Financial Statements of

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF

And Independent Auditors' Report thereon

Year ended December 31, 2019

KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Academic Staff Pension Board of the University of Western Ontario

Opinion

We have audited the financial statements of the University of Western Ontario Pension Plan for Members of the Academic Staff (the Plan), which comprise

- the statement of financial position as at December 31, 2019
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position as at end of December 31, 2019, and the changes in net assets available for benefits for the year then ended in accordance with the Canadian Accounting Standards for Pension Plans.

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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordanc

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 0ly i2328ly or in the soosrepo

- 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 basi

THE UNIVERSITY OF WESTERN ONTARIO

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF

Statement of Financial Position

2. Basis of presentation:

(a) Basis of presentation:

The Plan is part of a group annuity policy issued by Sun Life Assurance to The University of Western Ontario, to fund The University of Western Ontario Pension Plan for Members of the Academic Staff bearing registration number 0358747.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, the Plan complies on a consistent basis with Canadian accounting standards for private enterprises ("ASPE") in Part II of the CPA Canada Handbook - Accounting.

These financial statements have been prepared by management and present the information of the Plan as a separate financial reporting entity independent of the University and Plan members. These financial statements meet the accounting requirements under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario) since they have primarily been prepared for filing with the Financial Services Regulatory Authority ("FSRA").

For a defined contribution pension plan, benef

3. Significant accounting policies (continued):

(c) Fair value measurement (continued):

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the net realized and change in unrealized gains (losses) of investments. Fair values are determined as follows:

(i) Units in segregated funds are valued based on published unit values supplied by the fund administrator, which represents the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

(d) Foreign currency translation:

These financial statements are presented in Canadian dollars, which is the Plan's functional currency. Transactions in foreign currencies are accounted for using the exchange rates in effect at the transaction date. At year end, investments in foreign currencies are accounted for at the rates of exchange in effect at year end and the resulting unrealized gains or losses are included in the changes in unrealized gains (losses) of investments.

(e) Capital risk management:

The capital of the Plan is represented by the net assets available for benefits. The capital is managed individually by the participating members of the Plan, via the segregated fund investments outlined in note 1. The members manage their individual account balance by monitoring the asset allocation among the offered investments for their individual risk tolerances, time horizons and expectations for investment returns.

The benefits an employee receives at retirement or on termination are not predetermined. Income distribution or benefits are based on the assets within the member individual retirement plan account at the time they retire. Under this Plan, the member determines which investments his/her contributions, along with the contributions of the University, are invested in from a selection of investment options available within the Plan. This allows the member to create a portfolio suited to his/her own investment goals and tolerance for risk. The amount of money an individual employee has in the Plan account at retirement is based on the amount of contributions made over the years and the earnings these investments have made.

Increases in net assets of the Plan are a direct result of investment income generated by investments held in the Plan and contributions into the Plan by members and by the University. No contributions remain past due at December 31, 2019.

3. Significant accounting policies (continued):

(e) Capital risk management (continued):

The net assets of the Plan are invested in accordance with the Statement of Investment Policies and Procedures (the "SIPP") for the Pension Plan for Members of the Academic Staff, which is reviewed annually by the Pension Board. The SIPP was amended in February 2020 to update for changes in services provided by the Sponsor and modifications to investment options. The SIPP enables the engagement of knowledgeable investment managers who are charged with the responsibility of investing the segregated funds available to the members, in accordance with the approved SIPP. Comprehensive reviews relating to the Plan are conducted at meetings of the Pension Board, which includes measurement of returns, comparison of returns to appropriate benchmarks, evaluation of investment managers, and contribution and allocation decisions of members, and returns and risk analysis.

Although there are no regulatory requirements relating to the level of net assets and/or funding to be maintained by the Plan, the Plan does file financial statements with FSRA in connection with the requirements of the Plan. There is no change in the way capital is managed this year.

(f) Related party transactions:

Related party transactions with the University, in the form of employer contributions and administrative cost recoveries, are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties. A segregated fund may not invest in any securities that constitute “related party” investments as defined under the Pension Benefits Standards Regulation unless such investment is nominal or immaterial to the segregated fund and Plan based upon a 1% of market value of asset threshold.

(g) Estimates:

4. Investments and investment income:

(a) The assets of the Plan are invested in segregated funds as follows:

	2019 Fair value	2018 Fair value
Short term:		
Money Market Segregated Fund	$ 32,175,591	$ 36,285,271
Balanced funds:		
Balanced Growth Fund	157,838,153	134,283,502
Balanced Income Fund	40,383,549	33,964,751
Bonds:		
Target Date 2020 Segregated Fund	6,680,869	5,431,517
Diversified Bond Segregated Fund	104,054,848	100,660,652
Canadian Bond Segregated Fund	10,075,529	9,140,786
Long Term Bond Segregated Fund	12,530,299	9,221,245
Equities:		
Diversified Equity Segregated Fund	214,405,023	196,693,847
Canadian Equity Segregated Fund	40,126,184	36,563,023
Socially Responsible Global Equity Segregated Fund	9,449,824	7,637,781
U.S. Equity Hedged Segregated Fund	23,676,026	20,958,791
U.S. Equity Unhedged Segregated Fund	28,848,951	25,907,432
Non-North American Equity Segregated Fund	17,053,701	16,865,381
	$697,298,547	$633,613,979

(b) The investment income of the Plan consists of the following:

	2019	2018
Interest	$ 6,025,256	$ 6,034,145
Distributions and dividends	19,168,544	23,624,445
Net realized gains (losses) and changes in unrealized gains (losses) of investments	71,504,798	(49,350,316)
	$ 96,698,598	$ (19,691,726)

5. Individually significant investments:

The following information is provided in respect of individual investments in the Plan with a fair value in excess of 1% of the fair value of the Plan as at December 31, 2019, as required by the Pension Benefits Act (Ontario).

The Plan consists of thirteen separate segregated funds as described in note 1 and as disclosed in note 4(a). Within these segregated funds are units of pooled funds and some investments in individual securities.

Fund operator	Nature of investments	Fair value
CC&L Q Canadian Equity Core Fund	Equities	$ 70,116,500
Beutel Goodman Fundamental Canadian Equity Fund	Equities	69,859,898
AB Canada Core Plus Bond Fund	Fixed income	66,110,592
BlackRock Canada Universe Bond Index	Fixed income	45,968,339
AB Global Plus Fixed Income Portfolio, CAD Hedged	Fixed income	44,347,898
Harris Associates Global Limited Partnership	Equities	40,887,804
T. Rowe Price Global Growth Equity Pool	Equities	39,712,030
AB Canada International Value Equity (Cap-Weighted, Unhedged) Fund	Equities	35,058,157
MFS International Equity II Fund	Equities	34,977,191
SSGA WindWise S&P 500 Index Non-Lending Fund (CAD Hedged)	Equities	34,069,262
SSGA WindWise U.S. Managed Volatility Non-Lending Fund	Equities	33,096,421
2333635 Ontario Inc. (Romspen Mortgage Investment Fund)	Mortgages	22,814,759
BlackRock Canadian MSCI All Country World ex Canada Index ETF	Equities	16,533,303
William Blair Emerging Markets Leaders Pooled Fund	Equities	15,883,180

6. Contributions:

Contributions received by the Plan were as follows:

2019

	Regular	Voluntary	Total
Members	$ 9,209,096	$ 3,339,631	$ 12,548,727
Employer	19,663,980	-	19,663,980
	$ 28,873,076	$ 3,339,631	$ 32,212,707

2018

	Regular	Voluntary	Total
Members	$ 8,878,145	$ 3,147,906	$ 12,026,051
Employer	19,241,759	-	19,241,759
	$ 28,119,904	$ 3,147,906	$ 31,267,810

7. Benefit payments:

	2019	2018

9. Administrative costs recovered by the University:

10. General account:

This account represented the assets available to meet the ongoing pension liability of the University and any administrative expenses resulting from the supplemental benefits payable to special members who are entitled to a minimum defined benefit guarantee. The pension obligation was removed from the Plan through the purchase of a group annuity contract, as described in Note 1. There remains an allocation

11. Financial instruments (continued):

(b) Associated risks:

In this defined contribution pension plan, the members direct the investment decisions for the assets in their accounts. As a result, the Plan does not need to provide the quantitative sensitivity analysis disclosure for these risks.

(i) Market price risk:

Market price risk is the risk that value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market. As all of the Plan’s financial instruments are carried at fair value with fair value changes recognized in the statement of changes in net assets available for benefits, all changes in market conditions will directly affect the change in net assets available for benefits. Market price risk is managed by the Administrator by making available to the members and annuitants a diversified portfolio of instruments traded on various markets and across various industries. In addition, market price risk may be hedged using derivative financial instruments such as futures contracts.

(ii) Foreign currency risk:

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. Certain segregated funds held by the Plan invest in financial instruments and enter into transactions denominated in currencies other than the Canadian dollar. Consequently, the Plan is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse affect on the value of the portion of the Plan’s assets or liabilities denominated in currencies other than Canadian dollars. The Plan’s overall currency positions and exposures are monitored on a regular basis by the Administrator.

(iii) Interest rate risk:

A portion of the Plan's segregated funds hold investments that are interest bearing and as a result, the Plan is subject to a certain level of interest rate risk. In general, bond returns are sensitive to changes in the level of interest rates, with longer term bonds being more sensitive to interest rate changes than shorter term bonds.

11. Financial instruments (continued):

(b) Associated risks (continued):

(iv) Liquidity risk:

Liquidity risk is the risk that the Plan will not be able to meet its obligations as they fall due. The Plan maintains an investment policy, as approved by the Administrator, which contains investment options across various markets which help to ensure the Plan is able to liquidate investments to meet its obligations.

(v) Credit risk:

Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations. The Plan's most significant exposure to credit risk is through it's segregated fund investments which invest in debt securities. The Plan mitigates this risk by investing mostly in pooled funds holding debt securities with an investment grade credit rating. One pooled fund is able to invest in non-investment grade securities, however, the Plan requires the average portfolio quality to be a minimum of A.

12. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the pension plan and the sponsor is not known at this time. These impacts could include a decrease in the value of the investment portfolio and decreases in investment income.