BANK OF CANADA PENSION PLAN ANNUAL REPORT 2016

The *Pension Plan Annual Report* is available on the Bank of Canada's website at bankofcanada.ca.

For further information, contact:

Public Information
Communications Department
Bank of Canada
234 Wellington Street
Ottawa, Ontario K1A 0G9
Telephone: 613-782-8111; 1-800-303-1282 (toll-free in North America)
Email: info@bankofcanada.ca
Website: bankofcanada.ca

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Contents

Your Plan at a Glance

- The Bank of Canada Pension Plan (the Plan) had 3,709 members at the end of 2016 (**Figure 1**).
- Pension payments from the Pension Trust Fund (the Fund) continued to increase, reaching $46.6 million in 2016 (**Figure 2**).
- The value of the Fund's net assets increased to $1,619 million at the end of 2016 from $1,525 million at the end of 2015 (**Figure 3**).
- The Fund's rate of return was 7.5 per cent in 2016, compared with our benchmark return of 8.4 per cent.
- On a going-concern basis (which assesses the Plan over the long term on the assumption that it will operate indefinitely), the Plan had an actuarial surplus of $410 million (**Figure 4**) and a funding ratio of 135 per cent as at 31 December 2016.
- On a solvency basis (which assesses the Plan on the assumption that it would be terminated on the date of the valuation), the Plan had an actuarial surplus of $66 million (**Figure 4**) and a solvency ratio of 104 per cent as at 31 December 2016.
- The Bank contributed $23 million to the Fund in 2016.

Figure 1: **Membership**
(as at 31 December 2016)

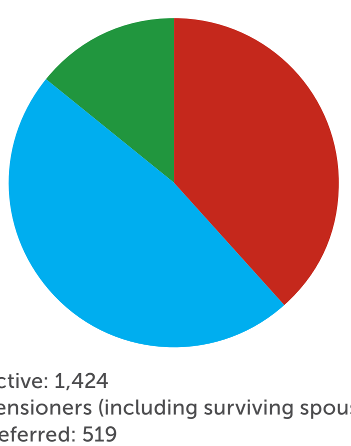


Figure 2: **Payments from the Fund, 2014–16**

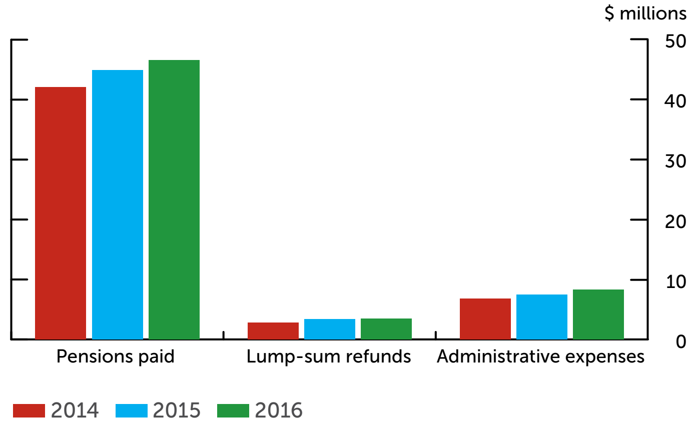


Figure 3: **Net Assets of the Fund, 2012–2016**
(as at 31 December)

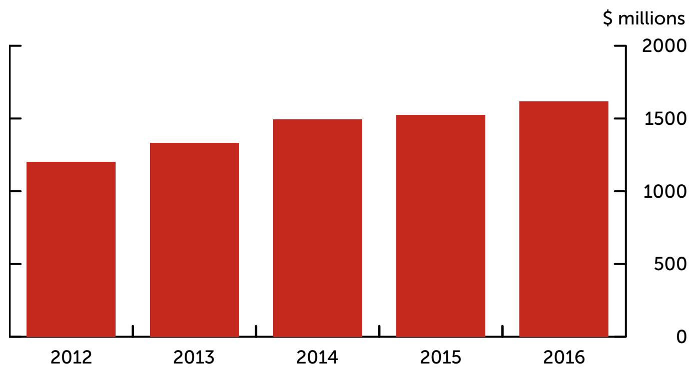
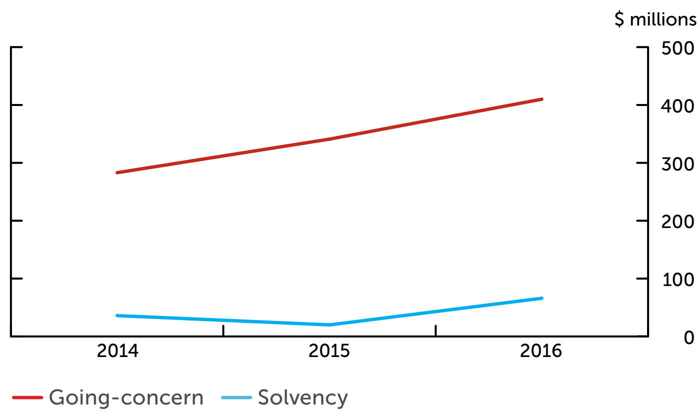


Figure 4: **Funding Position, 2014–16**
(as at 31 December)



Message from the Chair

The Bank of Canada's Pension Plan is important to current and former employees, and I am pleased to present an overview of its performance in 2016.

The Plan continued to perform well. It remains in a strong position, and the Bank continues to be well positioned to meet its obligation to provide a secure retirement for Bank employees.

Sound fund-management practices, our commitment to continuous improvement, and the hard work and dedication of those who manage the Plan every day have contributed to this success.

The Plan's Position

The Bank's Pension Trust Fund generated an annual investment return of 7.5 per cent in 2016—well above the previous year's return of 3.0 per cent, although lower than the policy benchmark, which returned 8.4 per cent. Canadian equity markets performed particularly strongly in 2016 and were a key contributor to the Fund's overall performance. The more conservative investment styles of our external Canadian equity managers, however, resulted in the Fund's performance lagging that of the benchmark. More information is provided in the Pension Assets and Investment section of this report.

The Plan continues to show a significant surplus on a going-concern basis. This means there are sufficient assets to fund all pensions accrued or payable. At the end of 2016, the funding ratio was 135 per cent, or 35 per cent above the Plan's liabilities. There was a surplus of $410 million, compared with a funding ratio of 130 per cent and a surplus of $341 million at the end of 2015.

On a solvency basis (which assumes that the Plan would be terminated on the date of the valuation), the Plan had a surplus of $66 million, compared with $20 million at the end of 2015, and a solvency ratio of 104 per cent, or 4 per cent above the Plan's solvency liabilities, compared with 101 per cent the previous year.

Pension Contributions

The benefits offered through our Pension Plan are a significant component of the Bank's total compensation package. We recently completed a full review of the package, and, consequently, Pension Plan contributions are being adjusted to reflect the rising value of pensions resulting from increased life expectancy and continuing low interest rates. These changes, which apply to current employees only, are in keeping with steps already taken by other similarly designed federal plans and will be phased in through 2018–19.

Acknowledgments

Once again, I would like to acknowledge the contributions made by the Bank's Board members and staff who, year after year, lend their skills and expertise to manage the Plan. It has been a pleasure working with you over the past year.

Carolyn A. Wilkins
Senior Deputy Governor
Chair, Pension Committee

Pension Governance

Under the *Pension Benefits Standards Act* and the terms of the Bank's Pension Plan (By-law 15), the Bank is the Plan administrator. Three committees oversee and make decisions related to the administration of the Plan and the investment of Plan assets. They also monitor investment services and performance. The Pension Committee was established by the Bank's Board of Directors to perform and report on the activities and functions of the Plan administrator. The Pension Committee has created two other committees—the Pension Administration Committee (PAC) and the Pension Fund Investment Committee (PFIC)—to assist it in carrying out its duties.

Members of the three committees[1]

Pension Committee

Carolyn A. Wilkins, *Senior Deputy Governor (Chair)*
Norman M. Betts, *Bank Director*
Colin Dodds, *Bank Director*
Wes Scott, *Bank Director*
Greg Stewart, *Bank Director*
Timothy Lane, *Deputy Governor*
Jeremy Farr, *General Counsel and Corporate Secretary*
Carmen Vierula, *Chief Financial Officer and Chief Accountant*
Darcy Bowman, *Senior Legal Counsel (Secretary, non-voting)*

Pension Administration Committee

Steve Thomas,
Executive and Legal Services (Chair)

Darcy Bowman,
Executive and Legal Services

Alexis Corbett,
Human Resources

Lucie Gauvin,
Communications

Adelle Laniel,
Financial Services

Marc Tremblay,
Human Resources

Jean-Claude Primeau,
Director, Pension Plan
(*non-voting member*)

Pension Fund Investment Committee

Grahame Johnson,
Funds Management and Banking (Chair)

Meyer Aaron,
Funds Management and Banking

Stéphane Lavoie,
Funds Management and Banking

Étienne Lessard,
Funds Management and Banking

Miville Tremblay,
Financial Markets

Jean-Claude Primeau,
Director, Pension Plan (non-voting member)

1 As at 31 May 2017

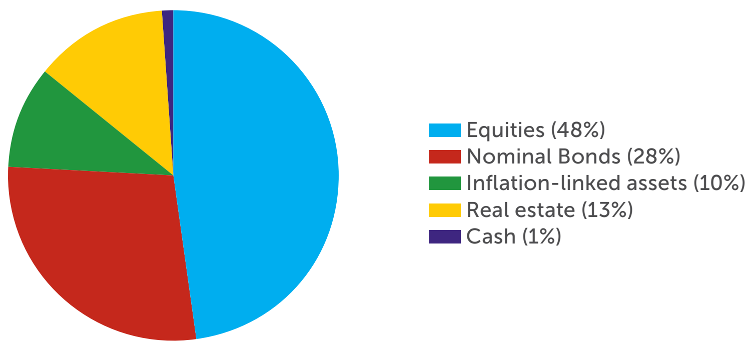
Pension Assets and Investments

Assets

The Fund continues to be invested in a diversified portfolio of equities, nominal bonds, inflation-linked assets, real estate and cash, consistent with its long-term investment principles (**Figure 5**).

The majority of the Fund's assets are invested using external managers chosen for their expertise in specific asset classes and for their investment strategies. Diversification across asset classes and investment styles is a prudent way to achieve the Fund's long-term investment objectives while managing investment risks.

Figure 5: The Five Main Asset Categories in the Fund's Portfolio, 2016[a]
(as at 31 December 2016)



a. Policy allocation midpoints

Asset-Liability Modelling Study

We work with external pension experts to do a comprehensive review—known as an asset-liability modelling (ALM) study—once every three years. This review examines the Fund's portfolio of assets in light of emerging economic, financial and investment trends. Any recommendations regarding the strategic asset allocation are considered within the context of our broader investment objectives: to keep the risk-return profile of the Trust Fund aligned with the Pension Committee's risk tolerance, to improve the efficiency of the Fund by reducing the overall risk of the portfolio, and to maintain the current level of expected returns.

The most recent ALM study was conducted in 2015, and we have continued to implement the recommendations from that study. The Fund's assets are divided into liability-matching assets, consisting of fixed-income securities, and return-seeking assets, which include equities and real estate. On the return-seeking assets side, we have been further diversifying the allocation by reducing exposure to equities and increasing the exposure to real estate, which now comprises real estate assets in the United States and Europe, as well as in Canada. Regarding our liability-matching assets, we have reduced exposure to long-term

Government of Canada nominal bonds and continue to increase exposure to other high-quality bonds that deliver higher returns without introducing a significant increase in risk.

Investments

The Fund's day-to-day investment activity is overseen by the PFIC, which reports to the Pension Committee quarterly. The PFIC's actions are guided by the Plan's Statement of Investment Policies and Procedures and by the Pension Committee, which establishes the allocation ranges and performance benchmarks for each asset category.

The PFIC also monitors the performance of the Fund's external portfolio managers and leads an annual performance review on behalf of the Pension Committee.

Equities

The Fund invests in Canadian, US, international and emerging-market equities. These holdings are managed by external portfolio managers.

Fixed-Income Securities

Nominal bonds

The nominal bond holdings are invested in a mix of Canadian-issued bonds and debentures, including publicly marketable securities and high-quality private infrastructure debt. Most of these holdings are managed externally. A small part of the portfolio is administered directly by the Bank to manage the duration of the Fund's fixed-income investments.

Inflation-linked assets

These include inflation-linked bonds (primarily Government of Canada Real Return Bonds) and inflation-linked mortgages guaranteed by the Canada Mortgage and Housing Corporation.

Real Estate

The Fund is currently invested in a range of real estate instruments across different sectors and regions of Canada, the United States and Europe, managed by external managers.

Cash

The Fund maintains sufficient cash deposits and Government of Canada treasury bills to meet anticipated payment obligations and investment commitments.

Supplementary Trust Fund

The Supplementary Pension Arrangement (SPA) supplements the pensions of employees whose salary level results in pension benefits that are above the maximum prescribed by the Income Tax Act. The provisions of the SPA mirror the Plan, and a separate trust fund, the Supplementary Trust Fund (STF), has been established to support it. STF investments are directed by the Pension Committee and the PFIC.

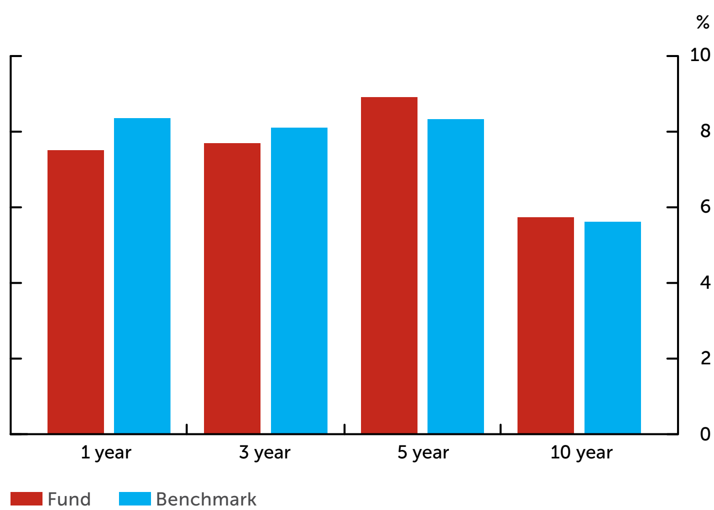
Performance of the Fund

The Fund's one-year return, ending on 31 December 2016, was 7.5 per cent, compared with the benchmark return of 8.4 per cent.[2] Canadian equity markets, which performed particularly well over the period, were a key contributor to the overall strong performance of the Fund. The relatively conservative strategies of our external Canadian equity managers, while offering some downside protection in falling markets, generally underperform during times of strong price appreciation. Given this, the Fund's Canadian equity allocation was the main reason for the total return lagging that of the policy benchmark.

The benchmark is based on a mix of indexes, such as the S&P/TSX Composite Index and the Russell 1000 Index, weighted to reflect the asset-mix target of the Fund.

Plan benefits are indexed each year to keep pace with inflation. The current long-term investment objective is to achieve a rate of return of 5.5 per cent, which is equal to the Bank of Canada's 2.0 per cent inflation target plus a real return of 3.5 per cent, after expenses.

Figure 6: Total Fund Rate of Return
(as at 31 December 2016)



2 In this report, rates of return are shown net of investment manager fees.

Actuarial Valuation

2016 Financial Status of the Plan

The Bank has conducted annual actuarial valuations of the Plan since 2008, when a solvency deficit emerged during the financial crisis. The results of the valuation as at 31 December 2016 showed that the going-concern position of the Plan has strengthened, with a funding surplus of $410 million and a funding ratio of 135 per cent. The Plan had a solvency surplus of $66 million, compared with $20 million in 2015, and a solvency ratio of 104 per cent, compared with 101 per cent the previous year (see **Table 1** and **Table 2**).[3]

Table 1: Going-Concern Basis
($ millions, as at 31 December)

	2012	2013	2014	2015	2016
Smoothed value of assets	1,120	1,237	1,358	1,460	1,568
Going-concern liabilities	1,000	1,035	1,075	1,119	1,158
Surplus	120	202	283	341	410
Funding ratio (assets as a percentage of liabilities)	112%	120%	126%	130%	135%

Table 2: Solvency Basis
($ millions, as at 31 December)

	2012	2013	2014	2015	2016
Market value of assets	1,199	1,331	1,491	1,521	1,616
Solvency liabilities	1,272	1,282	1,455	1,501	1,550
Surplus (deficit)[a]	(73)	49	36	20	66
Solvency ratio (assets as a percentage of liabilities)	94%	104%	102%	101%	104%

a. Numbers may not add to total because of rounding.

3 The summary financial statements show a different amount of surplus because the assets in the financial statements are based on the market value rather than on the smoothed value.

The solvency valuation is based on the hypothetical (and very unlikely) event of Plan termination. It assumes, in this case, that the Bank would continue administering the Plan and managing Plan assets while honouring existing pension commitments to Plan members. These assets would be invested in an investment-grade fixed-income portfolio, using principles followed by insurance companies when guaranteeing annuity contracts.

The difference between the solvency ratio and the funding ratio reflects the different methodologies used to calculate each ratio's asset values and liabilities.

For solvency purposes, assets are measured at market value, while a smoothed value of assets is used for the going-concern valuation.

To calculate liabilities, the solvency valuation uses a discount rate based on fixed-income portfolio market rates as at 31 December. In contrast, the going-concern valuation uses a longer-term average interest rate that reflects the investments of the Fund. The market interest rates used in the solvency valuation are currently well below the longer-term average, which largely explains why the solvency liabilities are greater than the going-concern liabilities.

Plan Contributions

The Bank made regular contributions of $23 million in 2016 to cover the current service costs of the Plan. Employees contribute in accordance with the formula set in the Plan's By-laws. The Bank expects that it will pay about $24 million in regular contributions to the Fund next year.

Pension Administration

Administrative Expenses

The expenses charged to the Fund are reviewed carefully to ensure that they are reasonable and that they are charged in accordance with the terms of the Plan and the Pension Trust Fund Expense Policy.

Table 3 shows the Fund's administrative expenses. Total expenses increased in 2016, mainly as a result of increases in asset-management fees. Administrative costs as a percentage of net Fund assets were 0.51 per cent, which is comparable with other similar plans.

Table 3: Administrative Expenses
($ thousands)

	2014	2015	2016
Asset-management fees	4,961	5,492	6,219
Pension administration fees	484	550	588
Other administrative expenses	1,069	1,133	1,150
Initiatives	246	334	300
Total expenses	6,760	7,508	8,257
Net assets as at 31 December	1,494,551	1,524,760	1,619,295
Total expenses (as a percentage of net assets)	0.45%	0.49%	0.51%

Asset-management fees rose by about $0.7 million. This was primarily because of an increase in the Plan's assets and changes in fund managers, which are expected to make the portfolio more efficient. Pension administration fees increased slightly as a result of a higher volume of transactions. Other administrative expenses rose slightly, primarily because of higher actuarial fees for the 2016 valuation. Expenses related to initiatives decreased slightly as a result of a lower amount required for investment-related projects.

Communications

In addition to this *Annual Report*, the Bank communicates with Plan members through its yearly newsletter, *Pension News*. Both publications are available to all members in print form, and active employees can find electronic versions on the Bank's intranet site, Banque Centrale. In addition, the *Annual Report* and full audited financial statements are posted on the Bank's external website at www.bankofcanada.ca.

Active employees are entitled to receive annual pension statements. Starting in June 2017, pensioners and deferred members will also receive annual statements.

Active employees can find additional information about the Plan on Banque Centrale, including how to estimate the pension they will receive when they retire from the Bank. All Plan members can contact the Bank of Canada Benefits and Pension Administration Centre (Morneau Shepell) if they have questions. See page 22 for contact information.

Pensioner Information Audit

The Bank continued its information audit in 2016, sending forms to another sample group of pensioners asking them to confirm their name and contact information. This important exercise is part of the due diligence required for the rigorous management of the Plan's assets.

A different sample group will be contacted for this audit every year. The process, which is designed to be as simple as possible, is consistent with the practices of other Crown agencies.

Definitions of Some Common Pension Plan Terms

Actuarial valuation
An actuarial valuation estimates, at a point in time, the total value of the benefits expected to be paid to members compared with the assets available to meet this obligation. Its purpose is to measure the funding status of the Plan. This can be done in two different ways:

Going-concern basis
The going-concern, or funding, basis assumes that the Plan will continue to operate indefinitely. Assumptions are based on a long-term perspective that takes into account such factors as salary increases and rates of interest, inflation, retirement and mortality.

Solvency basis
The solvency basis assumes that the Plan was terminated at the date of the valuation. This means that there is no need to project future salary increases or changes in membership. The assumptions used to calculate the solvency position, such as the interest rate used to estimate liabilities, must meet the requirements of the *Pension Benefits Standards Act* and the standards of the Canadian Institute of Actuaries.

Discount rate
The discount rate is the rate used to discount future liabilities of a defined-benefit pension plan to calculate the present value of the liabilities, often for the purpose of comparing them with the value of the plan's assets.

Funding ratio
The funding ratio, which is applied in a going-concern valuation, is defined as the smoothed value of assets divided by the going-concern actuarial liabilities.

Smoothed value of assets
The smoothed value of assets is used for the going-concern valuation, while the market value is used for the solvency valuation and in financial statements. Smoothing spreads the impact of investment losses or gains from any single year over a longer period of time, which makes contributions to the plan more stable.

Solvency deficiency
Under pension legislation, the solvency deficiency is the amount that is used to calculate the required annual solvency special payments. The deficiency in any specific year is based on the average solvency position of the past three years. The Bank's special payments spread the deficiency amount over five years.

Solvency deficit
The solvency deficit is the amount by which solvency liabilities exceed the market value of assets at a point in time.

Solvency ratio
The solvency ratio is the market value of assets divided by the solvency liabilities.

Solvency surplus
The solvency surplus is the amount by which the market value of assets exceeds the solvency liabilities at a point in time.

Summary Financial Statements

As at 31 December 2016

FINANCIAL REPORTING RESPONSIBILITY

The Bank of Canada (the Bank) is the sponsor and administrator of the Bank of Canada Pension Plan (the Plan) and has established and maintains a trust fund for the Plan. The Bank's Board of Directors has established a Pension Committee and has delegated to it the responsibility for carrying out the Bank's duties as administrator of the Plan.

The accompanying summary financial statements are derived from the audited financial statements of the Plan (the financial statements), prepared by the Bank's management in accordance with Canadian accounting standards for pension plans, as at 31 December 2016 and for the year then ended. The financial statements contain certain items that reflect estimates and the judgment of management. The integrity and reliability of the data in the financial statements are management's responsibility. Management is also responsible for ensuring that all information in the Plan's Annual Report is consistent with the financial statements.

In support of its responsibility for the integrity and reliability of the financial statements and for the accounting system from which they are derived, management has developed and maintains a system of internal controls to provide reasonable assurance that transactions are properly authorized and recorded, that financial information is reliable, that the assets are safeguarded and liabilities recognized, and that the operations are carried out effectively.

The Pension Committee is responsible for overseeing management of the Plan, and the Bank's Board of Directors has overall responsibility for approving the financial statements and summary financial statements. The Pension Committee meets with management and with the external auditor to review the scope of the audit, to review their findings, and to confirm that their responsibilities have been properly discharged. In addition, Mercer (Canada) Limited, a firm of consulting actuaries, conducts a formal actuarial valuation of the Plan annually, as required under the *Pension Benefits Standards Act*.

Deloitte LLP, the Plan's external auditor, appointed by the Pension Committee, has conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and procedures as it considers necessary to express an opinion in its report to the Bank of Canada Board of Directors. The external auditor has full, unrestricted access to the Pension Committee to discuss its audit and related findings as to the integrity of the Plan's financial reporting and the adequacy of internal control systems.

Carolyn A. Wilkins
Senior Deputy Governor of the Bank of Canada, and Chair, Pension Committee

Carmen Vierula, CPA, CA
Chief Financial Officer and Chief Accountant of the Bank of Canada, and Member, Pension Committee

Ottawa, Canada
15 June 2017

ACTUARY'S OPINION

Mercer (Canada) Limited was retained by the Bank of Canada to perform an actuarial valuation of the going-concern assets and pension obligation of the Bank of Canada Pension Plan (the "Plan") as of 31 December 2016, for inclusion in the Plan's financial statements.

The objective of the financial statements is to fairly present the financial position of the Plan as of 31 December 2016 on a going-concern basis, in accordance with Section 4600 of the *Chartered Professional Accountants of Canada Handbook* ("Section 4600 of the CPA Canada Handbook"). The assumptions used to estimate the pension obligation of the Plan are the same as those used for the Plan's funding valuation. While the actuarial assumptions used to estimate the pension obligation for the Plan's financial statements represent the Bank of Canada's best estimate of future events, and while in our opinion these assumptions are reasonable for the purposes of these statements, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan at that time, as well as the contributions required to fund it.

As part of our valuation, we examined the Plan's recent experience relative to the economic and non-economic assumptions and presented our findings to management. In addition, we provided the Bank of Canada with other relevant information used to develop its long-term assumptions.

Our assessment of the Plan's going-concern assets and pension obligation was based on:

- the results of our 1 January 2017 actuarial valuation of the Plan's going-concern liabilities for funding purposes,
- pension fund data provided by the Bank of Canada as of 31 December 2016,
- methods prescribed under Section 4600 of the CPA Canada Handbook for pension plan financial statements, and
- assumptions about future events that have been developed by the Bank of Canada and Mercer (Canada) Limited.

We have tested the membership and pension fund data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. Our valuation has also been performed in accordance with the requirements of the Canadian Institute of Actuaries. Our opinions have been given and our valuation performed in accordance with accepted actuarial practice.

J. Legault
Fellow of the Canadian Institute of Actuaries
Fellow of the Society of Actuaries

S. Crabtree
Fellow of the Canadian Institute of Actuaries
Fellow of the Society of Actuaries

Mercer (Canada) Limited

Ottawa
18 May 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of the Bank of Canada Board of Directors

The accompanying summary financial statements, which comprise the statement of financial position as at 31 December 2016, and the statement of changes in net assets available for benefits and changes in pension obligations for the year then ended, are derived from the audited financial statements of the Bank of Canada Pension Plan as at 31 December 2016. We expressed an unmodified audit opinion on those financial statements in our report dated 15 June 2017.

The summary financial statements do not contain all the disclosures required by Canadian accounting standards for pension plans applied in the preparation of the audited financial statements of the Bank of Canada Pension Plan. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Bank of Canada Pension Plan.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements. The summary financial statements are derived from the complete set of financial statements of the Bank of Canada Pension Plan. They meet the recognition and measurement principles of Canadian accounting standards for pension plans.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "*Engagements to Report on Summary Financial Statements*."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Bank of Canada Pension Plan as at 31 December 2016, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended are a fair summary of those financial statements, in accordance with the established criteria stipulating that the summary financial statements are derived from the complete set of financial statements of the Bank of Canada Pension Plan and that they meet the recognition and measurement principles of Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
15 June 2017

Statement of Financial Position

(Canadian dollars)

	31 December 2016	As at 31 December 2015
Assets		
Investments	**$ 1,619,589,832**	$ 1,524,740,960
Accrued investment income	**760,889**	906,485
	1,620,350,721	1,525,647,445
Liabilities		
Accounts payable and accrued liabilities	**1,056,182**	887,426
Net Assets Available for Benefits	**1,619,294,539**	1,524,760,019
Pension obligations	**1,157,783,000**	1,118,963,000
Pension Plan Surplus	**$ 461,511,539**	$ 405,797,019

On behalf of the Pension Committee and the Board of Directors of the Bank of Canada

Carolyn A. Wilkins
Senior Deputy Governor of the Bank of Canada, and Chair, Pension Committee

Carmen Vierula, CPA, CA
Chief Financial Officer and Chief Accountant of the Bank of Canada, and Member, Pension Committee

Colin Dodds
Member, Board of Directors of the Bank of Canada, and Member, Pension Committee

The full set of financial statements, including notes, is available online at http://www.bankofcanada.ca/about/corporate-governance/pension-plan/ or by request.

Statement of Changes in Net Assets Available for Benefits

(Canadian dollars)

	For the year ended 31 December 2016	31 December 2015
Increase in Assets		
Investment income	**$ 83,798,791**	$ 87,496,733
Current-year change in fair value of investments	**35,806,703**	(35,445,642)
	119,605,494	52,051,091
Employer Contributions		
Current service	**23,167,478**	21,377,018
Employee Contributions		
Current service	**7,655,847**	7,217,470
Past service	**840,520**	976,647
Transfers from other plans	**1,661,541**	4,443,068
	33,325,386	34,014,203
	152,930,880	86,065,294
Decrease in Assets		
Retirement benefit payments	**42,555,113**	40,974,027
Termination benefit payments	**3,538,161**	3,375,331
Disability benefit payments	**105,843**	104,577
Death benefit payments	**3,940,733**	3,894,703
Administrative expenses	**8,256,510**	7,507,837
	58,396,360	55,856,475
Net increase in Net Assets Available for Benefits	**94,534,520**	30,208,819
Net Assets Available for Benefits, Beginning of Year	**1,524,760,019**	1,494,551,200
Net Assets Available for Benefits, End of Year	**$ 1,619,294,539**	$ 1,524,760,019

The full set of financial statements, including notes, is available online at http://www.bankofcanada.ca/about/corporate-governance/pension-plan/ or by request.

Statement of Changes in Pension Obligations
(Canadian dollars)

	For the year ended 31 December 2016	31 December 2015
Increase in Pension Obligations		
Benefits earned	**$ 33,325,386**	$ 34,014,203
Interest cost	**61,718,000**	58,726,000
Experience loss	**-**	2,537,435
Loss on change of assumptions	**1,721,000**	-
	96,764,386	95,277,638
Decrease in Pension Obligations		
Retirement benefit payments	**42,555,113**	40,974,027
Termination benefit payments	**3,538,161**	3,375,331
Disability benefit payments	**105,843**	104,577
Death benefit payments	**3,940,733**	3,894,703
Experience gain	**7,804,536**	-
Gain on change of assumptions	**-**	2,878,000
	57,944,386	51,226,638
Net increase in Pension Obligations	**38,820,000**	44,051,000
Pension Obligations, Beginning of Year	**1,118,963,000**	1,074,912,000
Pension Obligations, End of Year	**$1,157,783,000**	$1,118,963,000

The full set of financial statements, including notes, is available online at http://www.bankofcanada.ca/about/corporate-governance/pension-plan/ or by request.

Additional Information

The Bank of Canada Pension Plan is registered with the Office of the Superintendent of Financial Institutions for the purposes of the Pension Benefits Standards Act, which regulates the Plan's design, funding, investment policy and operations. The Plan is also registered with the Canada Revenue Agency for the purposes of the Income Tax Act, which regulates the maximum contributions payable to, and the maximum permissible defined benefits payable from, a tax-sheltered pension arrangement.

For pension or post-retirement questions and requests, contact the Bank of Canada Benefits and Pension Administration Centre:

The Bank of Canada Benefits and Pension Administration Centre

Morneau Shepell Inc.
1060 Robert-Bourassa Blvd.
Suite 900
Montréal, Quebec H3B 4V3
bank-banque-canada@morneaushepell.com

08:00 to 18:00 (Eastern Time)
Monday to Friday

Active employees: 1-888-903-3308
Retirees: 1-888-588-6111

For payroll questions or customer service concerns, contact the HR Centre:

HR Centre

Bank of Canada
10th Floor, East Tower
234 Wellington Street
Ottawa, Ontario K1A 0G9
hrcentre@bankofcanada.ca

10:00 to 16:00 (Eastern Time)
Monday to Friday

7766 (internal), **613-782-7766** (Ottawa)
or **1-866-404-7766** (toll-free)