

Financial Statements

**The Pension Fund of the Corporation of the  
City of York Employee Pension Plan**

[Ontario Registration Number 0320622]

December 31, 2006

## AUDITORS' REPORT

To the Trustees of  
**The Pension Fund of the Corporation of the  
City of York Employee Pension Plan**

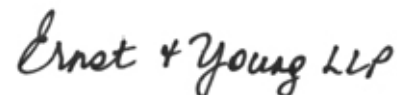
We have audited the statement of net assets available for benefits of **The Pension Fund of the Corporation of the City of York Employee Pension Plan** as at December 31, 2006 and the statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply with Regulation 76(2) of the Ontario Pension Benefits Act. These financial statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's administrator, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2006 and the changes in its net assets available for benefits for the year then ended in accordance with the basis of accounting as disclosed in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Trustees of The Pension Fund of the Corporation of the City of York Employee Pension Plan and the Financial Services Commission of Ontario for complying with Regulation 76(2) of the Ontario Pension Benefits Act. The financial statements are not intended to be and should not be used by anyone other the specified users or for any other purposes.

Toronto, Canada,  
May 18, 2007.



Chartered Accountants  
Licensed Public Accountants

**The Pension Fund of the Corporation of the  
City of York Employee Pension Plan**  
[Ontario Registration Number 0320622]

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

As at December 31

	2006	2005
	\$	\$
<b>ASSETS</b>		
Investments, at market value <i>[note 3]</i>	58,192,619	55,250,269
Cash	628,842	985,610
Accounts receivable	8,084	6,557
	<b>58,829,545</b>	<b>56,242,436</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	139,434	135,434
Pension benefits payable	51,929	51,929
	<b>191,363</b>	<b>187,363</b>
<b>Net assets available for benefits</b>	<b>58,638,182</b>	<b>56,055,073</b>

*See accompanying notes*

On behalf of the Trustees:

Trustee

Trustee

**The Pension Fund of the Corporation of the  
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**STATEMENT OF CHANGES IN NET ASSETS  
AVAILABLE FOR BENEFITS**

Year ended December 31

	2006	2005
	\$	\$
<b>INCREASE IN NET ASSETS</b>		
Interest income	1,291,927	1,163,562
Dividend income	637,474	590,693
Net change in unrealized gain on investments	1,124,587	2,636,555
Realized net gains on sale of investments	2,350,739	1,558,365
Employer contributions	4,430,063	4,837,174
<b>Total increase in net assets</b>	<b>9,834,790</b>	<b>10,786,349</b>
<b>DECREASE IN NET ASSETS</b>		
Pension payments	7,055,201	7,167,035
Investment fees	38,116	22,929
Management fees	158,364	155,837
<b>Total decrease in net assets</b>	<b>7,251,681</b>	<b>7,345,801</b>
<b>Net increase in net assets for the year</b>	<b>2,583,109</b>	<b>3,440,548</b>
Net assets available for benefits, beginning of year	56,055,073	52,614,525
<b>Net assets available for benefits, end of year</b>	<b>58,638,182</b>	<b>56,055,073</b>

*See accompanying notes*

**The Pension Fund of the Corporation of the  
City of York Employee Pension Plan**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2006

**1. DESCRIPTION OF THE FUND**

The following description of the Corporation of the City of York Employee Pension Plan [the "Plan"] is a summary only. For more complete information reference should be made to the Plan Agreement.

The Plan is registered under the Pension Benefits Act, R.S.O. 1990, Registration Number 0320622. The Plan is a defined benefit plan which operates on behalf of the members who became employees of the City of York prior to July 1, 1968. From that date, pensions for new employees must be provided through the Ontario Municipal Employees Retirement System.

**Funding policy**

The Ontario Pension Benefits Act requires that the City of Toronto, being the Plan sponsor, funds the obligations determined by an annual actuarial valuation.

**Contributions**

Employer special payments have been mandated to fund the going-concern and solvency-deficiency position.

**Service pension**

The normal retirement age is 65 years for all members. The normal retirement pension is calculated using the member's years of credited service, to a maximum of 35 years, multiplied by 2% of the highest average annual contributory earnings over a period of 60 consecutive months.

**Disability pension**

A disability pension is available at any age. The amount of the disability pension is the pension earned to the date of retirement.

**Survivor pension**

A survivor pension is paid to an eligible spouse, as defined in the By-law, a dependent child, or, under certain limited circumstances, a named dependent of a member.

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**Death refund**

A death refund is payable to the estate of a pensioner or survivor where pensions have not been equivalent to the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a contributor where no survivor pension is payable.

**Withdrawal refunds**

Upon application and subject to "locking in" provisions under the Ontario Pension Benefits Act, withdrawal refunds, with interest on members' contributions, are payable when a member ceases to be employed.

**Income taxes**

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The accompanying financial statements present the net assets of The Pension Fund of the Corporation of the City of York Employee Pension Plan [the "Fund"] which are available for the payment of pension benefits and the changes in these net assets during the year.

The 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 Regulation 76(2) of the Ontario Pension Benefits Act. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the Plan. Consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations.

**Investments**

Pooled fund investments are valued based on current unit values which reflect quoted market value of the underlying securities.

**The Pension Fund of the Corporation of the  
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**Income recognition**

Investment income is recorded on the accrual basis with dividends being recorded on the dividend record date. Gains and losses on disposal of investments are credited or charged to income when realized. The net change in unrealized gain (loss) on investments is calculated as at the year end date and is shown on the statement of changes in net assets available for benefits.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

**Foreign currency translation**

The market values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year-end rates of exchange. Gains and losses arising from translations are included in the change in unrealized gain (loss) on investments.

Foreign currency denominated transactions, as well as cost amounts included in note 3 to the financial statements, are translated into Canadian dollars at the rates of exchange on the dates of the related transactions.

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2006

**3. INVESTMENTS**

[a] Investments consist of the following:

	2006		2005	
	Market value \$	Book value \$	Market value \$	Book value \$
<b>Cash and cash equivalents</b>				
Cash	2,171,854	2,171,854	2,212,986	2,212,986
<b>Canadian bonds and debentures</b>				
McLean Budden Fixed Income	26,094,877	26,437,714	23,626,723	23,774,829
<b>Equities</b>				
McLean Budden Canadian Equity	22,245,809	19,826,014	22,212,602	20,381,711
McLean Budden Global Equity	7,680,079	6,729,993	7,197,958	6,978,317
	<b>58,192,619</b>	<b>55,165,575</b>	55,250,269	53,347,843

[b] The following information is provided in respect of individual investments with a cost or market value in excess of 1% of the cost or market value of the Fund, as required by the Ontario Pension Benefits Act:

	2006	
	Market value \$	Book value \$
<b>Cash equivalents</b>		
McLean Budden Money Market	2,171,854	2,171,854
<b>Canadian bonds and debentures</b>		
McLean Budden Fixed Income	26,094,877	26,437,714
<b>Canadian equities</b>		
McLean Budden Canadian Equity	22,245,809	19,826,014
<b>Foreign equities</b>		
McLean Budden Global Equity	7,680,079	6,729,993



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**4. INVESTMENT RISKS**

The Plan's investment performance is subject to market and other risks. Market risk is the risk that the value of the investments will fluctuate as a result of changes in market prices. A discussion of other risks follows:

[i] Interest rate risk

Interest rate risk relates to the adverse consequences of interest rate changes on the Plan's net assets available for benefits and changes in net assets available for benefits. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets. The value of the Plan's assets is affected by changes in nominal interest rate.

[ii] Credit risk

Credit risk relates to the potential exposure that the other party to a financial instrument will fail to discharge an obligation and cause the Plan to incur a financial loss. Concentration of credit risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions.

[iii] Foreign exchange risk

The Plan is exposed to foreign currency fluctuations to the extent that its foreign investments are denominated in foreign currency.