*Retirement Plans*

# 2008 Results, Analysis and Management Comments


Prepared for: The University of Western Ontario
Joint Pension Board

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# Executive Summary

This report is the 10th annual report to the governing fiduciaries of Western retirement plans which provides statistical analysis, trend analysis and management comments on operations. The objective of presenting this data on an annual basis is to assess the success or failure of policies relating to the investment, communication and administration of the plans as well as the adequacy of the benefits payable under the plans.

This report is a basic tool for preparing for written and oral presentations to members of the plan, the Board of Governors and others interested in the operation success of Western retirement plans.

Methodology

The data used for this analysis is the same data that has been used to produce the annual statements to members as at December 31, 2008. An EXCEL application was used. Certain outlier observations with respect to the data analyzed were eliminated (e.g. distorted rates of returns for members who joined the plan part way through the year).

Various sorting and analysis of the data were performed to identify trends.

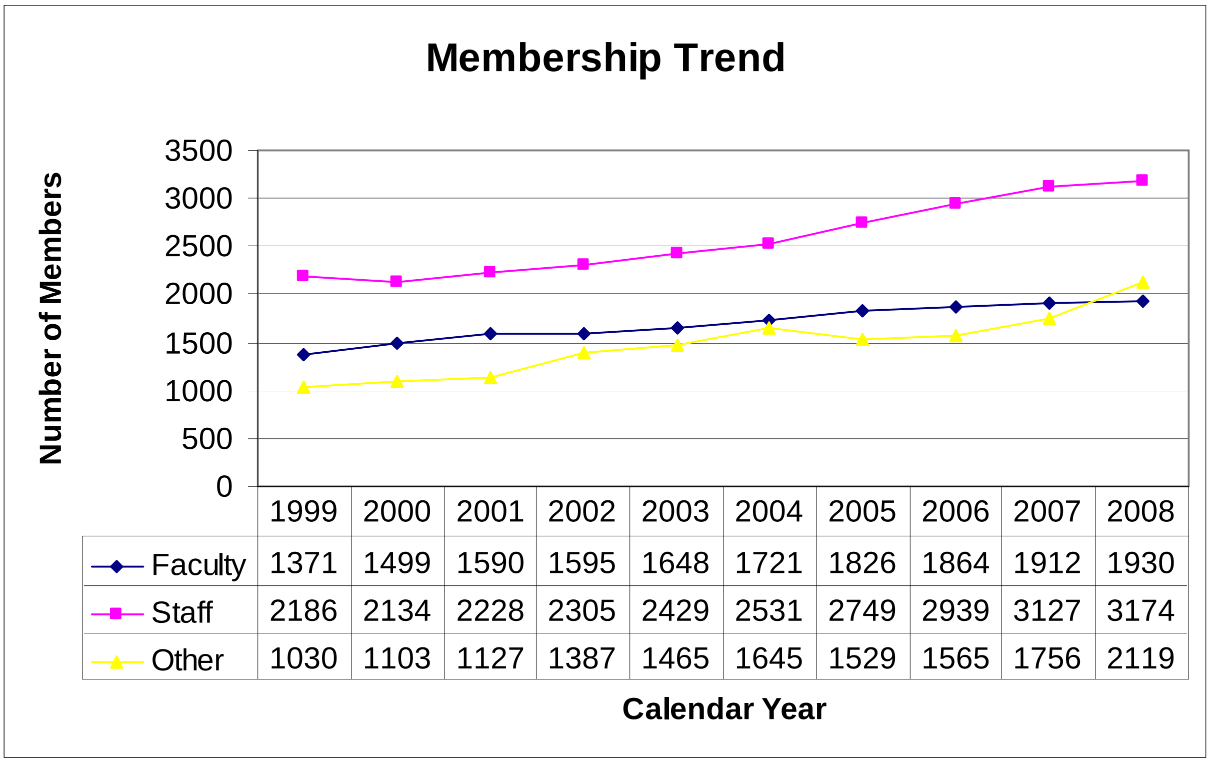
Data from industry surveys has been added to the report to further describe the trends.

Commentary has been made by the internal staff with respect to trends they are observing particularly with respect to the needs and requests of members.

## Basic Statistics on Membership

December 31, 2008

| Category | # 2008 | Average Age 2008 |
|---|---|---|
| Faculty Plan | 2,599 | 51.05 |
| Staff Plan | 4,240 | 46.61 |
| Retirement Income Fund (RIF) | 384 | 68.62 |



A more detailed breakdown of membership follows:

| **Year** | **2008** | **2007** | **2006** | **2005** | **2004** | **2003** | **2002** | **2001** | **2000** | **1999** |
|---|---|---|---|---|---|---|---|---|---|---|
| FT Faculty | 1722 | 1681 | 1649 | 1627 | 1558 | 1492 | 1470 | 1443 | 1375 | 1266 |
| PT Faculty | 208 | 231 | 215 | 199 | 163 | 156 | 125 | 147 | 124 | 105 |
| FT Staff | 2759 | 2667 | 2477 | 2373 | 2244 | 2161 | 2009 | 1931 | 1853 | 1934 |
| PF Staff | 352 | 384 | 372 | 376 | 287 | 268 | 296 | 297 | 281 | 252 |
| Terminated Funds in Plan | 1370 | 1139 | 988 | 895 | 966 | 895 | 859 | 789 | 756 | 693 |
| Retired Funds in Plan | 300 | 216 | 203 | 202 | 187 | 186 | 203 | 160 | 143 | 129 |
| Ex-Spouse Accounts | 65 | 55 | 59 | 59 | 62 | 57 | 54 | 51 | 48 | 43 |
| Active Special Members | 63 | 76 | 90 | 99 | 200 | 118 | 127 | 127 | 156 | 165 |
| RIF Membership | 384 | 346 | 315 | 274 | 230 | 209 | 144 | | | |
| Total | 7223 | 6795 | 6368 | 6104 | 5897 | 5542 | 5287 | 4945 | 4736 | 4587 |

## Staff Comments

The active pension plan membership for both faculty and staff has increased by approximately 1.3% last year and 37.1% over the past nine years. The other members which include terminated, retired and former spouses of members have increased by 23.0% last year and increased by 100.6% over the last nine years. The average age of members of the administrative staff pension plan has been stable over the past few years. We noticed a slight increase in the average age of members of the academic staff pension plan from 50 to 51 since 2003 and the average age of RIF member has increased since 2003, from 65 to 69.

# Membership and Equity Exposure – Pension Plan Members

| Membership, Service Distribution and Average Equity of Active Members | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Age Group | | | | | | | | | | | | | |
| Member Service | Less than 20 | 20-25 | 25-30 | 30-35 | 35-40 | 40-45 | 45-50 | 50-55 | 55-60 | 60-65 | 65-70 | 70-75 | 75-80 | Grand Total |
| 0-5 | 2 | 45 | 272 | 316 | 387 | 296 | 285 | 217 | 157 | 134 | 68 | 7 | | 2186 |
| | 67.0% | 57.7% | 52.6% | 55.7% | 57.8% | 57.0% | 49.9% | 57.7% | 48.2% | 47.4% | 44.8% | 48.7% | | 54.0% |
| 5-10 | | 6 | 64 | 170 | 272 | 281 | 282 | 191 | 120 | 54 | 26 | 1 | | 1467 |
| | | 46.7% | 45.4% | 51.8% | 61.3% | 57.6% | 60.5% | 50.5% | 51.5% | 53.5% | 60.8% | 57.6% | | 56.1% |
| 10-15 | | | 1 | 42 | 92 | 142 | 186 | 154 | 117 | 74 | 18 | 4 | | 830 |
| | | | 75.5% | 68.6% | 68.7% | 59.3% | 62.0% | 59.6% | 59.2% | 50.5% | 36.7% | 41.0% | | 60.1% |
| 15-20 | | | | 1 | 16 | 66 | 168 | 148 | 121 | 78 | 19 | 2 | | 619 |
| | | | | 100.0% | 75.4% | 71.3% | 58.4% | 57.3% | 57.4% | 50.5% | 44.6% | 31.5% | | 58.3% |
| 20-25 | | | | | 6 | 51 | 126 | 189 | 168 | 101 | 34 | 2 | | 677 |
| | | | | | 52.8% | 62.5% | 62.9% | 60.9% | 55.6% | 48.8% | 41.3% | 56.4% | | 57.2% |
| 25-30 | | | | | | 6 | 51 | 104 | 146 | 105 | 40 | | 1 | 453 |
| | | | | | | 65.4% | 61.9% | 61.5% | 59.2% | 49.3% | 32.9% | | 62.0% | 55.5% |
| 30-35 | | | | | | | 6 | 61 | 93 | 127 | 49 | 5 | | 341 |
| | | | | | | | 68.3% | 55.4% | 57.0% | 49.6% | 48.9% | 55.2% | | 53.0% |
| 35-40 | | | | | | | | 1 | 42 | 72 | 67 | 6 | | 188 |
| | | | | | | | | 63.5% | 51.7% | 42.3% | 42.7% | 48.4% | | 44.8% |
| 40-45 | | | | | | | | | 4 | 17 | 26 | 7 | | 54 |
| | | | | | | | | | 54.5% | 51.8% | 38.7% | 33.7% | | 43.4% |
| 45-50 | | | | | | | | | | 3 | 2 | 3 | | 8 |
| | | | | | | | | | | 40.6% | 29.1% | 45.7% | | 39.6% |
| Total Count | 2 | 51 | 337 | 529 | 773 | 842 | 1104 | 1065 | 968 | 765 | 349 | 37 | 1 | 6823 |
| Total Average of Percentage Equity | 67.0% | 56.4% | 51.3% | 55.6% | 60.7% | 59.1% | 58.1% | 57.5% | 55.1% | 48.8% | 43.5% | 45.3% | 62.0% | 55.6% |

* This is a partial list only, it doesn't include RIF members and pension plan members with only a voluntary account.

## Staff Comments

Some of the criticisms of a defined contribution plan is that members tend to select an asset mix that is inconsistent with their risk profile and that they fail to rebalance their portfolio. To monitor this we can look at the individual decisions of active members. The above chart is a distribution, based on age and membership service, of the average amount of equity exposure for individual portfolios. We can observe the following trends: 1) younger members (less than 30 years old) have an abnormally low equity exposure, 2) the exposure goes down near retirement age, and 3) the average decisions for members in the 30-60 age group appear to be in a relatively narrow range of 55-61%, which is slightly below last year range of 60%-64%. The decline can be attributed to the negative performance of equities in 2008, which caused asset mixes to shift towards bonds.

The lower equity exposures at younger ages might be explained by the part-time nature of some of the appointments in these age groups, a disproportionate number of members in the old default option (Money Market Fund) and a lack of education or awareness about the pension plans. The declining equity exposure as members get near to retirement does make sense, as members want to reduce the risk of their portfolio close to retirement. It is also a sign that members are more engaged in the management of their pension account as they get near retirement. The relatively stable equity exposure between the ages of 30 and 60 is probably symptomatic of members not reviewing their asset mix on a regular basis, once an initial asset mix has been selected. In the past there was a noticeable trend of members having a larger equity exposure as the number of years of service increased, which might have indicated that members didn't rebalance and the equity exposure kept going up because equities did better than other asset classes over a period of time (2003-2006). It could also be because they're more comfortable about making investment decisions after being in the plan for a longer period of time. The trend was not as pronounced last year and is almost not noticeable this year, in part because equities have significantly underperformed this past year.

The table below compares the equity exposure of our members with that of "Lifecycle Funds" offered by several large retail investment management firms. These funds are designed to have the optimal asset mix for a "normal" investor at various stages. The comparison shows that our members have a lower equity exposure at younger ages and a higher equity exposure at older ages. Potential explanations for the lower equity exposure for younger members of our plans compared to lifecycle funds are listed in the previous paragraph. The higher equity exposure at older ages may be caused by the lack of reviewing the asset mix of their portfolio as members get closer to retirement, or simply members overestimating their own risk tolerance. In addition, while the equity exposure of lifecycle funds has not materially changed since last year, members of the Western Retirement Plans have a lower equity exposure for all age brackets, because of a lack of rebalancing following the market downturn of 2008.

**Comparison with Retail Lifecycle Funds**

| **Years to Retirement** | **Fidelity ClearPath** | **McLean Budden LifePlans** | **Russell LifePoints Target Date Funds** | **Scotia Vision Cons** | **Scotia Vision Aggr** | **London Life Profile** | **Ethical Advantage** | **Alliance Bernstein Retirement Strategies** | **Franklin Templeton LifeSmart** | ***Average*** | **UWO Pension Plans** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 40 | 85% | 89% | N/A | N/A | N/A | 96% | N/A | 95% | N/A | *91%* | 56% |
| 35 | 85% | 82% | N/A | N/A | N/A | 92% | 89% | 95% | N/A | *89%* | 51% |
| 30 | 83% | 76% | N/A | N/A | N/A | 87% | 88% | 95% | 78% | *85%* | 56% |
| 25 | 79% | 70% | 92% | 58% | 68% | 81% | 84% | 94% | 73% | *78%* | 61% |
| 20 | 73% | 64% | 84% | 56% | 67% | 74% | 79% | 90% | 68% | *73%* | 59% |
| 15 | 64% | 58% | 63% | 49% | 60% | 66% | 69% | 85% | 63% | *64%* | 58% |
| 10 | 56% | 52% | 48% | 42% | 53% | 57% | 58% | 78% | 54% | *55%* | 58% |
| 5 | 44% | 46% | 42% | 37% | 46% | 47% | 43% | 71% | 39% | *46%* | 55% |

# Membership and Equity Exposure – RIF Annuitants

### Membership, Time in Plan and Average Equity of RIF Annuitants

| **Average % Equity** | **Age Group** | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **# of Years in Plan** | Less than 56 | 56-58 | 58-60 | 60-62 | 62-64 | 64-66 | 66-68 | 68-70 | 70-72 | 72-74 | 74-76 | 76-78 | 78-80 | 80-82 | Total |
| Less than 1 | 1 | 1 | | | 4 | 7 | 1 | 1 | | | | | 1 | | 16 |
| | 0.0 | 0.0 | | | 39.3 | 43.0 | 50.0 | 0.0 | | | | | 40.0 | | 34.3% |
| 1-2 | | 2 | 3 | 4 | 3 | 8 | 19 | 3 | 5 | | | | | | 47 |
| | | 49.8 | 30.9 | 45.7 | 26.6 | 53.1 | 42.6 | 36.2 | 35.2 | | | | | | 42.0% |
| 2-3 | | 1 | | 1 | 9 | 1 | 10 | 8 | 11 | 3 | | 1 | | | 45 |
| | | 62.8 | | 64.0 | 58.4 | 37.7 | 37.0 | 39.0 | 38.7 | 65.8 | | 52.9 | | | 45.5% |
| 3-4 | | | 6 | 2 | 2 | 2 | 4 | 18 | 3 | 6 | | | | | 43 |
| | | | 66.0 | 59.0 | 24.0 | 53.2 | 48.0 | 51.6 | 40.4 | 35.2 | | | | | 49.3% |
| 4-5 | | | 1 | 2 | 1 | 3 | 3 | 12 | 8 | 4 | 1 | | | | 35 |
| | | | 45.1 | 56.2 | 0.0 | 65.9 | 59.6 | 44.2 | 44.3 | 47.2 | 0.0 | | | | 45.9% |
| 5-6 | | | | | 2 | 5 | 3 | 7 | 31 | 3 | 9 | | | | 60 |
| | | | | | 47.2 | 64.6 | 43.6 | 45.8 | 47.9 | 52.3 | 44.6 | | | | 48.5% |
| 6-7 | | 1 | 1 | 2 | | 5 | 1 | 3 | 7 | 8 | 3 | | 1 | 1 | 33 |
| | | 84.5 | 30.9 | 55.5 | | 58.6 | 91.1 | 32.0 | 50.3 | 47.1 | 71.5 | | 28.3 | 54.8 | 52.5% |
| 7-8 | | | | 2 | 3 | 8 | 4 | 4 | 7 | 15 | 1 | 5 | | | 49 |
| | | | | 47.6 | 70.0 | 46.8 | 72.3 | 35.4 | 58.8 | 42.2 | 6.9 | 52.2 | | | 49.5% |
| 8-9 | | | | 1 | 5 | 5 | 4 | 9 | 7 | 10 | 10 | 4 | | | 55 |
| | | | | 40.2 | 29.9 | 58.9 | 46.9 | 47.5 | 36.2 | 49.1 | 32.4 | 44.0 | | | 42.6% |
| Grand Total | 1 | 5 | 11 | 14 | 29 | 44 | 49 | 65 | 79 | 49 | 24 | 10 | 2 | 1 | 383 |
| | 0.0 | 49.4 | 51.3 | 51.7 | 43.6 | 53.5 | 46.9 | 44.1 | 45.3 | 46.0 | 39.4 | 49.0 | 34.1 | 54.8 | 46.2% |

## Staff Comments

Since members reaching the age of 65 can expect to live on average close to 20 additional years, it is generally recommended that they keep an equity component in their portfolio after retirement. Our RIF annuitants have an average equity component of 46%, which is not that far from the average of 56% that our pension plan members have. However, the gap (10%) is much wider this year compared to last year (the average pension equity exposure was 62% compared to 58% for the RIF in 2007), which suggests that RIF members have voluntarily reduced their equity exposure as a result of the market downturn. The equity component, by age group, ranges from 34% to 54% (for age groups with more than one member), with the highest equity allocation observed for RIF annuitants between the ages of 64 to 66. The range of equity exposure was 50% to 85% last year, again suggesting that members voluntarily reduced their equity allocation, in addition to the reduction caused by the market downturn.

The table below compares the equity exposure of our RIF annuitants with that of the retirement income fund of several families of “Lifecycle Funds”. These retirement income funds are the ones that investors transition into when their chosen target date fund matures. The equity exposures range from 20% to 65%, but are generally below 40%, which is lower than the allocation chosen by our members on average, despite the market downturn and the changes they made in 2008. We were concerned in recent years that some of our RIF annuitants may have been investing in equities because of the good performance of the past few years, without taking risk into consideration. Some of them may have been unable to handle last year’s volatility. On the other hand, some research has demonstrated that the level of equity exposure of our RIF members is consistent with the optimal exposure to maximize terminal values after retirement. In addition, many of our RIF investors with a large equity exposure have other assets outside the Western Retirement Plans.

**Comparison with Retail Retirement Income Funds**

| | **Fidelity ClearPath** | **McLean Budden LifePlans** | **LifePoints[1] Target Date Funds** | **London Life Profile Funds** | **Ethical Advantage** | **Alliance Bernstein** | **Franklin Templeton** | ***Average*** | **UWO Plan** |
|---|---|---|---|---|---|---|---|---|---|
| **Fixed Income** | **70%** | **65%** | **80%** | **64%** | **75%** | **35%** | **70%** | **65.6%** | **53.7%** |
| *Cash* | *17.5%* | *10%* | *0%* | *0%* | *10%* | *0%* | *0%* | *5.4%* | *5.9%* |
| *Short-Term Bonds* | *17.5%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *2.5%* | *13.2%* |
| *Bonds* | *35%* | *55%* | *80%* | *64%* | *65%* | *35%* | *70%* | *57.7%* | *34.6%* |
| **Equity** | **30%** | **35%** | **20%** | **36%** | **25%** | **65%** | **30%** | **34.4%** | **46.3%** |
| *Domestic* | *15%* | *17.5%* | *6.7%* | *13.6%* | *10%* | *38.5%* | *15%* | *16.6%* | *17.8%* |
| *Foreign* | *15%* | *17.5%* | *13.3%* | *14.4%* | *15%* | *26.5%* | *15%* | *16.7%* | *28.5%* |
| *Other* | *0%* | *0%* | *0%* | *8%* | *0%* | *0%* | *0%* | *1.1%* | *0%* |

[1] Asset mix 20 years after fund maturity. At maturity the asset mix is 64% fixed income, 36% equity.

## Reconciliation of Membership

Pension plan membership only (includes all investors, terminated or active)

| | 2008 | 2007 | % change |
|---|---|---|---|
| Number of members beginning of year | 6,449 | 6,053 | 7% |
| Additions | | | |
| Enrollments | 453 | 652 | -31% |
| | | | |
| Deletions | | | |
| Terminations paid out | 45 | 204 | -78% |
| Combined records | 0 | 0 | N/A |
| Retirements paid out | 17 | 46 | -63% |
| Deaths paid out | 1 | 6 | -83% |
| Number of members end of year | 6,839 | 6,449 | 6% |
| | | | |
| RIF membership | 384 | 346 | 11% |
| Number of full time equivalents | 11.2 | 8.5 | |
| Number of members per FTE equivalent including RIF members | 645 | 799 | |

### Staff Comments

The table seems to indicate a large decline in the number of terminations paid out and retirements paid out. The number of members transferring their assets out after termination or retirement was in line in 2008 with previous years. However, because of the partial redemption restrictions, several members still hold units of the Liquidating Trust and are still considered members of the retirement plans.

At current staffing levels we are serving approximately 645 members per full time equivalent pension staff member. This represents a 19% decline in the number of members served per staff member.

Much of the staff’s time is dedicated to personal counseling. In 2008 approximately 975 hours were devoted to counseling members of the pension plan and an additional 239 hours to our RIF members. These figures represent a 7% decline for the pension plan, but a 99% increase for RIF members over 2007. RIF members were more affected by the financial crisis and needed more guidance. There was no change in the number of pension and benefit consultants over 2007. Also, the number of hours quoted does not include time spent on phone calls, responding to client emails or working on projects. The breakdown on what the members are requesting information on is outlined in the attached appendix.

# Contribution Levels

## *Required Contributions*

(# Active members under formula)

**As at December 31, 2008**[2]

| Plan | 1.5% | 5.5% | Brescia/Huron | 2.5% | 6.0%-CPP |
|---|---|---|---|---|---|
| Faculty | 1187 | 606 | 92 | | |
| Staff | | | 100 | 2728 | 202 |

**As at December 31, 2007**

| Plan | 1.5% | 5.5% | Brescia/Huron | 2.5% | 6.0%-CPP |
|---|---|---|---|---|---|
| Faculty | 1179 | 612 | 90 | | |
| Staff | | | 84 | 2690 | 214 |

### Staff Comments

We are beginning to see a trend in the distribution of contribution levels for faculty members. The default option for new faculty members is 1.5%. 66% of members are contributing at 1.5% in 2008 compared to 66% in 2007 and 63% in 2006.

There is still a significant number of staff members who are contributing based on the CPP offset formula (6% -CPP), although the number is going down.

[2] The difference between the total number of active members shown in this table as at December 2008 (4915) and December 2007 (4869), and those calculated on page 5 (5104 and 5039) is due to the absence of members on long-term disability in the former.

## *Voluntary Contributions*

| Year | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|
| Value made in year | 1,750,000 | 1,810,702 | 2,031,299 | 2,319,143 | 2,688,723 | 3,084,713 | 3,567,050 | 3,678,980 |
| Average Percentage of Pay | 1.25% | 0.9% | 0.9% | 0.9% | 1.0% | 1.0% | 1.1% | 1.1% |
| # Transfer in | 142 | 71 | 119 | 79 | 63 | 71 | 99 | 70 |
| # Transfer out | 32 | 28 | 34 | 60 | 41 | 63 | 45 | 35 |
| Value of Transfer in | 8,245,370 | 2,199,634 | 5,605,078 | 2,333,097 | 1,954,111 | 2,474,915 | 2,734,867 | 1,155,017 |
| Value of Transfer out | 131,325 | 160,421 | 796,112 | 1,844,649 | 482,172 | 1,145,359 | 326,606 | 883,159 |
| Average Voluntary Account Balance | 40,945 | 37,467 | 42,491 | 43,047 | 43,332 | 48,441 | 45,806 | 34,635 |

### Staff Comments

The transfers in for 2003 include some lump sum transfers from the prior Brescia College Pension Plan. The transfers in for 2001 include some lump sum transfers from the prior Huron College pension plan.

The number of transfers out declined this year by 22.2% but the value increased by 164% respectively. Transfers out in 2008 were in line with the average of the past 7 years. Most requests for voluntary funds (prior to termination) are cash withdrawals to fund urgent financial obligations, but some requests are made to transfer money into an RRSP in order to take advantage of the Home Buyers’ Plan.

Voluntary contributions for 2008 have increased from 2007, which may indicate that our efforts to encourage voluntary contributions are starting to pay off. Transfers in have gone down significantly though. Voluntary account balances have gone down on average because of the market decline.

## Investment Decisions

### *Allocations by Fund*

As at December 31

**Pension Accounts (Regular Account)**

| | 2007 | | | 2008 | | |
|---|---|---|---|---|---|---|
| Fund | Number of Investors | Average Allocation | # investors at 100% | Number of Investors | Average Allocation | # investors at 100% |
| **Tier One** | | | | | | |
| Balanced Income | 661 | 50% | 135 | 683 | 51% | 133 |
| Balanced Growth | 1515 | 70% | 763 | 1701 | 71% | 885 |
| **Tier Two** | | | | | | |
| Diversified Bond | 2995 | 32% | 79 | 2985 | 38% | 71 |
| Diversified Equity | 3781 | 61% | 476 | 3712 | 55% | 441 |
| **Tier Three** | | | | | | |
| Money Market | 1322 | 47% | 397 | 1463 | 49% | 406 |
| Target Date Funds | 293 | 33% | 26 | 230 | 37% | 17 |
| Canadian Bond | 377 | 24% | 10 | 431 | 28% | 15 |
| Global Bond | 0 | 0% | 0 | 0 | 0% | 0 |
| Long Term Bond | 406 | 20% | 9 | 405 | 23% | 7 |
| Canadian Equity | 1319 | 35% | 55 | 1395 | 32% | 55 |
| US Equity Hedged | 667 | 19% | 11 | 652 | 17% | 12 |
| US Equity Unhedged | 420 | 17% | 12 | 423 | 18% | 13 |
| Non North American | 864 | 20% | 12 | 869 | 19% | 11 |
| SRI Global Equity | 0 | 0% | 0 | 128 | 18% | 1 |
| Liquidating Trust | 68 | 36% | 24 | 287 | 12% | 28 |

**RIF Accounts**

| | 2007 | | | 2008 | | |
|---|---|---|---|---|---|---|
| Fund | Number of Investors | Average Allocation | # investors at 100% | Number of Investors | Average Allocation | # investors at 100% |
| Diversified Equity | 290 | 56% | 1 | 304 | 49% | 3 |
| Money Market | 59 | 26% | 5 | 99 | 23% | 7 |
| Target Date Funds | 149 | 26% | 1 | 155 | 33% | 2 |
| Canadian Bond | 252 | 29% | 1 | 270 | 36% | 2 |
| Long Term Bond | 65 | 20% | 0 | 63 | 25% | 0 |
| Canadian Equity | 95 | 32% | 3 | 96 | 24% | 3 |
| US Equity Hedged | 27 | 16% | 0 | 22 | 13% | 0 |
| US Equity Unhedged | 18 | 12% | 0 | 15 | 11% | 0 |
| SRI Global Equity | 0 | 0% | 0 | 1 | 0% | 0 |
| Liquidating Trust | 82 | 6% | 5 | 139 | 15% | 20 |

## Staff Comments

There is still a significant trend up in the number of members that have chosen our balanced funds to invest 100% of their pension funds, up by 13% over last year. The message that has been given over the past few years with respect to the benefits of investing in a portfolio that is rebalanced seems to be getting across.

The Balanced Growth Fund is increasing in popularity among our members with 1701 investors, including 885 with 100% of their assets in the fund. As of July 1, 2008 the Balanced Growth Fund has become the new default option of the retirement plans.

It is worth mentioning that there are 128 members in the SRI Global Equity Fund, with an average allocation of 18% of their regular accounts. In total there are 152 members in the fund.

Figures have been provided for the RIF program for the second year. The two most popular funds are the Diversified Equity Fund and the Canadian Bond Fund. The popularity of the Canadian Bond Fund is explained in part by the absence of the Diversified Bond Fund on the RIF program offering. Based on the advance tax ruling that the University received, the Diversified Bond Fund could now be offered as long as there are at least 149 members invested in the fund. With 270 members in the Canadian Bond Fund, it is reasonable to expect that such a figure is attainable.

Very few RIF members have invested 100% of their assets in a single fund; only 17 members out of 384 have done so (excluding members in the Liquidating Trust), or 4%. On the pension plans, more than 30% of members have all of their assets invested in a single fund.

| *Investment Changes by Month* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |
| Month | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Funds Attracting most $ in month | Best performing Fund Month prior to transaction | Best performing Fund Month of transaction | Negative Equity Returns[3] |
| January | 60 | 92 | 39 | 61 | 244 | 81 | MMF | LTBF | TDF 2012 | YES |
| February | 71 | 90 | 72 | 79 | 127 | 56 | MMF | TDF 2012 | CE | YES |
| March | 125 | 29 | 95 | 74 | 70 | 54 | TDF 2012 | CE | USU | YES |
| April | 96 | 103 | 67 | 114 | 106 | 84 | LTBF | USU | NNAE | NO |
| May | 239 | 167 | 56 | 303 | 91 | 366 | MMF | NNAE | CE | NO |
| June | 72 | 56 | 50 | 74 | 90 | 95 | TDF 2014 | CE | LTBF | NO |
| July | 68 | 58 | 40 | 63 | 73 | 71 | TDF 2014 | LTBF | TDF 2014 | YES |
| August | 50 | 49 | 78 | 69 | 69 | 52 | TDF 2014 | TDF 2014 | USU | YES |
| September | 59 | 30 | 78 | 61 | 50 | 67 | CBF | USU | MMF | NO |
| October | 98 | 53 | 55 | 60 | 55 | 80 | USH | MMF | TDF 2010 | YES |
| November | 79 | 61 | 77 | 51 | 41 | 71 | MMF | TDF 2010 | LTBF | YES |
| December | 52 | 50 | 55 | 72 | 15 | 59 | TDF 2014 | LTBF | LTBF | YES |
| **Total** | **1069** | **838** | **762** | **1081** | **1031** | **1136** | | | | |

## Staff comments

The volume of investment changes has increased this year, in part because of the maturing of the Target-Date Fund 2008. However, the number of investment changes for the last four months of 2008, during a period of high market volatility, increased by 72%.

The Money Market Fund attracted the most money during the year (based on fund transfers), which can be explained by the volatile returns achieved in 2008. The Money Market Fund attracted the most money for 3 of the 7 months that were preceded by a negative return of the Diversified Equity Fund. The Target-Date Fund 2014 also attracted the most money for 3 of the 7 months that were preceded by a negative return of the Diversified Equity Fund. The fund attracting the most money was either the best performing fund during the prior month or during the current month for only 2 months out of 12. The Money Market Fund or one of the fixed income funds attracted the most money 11 months out of 12, which could be explained by the extreme volatility of the equity markets. There seems to be more evidence that members are running away from negative returns rather than chasing positive returns.

[3] As defined by a negative return for the Diversified Equity Fund for the previous month

# Individual Investment Performance

**INDIVIDUAL ACCOUNT RETURNS**

| | 2008 | 2007 |
|---|---|---|
| | -20.6% | 1.0% |
| **Maximum annual return** | 10.5% | 15.4% |
| **Minimum annual return** | -53.4% | -11.8% |

| | 2008 | 2007 |
|---|---|---|
| **1st quartile** | 10.5% | 15.4% |
| | -15.3% | 2.5% |
| **2nd quartile** | | |
| **MEDIAN** | -24.0% | 0.4% |
| **3rd quartile** | | |
| | -27.4% | -0.2% |
| **4th quartile** | | |
| | -53.4% | -11.8% |

## Staff Comments

The median return of our member investment for the 2008 (-24.0%) was below the median return of -16.4% from the CAUBO survey of the largest University pension plans (those including defined benefit plans with over $500 million in assets under management). The allocation of assets for our plan (8.4% cash, 37.5% bonds and 54.1% equities) was close to the median asset weights of Canadian University pension plans at year end (2% cash, 40% bonds, 50% equities and 8% real estate and alternative investments). The current mix is less heavily weighted in equities, due to the stock market decline of 2008.

# Projected Benefits

| Projected Benefits | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Faculty | | | | | Staff | | | | |
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Average Account Total | $178,403 | $230,107 | $253,907 | $218,604 | $235,170 | $77,744 | $104,618 | $123,148 | $102,539 | $91,147 |
| Average Projected Balance | 765,996 | 870,480 | 838,437 | 717,641 | 799,484 | 520,904 | 581,102 | 561,425 | 477,635 | 509,716 |
| Average Monthly Pension Projected | 4,286 | 4,879 | 5,901 | 5,067 | 5,822 | 2,914 | 3,257 | 3,950 | 3,372 | 3,592 |
| Average Projected Pension as % of earnings* | 43% | 52% | 64% | 54% | 65% | 45% | 52% | 63% | 57% | 61% |

* Projected replacement as % of earnings is only for currently active members

## Projected Account Balances at Normal Retirement

| | 2008 | 2007 |
|---|---|---|
| Plan average | $612,997 | $690,137 |
| As a percentage of final salary | 44% | 52% |

| **Projected Balance** | **Percentage of Members** | |
|---|---|---|
| Over $1 million | 18% | 24% |
| $750,000 - $1 million | 17% | 16% |
| $500,000 - $750,000 | 19% | 19% |
| $250,000 - $500,000 | 23% | 20% |
| Less than $250,000 | 23% | 20% |

### Staff comments

The average projected monthly pension for both faculty and staff has gone down this year, mostly because of the market downturn. In addition the projected investment return used in 2008 decreased from 6.75% to 6.5%.The annuity rate remained the same at 4% and there was no change in mortality table. The replacement ratio (amount of final salary to be replaced by pension) was also down for faculty and staff members also because of the poor market returns of 2008. Beside a change in assumptions, the average monthly pension can change as the group demographics change for a younger population with more time to retirement the dollar value per month will be higher.  This statistic may also be influenced by Faculty & Staff retirements.

## Pension Fund Investment Performance

### *Total Assets under Administration*

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Faculty | 431,759,808 | 551,897,083 | 551,979,306 | 506,785,366 | 490,414,184 |
| Administration | 300,245,496 | 393,715,322 | 391,999,622 | 347,221,899 | 313,216,260 |
| RIF | 170,708,259 | 211,539,176 | 202,119,837 | 163,112,026 | 126,143,023 |
| *Total* | 902,713,563 | 1,157,151,581 | 1,146,098,765 | 1,017,119,291 | 929,773,467 |

### *Percentage of Total Assets in each plan*

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Faculty | 47.83% | 47.69% | 48.16% | 49.82% | 52.75% |
| Administration | 33.26% | 34.03% | 34.20% | 34.14% | 33.69% |
| RIF | 18.91% | 18.28% | 17.64% | 16.04% | 13.57% |
| *Total* | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

### *Asset Growth*

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| One year | -21.99% | 0.96% | 12.68% | 9.39% | 8.31% |
| Four year | -0.74% | 7.75% | 10.96% | 5.71% | 3.36% |
| Five year | 1.01% | 8.89% | 7.07% | 3.82% | 1.98% |

### *Return on Investment*

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| One year | -20.20% | 1.50% | 13.50% | 10.80% | 8.50% |
| Four year | 0.40% | 8.70% | 11.70% | 6.10% | 2.42% |
| Five year | 2.20% | 9.60% | 7.50% | 4.00% | 2.65% |

**Staff comments**

Total assets under administration were around $900 million as at December 31, 2008.  As a percentage of total assets our RIF members are beginning to hold a significant portion of our assets.  As the demographics of our membership changes over time our RIF members will hold a larger portion of the asset base.

The assets under administration declined by 22% during the year, which is largely explained by the weak investment returns achieved in 2008. This growth rate is also less than the return on investments for the year of -20.20%.  All of the asset growth was due to investment performance.  The five year return also shows that the asset growth is due to investment performance.

### *Financial Results*

**Revenue**

| | *2008* | *2007* | *2006* | *2005* | *2004* |
|---|---|---|---|---|---|
| University Funding from Operating Budget | $1,273,000 | $1,155,000 | $917,000 | $673,000 | $358,000 |
| Funding from Plan Surplus | 0 | 0 | 0 | 154,000 | 307,000 |
| Fees from Terminated Members | 170,000 | 171,000 | 182,000 | 165,000 | 156,000 |
| Fees from Participating Employers | 50,000 | 43,000 | 37,000 | 29,000 | 39,000 |
| Net Fees from RIF Investors | 204,000 | 182,000 | 143,000 | 95,000 | 68,000 |
| *Total Revenue* | $1,697,000 | $1,551,000 | $1,279,000 | $1,116,000 | $928,000 |

**Expenses**

| | *2008* | *2007* | *2006* | *2005* | *2004* |
|---|---|---|---|---|---|
| Staff Salary and Benefits | $889,000 | $738,000 | $660,000 | $544,000 | $500,000 |
| Software and Hardware | 115,000 | 223,000 | 185,000 | 93,000 | 49,000 |
| Consultant, Auditor & Professional Fees | 585,000 | 489,000 | 338,000 | 311,000 | 274,000 |
| Communication, Professional Development, equipment miscellaneous | 108,000 | 101,000 | 97,000 | 169,000 | 105,000 |
| *Total Expenses* | $1,697,000 | $1,551,000 | $1,280,000 | $1,117,000 | $928,000 |

**Management Expense Ratio**

| | *2008* | *2007* | *2006* | *2005* | *2004* |
|---|---|---|---|---|---|
| Expenses paid outside of pension plan | 20 bps | 14 bps | 11 bps | 12 bps | 10 bps |
| Expenses paid from the pension plan | 33 bps | 29 bps | 29 bps | 23 bps | 17 bps |
| *Total Management Expenses* | 53 bps | 43 bps | 40 bps | 35 bps | 27 bps |

**Staff Comments**

Expenditures have increased by 9.4% in 2008. The majority of this increase is due to the legal fees incurred because of the ABCP issue and the increase in staff salary and benefits, caused by the addition of personnel. The revenue base from participating employers and revenues from our RIF members are up over 2007, while revenues from former employees are down. Although the number of terminated employees is increasing, those with only holdings in the Liquidating Trust are not charged an administrative fee. Expenses paid by members (as a % of assets) are up due to a shift to active management and the decline in assets under management.

## Governance

| *Number of Meetings/Attendance* | *2008* | *2007* | *2006* | *2005* | *2004* | *2003* |
|---|---|---|---|---|---|---|
| Joint Pension Board | 11 | 8 | 8 | 3 | 3 | 6 |
| | 86% | 82% | 82% | 82% | 82% | 79% |
| Academic Board | 0 | 1 | 1 | 2 | 2 | 2 |
| | N/A | 71% | 71% | 93% | 86% | 93% |
| Administrative Board | 0 | 1 | 1 | 2 | 2 | 2 |
| | N/A | 71% | 71% | 86% | 82% | 93% |
| Communication and Administration* | 0 | 7 | 7 | 6 | 9 | 8 |
| | N/A | 76% | 76% | 81% | 62% | 59% |
| Investment Policy | 0 | 7 | 7 | 9 | 10 | 6 |
| | N/A | 81% | 81% | 84% | 57% | 97% |
| Meetings with Members | 17 | 18 | 18 | 11 | 19 | 13 |
| Retreat & other social functions | 1 | 1 | 1 | 1 | 3 | 3 |
| Number of Conferences Attended by Staff | 25 | 14 | 14 | 20 | 12 | 7 |
| Number of Conferences Attended by Board | 11 | 8 | 8 | 5 | 8 | 3 |
| *Total* | *65* | *65* | *65* | *59* | *68* | *50* |

* Prior to September 2004 this was two committees

### Staff comments

The structure of the Joint Pension Board was modified in September 2007. It was agreed that the Joint Pension Board would meet every month and that the sub-committees would be disbanded. As a result, the number of meetings of the Joint Pension Board increased from 8 to 11 and no meetings of the investment policy committee and communication and administration committee were held in 2008. This is the fifth year that we have included board and committee attendance. Joint Pension Board meeting attendance is slightly higher than in previous years. We will keep monitoring attendance in the future to ensure that we have full representation on the pension board. In addition, an attendance policy was approved in 2007.

The meetings with members include 13 educational workshops.

# Appendix A – Counseling appointments for 2008

**ACADEMIC PLAN**

| **2008** | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | ***Total*** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Annuity purchase | | | | 1 | 1 | | | | | | | | ***2*** |
| Beneficiary | 1 | | | | | | | | | | | | ***1*** |
| Benefits | 3 | | 3 | 1 | | 2 | | 2 | | 1 | | 1 | ***13*** |
| Contributions | 1 | | | | 1 | 2 | | | 2 | 2 | 1 | 1 | ***10*** |
| Death benefit | 1 | 1 | | | | 1 | | | | | | | ***3*** |
| Early retirement | | | 2 | 2 | | | | | | 2 | | | ***6*** |
| Group Orientation | | | | | | | 3 | 1 | 1 | | | | ***5*** |
| Investments | 3 | 3 | 8 | 7 | 8 | 11 | 2 | 7 | 8 | 14 | 9 | 7 | ***87*** |
| Severance/enrichment | | | 1 | | | | 1 | | | | | | ***2*** |
| Leaves (excl.PL) | | | | | | 1 | | | | | | | ***1*** |
| LIF application 1 | 2 | 1 | 3 | 2 | 3 | 1 | 2 | 1 | | 1 | 3 | | ***19*** |
| Marriage breakdown | | | | 1 | | 1 | | | | | | | ***2*** |
| New member | 2 | | | | | | | 3 | | | | 1 | ***6*** |
| Orientation | 7 | 2 | 1 | 10 | 6 | 4 | 10 | 15 | 7 | 6 | 5 | 2 | ***75*** |
| Retirement planning | 5 | 3 | 3 | 1 | 5 | 3 | 6 | 5 | 3 | 6 | 6 | 4 | ***50*** |
| Phased Ret | | 1 | 1 | 1 | 1 | 1 | | | | | | 1 | ***6*** |
| Pregnancy/Parental | 4 | 1 | 4 | 3 | 1 | 2 | 7 | 4 | 2 | 4 | 1 | 1 | ***34*** |
| Retirement | 2 | 2 | 1 | 5 | 3 | 8 | 8 | 1 | 1 | | 1 | | ***32*** |
| Termination | | 1 | 1 | | | | 1 | 1 | | 1 | | 1 | ***6*** |
| Transfer in/out | | 1 | | | 1 | | 1 | 3 | 1 | 1 | | | ***8*** |
| ***SubTotal*** | ***31*** | ***16*** | ***28*** | ***34*** | ***30*** | ***37*** | ***41*** | ***43*** | ***25*** | ***38*** | ***26*** | ***19*** | ***368*** |

**ADMIN PLAN**

| **2008** | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | ***Total*** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Annuity purchase | 1 | 1 | 4 | 1 | | 1 | 1 | | 1 | 2 | | | ***12*** |
| Beneficiary | | | | 1 | 1 | | | 1 | | 1 | | | ***4*** |
| Benefits | 3 | 6 | 1 | 2 | 3 | 1 | 2 | 2 | | 1 | 3 | | ***24*** |
| Contributions | 2 | 1 | | 2 | 2 | | | | | 1 | 3 | | ***11*** |
| Death benefit | | | | | | | | 1 | | | 1 | | ***2*** |
| Early retirement | | 3 | 4 | 3 | 4 | 1 | 1 | 1 | 2 | 1 | 1 | 4 | ***25*** |
| Group Orientation | 4 | 3 | 3 | 4 | 4 | 5 | 5 | 3 | 7 | 3 | 3 | 2 | ***46*** |
| Investments | 7 | 14 | 12 | 14 | 14 | 7 | 8 | 6 | 7 | 11 | 11 | 15 | ***126*** |
| Severance/enrichment | | | 1 | 1 | | | | | | | | | ***2*** |
| LIF application 1 | 1 | 2 | 2 | | | 2 | | | | | 4 | 1 | ***12*** |
| Marriage breakdown | | 1 | | | | | | | | | | | ***1*** |
| New member | 12 | 4 | | 1 | 1 | 1 | 1 | | 1 | 1 | | 2 | ***24*** |
| Orientation | 2 | | 3 | 3 | 1 | 4 | 2 | 3 | 4 | 1 | 2 | 4 | ***29*** |
| Retirement planning | 10 | 10 | 5 | 9 | 13 | 2 | 12 | 4 | 7 | 10 | 7 | 6 | ***95*** |
| Pregnancy/Parental | 7 | 5 | 7 | 6 | 6 | 11 | 2 | 4 | 7 | 7 | 6 | 3 | ***71*** |
| Retirement | 9 | 5 | 8 | 4 | 8 | 5 | 8 | 4 | 3 | 5 | 2 | 3 | ***64*** |
| Termination | 2 | 4 | 3 | 4 | 1 | 2 | 2 | 5 | 1 | 2 | 1 | 1 | ***28*** |
| Transfer in/out | | | 3 | 5 | 1 | | 3 | 1 | 1 | 7 | 7 | 3 | ***31*** |
| ***SubTotal*** | ***60*** | ***59*** | ***56*** | ***60*** | ***59*** | ***42*** | ***47*** | ***35*** | ***41*** | ***53*** | ***51*** | ***44*** | ***607*** |

| RIF PROGRAM | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2008** | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | ***Total*** |
| Annuity purchase | | | | | | | | | | | | 2 | ***2*** |
| Beneficiary | | 1 | | | | | | | | | | | ***1*** |
| Benefits | | | | | 1 | | | | 1 | | | | ***2*** |
| Death benefit | 1 | | | | | | | | | | | | ***1*** |
| Investments | 5 | 1 | | 2 | 17 | 10 | 4 | 3 | 1 | 9 | 10 | 3 | ***65*** |
| RIF payments | 7 | 44 | 14 | 8 | 13 | 15 | 6 | 1 | 6 | 5 | 10 | 25 | ***154*** |
| Transfer in/out | 2 | 1 | | | 2 | 2 | | | | 2 | 1 | 4 | ***14*** |
| ***SubTotal*** | ***15*** | ***47*** | ***14*** | ***10*** | ***33*** | ***27*** | ***10*** | ***4*** | ***8*** | ***16*** | ***21*** | ***34*** | ***239*** |