The Joint Pension Board approved a reorganization of the Diversified Equity Fund at its last meeting, held on June 23, 2008. The reorganization involves: 1) appointing T. Rowe Price International, Inc. (“T. Rowe Price”) and Harris Associates Investment Management (“Harris Associates”) to manage a newly created global equity component that would account for 17.5% of the portfolio; 2) eliminating the large cap U.S. equity unhedged component managed by Northwater Capital Management; 3) reducing both the U.S. mid cap equity and U.S. small cap equity components of the portfolio from 4% to 2.5%; and 4) increasing the U.S. large cap equity hedged component of the portfolio to 17.5%. No currency hedging is done on this new strategy, so it is 100% exposed to currency fluctuations. The two charts below show the old and the new allocations of the Diversified Equity Fund.

Motivation for the Changes
The main motivation for this change is to increase the expected return of the Diversified Equity Fund without materially increasing its risk. Research prepared by our investment consultant demonstrates that there’s an increasing number of quality global equity managers available (a global equity strategy involves investing in shares of companies located anywhere in the world).

Old Allocation
- U.S. Large Cap Equity - Unhedged, 16%
- U.S. Mid Cap Equity - Hedged, 4%
- U.S. Small Cap Equity - Unhedged, 4%
- Canadian Equity, 30%
- Non-North American Equity, 30%

New Allocation
- Global Equity, 17.5%
- Canadian Equity, 30.0%
- Non-North American Equity, 30.0%
- U.S. Large Cap Equity - Hedged, 17.5%
- U.S. Mid Cap Equity - Hedged, 2.5%
- U.S. Small Cap Equity - Unhedged, 2.5%
A secondary reason for this change is the realization by the Pension Board that placing regional investment decisions (for example choosing to invest more money in Europe than in the United States) in the hands of the investment managers is a good way to improve performance. Due to their large research teams and resources, global equity managers are in a better position than the Joint Pension Board to determine where the best investment opportunities are. In addition, they can implement changes to the portfolio much faster than the Joint Pension Board, before the opportunities disappear.

Other considerations for this change include the revision of the asset mix of the fund. The asset mix is the composition of the fund according to the various strategies (U.S. small cap equity, Canadian equity, etc.). The asset mix had not been reviewed since the removal of the foreign property restrictions by the Canadian Government. The current composition of the non-Canadian component of the portfolio was no longer reflecting the composition of the world markets.

Manager Selection
The Joint Pension Board decided to appoint two managers to manage the global equity component of the Diversified Equity Fund: one with a growth investment style and one with a value investment. This is very similar to the structure of the Non-North American equity component of the portfolio. Growth and value investment managers tend to have relatively uncorrelated investment performance due to the different metrics they focus on. Growth managers tend to focus on revenue and earnings growth, while value managers tend to focus on price multiples and free cash flows. As such, the risk that both managers underperform at the same time is diminished, which reduces the volatility of the strategy.

This change also involves moving away from a passive investment strategy to an active investment strategy. A passive strategy involves replicating an index while an active strategy involves deviating from the composition of the index through research and insight, in order to outperform the index. Investment management fees are generally higher on active strategies, but the expectation is to obtain returns that would more than offset the increased fees. In addition, Western was able to negotiate investment management fees that are extremely advantageous to its members.

The Joint Pension Board went through an extensive manager search that included on-site visits conducted in May and June 2008.

The two managers selected are T. Rowe Price and Harris Associates. T. Rowe Price is a growth manager. The firm was founded in 1937 and is based in Baltimore. They manage close to US$ 400 billion. T. Rowe Price focuses on four broad investment characteristics when selecting stocks: 1) attractive industry structure conducive to sustainable growth; 2) compelling company business model with strong growth prospects; 3) management team with compelling strategic vision; and 4) reasonable stock price valuation.

Harris Associates is a value manager. The firm was founded in 1976 and is based in Chicago. They manage about US$ 60 billion. Harris’ investment philosophy has three tenets: 1) they buy businesses trading at a significant discount to their estimate of intrinsic value; 2) they invest in companies expected to grow their intrinsic value over time; and 3) they invest with management teams that think and act as owners.

How to Invest?
We expect that the new allocation will be in place by the end of September 2008 for the Diversified Equity Fund. The new managers won’t be introduced to the Diversified Equity Fund B because it would make the fund unqualified for the RIF program. The Diversified Equity Fund B is expected to be merged with the Diversified Equity Fund in the short term. The reoptimized Diversified Equity Fund will be available to RIF members. Members, who invest in the Diversified Equity Fund or Diversified Equity Fund “B” are not required to do anything because of this change.

If you have any questions about the reorganization of the Diversified Equity Fund, please contact Martin Bélanger at extension 80314.

NEW FUND AVAILABLE TO RIF MEMBERS
We are pleased to announce that the Socially Responsible Global Equity Fund will soon be available to RIF investors. The fund meets the requirements of the Income Tax Act to be a qualified investment and thus, be available to RIF members. As previously announced, this fund invests in Mackenzie Universal Sustainable Opportunities Class, whose portfolio managers are Aberdeen Asset Management. Mackenzie makes an annual corporate donation equivalent to 0.05% of assets in the Mackenzie fund to The Mackenzie Financial Charitable Foundation. RIF members will be able
to select the fund starting August 26, 2008 for an initial investment date of October 1, 2008.

The fund can be an excellent addition to the portfolio of any RIF member looking to invest in a global equity fund. In order to be included in the portfolio, Aberdeen makes sure that the company not only has an acceptable social behaviour, but also exhibits fundamental financial strength. It is only when a company meets these twin hurdles that it can be included in the portfolio fund.

The ability to generate competitive returns was also one of the Joint Pension Board main criteria in selecting a socially responsible investment manager. The investment manager has clearly demonstrated over the years its ability provide some value added over a benchmark. Since the fund invests in companies located all over the world, the most appropriate benchmark to evaluate its performance is the MSCI World Index. The table below shows the performance of a similar fund managed by Aberdeen compared to its benchmark, as at June 30, 2008.

<table>
<thead>
<tr>
<th></th>
<th>Since Inception on UWO Plans (March 1, 2008)</th>
<th>1-Yr</th>
<th>3-Yr</th>
<th>5-Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mackenzie</td>
<td>2.78%</td>
<td>-10.19%</td>
<td>8.76%</td>
<td>9.63%</td>
</tr>
<tr>
<td>MSCI World</td>
<td>1.19%</td>
<td>-14.02%</td>
<td>2.94%</td>
<td>6.32%</td>
</tr>
<tr>
<td>Value added</td>
<td>1.59%</td>
<td>3.83%</td>
<td>5.82%</td>
<td>3.31%</td>
</tr>
</tbody>
</table>

Gross returns
Past performance is not necessarily an indication of future performance

For more information on socially responsible investing (SRI), please go to the socially responsible investing page of the retirement plan website at http://www.uwo.ca/humanresources/faculty/staff/comp/pension/sri.htm

ABCP Q&A UPDATE

Q: Why are there redemption restrictions on some of the investment options?
A: One of the investment managers on the Western Retirement plans invested in securities called asset-backed commercial paper (“ABCP”). When these securities stopped trading in August 2007, the manager imposed partial redemption restrictions on the University. As a result, the University was obligated to extend the redemption restrictions to its members. The five funds impacted are: the Balanced Growth Fund, the Balanced Income Fund, the Diversified Equity Fund, the U.S. Equity Hedged Fund and the U.S. Equity Unhedged Fund.

Q: When do you expect the redemption restrictions to be lifted?
A: A restructuring plan has been approved by the noteholders. On June 5, the Ontario Superior Court approved the restructuring plan regarding ABCP; however, some investors have appealed the judgment and the Ontario Court of Appeal is expected to issue a ruling at any time now. If the Court of Appeal maintains the judgment of the lower court, it is expected that the investors committee will move quickly to implement the restructuring and distribute the new restructured securities to ABCP investors.

Once the restructuring plan is approved by the Ontario Court of Appeal, it should be a matter of time (a few weeks) before we receive the new securities in exchange for the ABCP. At that time we will evaluate the market conditions and determine the best course of actions for our members (remove the redemption restrictions or not, sell or keep the new securities, etc.)

Q: Can I make a redemption from any of the impacted funds?
A: Yes, redemptions can be made but only a portion of the proceeds will be allocated to your new selection, the rest will be allocated to the Liquidating Trust.

Q: Why is the U.S. Equity Hedged Fund more affected than other funds?
A: The U.S. Equity Hedged Fund is more affected because it has more invested in ABCP. This fund holds approximately 18% in ABCP. The US Equity Hedged Fund is a synthetic equity fund; it replicates the return of a U.S. index fund by investing in money market securities and stock index futures on the S&P 500. Because the return is hedged into Canadian dollars, the strategy invests in Canadian money market securities to create a natural currency hedge. The U.S. Equity Unhedged Fund does not need to invest in Canadian money market securities since the return is not hedged back into Canadian dollars.

Q: If a Fund has a redemption restriction percentage of 18%, does that mean that investors stand to lose 18% upon the restructuring?
A: 18% is the proportion of the fund that is invested in ABCP. This is the maximum loss that will be incurred if the restructuring is not successful and/or the value of the ABCP goes down to 0.
This is unlikely to happen since there are some investment firms actively trying to purchase the securities.

Q: Who is the manager responsible for making these investments and has it been terminated yet?
A: The manager is Northwater Capital Management, the manager of our U.S. equity portfolios. The Pension Board has done a lot of work to address this situation and announcements will be made when the time is right. However, until the restructuring plan is in place and the new assets start trading, terminating Northwater, would only penalize our members by leaving us with illiquid securities that do not generate any income. By staying with Northwater until the restructuring is in place, our funds still have exposure to the U.S. stock markets.

Q: What should members do?
A: Until the restructuring plan is in place, there’s not much members can do. With the redemption restrictions in place, there’s no possibility to get away from the ABCP. This situation has been challenging for everyone. We hope to reach a resolution soon and have the Retirement Plans go back to business as usual.

Q: Where can I get more information?
A: Go to the section of the Western Retirement Plans website about “Temporary Redemption Restrictions” at http://www.uwo.ca/humanresources/facultystaff/comp/pension/temp_restriction s.htm, where you will find a list of updates about the situation and the restriction percentages (the percentage of your holdings that will be transferred to the Liquidating Trust if you make redemption). You can also read the Retirement Plans Annual Report and past Pension Newsletters, also available on the Western Retirement Plans website.

THANK YOU DAVID BURGESS!
After 10 years of service with the Academic Pension Board, David Burgess, Professor of Economics, has retired. David’s significant involvement with the pension plan since 1994 contributed to fundamental plan design and policy changes including the introduction of the target date funds, the long term bond fund, diversification of the equity and bond portfolios, the design of tiered investment choices, and the development of communication and education programs.

Members of the pension plan benefit financially due to the efforts of David and his colleagues on the pension boards. One design change that David’s influence is particularly notable is the diversification of the $600 million Diversified Equity fund, which exposes the fund to most significant international investment opportunities. This diversification provides consistent strong performance, relative to the plan design prior to David’s membership on the Joint Pension Board. The review and design of this portfolio requires continual effort and David’s deep professional knowledge in the review and selection of asset classes and investment managers has been valuable in support of this fund. David, with his colleagues Joel Fried (deceased, Economics) and Ron Wirick (Ivey) took a leading role influencing the federal regulators to change tax laws that support international diversification for all registered retirement funds in Canada. This change, implemented in 2004, fundamentally changed the investment opportunity for all Canadians, and was in part motivated by the research and presentations completed by Joel, Ron and David.

David is always very respectful and encouraging to the professional staff in Human Resources, our pension service providers and his fellow board members. David’s commitment to the pension board and to plan members has never waivered despite his professional and personal commitments.

Thank you David for your service (and the enhanced returns)! We will miss your insights and knowledgeable input. Happy Retirement!

ARE YOU MOVING? DON’T FORGET TO KEEP IN TOUCH
When you are making your list of contacts who need to know your new mailing address do not forget to include Western Retirement Plans. Let us know your new address by made by emailing us at hr-communication@uwo.ca or online through MyHumanResources at http://www.uwo.ca/humanresources/index.htm