

Fund Financial Statements of

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

Year ended December 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Administrative Staff Pension Board of The University of Western Ontario

We have audited the accompanying fund financial statements of the University of Western Ontario Pension Plan for Members of the Administrative Staff, which comprise the statement of net assets available for benefits as at December 31, 2016, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The fund financial statements have been prepared by management based on the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

Management's Responsibility for the Fund Financial Statements

Management is responsible for the preparation and fair presentation of these fund financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario); this includes determining that the basis of accounting is an acceptable basis for the preparation of these fund financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of fund financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these fund financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the fund financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the fund financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the fund financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the fund financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the fund financial statements.



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

Opinion

In our opinion, the fund financial statements present fairly, in all material respects, the statement of net assets available for benefits of the University of Western Ontario Pension Plan for Members of the Administrative Staff as at December 31, 2016 and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw your attention to note 2 to the fund financial statements, which describes the basis of presentation. The fund financial statements are prepared to assist the Administrator of the University of Western Ontario Pension Plan for Members of the Administrative Staff to meet the requirements of the Financial Services Commission of Ontario. As a result, the fund financial statements may not be suitable for another purpose. Our report is intended solely for the Administrator of the University of Western Ontario Pension Plan for Members of the Administrative Staff and the Financial Services Commission of Ontario, and should not be distributed to or used by parties other than the Administrator and the Financial Services Commission of Ontario.

KPMG LLP

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 long, horizontal, slightly wavy line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

May 16, 2017

London, Canada

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

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Cash	\$ 3,998,864	\$ 6,768,903
Accrued income	-	791,545
Investment in segregated funds (note 4(a))	482,907,918	-
Investment in Master Trust (note 4(a))	-	474,377,366
	<u>486,906,782</u>	<u>481,937,814</u>
Liabilities		
Accrued expenses	451,745	1,497,349
Benefits payable	3,906,976	4,175,665
	<u>4,358,721</u>	<u>5,673,014</u>
Net assets available for benefits	\$ 482,548,061	\$ 476,264,800

See accompanying notes to fund financial statements.

On behalf of the Administrative Staff Pension Board:

Joanna L. Quincion Chair K. Koza 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, 2016, with comparative information for 2015

	2016	2015
Investment income (note 4(b))	\$ 28,560,126	\$ 30,086,849
Increase in net assets:		
Contributions (note 6)	24,367,468	23,613,504
Transfers in to plan	2,265,396	2,151,092
	<u>26,632,864</u>	<u>25,764,596</u>
Decrease in net assets:		
Benefit payments (note 7)	(46,967,310)	(36,777,089)
Fund managers' fees (note 8)	(1,454,920)	(798,939)
Administrative costs recovered by the University (note 9)	(304,746)	(334,229)
Custodian fees	(177,592)	(169,790)
Transaction costs	(5,161)	(13,488)
Transfers to RIF	-	(2,413,431)
	<u>(48,909,729)</u>	<u>(40,506,966)</u>
Net increase for the year	\$ 6,283,261	\$ 15,344,479
Allocation of net increase for the year:		
Members' accounts	\$ 5,998,261	\$ 16,537,479
General account (note 10)	285,000	(1,193,000)
	<u>\$ 6,283,261</u>	<u>\$ 15,344,479</u>
Net assets available for benefits, beginning of year:		
Members' accounts	\$ 476,024,800	\$ 459,487,321
General account (note 10)	240,000	1,433,000
	<u>\$ 476,264,800</u>	<u>\$ 460,920,321</u>
Net assets available for benefits, end of year:		
Members' accounts	\$ 482,023,061	\$ 476,024,800
General account (note 10)	525,000	240,000
	<u>\$ 482,548,061</u>	<u>\$ 476,264,800</u>

See accompanying notes to fund financial statements.

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

Year ended December 31, 2016

1. Description of plan:

These fund 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 Plans' custodian, investment managers, auditors and professional advisors. Effective October 1, 2016, Sun Life Financial ("Sun Life") became the custodian of each of the funds, replacing Northern Trust.

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 three such members.

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

Year ended December 31, 2016

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 fifteen segregated investment funds unitized and administered by Sun Life as follows:

- Money Market Segregated Fund
- Target Date 2018 Segregated Fund
- Target Date 2020 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
- Liquidating Trust

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").

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

Year ended December 31, 2016

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, effective October 1, 2016, to fund The University of Western Ontario Pension Plan for Members of the Academic Staff bearing registration number 0358747. Prior to October 1, 2016, the Plan held investments directly in the University of Western Ontario Master Trust for the Pension Plans for the Academic and Administrative Staff and the Retirement Income Fund (the "Master Trust"). As the Plan no longer holds units in the Master Trust, the Plan's 2015 investment and income allocations have been disclosed by fund and income type to conform to the current year presentation.

As permitted under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario), the Plan has prepared these fund financial statements in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

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 fund 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 fund 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 Commission of Ontario.

These fund financial statements of the Plan do not purport to show the adequacy of the Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Plan's actuarial reports and information about the University's financial health.

(b) Basis of measurement:

The fund 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 Fund Financial Statements (continued)

Year ended December 31, 2016

3. Significant accounting policies:

(a) Revenue:

Interest earned, net realized and change in net unrealized gains and losses on 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. As of October 1, 2016, 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. Prior to October 1, 2016, the investment income was allocated monthly. 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. Transaction costs related to investments 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 net unrealized gains or losses on investments. Net realized gains and losses on sales of investments is the difference between the proceeds received and the average cost of the investment. Net realized gains and losses and change in net unrealized gains and losses 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 cash, accrued income, accrued expenses and benefits payable 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, 2016

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, 2016

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 unrealized change in fair value 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.

(d) Foreign currency translation:

These fund 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 net unrealized change in fair value 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 group 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, 2016.

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

Year ended December 31, 2016

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 Boards. The SIPP was amended in October, 2016, to update for changes in investment managers and the custodian of the assets. Subsequent to year end, the SIPP was amended in February, 2017, to update for the change in record keeper and services provided by the Sponsor. 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 Plans 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 the Financial Services Commission of Ontario in connection with the requirements of the Plans. 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:

The preparation of fund financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the fund 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 Fund Financial Statements (continued)

Year ended December 31, 2016

4. Investments and investment income:

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

	2016 Fair value	2015 Fair value
Short term:		
Money Market Segregated Fund	\$ 25,579,527	\$ 21,324,286
Balanced funds:		
Balanced Growth Fund	95,444,890	78,454,022
Balanced Income Fund	25,294,517	25,390,689
Bonds		
Target Date 2016 Segregated Fund	-	4,989,937
Target Date 2018 Segregated Fund	4,397,744	4,072,254
Target Date 2020 Segregated Fund	1,334,116	1,314,190
Diversified Bond Segregated Fund	79,612,651	84,598,589
Canadian Bond Segregated Fund	5,388,970	5,697,948
Long Term Bond Segregated Fund	5,063,292	6,043,287
Immunized Bond Fund	-	240,229
Equities:		
Diversified Equity Segregated Fund	188,315,603	175,102,406
Canadian Equity Segregated Fund	24,208,371	24,151,950
Socially Responsible Global Equity Segregated Fund	2,073,690	3,202,792
U.S. Equity Hedged Segregated Fund	7,358,030	9,563,805
U.S. Equity Unhedged Segregated Fund	8,284,327	16,574,643
Non-North American Equity Segregated Fund	6,799,532	9,562,311
Liquidating Trust	3,752,658	4,094,028
	\$482,907,918	\$474,377,366

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

Year ended December 31, 2016

4. Investments and investment income (continued):

(a) (continued)

The Plan's investments in segregated funds (2015 - Master Trust) measured at fair value are categorized as follows:

	2016	2015
Cash equivalents	\$ -	\$ 21,323,718
Fixed income securities	-	152,392,407
Canadian equities	-	31,009,753
Pooled funds	-	269,651,488
Segregated funds	482,907,918	-
	\$482,907,918	\$474,377,366

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

	2016	2015
Interest	\$ 465,251	\$ 589,473
Distributions and dividends	14,979,284	3,433,933
Net realized gain and unrealized change in fair value of investments	13,115,591	26,063,443
	\$ 28,560,126	\$ 30,086,849

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

Year ended December 31, 2016

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 cost or fair value of the Plan as at December 31, 2016, as required by the Pension Benefits Act (Ontario).

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

Fund operator	Nature of investments	Fair value
AB Canada Core Plus Bond Fund	Fixed income	\$ 45,147,717
BlackRock Canada Universe Bond Index	Fixed income	33,263,559
Greystone Canadian Equity Fund	Equities	36,061,951
CC&L Q Canadian Equity Core Fund	Equities	35,950,780
Beutel Goodman Fundamental Canadian Equity Fund	Equities	34,714,768
Harris Associates Global Limited Partnership	Equities	35,308,393
AB Global Plus Fixed Income Portfolio, CAD Hedged	Fixed income	31,532,338
T. Rowe Price Global Growth Equity Pool	Equities	31,404,573
MFS International Equity II Fund	Equities	26,248,499
SSGA WindWise S&P 500 Index N'on-Lending Fund (CAD Hedged)	Equities	26,487,374
SSGA WindWise U.S. Managed Volatility Non-Lending Fund	Equities	26,370,338
AB Canada International Value Equity (Cap-Weighted, Unhedged) Fund	Equities	26,039,183
2333635 Ontario Inc. (Romspen Mortgage Investment Fund)	Mortgages	14,599,729
Franklin Global Small-Mid Cap Fund	Equities	13,244,218
William Blair Emerging Markets Leaders Pooled Fund	Equities	13,002,050

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

Year ended December 31, 2016

6. Contributions:

Contributions received by the Plan were as follows:

2016					
	Regular	Voluntary	Special	Total	
Members	\$ 6,579,234	\$ 2,498,961	\$ -	\$ 9,078,195	
The University of Western Ontario	14,819,269	-	35,000	14,854,269	
Other participating employers	435,004	-	-	435,004	
	15,254,273	-	35,000	15,289,273	
	\$ 21,833,507	\$ 2,498,961	\$ 35,000	\$ 24,367,468	

2015					
	Regular	Voluntary	Special	Total	
Members	\$ 7,880,600	\$ 2,016,487	\$ -	\$ 9,897,087	
The University of Western Ontario	13,226,439	-	24,984	13,251,423	
Other participating employers	464,994	-	-	464,994	
	13,691,433	-	24,984	13,716,417	
	\$ 21,572,033	\$ 2,016,487	\$ 24,984	\$ 23,613,504	

7. Benefit payments:

	2016	2015
Retirement benefit payments	\$ 181,406	\$ 151,237
Termination benefit payments	45,181,364	34,615,872
Death benefit payments	1,604,540	2,009,980
	\$ 46,967,310	\$ 36,777,089

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 of certain segregated funds are netted against the unit value of those segregated funds.

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

Year ended December 31, 2016

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:

	2016	2015
Administrative expenses incurred:		
Salaries and benefits	\$ 493,657	\$ 384,231
Other professional fees	397,824	346,961
HST accrual on deemed services	121,412	94,566
Audit fees	26,499	14,240
	<u>1,039,392</u>	<u>839,998</u>
Recoveries:		
Paid by the University out of corporate benefits budget	734,646	505,769
Administrative costs recovered by the University	304,746	334,229
	<u>1,039,392</u>	<u>839,998</u>
	<u>\$ -</u>	<u>\$ -</u>

Administrative costs were funded as follows:

	2016	2015
Fees from former employees	\$ 227,946	\$ 259,829
Fees from other participating employers	76,800	74,400
	<u>\$ 304,746</u>	<u>\$ 334,229</u>

As at December 31, 2016, administrative costs to be recovered by the University of nil (2015 - \$988,609) have been accrued but not yet paid.

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

Year ended December 31, 2016

10. General account:

This account represents the assets available to meet the ongoing pension liability of the University and any obligations resulting from the supplemental benefits payable to special members who are entitled to a minimum defined benefit guarantee. An allocation for expenses recoverable by the University as a result of contribution holidays is also made from the general account. The investment of assets in the general account is made at the discretion of the Pension Board. The investment allocation for 2016 was 100% Money Market Segregated Fund (2015 - 100% Immunized Bond Fund).

On October 9, 2015, the Joint Pension Board recommended to the University Board of Governors that annuities be purchased for the defined benefit obligations for former members of the Pension Plan for Administrative Staff, which was approved. On December 1, 2015, the defined benefit obligation for former members was transferred to an external insurance company for a total of \$1,112,741.

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:

	2016	2015
Actuarial present value of accrued pension benefits, beginning of year	\$ 330,000	\$ 1,512,000
Current service cost, beginning of year	10,000	13,000
Accrued interest on benefits	18,000	37,000
Benefits and administrative expenses paid	-	(151,000)
Change in assumptions	14,000	32,000
Annuity purchase	-	(1,113,000)
Actuarial present value of accrued pension benefits, end of year	372,000	330,000
Approximate fair value of general account, end of year	525,000	240,000
Surplus (deficit)	\$ 153,000	\$ (90,000)

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

Year ended December 31, 2016

10. General account (continued):

The actuarial present value of accrued pension benefits is based on a full valuation performed as at December 1, 2015, by the Plan's actuary, Morneau Shepell. The valuation reflects the best estimate of assumptions and the expectation the Plan will continue on an ongoing basis. Significant assumptions are as follows:

	2016	2015
Discount rate	5.00 %	5.25 %
Expected long-term rate of return on plan assets	5.00 %	5.25 %
Rate of compensation increase	2.00 %	2.00 %

Life expectancy of members is based upon the CPM 2014 Public Sector Mortality Table.

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

Year ended December 31, 2016

11. Financial instruments:

(a) Fair values:

The fair values of investments are as described in note 4(a). The fair values of other financial assets and liabilities, being cash, accrued income, accrued expenses and benefits payable approximate the carrying values due to the short-term nature of these financial instruments.

Fair value measurements recognized in the statement of net assets 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. During the year, the investment in 2333635 Ontario Inc., which was previously classified as a Level 3 investment, was transferred to Level 2 as the investment is now held directly by a segregated fund investment.

The following table reconciles the Plan's Level 3 fair value measurement from January 1, 2016 to December 31, 2016.

	2016	2015
Balance, beginning of year	\$ 13,120,804	\$ 20,036,343
Net unrealized change in fair value of the investment	1,478,925	1,121,694
Redemption of units	-	(7,996,768)
Realized loss on sale of investment	-	(40,465)
Transfer out of Level 3	(14,599,729)	-
Balance, end of year	\$ -	\$ 13,120,804

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

Year ended December 31, 2016

11. Financial instruments (continued):

(b) Associated 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 fund 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.

(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 asset mix guidelines which help to ensure the Plan is able to liquidate investments to meet its pension benefit or other obligations.

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

Year ended December 31, 2016

11. Financial instruments (continued):

(b) Associated risks (continued):

(v) Credit risk:

Credit risk 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.