

Financial Statements of

PENSION PLAN FOR MEMBERS OF THE ACADEMIC  
STAFF

And Independent Auditors' Report thereon

Year ended December 31, 2021



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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, 2021

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, 2021, 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 accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***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 decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the 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 auditors' 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

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Statement of Financial Position

December 31, 2021, with comparative information for 2020

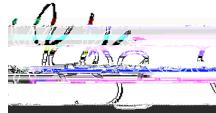
	2021	2020
<b>Assets</b>		
Contributions receivable	\$ -	\$ 2,716,661
Investments (note 4(a))	822,170,234	739,940,257
	822,170,234	742,656,918
<b>Liabilities</b>		
Accrued liabilities	106,226	386,702
Net assets available for benefits	822,064,008	742,270,216
Pension obligations (note 2(a))	(822,064,008)	(742,270,216)
Surplus (note 10)	\$ -	\$ -

See accompanying notes to financial statements.

On behalf of the Academic Staff Pension Board:



Chair



Pension Board Secretariat

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Investment income (note 4(b))	\$ 91,659,451	\$ 60,624,020
Increase in net assets:		
Contributions (note 6)	34,826,369	32,628,462
Transfers in to Plan	2,182,396	600,671
	<u>37,008,765</u>	<u>33,229,133</u>
Decrease in net assets:		
Benefit payments (note 7)	(48,664,025)	(48,353,250)
Administrative costs recovered by the University (note 9)	(210,399)	(340,550)
	<u>(48,874,424)</u>	<u>(48,693,800)</u>
<b>Net increase for the year</b>	<b>\$ 79,793,792</b>	<b>\$ 45,159,353</b>

Allocation of net increase for the

## PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF

### Notes to Financial Statements

Year ended December 31, 2021

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These financial statements present the activity of The University of Western Ontario Pension Plan for Members of the Academic Staff (the "Plan"). The following description of the Plan is a summary only. For more complete information, reference should be made to the Pension Plan Document and Group Annuity Policy Number 99059-G.

The Plan is a contributory defined contribution plan for members of the Academic staff of The University of Western Ontario (the "University") and other participating employers. The Plan is sponsored by the University and the legal plan Administrator is the Academic Staff Pension Board (the "Pension Board"). The Pension Board is independent of the University and is responsible for selecting the Plan's custodian, investment managers, auditors and professional advisors.

Under the terms of the Plan, members, the University and other participating employers contribute to the Plan. Upon retirement, death or termination of employment, an employee's total accumulated entitlement is equal to the amounts he or she has contributed and those that have been contributed on his or her behalf plus the pro-rata share of net investment earnings. On retirement, the employee's pension is provided through the purchase of annuity contracts from life insurance companies selected by the Administrators of the Plan, or at the direction of the member, the funds may be transferred to a registered retirement savings plan ("RRSP") or a registered retirement income fund ("RRIF"). Locked in funds, which are transferred, must go to a locked in retirement account ("LIRA"), a life income fund ("LIF") or a locked in retirement income fund ("LRIF"). The University may purchase deferred annuities on behalf of members eligible for retirement under the Plan. The assets related to these purchases are transferred at the time of purchase.

Certain former members of the Plan were entitled to a defined benefit pension. Former members who were employed by the University and who had attained age 45 on July 1, 1970 received, on retirement, the greater of the pension provided on a defined contribution basis and the pension payable under the defined benefit provisions that were in effect before the Plan design changed to defined contribution. All members who were entitled to a defined benefit pension have now retired and a paid up group annuity contract underwrites the monthly payments, and accordingly the defined benefit pension is no longer an obligation of the Plan.

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

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Contributions are invested by the Plan, at the option of the employee, into units of segregated funds and other investments. The investment policies of the Plan are determined jointly by the Academic and Administrative Staff Pension Boards. The Plan consists of the following investments:

- Guaranteed Daily Interest Account
- Money Market Segregated Fund
- Balanced Income Fund
- Balanced Growth Fund
- Diversified Bond Segregated Fund
- Canadian Bond Segregated Fund
- Long Term Bond Segregated Fund
- Diversified Equity Segregated Fund
- Canadian Equity Segregated Fund
- U.S. Equity Hedged Segregated Fund
- U.S. Equity Unhedged Segregated Fund
- Non-North American Equity Segregated Fund
- Socially Responsible Global Equity Segregated Fund

The Balanced Income Fund and the Balanced Growth Fund are portfolios that hold units of the Diversified Bond Segregated Fund and Diversified Equity Segregated Fund. They were established in September, 2001.

Each segregated fund consists of a portfolio of securities that is held and managed by Sun Life or



PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

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(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

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

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(a) Revenue:

Interest earned, net realized gains (losses) and changes in unrealized gains (losses) of investments within the segregated funds, are recorded on an accrual basis. Dividends are

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

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(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.
- (ii) Cash equivalents maturing within a year are stated at cost, which together with accrued interest approximates fair value given the short-term nature of these investments.

(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.

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

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(e) Capital risk management (continued):

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.

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 November 2021 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.

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

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(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:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual amounts could differ from these estimates.

(h) Income taxes:

The Plan is governed by the Pension Benefits Act (Ontario). As a registered pension plan under the Income Tax Act, Canada, the Plan is not liable for any income taxes.

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

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

	2021 Fair value	2020 Fair value
Cash equivalents:		
Guaranteed Daily Interest Account	\$ 8,172,493	\$ 6,432,454
Segregated funds:		
Short term:		
Money Market Segregated Fund	29,406,899	35,180,116
Balanced funds:		
Balanced Growth Fund	216,968,903	181,700,252
Balanced Income Fund	39,133,246	42,963,456
Bonds:		
Diversified Bond Segregated Fund	96,417,299	99,732,291
Canadian Bond Segregated Fund	10,883,047	14,278,945
Long Term Bond Segregated Fund	11,965,918	15,487,298
Equities:		
Diversified Equity Segregated Fund	247,286,630	216,357,863
Canadian Equity Segregated Fund	48,362,219	39,385,177
Socially Responsible Global Equity Segregated Fund	18,713,348	13,827,806
U.S. Equity Hedged Segregated Fund	33,259,662	25,259,879
U.S. Equity Unhedged Segregated Fund	42,386,170	32,261,439
Non-North American Equity Segregated Fund	19,214,400	17,073,281
	<b>\$822,170,234</b>	<b>\$739,940,257</b>

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

	2021	2020
Interest	\$ 3,543,507	\$ 8,509,227
Distributions and dividends	58,158,284	28,226,571
Net realized gains and changes in unrealized gains on investments	29,957,660	23,888,222
	<b>\$ 91,659,451</b>	<b>\$ 60,624,020</b>

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

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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, 2021, as required by the Pension Benefits Act (Ontario).

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

Fund operator	Nature of investments	Fair value
AB Canada Core Plus Bond Fund	Fixed income	70,664,587
CC&L Q Canadian Equity Core Fund	Equities	66,259,539
Beutel Goodman Fundamental Canadian Equity Fund	Equities	65,620,240
Oakmark Global Equity LP	Equities	51,558,727
T. Rowe Price Global Growth Equity Pool Fund	Equities	51,374,890
BlackRock Canada Universe Bond Index	Fixed income	49,119,180
AB SICAV Global Plus Fixed Income Fund	Fixed income	46,749,428
Blackrock CDN US Equity Index Non-Taxable Fund	Equities	41,070,092
Blackrock Core MSCI All Country World ex Canada Index	Equities	40,953,065
Fidelity Global Low Volatility Equit		



PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

Contributions received by the Plan were as follows:

2021	Regular	Voluntary	Total
Members	\$ 10,239,032	\$ 3,562,126	\$ 13,801,158
Employer	21,025,211	-	21,025,211
	\$ 31,264,243	\$ 3,562,126	\$ 34,826,369

2020	Regular	Voluntary	Total
Members	\$ 9,432,894	\$ 3,432,595	\$ 12,865,489
Employer	19,762,973	-	19,762,973
	\$ 29,195,867	\$ 3,432,595	\$ 32,628,462

	2021	2020
Other withdrawals	\$ 344,771	\$ 1,625,676
Termination benefit payments	45,278,002	45,666,514
Death benefit payments	2,487,633	979,365
Annuity purchases	553,619	81,695
	\$ 48,664,025	\$ 48,353,250

Fund managers' fees include any fees paid by the custodian to the various fund managers and may include transaction costs that are not separately identifiable. Fund managers' fees are netted against the unit value of the segregated funds, and accordingly are not presented separately on the statement of changes in net assets available for benefits.

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

Non-investment administrative expenses for participants of the Plan are incurred by the University on behalf of the Plan and are funded by various methods as follows:

- (i) For active employees of the University, the costs are paid by the University out of the corporate benefits budget.
- (ii) For employees of other participating employers and former employees of the University, certain costs are recovered by the University through bi-annual redemptions of investments from the individual members' accounts.

The following summarizes the total non-investment administrative expenses incurred by the University for the Plan and the recovery of those costs:

	2021	2020
Administrative expenses incurred:		
Salaries and benefits	\$ 353,507	\$ 341,821
Other professional fees	757,756	746,701
Audit fees	17,859	22,476
	1,129,122	1,110,998
Recoveries:		
Paid by the University out of corporate benefits budget	918,723	770,448
Administrative costs recovered by the University	210,399	340,550
	1,129,122	1,110,998
	\$ -	\$ -

Administrative costs recovered by the University were funded as follows:

	2021	2020
General account	\$ -	\$ 136,489
Fees from former employees	147,309	142,837
Fees from other participating employers	63,090	61,224
	\$ 210,399	\$ 340,550

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

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(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.

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2021

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(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 its cash equivalents and its segregated fund investments which invest in debt securities. The Plan mitigates this risk by investing mostly with credit-worthy counter parties and 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. Since the Guaranteed Daily Interest Account is not a segregated fund, but is held in the general accounts of Sun Life, the risk regarding the return of principal and interest is related to the risk of Sun Life itself, although the Canadian Life and Insurance Compensation Corporation covers this risk up to \$100,000 per investor.