Canadian real estate	13,061,042	11,979,658	12,027,157	11,507,885
Canadian equity pooled funds	1,761,803	2,071,000	2,032,582	2,171,460
Canadian fixed income pooled funds	44,196,353	45,739,885	41,282,009	42,329,311
International equity pooled funds	34,858,126	29,249,600	38,686,706	29,734,390
	<u>\$119,564,275</u>	<u>\$108,258,626</u>	<u>\$122,696,248</u>	<u>\$103,955,054</u>
Plan's share of Master Trust assets (\$)	<u>\$112,523,435</u>	<u>\$102,587,979</u>	<u>\$115,189,078</u>	<u>\$ 98,254,368</u>
Plan's share of Master Trust assets (%)	<u>94.11 %</u>		<u>93.88 %</u>	

- b) Interest and dividend income for the year ended December 31, 2018 are as follows:

	2018	2017
Short-term Canadian notes and treasury bills	\$ 2,630	\$ 1,906
Canadian common stock	765,286	680,610
Canadian real estate	445,889	437,710
Canadian equity pooled funds	31,659	47,189
Canadian fixed income pooled funds	1,163,263	1,161,280
International equity pooled funds	563,248	5,254,066
	<u>\$ 2,971,975</u>	<u>\$ 7,582,761</u>

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
PENSION PLAN - CANADA**

Notes to Financial Statements
December 31, 2018

4. Investments (cont'd)

- c) The following tables summarize the fair value of the Master Trust investments and the Plan's proportionate share thereof at December 31, 2018 by the earlier of contractual repricing or maturity dates, as well as average effective yields by class of investment:

	December 31, 2018							Average Effective Yield	Plan's Share
	Contractual Repricing Date for Fixed Rate Instruments or Maturity Date								
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	No Specific Maturity	Total			
Cash	\$ -	\$ -	\$ -	\$ -	\$ 565,607	\$ 565,607	- %	\$ 532,299	
Short-term Canadian notes and treasury bills	99,844	-	-	-	-	99,844	1.87 %	93,964	
Canadian common stock	-	-	-	-	25,021,500	25,021,500	3.09 %	23,548,097	
Canadian real estate	-	-	-	-	13,061,042	13,061,042	3.78 %	12,291,903	
Canadian equity pooled funds	-	-	-	-	1,761,803	1,761,803	1.78 %	1,658,054	
Canadian fixed income pooled funds	883,927	16,617,829	10,474,536	16,220,061	-	44,196,353	2.90 %	41,593,718	
International equity pooled funds	-	-	-	-	34,858,126	34,858,126	1.63 %	32,805,400	
	\$ 983,771	\$ 16,617,829	\$ 10,474,536	\$ 16,220,061	\$ 75,268,078	\$ 119,564,275		\$ 112,523,435	

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
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4. Investments (cont'd)

		December 31, 2017							
		Contractual Repricing Date for Fixed Rate Instruments or Maturity Date							
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	No Specific Maturity	Total	Average Effective Yield	Plan's Share	
Cash	\$ -	\$ -	\$ -	\$ -	\$ 793,121	\$ 793,121	- %	\$ 773,752	
Short-term Canadian notes and treasury bills	199,682	-	-	-	-	199,682	0.33 %	187,415	
Canadian common stock	-	-	-	-	27,674,991	27,674,991	2.59 %	25,975,710	
Canadian real estate	-	-	-	-	12,027,157	12,027,157	4.00 %	11,288,318	
Canadian equity pooled funds	-	-	-	-	2,032,582	2,032,582	2.22 %	1,907,719	
Canadian fixed income pooled funds	1,114,614	15,522,035	11,765,373	12,879,987	-	41,282,009	3.15 %	38,746,017	
International equity pooled funds	-	-	-	-	38,686,706	38,686,706	15.56 %	36,310,147	
	\$ 1,314,296	\$ 15,522,035	\$ 11,765,373	\$ 12,879,987	\$ 81,214,557	\$ 122,696,248		\$ 115,189,078	

The average effective yield reflects the result obtained by dividing estimated or actual annual income from a security (based on its coupon or dividend rate) into its average fair value between December 31, 2018 and December 31, 2017.

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4. Investments (cont'd)

- d) The following information is provided in respect of individual investments of the Master Trust (for both the Plan and the SEIU Pension Plan for Employees of the Service Employees International Union - Canada) at December 31, 2018, with a cost or fair value in excess of 1% of the cost or fair value of the Plan's assets, as required by the Ontario Pension Benefits Act.

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Canadian Common Stock:				
Royal Bank of Canada	\$ 1,278,172	\$ 430,748	\$ 2,058,392	\$ 631,359
Toronto Dominion Bank	\$ 1,722,089	\$ 765,138	\$ 2,038,169	\$ 834,267
Bank of Nova Scotia	\$ 1,566,164	\$ 964,757	\$ 1,861,924	\$ 962,017
Enbridge Inc.	\$ 1,401,929	\$ 1,240,122	\$ 1,585,142	\$ 1,201,639
Canadian National Railway Co.	\$ 1,461,594	\$ 473,969	\$ 1,409,626	\$ 372,339
Nutrien Ltd.	\$ 1,011,910	\$ 1,030,025	\$ -	\$ -
Canadian Real Estate:				
Bentall Kennedy Prime Canadian Property Fund Ltd.	\$ 12,291,903	\$ 11,351,924	\$ 11,288,318	\$ 10,873,902
Canadian Equity Pooled Fund:				
Jarislowsky Special Equity Fund	\$ 1,658,054	\$ 1,962,480	\$ 1,907,719	\$ 2,051,832
Canadian Fixed Income Pooled Fund:				
PH&N Enhd Total Rtn Bond Fund	\$ 41,593,719	\$ 43,343,115	\$ 38,723,157	\$ 39,974,323
International Equity Pooled Fund:				
Thomas White Global Equity Fund	\$ 32,805,400	\$ 27,716,921	\$ 36,310,146	\$ 28,096,286

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5. Due from Related Parties

	2018	2017
Pension Plan for Employees of the Service Employees International Union - Canada, a plan with common trustees	\$ 26,711	\$ 32,658
SEIU Canadian Council - a governing body of the Plan	<u>354,312</u>	<u>331,133</u>
	<u>\$ 381,023</u>	<u>\$ 363,791</u>

The amounts due from Pension Plan for Employees of the Service Employees International Union - Canada are non-interest bearing, unsecured and have no specified terms of repayment.

The amounts due from SEIU Canadian Council arise from a past service buy back related to Brewery, General and Professional Workers' Union members that joined the Plan effective March 1, 2005. The unfunded past service liability of \$827,399 was based on results of the actuarial valuation completed as at January 1, 2008. To fund this liability and pursuant to a February 12, 2005 agreement, the SEIU Canadian Council will remit on an annual basis, payments of \$126,178 to the Plan for fifteen years, being fully paid on December 31, 2020, from per capita tax payments otherwise due to the SEIU Canadian Council. The interest rate is 7% per annum and the amounts due are unsecured. Interest in 2018 was \$23,179 (2017 - \$29,918).

6. Due to Related Parties

	2018	2017
SEIU Affiliates Officers and Employees Pension Plan - United States, a plan with common trustees	\$ 107,810	\$ 118,314
SEIU National Industry Pension Plan - United States, a plan with common trustees	15,551	21,716
Pension Plan for Employees of the Service Employees International Union - United States, a plan with common trustees	<u>3,194</u>	<u>3,416</u>
	<u>\$ 126,555</u>	<u>\$ 143,446</u>

The amounts due to related parties are non-interest bearing, unsecured and have no specified terms of repayment.

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7. Related Party Transactions

- a) The Plan pays/accrues and allocates certain expenses to the Pension Plan for Employees of the Service Employees International Union - Canada, which is related to the Plan through common trustees. The expenses allocated for 2018 included investment service fees of \$13,075 (2017 - \$15,993).
- b) A portion of the expenses incurred by the SEIU Affiliates Officers and Employees Pension Plan - United States, which is related to the Plan through common trustees, for administrative services provided to the Plan is allocated based upon the number of active participants. The SEIU Affiliates Officers and Employees Pension Plan - United States pays certain fees and expenses on behalf of the Plan. The expenses allocated to the Plan for 2018 included investment service fees of \$12,932 (2017 - \$13,518), actuarial fees and expenses of \$5,949 (2017 - \$12,033), audit fees and expenses of \$15,740 (2017 - \$15,288), office expenses of \$nil (2017 - \$10,735), and administrative fees and expenses of \$95,817 (2017 - \$96,159).
- c) Payroll reviews are performed for the Plan by staff employed by the SEIU, a governing body of the Plan. The payroll reviews are reviewed by staff employed by the SEIU National Industry Pension Plan - United States. The SEIU National Industry Pension Plan - United States pays certain fees and expenses on behalf of the Plan. The expenses allocated to the Plan for 2018 included investment services fees of \$15,524 (2017 - \$16,780), office expenses \$461 (2017 - \$1,111), and administrative fees and expenses of \$1,089 (2017 - \$522).
- d) A portion of the investment service fees incurred on behalf of the Plan by the Pension Plan for Employees of the Service Employees International Union - United States, which is related to the Plan through common trustees, is allocated to the Plan based upon the investment's fair value. The expenses allocated to the Plan for 2018 was \$3,194 (2017 - \$3,416).

These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties.

8. Administrative Expenses

Administrative expenses consisted of the following at December 31 (note 9):

	2018	2017
Administrative fees and expenses	\$ 102,495	\$ 96,681
Audit fees and expenses	37,179	36,614
Actuarial fees and expenses	47,948	58,227
Fees and assessments	94,172	96,867
Legal fees and expenses	2,937	8,994
Office expenses	847	11,847
Bank charges	25	38
	<u>\$ 285,603</u>	<u>\$ 309,268</u>

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9. Statutory Information

Pursuant to section 93(2) of the Ontario Labour Relations Act, the following is disclosed:

a) Salaries and fees charged to the Plan were as follows:

	2018	2017
Investment service fees:		
Thomas White International, Ltd.	\$ 247,255	\$ 236,390
Phillips, Hager & North	122,134	117,361
Jarislowsky Fraser	84,526	84,406
CIBC Mellon	78,574	77,354
Marco Consulting Group	2,890	2,942
Marquette Associates	25,752	26,521
Gallagher Fiduciary Advisers, LLC	3,539	3,619
	<u>\$ 564,670</u>	<u>\$ 548,593</u>
Actuarial fees and expenses:		
The Segal Company Ltd.	\$ 47,948	\$ 58,227
Legal fees and expenses:		
Koskie Minsky LLP	\$ 2,937	\$ 8,994
Administrative fees and expenses:		
SEIU Affiliates Officers and Employees Pension Plan - United States	\$ 95,817	\$ 96,159
SEIU National Industry Pension Plan - United States	1,089	522
Board Trustee Expenses	5,589	-
	<u>\$ 102,495</u>	<u>\$ 96,681</u>
Audit fees and expenses:		
SF Partnership, LLP	\$ 21,439	\$ 21,326
Salter & Company	15,740	15,288
	<u>\$ 37,179</u>	<u>\$ 36,614</u>
Fees and assessments:		
Pension Benefit Guaranteed Fund	\$ 89,406	\$ 92,160
Ministry of Finance	4,766	4,707
	<u>\$ 94,172</u>	<u>\$ 96,867</u>
Office expenses and bank charges:		
SEIU National Industry Pension Plan - United States	\$ 847	\$ 1,112
SEIU Affiliates Officers and Employees Pension Plan - United States	-	10,735
CIBC	25	38
	<u>\$ 872</u>	<u>\$ 11,885</u>

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9. Statutory Information (cont'd)

	2018	2017
b) List of Contributions by Employers		
Pension contributions processed	\$ 5,654,191	\$ 6,255,446
Add: Employers' contributions receivable at December 31, 2018 and 2017	668,968	562,519
Less: Employers' contributions receivable at December 31, 2017 and 2016	(562,519)	(1,047,773)
Miscellaneous	(3,842)	(148)
	<u>\$ 5,756,798</u>	<u>\$ 5,770,044</u>
Total Employers' Contributions	\$ 5,756,798	\$ 5,770,044

10. Capital Structure

The capital structure of the Plan consists principally of net assets available for benefits comprised of employers' contributions and investment income, less benefits paid and administrative expenses. Funding surpluses or deficits are determined regularly in the funding valuations prepared by an independent actuary. The actuary's funding valuation is used to measure the long-term health of the Plan. The actuary tests the Plan's ability to meet its obligations to all current Plan members and their survivors. Using an assumed rate of return, the actuary projects the Plan's benefits to estimate the current value of the liability, which is compared to the sum of the Plan assets, the future contributions for all current Plan members and the present value of the contribution increases for future members. The result of the comparison is either a surplus or a deficit.

The objective of managing the Plan's capital is to ensure the Plan is fully funded to pay the plan benefits over the long term. Changes to the plan are made to eliminate any deficits. The agreement and declaration of trust provides guidance on how the Plan's capital is managed.

A funding valuation including a plan to eliminate any deficit is required to be filed with the pension regulator at least every three years.

The Plan's SIP&P states investment objectives, guidelines and benchmarks used in investing the capital of the Plan, permitted categories of investments, asset-mix diversification and rate of return expectations. The SIP&P was last amended effective February 29, 2016.

**SEIU AFFILIATES OFFICERS AND EMPLOYEES
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Notes to Financial Statements
December 31, 2018

10. Capital Structure (cont'd)

The Plan's SIP&P states that consistent with the current actuarial assumptions, over the long term, the performance objective of the Plan is to achieve a rate of return equal to or in excess of the actuarial assumption over a protracted period of time, recognizing the long-term nature of the Plan's assets and liabilities, while controlling risk and commensurate with market conditions. The current actuarial long-term rate of return assumption is 7.5% net of investment expenses, subject to periodic review by the actuary in light of long-term impact of changes in asset allocation, expected performance and risk of the various asset classes, and the Plan's risk tolerance. The Plan's annualized five-year average rate of investment return (net of fees) as of December 31, 2018 was 5.4% (2017 - 8.1%).

The SIP&P permits 5 broad categories of assets. A set of benchmarks has been identified to measure against each category's annual rate of investment return (net of fees). The total investments annual rate of return is measured against a composite index made up of the weighted average of each category's benchmark return using the target allocation of the SIP&P to weight the various categories. The Plan's relative annual rate of investment return expectation is to equal or exceed the composite index on a net of fees basis. The Plan's investment was allocated within the allowed asset categories range, as of the date of the financial statements. The following table presents the asset allocation and annual rate of investment return for each asset category, and total investments, along with appropriate benchmarks.

Asset Categories	Benchmark	Asset Allocation (%)					Annual Rate of Investment Return (%)			
		SIP&P Min.	SIP&P Max.	SIP&P Target	As of December 31,		Benchmark		Actual (Net of Fees)	
					2018	2017	2018	2017	2018	2017
Equity	S&P TSX Composite / MSCI ACWI CAD	20 %	60 %	55 %	51.5 %	55.8 %	(4.8) %	12.8 %	(4.5) %	11.3 %
Fixed Income	FTSE TMX Canada Universe Bond Index	15 %	60 %	35 %	37.0 %	33.6 %	1.4 %	2.5 %	1.2 %	2.7 %
Real Estate Equity	IPD Canadian Property Index	0 %	15 %	10 %	10.9 %	9.8 %	7.8 %	7.2 %	8.6 %	5.9 %
Cash Equivalents	91 day T-bill CAD	0 %	20 %	0 %	0.6 %	0.8 %	0.0 %	0.0 %	N/A	N/A
Total Investments	Composite Index				100.0 %	100.0 %	(1.3) %	8.3 %	(1.0) %	7.8 %

The Plan's investment positions expose it to a variety of financial risks which are discussed in Note 3. The allocation of assets among various asset categories is monitored by the plan administrator on a monthly basis. A comprehensive review is conducted quarterly, which includes measurement of returns, comparison of returns to appropriate benchmarks, rank of returns to appropriate universes and risk analysis.

The employer is required under the Pension Benefits Act (the "PBA") to pay contributions, based on actuarial valuations, necessary to ensure the benefits are funded on the plan's provisions. As at December 31, 2018, there were past due contributions in the amount of \$11,329 (2017 - \$47,323).

11. Tax Status

The Plan is registered with Canada Revenue Agency as a Plan exempt from income taxes. The Plan is also registered under the Pension Benefits Act of Ontario with the same registration number.