June 2011

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UWOFA MEMBERS - REMINDER FOR REQUIRED CONTRIBUTIONS
UWOFA members are reminded they have until June 30 to choose the rate of Required Contributions to the Western pension plan. Need more information? Attend an information session. Pension staff will be in attendance to assist after the formal portion of the session. For more information visit the Human Resources Services website at http://www.uwo.ca/humanresources/

<table>
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<tr>
<th>Date</th>
<th>Time</th>
<th>Location</th>
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<td>Room UC30</td>
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SAVING MORE FOR RETIREMENT

WHY DON’T I SAVE MORE FOR RETIREMENT?
It’s a personal question, and one that many of us are not even comfortable asking ourselves. Many of us know we should save more, but just can’t seem to make it happen. Research from Financial Frontiers, a think tank formed by Buck Consultants, may give us some insight into why people don’t save more.

- I could die tomorrow. Even though statistics show we have a good chance to live until we are 80 or more, many still think living for today is the way to go.
- I will work until I die. While it is true that many people are choosing to postpone retirement, poor health, the job market and other factors will mean there won’t always be a job for 80 year olds.
- Someone will look after me. Financial Frontiers’ research shows that many people believe things will “all work out” and they may not have to look after themselves.
- Saving is just not a priority. Many say they don’t want to forgo a higher income today to save for the future. Holidays, cars and other spending take priority over retirement saving.
- I can’t do the math. Figuring out how much you need to put away to have a comfortable retirement can be complex. Many who save just put away small amounts of money whenever they can, but don’t really know what their goal is and what it will take to get there.

Of course, it is also true that many people have debt that they wish to pay off before contributing more to their pension plan or other savings. While the results of the research from Buck Consultants may not reflect your reasons for not saving more, they may provide food for thought. Planning for the future makes sense. Start by considering your goal for retirement income, compare that to where you are today on that path and then make a plan to close the gap. You may wish to use the confidential calculators and other information on the Financial Educator website. Western has purchased access to this site, so it is available without cost to Western pension plan members.
THINKING ABOUT SAVING MORE FOR RETIREMENT?

Today’s decisions about how much to contribute to your Western pension plan can pay huge dividends in the future. The chart below shows the impact a higher contribution can make. It compares the outcomes between a Western pension plan member who contributes 1.5% of their earnings for 20 years, and a member who chooses to contribute 5.5% of income for 20 years.

The chart will be of special interest to UWOFA members who are currently being asked to lock their rate of Required Contributions at either 1.5% or 5.5% (see article page 1), but it carries a message for all Western pension plan members. That’s because, even if the amount of your Required Contributions is fixed at a lower rate (such as 2.5% for many staff members of the plan), you can easily increase your pension savings and investments by making Voluntary Contributions. Right now, only about 25 percent of pension plan members make Voluntary Contributions. Alternatives to making Voluntary Contributions at Western include RRSP or spousal RRSP contributions at your financial institution.

Western has a defined contribution pension plan. This means that the amount of pension income at retirement is not guaranteed. Instead, each member has an account that grows with their own contributions, those made by the University, and earnings on those funds. So, increasing your contribution rate will have a significant impact on the size of the pension account and the eventual retirement income.

Please note these numbers are not guaranteed and represent an estimate only. Also note that the employer contribution of 8.5% is constant for both scenarios represented, and is not included in these totals.

IMPACT OF NATURAL DISASTERS ON STOCK MARKETS

The March 11 earthquake in eastern Japan near Sendai, and ensuing tsunami waves, have taken a shocking toll in human life and destruction of infrastructure. The economic and financial consequences have also been felt around the world and will impact some of the investments held in Western’s retirement funds.

A look at past natural disasters may offer some historical perspective on the impact on stock markets. The chart below compares market response following the 1995 Kobe earthquake, the 2008 Hurricane Katrina and 2011 Sendai earthquake.

In 1995 when Kobe experienced a 6.8 magnitude earthquake, the stock market (as measured by the Nikkei 225, the main Japanese stock market) declined by only 0.1% the day after the disaster, but the decline continued for several weeks to reach a maximum loss of 24.7%. It took the stock market 324 days to get back to its pre-earthquake level. By comparison, Hurricane Katrina had very little impact on the U.S. stock market (as measured by the S&P 500). The market was down by 0.3% and a maximum loss of only 2.9% was reached. The stock market was back to its pre-hurricane level in less than two months.
WHAT SHOULD INVESTORS DO WHEN MAJOR EVENTS LIKE THE ONES DESCRIBED ABOVE OCCUR?

First, we must realize that periods of macroeconomic tranquility do not last long. Natural disasters and political instability, such as events in the Middle East and Northern Africa, will remain a normal occurrence. Second, investors should remain focused on company specific valuation. The long-term prospects of many Japanese companies have not been affected by the latest earthquake but the market overreaction has created several buying opportunities that the investment managers on the Western Retirement Plans have used to our advantage. Members of the Western Plans can take advantage of these bargains by increasing their voluntary contributions and by investing every month in equities, no matter what the macroeconomic environment is. Japanese companies can be found in the Diversified Equity Fund, the Non-North American Equity Fund, the Socially Responsible Global Equity Fund and the two Balanced Funds. Successful investors take advantage of these market dislocations to scoop great companies at bargain prices. As Warren Buffett once said: “We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful.”

You can see by the chart that the recent Sendai earthquake in Japan produced an even more devastating drop in the markets than the other two natural disasters. The Japanese stock market dropped by 6.2% on the day following the earthquake and was down by 16.1% after two days. Since then the market has made up some of the lost ground, but as of June 1, 2011 it was still below the pre-earthquake level.

UWO LIQUIDATING TRUST - ONE YEAR LATER

It has been just over a year that members of the Western Retirement Plans have been able to redeem their units of the UWO Liquidating Trust. Approximately 18% of the holdings have been redeemed since then. The unit price, which was $65.897 when redemptions resumed in May 2010, increased in value by 17.5% to reach $77.441 per unit by the end of April 2011.

The price increase reflects the quality of the notes held in the UWO Liquidating Trust. Since May 2010, the credit rating of the A-1 Notes has been upgraded by the Dominion Bond Rating Services.

The current holdings of the UWO Liquidating Trust and relevant credit ratings are as follows:

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<tr>
<th>Security</th>
<th>% of Portfolio</th>
<th>Credit Rating</th>
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<tbody>
<tr>
<td>A-1 Notes</td>
<td>52%</td>
<td>A (high)</td>
</tr>
<tr>
<td>A-2 Notes</td>
<td>29%</td>
<td>BBB (low)</td>
</tr>
<tr>
<td>B, C and Class 13</td>
<td>11%</td>
<td>Unrated</td>
</tr>
<tr>
<td>Notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>8%</td>
<td>N/A</td>
</tr>
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In addition, some of the A-1 and A-2 Notes have made four interest payments since last year, which added to the Liquidating Trust return. Based on prevailing interest rates, interest payments are currently at 0.80571% annually.

What should members expect going forward? As with any other security, the future value of the UWO Liquidating Trust and the underlying Notes is impossible to predict. One relevant factor is that the Notes mature in January 2017. At maturity, the assets backing the notes are returned (paid back) to the noteholders (investors) and industry consensus at this time suggests that the Notes held by the Liquidating Trust are slightly undervalued compared to the value of the assets backing the Notes. A second factor that may affect the value is that the price increases for the Notes that occurred last year were partly due to large purchases made by Canadian and U.S. hedge funds. That activity may or may not continue.
The monthly unit value for the UWO Liquidating Trust is posted at: [http://www.uwo.ca/humanresources/docandform/docs/pension/fundperformance/Histvals.pdf](http://www.uwo.ca/humanresources/docandform/docs/pension/fundperformance/Histvals.pdf) and on the back page of this newsletter. Not sure if you hold Units of the Liquidating Trust? Login to Western’s pension system and choose “Balances”. Any Liquidating Trust Units will be listed there.

**WE WANT TO HEAR FROM YOU**

The Western pension team is looking for your input on how we can improve our communications with members, including through the retirement plans website. A random phone survey is underway, asking members what information is most important and useful, how they wish to receive information and how we can improve our communications. If you would like to participate in the survey or provide us with some general feedback regarding our service, communications such as this newsletter, or the website, please contact Ann Hutchison at: ahutch2@uwo.ca or at extension 80316. We want to hear from you.

**FAREWELL TO ANDREA MAGAHEY**

Western’s pension team and Human Resources staff are bidding a fond farewell to Andrea Magahey, Manager Pension, Legal & Operations. Andrea’s work has influenced our retirement plans governance, our legal capabilities, pension communications, and client services. Her broad level of knowledge and expertise gained over 15 years of working in Human Resources before law school, and her exceptional commitment to serving the Western community will be missed greatly.

**OUR COMMITMENT TO ACCESSIBILITY**

The University of Western Ontario is committed to increasing the accessibility for persons with disabilities. We want to ensure that persons such as retirees, staff and faculty who have a disability receive access to our services in a way that recognizes the four principles of accessible service: dignity, independence, integration and equal opportunity. This goal is also consistent with the Accessibility Standard for Customer Service pursuant to the Accessibility for Ontarians with Disabilities Act.