DIVERSIFIED BOND FUND BEGINS INVESTING IN COMMERCIAL MORTGAGES

An additional holding will become part of the investment mix that makes up Western’s Diversified Bond Fund on July 1, 2012. The fund will begin to invest in commercial mortgages – a first for Western’s retirement plans.

Western’s Joint Pension Board believes this investment is right for the times. Martin Bélanger, Western’s Director of Pension investments says, “The due diligence we’ve done over the past year or so tells us that commercial mortgages offer the opportunity to add yield without increasing risk.”

The commercial mortgage portion of the Diversified Bond Fund will be managed by the Romspen Investment Corporation. Romspen is currently one of eleven fund managers for the Western Operating and Endowment fund. The company’s history of careful selection of both properties and borrowers made them the Joint Pension Board’s best choice as our retirement plans venture into commercial mortgages.

Fifteen percent of the Diversified Bond Fund (DBF) will be invested by Romspen in mortgages. While there are some challenges with this investment – specifically that mortgages are less liquid than many other investments - that will not affect a member’s ability to sell shares of the Diversified Bond Fund.

Romspen’s fees are also slightly higher than the average management fees for the Diversified Bond Fund portfolio, but the expected incremental return over the existing strategies should compensate for the higher fees.

If you are a Western Retirement Plan member who holds the Diversified Bond Fund in your portfolio you may want to learn more about Romspen and commercial mortgages. Visit http://www.uwo.ca/humanresources/facultystaff/comp/pension/commercialmort.htm. If this investment does not seem suitable for your portfolio you may wish to access Target Date Funds or the Canadian Bond Fund or Long Term Bond Fund.

Don’t forget, the deadline to make allocation changes to your investments is the 25th day of each month to become effective at the beginning of the following month. This means that if you wish to reallocate any funds invested in the Diversified Bond Fund prior to July 1st, the deadline is June 25th.

NEW INTERNATIONAL EQUITY MANAGER

In June 2012, MFS Investment Management (MFS) will replace Pyramis Global Advisors (Pyramis) as a manager on the Western Retirement Plans. MFS will manage an international equity mandate. An international equity mandate invests in stock of companies located outside North America. MFS will manage 50% of the Non-North American Equity Fund and 15% of the Diversified Equity Fund. Both were previously managed by Pyramis. This change will also impact the Balanced Income Fund and Balanced Growth Fund, as these two funds invest directly in the Diversified Equity Fund.
MFS is a well-diversified investment management firm based in Boston, Massachusetts, with offices in London, Mexico City, Singapore, Sydney, Tokyo and Toronto. The firm is a subsidiary of Sun Life Financial, a large Canadian insurance company. The firm has more than $250 billion in assets under management and employs about 200 investment professionals located around the world. MFS already manages money for Western’s Operating & Endowment Fund.

The MFS investment process can be described as “growth-as-a-reasonable-price”. The firm’s philosophy is based on the following tenets:

- Companies with above-average returns over the long term have the potential for compounded growth irrespective of economic conditions.
- Stocks trading at a discount to their projected value have the potential for multiple expansion.
- A long-term focus capitalizes on opportunities created by investors with shorter investment horizons.

MFS portfolios typically hold 60 to 80 stocks offering above-average growth potential. They seek stocks with an earnings growth rate of at least two times global GDP growth that are trading at a discount to their projected long-term growth. They seek to outperform in a variety of market environments. MFS may invest up to 15% of its portfolio in emerging markets.

**Why the change?**
There was nothing fundamentally wrong with Pyramis, the previous manager, but Western’s Joint Pension Board has access to a better alternative that they believe will benefit members of the Retirement Plans. MFS has outperformed its benchmark, the MSCI EAFE Index, by 4.81% over the past four years, compared to 1.48% for Pyramis. MFS also has better risk-adjusted returns and has been able to outperform the markets when the markets are going up and when they’re going down. MFS is less correlated to the other international equity manager on the Retirement Plans, (AllianceBernstein), which provides additional diversification benefits. There has been less investment personnel turnover at MFS, a metric that is generally associated with superior investment performance.

Finally, MFS already manages money for the Operating & Endowment Fund of the University and they have agreed to commingle the assets for the purpose of calculating the investment management fees charged to Western Retirement Plans. This will result in substantial savings that will be fully passed on to members.

Members don’t have to do anything regarding this change. If you have any questions, please contact the HR Communications Centre at hrhelp@uwo.ca or by phone at (519) 661-2194.

**LIBRARIANS AND ARCHIVISTS ARE JOINING THE ACADEMIC PENSION PLAN**

On July 1, 2012 Librarians and Archivists currently in the Administrative Pension Plan will be moving to the Academic Pension Plan. Members affected will be asked to choose an employee contribution rate of either 1.5% or 5.5%. The University contribution will be 8.5%. Details on the changes will be sent to Librarians and Archivists very soon.
An Experience: Christine Mellon – Residence Counsellor & Organizational Effectiveness Consultant, Housing & Ancillary Services

Colleagues in my age group were surprised I would attend the workshop at my age. I love my job and intend to work for many more years, but I do like a plan and I know I need time to execute it.

The workshop was excellent. Christopher Cartright focused on the stages of life and life planning in the morning and the afternoon was primarily dedicated to financial aspects. Both parts were interesting and inspired some good soul searching and introspection.

The retirement workshop helped me focus on what I want to do and what I want things to look like when I finish my career. I know that life has a way of bringing unexpected change, but that’s okay – the knowledge I gain helps me be to be responsive to any changes.

I was pleasantly surprised about how excited I felt at the end of the workshop. I had a sense of confidence and I feel more at ease with the prospect of my future. I have it well in hand and know what I have to do!

I’m glad I attended this workshop when I did and I’ve told others since – earlier is better!

An Experience: Prof. Mel Usselman - Chemistry

My wife Trixie and I attended the workshop together and while we are generally likeminded, we do have different strengths and approaches. I tend to quantify things and she’s more comfortable with qualitative comparisons. The workshop engaged both of us. While part of the day was spent focusing on finances, it also addressed lifestyle choices and mutual planning for retirement. The facilitator, Chris was engaging and used some great cooking analogies, explaining investment mixes in terms of recipes. This made it interesting and rewarding for both of us.

The truth is, I thought at least one of us would find some parts of the full-day workshop boring. It was not the case. I’m only about a year away from retirement, but if I was recommending the workshop to others I’d say that attending when you’re three to five years from retirement would be [optimal] a better decision. It’s human nature of course to put it off. I am a long term planner, so I have kept an eye on retirement issues for several years, but the world changes so quickly that the options revealed in the workshop are useful for sensible preparation.

Overall, the workshop was presented with the same approach as I’ve seen from Western’s pension team. They don’t say, “This is what you should do”, but rather “Here is what you should consider, and why.”
**DID YOU MISS THE ANNUAL MEETING?**

More than 100 people attended three annual meetings of the Western Retirement Plans held in April and May. Here’s a summary of some of the information provided. Slides from the presentation can be seen at http://www.uwo.ca/humanresources/facultystaff/comp/pension/Report_to_Members_2011.pdf.

Martin Bélanger, Western’s Director of Investments reviewed some important decisions made by members in 2011.

- Faculty Members made a choice between a required contribution rate of 1.5% or 5.5%. The percentage of members contributing at the 5.5% level increased from 29% at the end of 2010 to 38% at the end of 2011.
- Voluntary contributions (made by members in addition to required contributions) were discussed. While voluntary contributions can significantly increase retirement income, only 22% of members participated in 2011.
- Martin noted that the proportion of investments allocated to equities by members went down in 2011 in both pension plans and the Retirement Income Fund, as equity markets mainly posted poor returns.

Bélanger stressed the importance of focusing on what you need to achieve your retirement goals rather than comparing your portfolio’s performance with that of colleagues. One way to measure whether you’re on track is to calculate the “replacement ratio” - the ratio of your projected income after retirement, to your projected income just before you retire. Recent low interest rates have caused a lower replacement rate for most members. Pension staff will provide additional tools and information in the coming months to assist members in making this calculation.

Bélanger also reviewed two main projects that the Joint Pension Board is currently pursuing - a review of the Diversified Equity Fund (DEF) and the review of the Diversified Bond Fund (DBF). The DBF review is complete and has resulted in the addition of a commercial mortgage mandate to the fund. For more details on this new allocation, please go to http://www.uwo.ca/humanresources/facultystaff/comp/pension/commercialmort.htm. Work is continuing on the review of the Diversified Equity Fund with the goal of increasing the expected return of the fund while limiting its volatility.

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**Historical Investment**

**Returns at April 30, 2012**

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<thead>
<tr>
<th>FUND</th>
<th>1-month</th>
<th>1-year</th>
<th>5-year</th>
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<tbody>
<tr>
<td><strong>TIER 1</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced Income</td>
<td>-0.23%</td>
<td>4.50%</td>
<td>3.88%</td>
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<tr>
<td>Balanced Growth</td>
<td>-1.23%</td>
<td>-1.13%</td>
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<td><strong>TIER 2</strong></td>
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<tr>
<td>Diversified Bond</td>
<td>0.54%</td>
<td>8.57%</td>
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<td>Diversified Equity</td>
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<td>-5.47%</td>
<td>-3.33%</td>
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<td><strong>TIER 3</strong></td>
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<tr>
<td>Money Market</td>
<td>0.02%</td>
<td>0.94%</td>
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<tr>
<td>TDF June/2012</td>
<td>0.07%</td>
<td>1.52%</td>
<td>4.15%</td>
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<tr>
<td>TDF June/2014</td>
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<tr>
<td>TDF June/2016</td>
<td>-0.01%</td>
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<tr>
<td>Canadian Bond</td>
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<td>Long Term Bond</td>
<td>0.26%</td>
<td>17.70%</td>
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<td>SRI - Equity</td>
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<tr>
<td>Canadian Equity</td>
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<td>US Equity- (Hedged)</td>
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<td>US Equity-(Unhedged)</td>
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<td>Non-North Am. Equity</td>
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<td>Liquidating Trust</td>
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</tbody>
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**Human Resources**

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**OUR COMMITMENT TO ACCESSIBILITY**

Western University 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.