

Fund Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2019

KPMG LLP

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 2(a) in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

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 the financial reporting pr

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 to the date of our auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 14, 2020

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Statement of Net Assets Available for Benefits

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Investment in segregated funds (note 4(a))	\$ 536,286,735	\$ 482,822,595
Liabilities		
Accrued expenses	233,627	253,574
Subsequent event (note 12)		
Net assets available for benefits	\$ 536,053,108	\$ 482,569,021

See accompanying notes to fund financial statements.

On behalf of the Administrative Staff Pension Board:



Chair



Pension Board Secretariat

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Investment income (loss) (note 4(b))	\$ 72,664,196	\$ (16,636,651)
Increase in net assets:		
Contributions (note 6)	27,000,614	26,226,875
Transfers in to plan	1,161,765	3,222,715
	<u>28,162,379</u>	<u>29,449,590</u>
Decrease in net assets:		
Benefit payments		

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Notes to Fund Financial Statements (continued)

Year ended December 31, 2019

1. Description of plan (continued):

Contributions are invested by the Plan, at the option of the employee, into units of segregated funds. The investment policies of the Plan are determined jointly by the Administrative and Academic Staff Pension Boards. The Plan consists of thirteen segregated investment funds unitized and administered by Sun Life as follows:

- x Money Market Segregated Fund
- x Target Date 2020 Segregated Fund
- x Balanced Income Fund
- x Balanced Growth Fund
- x Diversified Bond Segregated Fund
- x Canadian Bond Segregated Fund
- x Long Term Bond Segregated Fund
- x Diversified Equity Segregated Fund
- x Canadian Equity Segregated Fund
- x U.S. Equity Hedged Segregated Fund
- x U.S. Equity Unhedged Segregated Fund
- x Non-North American Equity Segregated Fund
- x 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 owned and managed by Sun Life or managed by an investment management firm for Sun Life. Each segregated fund is invested subject to the requirements of applicable federal and provincial legislation in securities appropriate to the segregated fund (bonds, stocks, short-term securities, mortgages, pooled fund trust units, mutual fund trust units and similar instruments, etc.) to reflect contributions directed to the segregated fund.

Plan units are redeemed at net asset value per unit at the close of business day in which the request for redemption is made by the member. The redemption amount is paid within 7 business days following the request.

The contributions of each member are credited to an individual account in the members' name and accumulated together with pro-rata net investment earnings. This account is fully vested and payable to the member on termination of employment, or to the members' beneficiary on death.

Members can choose at any time, the proportion of his or her personal account which is to be invested in any of the active segregated funds. The net asset value of a segregated fund as at any particular time on a valuation date is the value as at such time of all assets of that segregated fund minus all of the liabilities of that segregated fund as at such time (the "Net Asset Value").

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Notes to Fund Financial Statements (continued)

Year ended December 31, 2019

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

Year ended December 31, 2019

3. Significant accounting policies:

(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 recorded as income, within the segregated funds, on the date the dividend is declared. Investment income is allocated daily among the members' accounts under the assumption that all interfund transfers of assets occurred at the business day end following the request for transfer. All contributions from the University and the members are reflected in the year in which they are due. Transfers into the Plan are allocated to members' records effective the end of the business day in which the transfer is received by the record keeper.

(b) Financial assets and financial liabilities:

Investment transactions are recorded on the trade date of the transactions, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits when incurred.

The assets are exposed to market, interest rate, exchange rate and liquidity risks.

The Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected as the change in unrealized gains (losses) of investments. Net realized gains (losses) on sales of investments is the difference between the proceeds received and the average cost of the investment. Net realized gains (losses) and changes in unrealized gains (losses) of investments are not separately disclosed in investment income because the cost information is not readily available from the Plan's trustee.

All other financial assets and liabilities, being accrued expenses, are measured at amortized cost.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Notes to Fund Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(c) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In determining fair value, the Plan has adopted the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"), in Part I of the CPA Canada Handbook - Accounting. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then fair value is established using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Notes to Fund Financial Statements (continued)

Year ended December 31, 2019

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 changes in unrealized gains (losses) of investments. Fair values are determined as follows:

- (i) Units in segregated funds are valued based on published unit values `suppT1fippT1fippT1fip.ce527f0`

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Notes to Fund Financial Statements (continued)

Year ended 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 Plans for Members of the Administrative 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 of the Pr7pIR3(a-eho are

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

Year ended December 31, 2019

4. Investments and investment income:

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

	2019	2018
4. Investments and investment income:		

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Notes to Fund Financial Statements (continued)

Year ended December 31, 2019

5. Individually significant investments:

The following information is provided in respect of individual investments in the Plan with a fair

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

Year ended December 31, 2019

6. Contributions:

Contributions received by the Plan were as follows:

2019				
	Regular	Voluntary	Special	Total
Members	\$ 7,960,714	\$ 2,551,245	\$ -	\$ 10,511,959
Employer	16,488,655	-	-	16,488,655
	\$ 24,449,369	\$ 2,551,245	\$ -	\$ 27,000,614

2018				
	Regular	Voluntary	Special	Total
Members	\$ 7,668,503	\$ 2,349,326	\$ -	\$ 10,017,829
Employer	16,209,046	-	-	16,209,046
	\$ 23,877,549	\$ 2,349,326	\$ -	\$ 26,226,875

7. Benefit payments:

	2019	2018
Retirement benefit payments	\$ 369,910	\$ 319,287
Termination benefit payments	45,949,696	41,666,856
Death benefit payments	731,040	875,019
	\$ 47,050,646	\$ 42,861,162

8. Fund managers' fees:

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.

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

Year ended December 31, 2019

9. Administrative costs recovered by the University:

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

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Notes to Fund Financial Statements (continued)

Year ended December 31, 2019

10. General account:

This account represents the assets available to meet the ongoing pension liability of the University and any administrative expenses resulting from the supplemental benefits payable to the three remaining special members who are entitled to a minimum defined benefit guarantee. The investment of assets in the general account is made at the discretion of the Pension Board. The investment allocation for 2019 was 100% Money Market Segregated Fund (2018 - 100% Money Market Segregated Fund).

The actuarial present value of accrued pension benefits for members entitled to pension payments subject to a minimum defined benefit guarantee as at December 31, and the principal components of changes in this value during the year were as follows:

	2019	2018
Actuarial present value of accrued pension benefits, beginning of year	\$ 87,000	\$ 83,000
Accrued interest on benefits	4,000	4,000
Actuarial present value of accrued pension benefits, end of year	91,000	87,000
Approximate fair value of general account, end of year	278,000	274,000
Surplus	\$ 187,000	\$ 187,000

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Notes to Fund Financial Statements (continued)

Year ended December 31, 2019

11. Financial instruments (continued):

(b) Associated risks:

Most of the Plan is made up of the defined contribution component, where members direct the investment decisions for the assets in their accounts. As a result, the Plan does not need to provide 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.

THE UNIVERSITY OF WESTERN ONTARIO
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Notes to Fund Financial Statements (continued)

Year ended December 31, 2019

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 pension benefit or other obligations.

(v) Credit risk:

Credit risk is related to 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 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.