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## Introducing Sun Life Financial – our preferred RIF provider

Introduction of the new Sun Life Retirement & Savings Plan for Western Retirees (Sun Life Plan) is well under way. Nearly a third of current RIF members, as well as many Western Pension Plan members who are retiring in 2015, have already attended one-on-one meetings with a Sun Life Retirement Consultant to discuss their investments or begin the transfer process.

RIF members may move into the Sun Life Plan as early as May 1, 2015, by completing the required paperwork by April 17. Those individuals eligible to begin an income and wishing to transfer directly from the Western Pension Plan may do so beginning with the May 25th deadline.

Sun Life Financial has been selected as Western’s preferred RIF provider. The new Sun Life Plan is one option available to those seeking a retirement income from their Western pension savings. Other options include choosing another external RIF provider or purchasing an annuity, or any combination of the three options.

Those retiring from Western who do not wish to begin taking income from their Pension Plan savings, may opt to leave their funds in the Pension Plan until the end of the year they turn 71 (an annual fee will apply), transfer to a Locked-in Retirement Account (LIRA) or purchase a deferred annuity. Non locked-in funds may be cashed.

Pension Plan members planning on retiring this year may learn more about the Sun Life Plan option by visiting [http://www.uwo.ca/hr/pension/plan/changes/rif_ppmembers.html](http://www.uwo.ca/hr/pension/plan/changes/rif_ppmembers.html)

Current RIF members have received a full package of information and will find other details at [http://www.uwo.ca/hr/pension/plan/changes/rif.html](http://www.uwo.ca/hr/pension/plan/changes/rif.html)

## Diversified Bond Fund Change

Increased exposure to U.S. commercial mortgages has prompted a change in the Diversified Bond Fund. One of the fund’s managers, Romspen Investment Corporation, had been responsible for 15% of the fund, but an increase in exposure to U.S. commercial mortgages prompted Western’s Joint Pension Board to review the risk profile of that allocation and make changes. At its November meeting, the Board made a decision to reduce Romspen’s allocation of the fund from 15% to 10%. As a result, the allocation of the other two managers, AllianceBernstein and SSgA were increased to 63.5% (from 60%) and 26.5% (from 25%), respectively.

Romspen was hired by Western in 2012 to manage money for the Retirement Plans, after managing money for the University Operating and Endowment Fund since 2011. Overall, Romspen has met the University’s expectations, generating an annualized return of 8.14% from inception in June 2012 to January 2015.

If you have any questions about changes to the Diversified Bond Fund, please contact Human Resources at extension 82194.
Unitization error update and a new policy

A remedy to correct members’ accounts for an error made in the unitization of the Diversified Equity Fund and the Balanced Fund portfolios remains outstanding at the date of publication. The University awaits a ruling from Canada Revenue Agency (CRA) to support the allocation of remedial payments to the Diversified Equity Fund unitholders as at January 2010. The Joint Pension Board has approved the allocation of the remedial payments, updated with the rate of return of the Diversified Equity Fund to the date of allocation, provided a favourable ruling is received from the CRA. We have every reason to believe that CRA will issue a favourable ruling, however we have not yet received that from CRA. We will implement the remedial payment allocations as soon as we can following the receipt of the ruling.

New policy for correction of unit value errors

Western’s Joint Pension Board has approved an Error Correction Policy for the unit values of its funds. The policy, passed by the Board in November was initiated after a 2010 unitization error that is still awaiting a solution. The policy is based on industry best practices and is designed to protect the interests of unit holders. It outlines the approach that the Pension Boards (and by delegation the Western Human Resources department) will use to determine the action taken when an error is detected in the net unit value of an investment fund in the Western retirement plans. The policy is limited to pricing discrepancies in the calculation of the Net Asset Value of a Fund – the price reported to members. It does not apply to investment direction errors, such as in cases where a member directs the purchase of units of a particular fund and units of a different fund are purchased on that investor’s behalf in error. To view the complete policy please visit Human Resources in the Support Services Building, Room 5100.

Increased Western contributions for some Faculty members

Notice of Amendment – Pension Plan for Academic Staff

Effective July 1, 2014, the Pension Plan for Academic Staff was amended, based on collectively bargained provisions for full-time UWOF A academic employees. The University contribution was increased to 9.0% (previously 8.5%) of pensionable earnings for members that are full-time academic employees who have 20 years or more of employment with the University, provided the member is making required contributions at the level of 5.5% of pensionable earnings. This provision applies to all faculty members who are currently covered under the collective agreement with UWOF A and faculty whose terms of employment are temporarily exempt from the union and not governed by the collective agreement because of their appointment to an administrative post (e.g. Deans, Associate Deans, Vice-Provosts). The amendment does not affect Clinical Faculty or Librarians and Archivists. Members eligible for the increase are already receiving the additional University contributions. Members who are not currently making required contributions at the 5.5% level but otherwise qualify for the increase, may elect to change their level of contributions at any time by completing the change form at http://www.uwo.ca/hr/form_doc/pension/form/uwofa_rate_elect.pdf and submitting it to Human Resources.

Notice of Amendment – Pension Plan for Administrative Staff

Effective January 1, 2015, the Pension Plan for Administrative Staff was amended, based on a negotiated letter of understanding for CUPE Local 2692 employees. Pensionable earnings as of January 1, 2015 will be total compensation reported on the member’s T4 information slip before any deductions for Continuing Employees in the CUPE Local 2692 bargaining unit. Previously, pensionable earnings for Continuing Employees were based on an average annual rate for these employees with variable hours of work. This change allows Continuing Employees to be treated consistently with all other members of CUPE Local 2692 and facilitates a change to a weekly pay cycle for Continuing Employees.
Currency Hedging change

At its February meeting, the Joint Pension Board approved a proposal to remove the currency hedging on the U.S low volatility equity mandate managed by State Street Global Advisors (SSgA). This mandate represents 10% of the Diversified Equity Fund. The Diversified Equity Fund currently invests in 11 underlying strategies, including the U.S. low volatility equity strategy. Two of those 11 strategies invest only in the U.S., while four other global or international equity strategies may invest a portion of their portfolio in the U.S. As a result, as of December 31, 2014, approximately 32% of the Diversified Equity Fund was invested in U.S. Given that 20% of the Fund’s U.S. dollar exposure was hedged, it represents a 62% hedge ratio.

Research shows that it is beneficial for a Canadian investor to leave U.S. equity investments unhedged, as it lowers the volatility of the portfolio. Tables 1 and 2 below compare the volatility (as measured by the standard deviation of returns) and returns of a fully hedged U.S. equity portfolio with those of a U.S. equity portfolio with no currency hedging.

Although there is no clear winner in terms of return between the currency hedged and the currency unhedged strategies, table 1 shows that every investment horizon studied the U.S. equity portfolio with no currency hedging was less volatile for a Canadian investor.

By lowering the hedge ratio of the U.S. exposure below 50% (this change would lower the hedge ratio to about 31%, down from 62%), while maintaining a positive hedge ratio, the Diversified Equity Fund would take advantage of the negative correlation between the U.S. equity market and its currency, while minimizing the after-the-fact regret of being completely unhedged.

It should be noted that this change is a long-term strategic decision, it is not the result of the recent fluctuations of the Canadian dollar versus the U.S. dollar. However, the Joint Pension Board took into consideration the current level of the Canadian dollar when making its decision. This decision only affects the Diversified Equity Fund. There will be no changes to the U.S. Equity Hedged Fund and the U.S. Equity Unhedged Fund. No action is required.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Standard Deviation of Returns – S&amp;P 500 Index (lower values better) May 1997 to December 2014</th>
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<tbody>
<tr>
<td>Standard Deviation</td>
<td>U.S. Equity ($US –Unhedged)</td>
</tr>
<tr>
<td>Full period (May 1997 to December 2014)</td>
<td>12.99%</td>
</tr>
<tr>
<td>Pre Financial Crisis (May 1997 to December 2007)</td>
<td>13.62%</td>
</tr>
<tr>
<td>Financial Crisis (2008-2009)</td>
<td>17.41%</td>
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<tr>
<td>Post Financial Crisis (January 2010 to December 2014)</td>
<td>8.35%</td>
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</tbody>
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<tr>
<th>Table 2</th>
<th>Returns – S&amp;P 500 Index (higher values better) May 1997 to December 2014</th>
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<tbody>
<tr>
<td>Return</td>
<td>U.S. Equity ($US –Unhedged)</td>
</tr>
<tr>
<td>Full period (May 1997 to December 2014)</td>
<td>5.69%</td>
</tr>
<tr>
<td>Pre Financial Crisis (May 1997 to December 2007)</td>
<td>3.35%</td>
</tr>
<tr>
<td>Financial Crisis (2008-2009)</td>
<td>-8.62%</td>
</tr>
<tr>
<td>Post Financial Crisis (January 2010 to December 2014)</td>
<td>17.52%</td>
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Planning for your retirement is a process that evolves as you getting closer to firming up your plans. Western offers a full-day Financial & Pre-Retirement Planning Workshop for members who are considering retirement within the next ten years. The sessions are facilitated by an external consultant who will lead an unbiased discussion of the role of your Western pension plan, government pensions and private savings in retirement income planning.

Registration is now open for workshops in 2015:
• Wednesday May 6th
• Tuesday August 11th
• Thursday October 29th

The sessions are open to all Western Pension Plan members. Spouses are also encouraged to attend. The session is designed for you at attend once during your career. If you’re not sure if now is the “right time” to attend or if other resources might be more appropriate, call 519-661-2194 or send an email to hrhelp@uwo.ca to discuss further with a Pension & Benefits Consultant.

You must register to attend. Go online to Login to My Human Resources, choose “Manage Training Registration”, then “Enroll in Internal Training Courses”. Search by Course Name “Retirement” or by Course Number “RETWFD”. If a session listed above does not appear as an option it means that session is full. You may email cara.bourdeau@uwo.ca to be placed on a waitlist.

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.