

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

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

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



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

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

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 14, 2020

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

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Investment in segregated funds (note 4(a))	697,298,547	633,613,979
	697,298,547	633,613,979
Liabilities		
Accrued expenses	187,684	209,179
	187,684	209,179
Net assets available for benefits	697,110,863	633,404,800
Pension obligations (note 2(a))	(696,974,933)	(632,976,523)
Subsequent event (note 12)		
Surplus (note 10)	\$ 135,930	\$ 428,277

See accompanying notes to financial statements.

On behalf of the Academic Staff Pension Board:

Steve Foerster Chair

R. Kozja

Pension Board Secretariat

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC 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))	\$ 96,698,598	\$ (19,691,726)
Increase in net assets:		
Contributions (note 6)	32,212,707	31,267,810
Transfers in to Plan	2,085,664	381,929
	<u>34,298,371</u>	<u>31,649,739</u>
Decrease in net assets:		
Benefit payments (note 7)	(66,792,106)	(67,022,307)
Administrative costs recovered by the University (note 9)	(498,800)	(491,784)
	<u>(67,290,906)</u>	<u>(67,514,091)</u>
Net increase (decrease) for the year	\$ 63,706,063	\$ (55,556,078)
Allocation of net increase (decrease) for the year:		
Members' accounts	\$ 63,998,410	\$ (55,201,718)
General account (note 10)	(292,347)	(354,360)
	<u>\$ 63,706,063</u>	<u>\$ (55,556,078)</u>
Net assets available for benefits, beginning of year:		
Members' accounts	\$ 632,976,523	\$ 688,178,241
General account (note 10)	428,277	782,637
	<u>\$ 633,404,800</u>	<u>\$ 688,960,878</u>
Net assets available for benefits, end of year:		
Members' accounts	\$ 696,974,933	\$ 632,976,523
General account (note 10)	135,930	428,277
	<u>\$ 697,110,863</u>	<u>\$ 633,404,800</u>

See accompanying notes to financial statements.

THE UNIVERSITY OF WESTERN ONTARIO

PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF

Notes to Financial Statements

Year ended December 31, 2019

1. Description of plan:

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

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

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

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

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
Notes to 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 Academic and Administrative Staff Pension Boards. The Plan consists of thirteen segregated investment funds unitized and administered by Sun Life as follows:

- Money Market 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

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 ACADEMIC STAFF
Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Basis of presentation:

(a) Basis of presentation:

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

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

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

For a defined contribution pension plan, benefits are determined by the employer's and employees' contributions and the performance of the plan. Actuarial valuations are not required as the pension obligation equals the 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 ACADEMIC STAFF
Notes to 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 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 and losses on sales of investments is the difference between proceeds received and the average cost of the investment. Net realized gains and 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 ACADEMIC STAFF
Notes to 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 ACADEMIC STAFF
Notes to 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 change in unrealized gains (losses) of investments. Fair values are determined as follows:

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

(d) Foreign currency translation:

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

(e) Capital risk management:

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

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

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

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
Notes to 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 Plan for Members of the Academic Staff, which is reviewed annually by the Pension Board. The SIPP was amended in February 2020 to update for changes in services provided by the Sponsor and modifications to investment options. The SIPP enables the engagement of knowledgeable investment managers who are charged with the responsibility of investing the segregated funds available to the members, in accordance with the approved SIPP. Comprehensive reviews relating to the Plan are conducted at meetings of the Pension Board, which includes measurement of returns, comparison of returns to appropriate benchmarks, evaluation of investment managers, and contribution and allocation decisions of members, and returns and risk analysis.

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

(f) Related party transactions:

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

(g) Estimates:

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

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

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

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
Notes to 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 value in excess of 1% of the fair value of the Plan as at December 31, 2019, as required by the Pension Benefits Act (Ontario).

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

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

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

Year ended December 31, 2019

6. Contributions:

Contributions received by the Plan were as follows:

2019			
	Regular	Voluntary	Total
Members	\$ 9,209,096	\$ 3,339,631	\$ 12,548,727
Employer	19,663,980	-	19,663,980
	\$ 28,873,076	\$ 3,339,631	\$ 32,212,707

2018			
	Regular	Voluntary	Total
Members	\$ 8,878,145	\$ 3,147,906	\$ 12,026,051
Employer	19,241,759	-	19,241,759
	\$ 28,119,904	\$ 3,147,906	\$ 31,267,810

7. Benefit payments:

	2019	2018
Retirement benefit payments	\$ 829,599	\$ 990,661
Termination benefit payments	61,662,876	65,062,566
Death benefit payments	2,966,499	969,080
Annuity purchases	1,333,132	-
	\$ 66,792,106	\$ 67,022,307

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 ACADEMIC STAFF
Notes to 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 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:

	2019	2018
Administrative expenses incurred:		
Salaries and benefits	\$ 333,895	\$ 324,580
Other professional fees	484,633	598,769
HST accrual on deemed services	84,885	23,634
Audit fees	12,875	14,219
	<u>916,288</u>	<u>961,202</u>
Recoveries:		
Paid by the University out of corporate benefits budget	417,488	469,418
<u>Administrative costs recovered by the University</u>	<u>498,800</u>	<u>491,784</u>
	916,288	961,202
	<u>\$ -</u>	<u>\$ -</u>

Administrative costs recovered by the University were funded as follows:

	2019	2018
General account	\$ 143,600	\$ 297,600
Fees from former employees	57,600	145,437
Fees from other participating employers	297,600	48,747
	<u>\$ 498,800</u>	<u>\$ 491,784</u>

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

Year ended December 31, 2019

10. General account:

This account represented the assets available to meet the ongoing pension liability of the University and any administrative expenses resulting from the supplemental benefits payable to special members who are entitled to a minimum defined benefit guarantee. The pension obligation was removed from the Plan through the purchase of a group annuity contract, as described in Note 1. There remains an allocation for expenses recoverable by the University, as approved by the Academic Pension Board, through a limited contribution holiday which will end in 2020. 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 fair value of the general account at December 31, 2019 is \$135,930 (2018 - \$428,277).

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 accrued expenses, 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.

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

Year ended December 31, 2019

11. Financial instruments (continued):

(b) Associated risks:

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

(i) Market price risk:

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

(ii) Foreign currency risk:

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

(iii) Interest rate risk:

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

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
Notes to 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 obligations.

(v) Credit risk:

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

12. Subsequent event:

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