

Financial Statements of

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

Year ended December 31, 2016



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the University of Western Ontario Pension Plan for Members of the Academic Staff, which comprise the statement of financial position 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the University of Western Ontario Pension Plan for the Academic Staff as at December 31, 2016, and the changes in net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 16, 2017

London, Canada

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

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Cash	\$ 8,962,442	\$ 4,557,344
Accrued income	-	1,033,351
Investment in segregated funds (note 4(a))	632,836,564	-
Investment in Master Trust (note 4(a))	-	619,695,499
	<u>641,799,006</u>	<u>625,286,194</u>
Liabilities		
Accrued expenses	445,811	1,345,637
Benefits payable	8,931,404	5,221,634
	<u>9,377,215</u>	<u>6,567,271</u>
Net assets available for benefits	632,421,791	618,718,923
Pension obligations (note 2(a))	(631,517,504)	(618,009,923)
	<u>\$ 904,287</u>	<u>\$ 709,000</u>

See accompanying notes to financial statements.

On behalf of the Academic Staff Pension Board:

Michelle Loveland 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, 2016, with comparative information for 2015

	2016	2015
Investment income (note 4(b))	\$ 39,787,457	\$ 37,879,461
Increase in net assets:		
Contributions (note 6)	30,258,587	29,476,754
Transfers in to plan	1,624,338	1,508,790
	<u>31,882,925</u>	<u>30,985,544</u>
Decrease in net assets:		
Benefit payments (note 7)	(56,680,183)	(63,027,029)
Fund managers' fees (note 8)	(835,595)	(1,060,924)
Custodian fees	(233,183)	(225,467)
Administrative costs recovered by the University (note 9)	(211,792)	(230,806)
Transaction costs	(6,761)	(17,911)
Transfers to RIF	-	(1,987,501)
	<u>(57,967,514)</u>	<u>(66,549,638)</u>
Net increase for the year	\$ 13,702,868	\$ 2,315,367
Allocation of net increase for the year:		
Members' accounts	\$ 13,507,581	\$ 4,841,367
General account (note 10)	195,287	(2,526,000)
	<u>\$ 13,702,868</u>	<u>\$ 2,315,367</u>
Net assets available for benefits, beginning of year:		
Members' accounts	\$ 618,009,923	\$ 613,168,556
General account (note 10)	709,000	3,235,000
	<u>\$ 618,718,923</u>	<u>\$ 616,403,556</u>
Net assets available for benefits, end of year:		
Members' accounts	\$ 631,517,504	\$ 618,009,923
General account (note 10)	904,287	709,000
	<u>\$ 632,421,791</u>	<u>\$ 618,718,923</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, 2016

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 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.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
Notes to 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 Academic and Administrative 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 ACADEMIC STAFF
Notes to 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.

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 Commission of Ontario.

For a defined contribution pension plan, premium 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, 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 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 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 ACADEMIC STAFF
Notes to 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 ACADEMIC STAFF
Notes to 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 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 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 ACADEMIC STAFF
Notes to 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 Academic 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 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, 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	\$ 30,844,750	\$ 27,855,341
Balanced funds:		
Balanced Growth Fund	112,795,283	102,482,376
Balanced Income Fund	38,000,817	33,167,173
Bonds:		
Target Date 2016 Segregated Fund	-	6,518,221
Target Date 2018 Segregated Fund	6,061,690	5,319,475
Target Date 2020 Segregated Fund	4,511,858	1,716,691
Diversified Bond Segregated Fund	108,011,898	110,508,858
Canadian Bond Segregated Fund	8,526,142	7,443,077
Long Term Bond Segregated Fund	8,667,576	7,894,183
Immunized Bond Fund	-	708,893
Equities:		
Diversified Equity Segregated Fund	216,978,406	228,365,590
Canadian Equity Segregated Fund	36,257,917	31,549,042
Socially Responsible Global Equity Segregated Fund	4,635,612	4,183,721
U.S. Equity Hedged Segregated Fund	16,797,295	12,492,941
U.S. Equity Unhedged Segregated Fund	22,859,459	21,651,009
Non-North American Equity Segregated Fund	12,997,741	12,490,989
Liquidating Trust	4,890,120	5,347,919
	\$632,836,564	\$619,695,499

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
Notes to 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	\$ -	\$ 27,855,908
Fixed income securities	-	199,075,453
Canadian equities	-	40,509,108
Pooled funds	-	352,255,030
Segregated funds	632,836,564	-
	\$632,836,564	\$619,695,499

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

	2016	2015
Interest	\$ 608,747	\$ 742,148
Distributions and dividends	19,909,525	4,509,613
Net realized gain and unrealized change in fair value of investments	19,269,185	32,627,700
	\$ 39,787,457	\$ 37,879,461

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
Notes to 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 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	\$ 61,252,710
BlackRock Canada Universe Bond Index	Fixed income	45,129,262
Greystone Canadian Equity Fund	Equities	41,549,716
CC&L Q Canadian Equity Core Fund	Equities	41,421,628
Beutel Goodman Fundamental Canadian Equity Fund	Equities	39,997,524
Harris Associates Global Limited Partnership	Equities	40,681,472
AB Global Plus Fixed Income Portfolio, CAD Hedged	Fixed income	42,780,483
T. Rowe Price Global Growth Equity Pool	Equities	36,183,596
MFS International Equity II Fund	Equities	30,242,892
SSGA WindWise S&P 500 Index Non-Lending Fund (CAD Hedged)	Equities	30,518,117
SSGA WindWise U.S. Managed Volatility Non-Lending Fund	Equities	30,383,272
AB Canada International Value Equity (Cap-Weighted, Unhedged) Fund	Equities	30,001,723
2333635 Ontario Inc. (Romspen Mortgage Investment Fund)	Mortgages	19,807,711
Franklin Global Small-Mid Cap Fund	Equities	15,259,671
William Blair Emerging Markets Leaders Pooled Fund	Equities	14,980,651

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

Year ended December 31, 2016

6. Contributions:

Contributions received by the Plan were as follows:

2016			
	Regular	Voluntary	Total
Members	\$ 8,090,726	\$ 3,400,453	\$ 11,491,179
The University of Western Ontario	18,181,350	-	18,181,350
Other participating employers	586,058	-	586,058
	18,767,408	-	18,767,408
	\$ 26,858,134	\$ 3,400,453	\$ 30,258,587

2015			
	Regular	Voluntary	Total
Members	\$ 8,125,597	\$ 2,987,841	\$ 11,113,438
The University of Western Ontario	17,766,670	-	17,766,670
Other participating employers	596,646	-	596,646
	18,363,316	-	18,363,316
	\$ 26,488,913	\$ 2,987,841	\$ 29,476,754

7. Benefit payments:

	2016	2015
Retirement benefit payments	\$ 209,271	\$ 319,775
Termination benefit payments	54,707,657	62,296,755
Death benefit payments	1,763,255	410,499
	\$ 56,680,183	\$ 63,027,029

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.

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
Notes to 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	\$ 654,383	\$ 576,346
Other professional fees	407,985	520,440
HST accrual on deemed services	121,517	141,849
Audit fees	26,099	21,359
	<u>1,209,984</u>	<u>1,259,994</u>
Recoveries:		
Paid by the University out of corporate benefits budget	998,192	1,029,188
Administrative costs recovered by the University	211,792	230,806
	<u>1,209,984</u>	<u>1,259,994</u>
	<u>\$ -</u>	<u>\$ -</u>

Administrative costs were funded as follows:

	2016	2015
Fees from former employees	\$ 156,792	\$ 179,606
Fees from other participating employers	55,000	51,200
	<u>\$ 211,792</u>	<u>\$ 230,806</u>

As at December 31, 2016, administrative costs to be recovered by the University of nil (2015 - \$683,581) have been accrued but not yet paid.

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

Year ended December 31, 2016

10. General account:

This account represented 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 - 96% Immunized Bond Fund and 4% Liquidating Trust).

On October 9, 2015, the Joint Pension Board recommended to the University Board of Governors that annuities be purchased for the defined benefit obligations under the Pension Plan for Academic Staff, which was approved. On December 1, 2015, the defined benefit obligation was transferred to an external insurance company for a total of \$2,227,457. The future use of the funds remaining in the general account after the defined benefit obligation was eliminated, has not yet been determined.

The fair value of the general account is as follows:

	2016	2015
Actuarial present value of accrued pension benefits, beginning of year	\$ -	\$ 2,823,000
Accrued interest on benefits	-	60,000
Benefits and administrative expenses paid	-	338,000
Mortality experience and change in assumptions	-	(318,000)
Annuity purchase	-	2,227,000
Actuarial present value of accrued pension benefits, end of year	-	-
Approximate fair value of general account, end of year	904,287	709,000
Surplus	\$ 904,287	\$ 709,000

THE UNIVERSITY OF WESTERN ONTARIO
PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF
Notes to 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	\$ 18,807,234	\$ 27,826,117
Net unrealized change in fair value of the investment	1,000,477	1,462,854
Redemption of units	-	(10,428,965)
Realized loss on sale of investment	-	(52,772)
Transfer out of Level 3	(19,807,711)	-
Balance, end of year	\$ -	\$ 18,807,234

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

Year ended December 31, 2016

12. 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 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 obligations.

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

Year ended December 31, 2016

12. 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.

