

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, 2020



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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, 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 end of December 31, 2020, 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.



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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, m



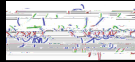
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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- 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.



Chartered Professional Accountants, Licensed Public Accountants

London, Canada  
June 24, 2021



**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, 2020, with comparative information for 2019

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	2020	2019
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**THE UNIVERSITY OF WESTERN ONTARIO**  
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF  
Notes to Financial Statements (continued)

Year ended December 31, 2020

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**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 Academic and Administrative 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").



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

Year ended December 31, 2020

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**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, benef

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

Year ended December 31, 2020

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**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

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Notes to Financial Statements (continued)

Year ended December 31, 2020

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**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.

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

Year ended December 31, 2020

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

(d) Foreign currency translation:

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

(e) Capital risk management:

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

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

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

Year ended December 31, 2020

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**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 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.

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Notes to Financial Statements (continued)

Year ended December 31, 2020

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**3. Significant accounting policies (continued):**

(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.

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Notes to Financial Statements (continued)

Year ended December 31, 2020

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**4. Investments and investment income:**

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

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	2020	2019
	Fair value	Fair value

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Cash equivalents:  
Guaranteed Dail

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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
Beutel Goodman Fundamental Canadian Equity Fund	Equities	\$ 72,304,075
CC&L Q Canadian Equity Core Fund	Equities	72,270,728
AB Canada Core Plus Bond Fund	Fixed income	68,083,977
Oakmark Global Equity LP	Equities	48,274,885
BlackRock Canada Universe Bond Index	Fixed income	47,294,557
AB SICAV Global Plus Fixed Income Fund	Fixed income	45,196,173
T. Rowe Price Global Growth Equity Pool Fund	Equities	42,053,086
SSGA WindWise U.S. Managed Volatility Non-Lending Fund	Equities	41,684,687
AB International Equity Fund	Equities	36,691,293
MFS International Equity Fund II	Equities	36,329,297
SSGA WindWise S&P 500 Index Non-Lending Fund (CAD Hedged)	Equities	35,381,589
2333635 Ontario Inc. (Romspen Mortgage Investment Fund)	Mortgages	26,030,540
Arrowstreet Capital LP Global Small Cap	Equities	17,917,404
William Blair Emerging Markets Leaders Pooled Fund	Equities	17,675,708



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Notes to Financial Statements (continued)

Year ended December 31, 2020

**6. Contributions:**

Contributions received by the Plan were as follows:

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

**7. Benefit payments:**

	2020	2019
Retirement benefit payments	\$ 1,625,676	\$ 829,599
Termination benefit payments	45,666,514	61,662,876
Death benefit payments	979,365	2,966,499
Annuity purchases	81,695	1,333,132
	\$ 48,353,250	\$ 66,792,106

**8. Fund managers' fees:**

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



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Notes to Financial Statements (continued)

Year ended December 31, 2020

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**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. During the year, the amounts in the general account were used to fund administrative costs incurred by the University, as approved by the Academic Pension Board, and as a result, the general account was fully drawn down. The investment of assets in the general account was made at the discretion of the Pension Board. The fair value of the general

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Notes to Financial Statements (continued)

Year ended December 31, 2020

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**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 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.