WHAT IS WESTERN’S JOINT PENSION BOARD DOING DURING THESE TIMES OF EXTREME MARKET VOLATILITY?
OCTOBER 2008
Western pension members’ accounts have now been updated up to September 30. Plan members with a large component invested in equity funds will notice a significant decline, and it should be noted that bond funds have been affected as well. In September alone, Canadian equity markets were down by 14.45% (as measured by the S&P/TSX Index), U.S. equity markets (as measured by the S&P 500 Index) were down by 8.91% and international equity markets were down by 14.15% (as measured by the MSCI EAFE Index). Even the Canadian Bond market (as measured by the DEX Universe Bond Index) was down by almost 2%.

During times like these, many plan members ask us the following question: “What is the Pension Board doing to deal with the market problems and to protect member accounts?”

The current market events have brought some specific risks to our portfolios that the Joint Pension Board has directly addressed. First of all, the liquidity crisis has affected money market funds, mostly in the U.S. where some money market funds registered losses for the first time. Western’s Pension Board has been monitoring its Money Market Fund very closely to ensure that preservation of capital was the priority of State Street, our manager. Secondly, the crisis has affected some pension funds through their securities lending programs. The Pension Board reviewed Western’s securities lending program to ensure it didn't put our members at risk. We have a non-cash collateral security lending program, which means collateral we receive is in high-quality assets only, unlike those programs that invested the collateral in poor-quality assets.

Regarding the management of assets, the security selection part of the process is delegated to external investment managers who are experts in this area. Although the Pension Board communicates regularly with these experts to hear what they have to say about the current market conditions and to see how they position their portfolio to limit our risk, we don’t interfere with their decisions. Nor does the Board move large portions of our equity portfolios to money market securities; as such a dramatic decision would be inconsistent with our philosophy of maintaining a long-term approach to investing. We focus our attention on ensuring our portfolios are rebalanced to their target allocation, not on timing the markets as it has been proven in the past that attempts at market timing leads to underperformance.

For example, if we had gone out of the equity markets on September 29 after the rescue package was turned down by the U.S. Congress, we would have missed out on a 6% return the following day. Similar market surges

### Historical Investment Returns at September 30, 2008

<table>
<thead>
<tr>
<th>FUND</th>
<th>1-month</th>
<th>1-year</th>
<th>5-year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TIER 1</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced Income</td>
<td>-6.28%</td>
<td>-6.42%</td>
<td>4.48%</td>
</tr>
<tr>
<td>Balanced Income B</td>
<td>-6.24%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced Growth</td>
<td>-9.86%</td>
<td>-15.62%</td>
<td>5.46%</td>
</tr>
<tr>
<td>Balanced Growth B</td>
<td>-9.76%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TIER 2</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversified Bond</td>
<td>-3.59%</td>
<td>0.45%</td>
<td>3.47%</td>
</tr>
<tr>
<td>Diversified Equity</td>
<td>-12.52%</td>
<td>-22.11%</td>
<td>6.15%</td>
</tr>
<tr>
<td>Diversified Equity B</td>
<td>-12.38%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TIER 3</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market</td>
<td>0.24%</td>
<td>4.06%</td>
<td>3.44%</td>
</tr>
<tr>
<td>TDF- June/2010</td>
<td>-0.09%</td>
<td>5.99%</td>
<td></td>
</tr>
<tr>
<td>TDF- June/2012</td>
<td>-0.69%</td>
<td>6.95%</td>
<td></td>
</tr>
<tr>
<td>TDF- June/2014</td>
<td>-1.26%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canadian Bond</td>
<td>-1.98%</td>
<td>4.46%</td>
<td>4.70%</td>
</tr>
<tr>
<td>SRI Fund – Equity</td>
<td>-12.12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Term Bond</td>
<td>-4.03%</td>
<td>2.19%</td>
<td>5.95%</td>
</tr>
<tr>
<td>Canadian Equity</td>
<td>-14.48%</td>
<td>-18.60%</td>
<td>11.72%</td>
</tr>
<tr>
<td>US Equity (Hedged)</td>
<td>-8.90%</td>
<td>-24.74%</td>
<td>3.81%</td>
</tr>
<tr>
<td>US Equity (Hedged)B</td>
<td>-8.78%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Equity (Unhedged)</td>
<td>-8.41%</td>
<td>-17.40%</td>
<td>-0.14%</td>
</tr>
<tr>
<td>US Equity (Unhedged)B</td>
<td>-9.53%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-North Am. Equity</td>
<td>-16.09%</td>
<td>-28.37%</td>
<td>5.77%</td>
</tr>
<tr>
<td>Liquidating Trust</td>
<td>0.03%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
What follows is an overview of how the various asset classes on our retirement plans are managed. For more details on how each manager has positioned its portfolio, please visit http://www.uwo.ca/humanresources/facultystaff/comp/pension_index.htm.

**Canadian Equities**
Each Canadian equity manager (AllianceBernstein; Connor, Clark & Lunn; Highstreet; and Greystone) manages 25% of the Canadian Equity Fund and 7.5% of the Diversified Equity Fund.

**U.S. Equities**
Of the two U.S. equity managers in our portfolio (Northwater and PanAgora), only PanAgora is an active manager. As a passive manager, Northwater’s role is to replicate the return of the S&P 500 Index and the S&P 400 MidCap Index, which they have done during the month of September.

**International Equities**
There are two international equity managers in our portfolio: AllianceBernstein and Pyramis Global Advisors. These managers invest in shares of companies located outside North America. They each manage 50% of the Non-North American Equity Fund and 15% of the Diversified Equity Fund.

**Global Equities**
There are two global equity managers in our plans: Harris Associates and T. Rowe Price. They each manage about 9% of the Diversified Equity Fund and invest in shares of companies located anywhere around the world. These two managers started managing global investments for us on October 1.

**Socially Responsible Global Equity Fund**
The portfolio manager on this fund is Mackenzie Financial with Aberdeen Asset Management as sub-advisor. Aberdeen invests in companies located anywhere around the world. They actively manage the portfolio using a value investment style. They also apply environmental, social and governance screens on the portfolio.

**Fixed Income & Money Market**
Our fixed income and money market portfolios are managed by State Street Global Advisors (SSgA) and AllianceBernstein. SSgA actively manages the Money Market Fund while AllianceBernstein actively manages 67% of the Diversified Bond Fund in a strategy that typically invests 50% in Canadian bonds and 50% in foreign bonds.

The Joint Pension Board’s main work to protect members was done prior to the current market crisis by developing well-diversified portfolios, managed by carefully selected managers, to help ensure that our downside risk would be limited in the kind of bear stock market we are currently facing. The Board’s long-term investing philosophy has not changed, which is that equities will outperform other asset classes over the long run, despite being more volatile and experiencing periods of negative returns over the short-term. Although painful, the current economic situation has not distracted us from our long-term focus. Western’s retirement plans offer some less risky investment options for those members who are not comfortable with the volatility of investing in the equity markets.

Unfortunately, volatility is a characteristic of defined contribution plans, members are directly impacted by market returns, good or bad. That’s why it is important, more than ever, for pension plan members to review their asset mix and ensure that it is consistent with their risk tolerance.

If you have any questions, feel free to contact Martin Bélanger, Associate Director, Retirement Plans at 80314.

**ABCP UPDATE**
With the Supreme Court ruling of September 19, the last hurdle to the asset-backed commercial paper restructuring plan was cleared. The University Retirement Plans are scheduled to receive the new restructured notes by the end of November. Then, we will have to wait and see what type of market develops for the new securities. Should a liquid market develop for the new securities,
it will make it easier for us to remove the redemption restrictions. In the event that no liquid market develops for the new securities, we may have to wait some more. However, it is our intention to remove the redemption restrictions as soon as possible.

In conclusion, although it is impossible to predict the future, especially during these times of market volatility, we expect to be in a position to remove the redemption restrictions in the near term (hopefully less than 6 months).

SYSTEM UPDATES
From time to time the system may be unavailable due to updates that may take a few minutes or longer depending on the type of update. These tasks are necessary to provide you with the most accurate information on your pension account. We appreciate you patience while we work through these updates.

DEADLINE FOR DECEMBER TRANSACTION REQUESTS
All investment changes, monthly payments and lump sum disbursements must be submitted no later than THURSDAY, DECEMBER 18, 2008 to be effective December 31, 2008.

RIF PAYMENT CHANGES
Starting December 15, 2008 the RIF Payment changes must be submitted by the 15th of the month to be effective for the 1st of the following month. Example: to change your RIF payment effective March 1, 2009, you must submit the online transaction or form by February 15, 2009. REMINDER: After November 21st, you cannot make these payment changes online as this tool is unavailable as we prepare for year end. January 1 and February 1 payment changes can be submitted using paper forms only.

Requests may be faxed to (519) 661-4104, mailed, delivered to Human Resources in the Support Services Building or keyed online (where applicable) at www.uwo.ca/humanresources. If you have any questions please contact Human Resource Services at hr-communication@uwo.ca.

REMINDER ON THE HANDLING OF INVESTMENT MIX CHANGES WITH REDEMPTION RESTRICTIONS
If an investment mix change is submitted and a withdrawal is required from one of the affected funds (Diversified Equity, Balanced Income, Balanced Growth, U.S. Equity Hedged and U.S. Equity Unhedged Funds), the submitted investment mix will be adjusted to include the percentage that will be generated for the Liquidating Trust Fund. Once you have submitted an investment change, either on paper or through the retirement plan website, we recalculate the percentages to account for the redemption restrictions. You don’t have to do it yourself. Your account, excluding your Liquidating Trust holdings, will be updated to ensure that the allocation you have selected for each fund is applied. This implies that the allocation for each fund will be lower than what you have initially selected, in order to add up to 100% with the Liquidating Trust percentage.

For example, if you change your investment mix to 50% Canadian Equity Fund and 50% Diversified Bond Fund and the change involves the creation of a 2% allocation to the Liquidating Trust, your new asset mix will be as follows:
- Canadian Equity Fund: 49%
- Diversified Bond Fund: 49%
- Liquidating Trust: 2%

If your account includes Liquidating Trust holdings and you wish to redirect the investments of your accumulated account, you should provide instructions for the balance of your account without indicating any percentage for the Liquidating Trust. Again, we will recalculate the percentages to account for the Liquidating Trust; you do not need to do this.

THE FINANCIAL EDUCATOR™ ADDS NEW LESSON

The Retirement Income Risks module takes users step-by-step through a
personalized assessment of the risks to consider when structuring a retirement income from retirement income funds (LIFs and RRIFs). The lesson addresses questions regarding retirement financials and their risks, such as:

• How much do I need before I retire?
• Where will it come from?
• How much can I safely withdraw each year, so I don’t run out?
• What are the risks I should know about?
• What happens to me if there is a recession?

The TFE online curriculum now encompasses over 32 in-depth, interactive lessons on topics ranging from basic financial planning to bear market psychology. It addresses the financial needs and questions facing Canadians of all ages and stages of financial planning.

In addition to the lessons, the online Toolbox contains:

• more than a dozen calculators to help you with your personal financial planning
• a What’s New? section containing short articles on developments in the markets and investment concepts
• the comprehensive guide, How to Choose a Financial Advisor

For more information or to access these tools please visit www.uwo.ca/hr and follow the Quick Link to Retirement Plans Information. Note: the first time you access the TFE website you are required to use Western’s username and password before being prompted to set up your own username and password. To obtain Western’s access information contact the HR Communication Centre at (519)661-2111 x82194.

In July 2007 Western launched access to The Financial Educator™ for all active employees and those with money in the academic or administrative staff pension plan. TFE is an independent source of comprehensive and unbiased financial information. TFE does not sell or endorse any financial products.

MEET OUR TEAM


Deborah is responsible for processing the pension remittance on a monthly basis, assisting with the preparation of the Monthly Fund Performance Report, the pension cash flows and the annual audit. She also has responsibilities for payroll remittances and reconciliations and maintains the Pension & Benefits Budget vs. Actuals.

Deborah is a Certified General Accountant (CGA). Prior to joining Western, Deborah worked for ICORR Properties Management Inc as Assistant Vice President – Financial Services and before that was Senior Manager – Finance & Administration with Ernst & Young.

If you have any questions, contact Deborah at ext. 85569 or dluca4@uwo.ca.