

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, 2020



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INDEPENDENT AUDITORS' REPORT

To the Administrative 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 Administrative Staff (the Plan), which comprise:

- the statement of financial position as at December 31, 2020
- 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 December 31, 2020, and its changes in net assets available for benefits for the year then ended in accordance with 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.



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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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a slight upward curve at the end.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 24, 2021



THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Contributions receivable	\$ 2,264,906	\$ -
Investments (note 4(a))	537,985,927	536,286,735
	<u>540,250,833</u>	<u>536,286,735</u>
Liabilities		
Accrued liabilities	543,660	233,627
	<u>543,660</u>	<u>233,627</u>
Net assets available for benefits	539,707,173	536,053,108
Pension obligations (note 2(a))	(539,427,173)	535,775,108
Surplus (note 10)	<u>\$ 280,000</u>	<u>\$ 278,000</u>

See accompanying notes to 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, 2020, with comparative information for 2019

	2020	2019
Investment income (note 4(b))	\$ 43,545,589	\$ 72,664,196
Increase in net assets:		
Contributions (note 6)	27,309,074	27,000,614
Transfers in to plan	1,186,959	1,161,765
	<u>28,496,033</u>	<u>28,162,379</u>
Decrease in net assets:		
Benefit payments (note 7)	(68,087,665)	(47,050,646)
Administrative costs recovered by the University (note 9)	(299,892)	(291,842)
	<u>(68,387,557)</u>	<u>(47,342,488)</u>
Net increase for the year	\$ 3,654,065	\$ 53,484,087
Allocation of net increase for the year:		
Members' accounts	\$ 3,652,065	\$ 53,480,087
General account (note 10)	2,000	4,000
	<u>\$ 3,654,065</u>	<u>\$ 53,484,087</u>
Net assets available for benefits, beginning of year:		
Members' accounts	\$ 535,775,108	\$ 482,295,021
General account (note 10)	278,000	274,000
	<u>\$ 536,053,108</u>	<u>\$ 482,569,021</u>
Net assets available for benefits, end of year:		
Members' accounts	\$ 539,427,173	\$ 535,775,108
General account (note 10)	280,000	278,000
	<u>\$ 539,707,173</u>	<u>\$ 536,053,108</u>

See accompanying notes to financial statements.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF
Notes to Financial Statements

Year ended December 31, 2020

1. Description of plan:

These financial statements present the activity of The University of Western Ontario Pension Plan for Members of the Administrative 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 primarily a contributory defined contribution plan for members of the Administrative staff of The University of Western Ontario (the "University") and other participating employers, with a defined benefit component for certain members. The Plan is sponsored by the University and the legal plan Administrator is the Administrative 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 for all but one such member, and accordingly an immaterial defined benefit obligation still exists.

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

Year ended December 31, 2020

1. Description of plan (continued):

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 Administrative and Academic Staff Pension Boards. The Plan consists of the following investments:

- Guaranteed Daily Interest Account
- Money Market Segregated Fund
- Target Date 2020 Segregated Fund (discontinued June 2020)
- 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 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").

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

Year ended December 31, 2020

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 Financial Services Regulatory Authority of Ontario ("FSRA").

For the defined contribution pension plan, benefits are determined by the employer's and employee's contributions and the performance of the Plan. Actuarial valuations are not required as the pension obligation equals the applicable net assets available for benefits allocated to member accounts.

A statement of changes in pension obligations has not been provided, since the change in the pension obligation for member's accounts is equal to the change in net assets available for benefits for that year.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for investments which are measured at fair value through the statement of changes in net assets available for benefits.

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

Year ended December 31, 2020

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 contributions receivable, and accrued liabilities, are measured at amortized cost.

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

Year ended December 31, 2020

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 Financial Statements (continued)

Year ended December 31, 2020

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 supplied by the segregated 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 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.

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

Year ended December 31, 2020

3. Significant accounting policies (continued):

(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 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 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.

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

Year ended December 31, 2020

3. Significant accounting policies (continued):

(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.

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

Year ended December 31, 2020

4. Investments and investment income:

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

	2020	2019
	Fair value	Fair value
Cash equivalents:		
Guaranteed Daily Interest Account	\$ 3,337,219	\$ -
Segregated funds:		
Short term:		
Money Market Segregated Fund	26,265,320	26,087,320
Balanced funds:		
Balanced Growth Fund	148,161,644	133,555,785
Balanced Income Fund	29,055,711	30,649,760
Bonds:		
Target Date 2020 Segregated Fund	-	1,649,604
Diversified Bond Segregated Fund	70,986,633	80,237,622
Canadian Bond Segregated Fund	6,846,148	6,334,205
Long Term Bond Segregated Fund	7,684,878	7,489,551
Equities:		
Diversified Equity Segregated Fund	174,635,443	186,309,458
Canadian Equity Segregated Fund	26,133,886	25,255,796
Socially Responsible Global Equity Segregated Fund	4,459,404	3,693,173
U.S. Equity Hedged Segregated Fund	14,841,992	12,445,075
U.S. Equity Unhedged Segregated Fund	15,307,873	12,265,635
Non-North American Equity Segregated Fund	10,269,776	10,313,751
	\$537,985,927	\$536,286,735

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

	2020	2019
Interest	\$ 6,102,771	\$ 4,538,199
Distributions and dividends	20,596,382	14,350,397
Net realized gains and changes in unrealized gains of investments	16,846,436	53,775,600
	\$ 43,545,589	\$ 72,664,196

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

Year ended December 31, 2020

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, 2020, 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
CC&L Q Canadian Equity Core Fund	Equities	\$ 55,245,632
Beutel Goodman Fundamental Canadian Equity Fund	Equities	55,229,824
Alliance Bernstein Canadian Core	Fixed income	48,458,264
Oakmark Global Equity LP	Equities	38,706,890
T. Rowe Price Global Growth Equity Pool Fund	Equities	33,718,240
BlackRock Canada Universe Bond Index	Fixed income	33,661,549
AB SICAV Global Plus Fixed Income Fund	Fixed income	32,168,040
SSGA WindWise S&P 500 Index Non-Lending Fund (CAD Hedged)	Equities	28,369,021
SSGA WindWise U.S. Managed Volatility Non- Lending Fund	Equities	27,693,752
MFS International Equity Fund II	Equities	27,407,922
AB International Equity Fund	Equities	20,680,195
2333635 Ontario Inc. (Romspen Mortgage Investment Fund)	Mortgages	18,527,043
Arrowstreet Capital LP Global Small Cap	Equities	14,366,207
William Blair Emerging Markets Leaders Pooled Fund	Equities	14,172,414

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

Year ended December 31, 2020

6. Contributions:

Contributions received by the Plan were as follows:

2020				
	Regular	Voluntary	Special	Total
Members	\$ 8,225,784	\$ 2,653,307	\$ -	\$ 10,879,091
Employer	16,429,983	-	-	16,429,983
	\$ 24,655,767	\$ 2,653,307	\$ -	\$ 27,309,074

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

7. Benefit payments:

	2020	2019
Retirement benefit payments	\$ 578,953	\$ 369,910
Termination benefit payments	67,442,453	45,949,696
Death benefit payments	66,259	731,040
	\$ 68,087,665	\$ 47,050,646

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.

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

Year ended December 31, 2020

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 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:

	2020	2019
Administrative expenses incurred:		
Salaries and benefits	\$ 262,744	\$ 256,652
Other professional fees	713,834	781,811
HST accrual on deemed services	63,663	84,885
Filing fees	51,749	-
Audit fees	22,476	12,875
	<u>1,114,466</u>	<u>1,136,223</u>
Recoveries:		
Paid by the University out of corporate benefits budget	814,574	844,381
Administrative costs recovered by the University	299,892	291,842
	<u>1,114,466</u>	<u>1,136,223</u>
	<u>\$ -</u>	<u>\$ -</u>

Administrative costs recovered by the University were funded as follows:

	2020	2019
General account	\$ -	\$ -
Fees from former employees	227,791	225,803
Fees from other participating employers	72,101	66,039
	<u>\$ 299,892</u>	<u>\$ 291,842</u>

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

Year ended December 31, 2020

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 one remaining special member who is entitled to a minimum defined benefit guarantee. The member has exceeded their normal retirement date and ceased accruing benefits under the provisions of the Plan. The remaining defined benefit liability is immaterial. The University has set aside assets in the general account should any obligation arise once this member retires. The investment allocation for the general account at December 31, 2020 was 100% Money Market Segregated Fund (2019 - 100% Money Market Segregated Fund).

11. Financial instruments:

(a) Fair values:

The fair values of investments are as described in note 3(c) and disclosed in note 4(a). The fair values of other financial assets and liabilities, being contributions receivable, and accrued liabilities approximate the carrying values due to the short-term nature of these financial instruments.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

All of the Plan's investments have been classified as Level 2.

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

Year ended December 31, 2020

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

Year ended December 31, 2020

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 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.

(vi) Other risk:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Federal and Provincial governments enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. 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 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