Retirement Plans

2011 Results, Analysis and Management Comments

Prepared for: The University of Western Ontario
Joint Pension Board

By: Martin Bélanger
Human Resources
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Executive Summary

This report is the 13th 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, 2011. 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). Additional industry data (e.g. lifecycle fund asset mix) was also used.

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

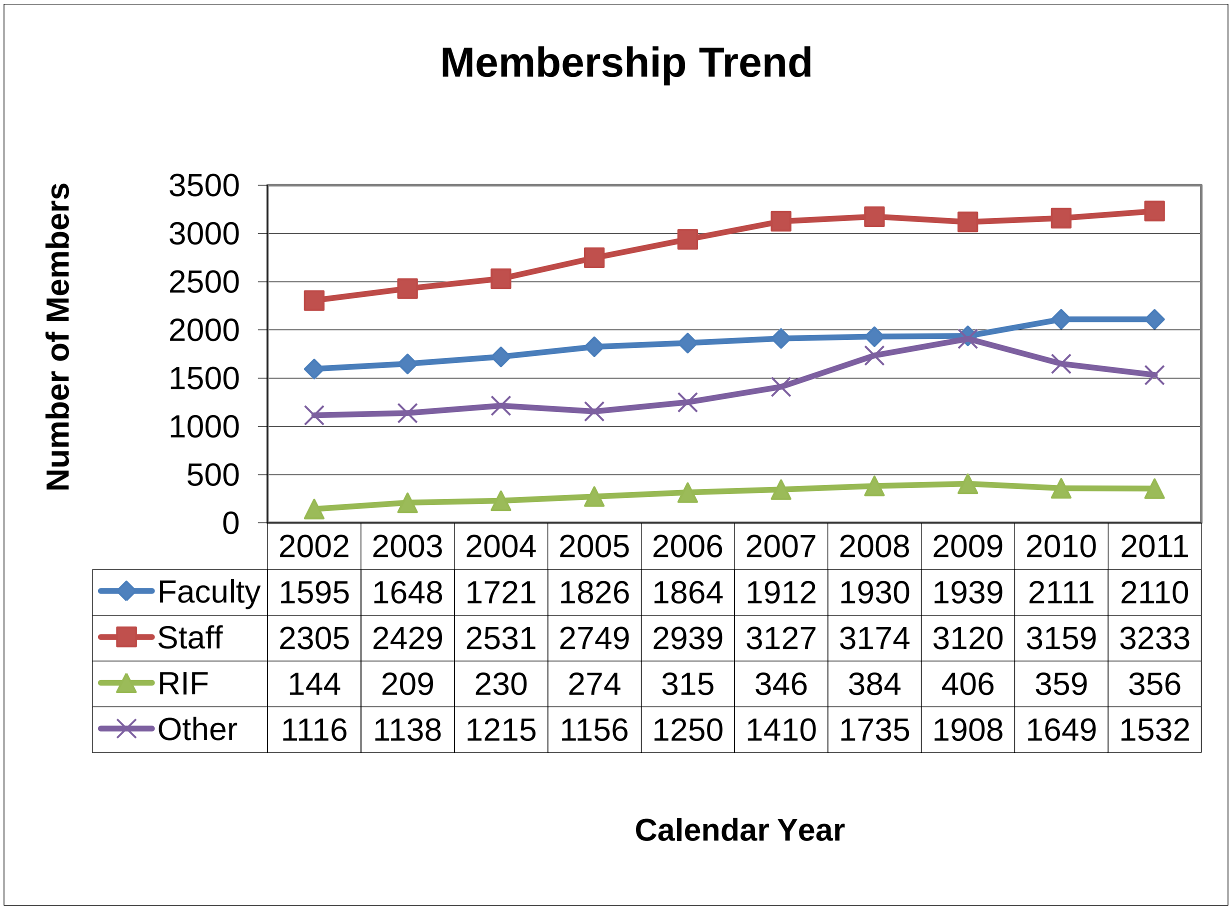
Data from industry surveys and financial reports has been added to the report to further describe the trends.

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, 2011

Category	#	Average Age
Faculty Plan	2,706	51.28
Staff Plan	4,169	47.59
Retirement Income Fund (RIF)	356	70.86



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Faculty	1595	1648	1721	1826	1864	1912	1930	1939	2111	2110
Staff	2305	2429	2531	2749	2939	3127	3174	3120	3159	3233
RIF	144	209	230	274	315	346	384	406	359	356
Other	1116	1138	1215	1156	1250	1410	1735	1908	1649	1532

A more detailed breakdown of membership follows:

Year	**2011**	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
FT Faculty	1868	1888	1888	1727	1722	1681	1649	1627	1558	1492	1470
PT Faculty	242	223	223	212	208	231	215	199	163	156	125
FT Staff	2757	2710	2710	2704	2759	2667	2477	2373	2244	2161	2009
PF Staff	434	406	406	360	352	384	372	376	287	268	296
Terminated Funds in Plan	1264	1323	1323	1501	1370	1139	988	895	966	895	859
Retired Funds in Plan	224	262	262	347	300	216	203	202	187	186	203
Ex-Spouse Accounts	44	64	64	60	65	55	59	59	62	57	54
Active Special Members	42	43	43	56	63	76	90	99	200	118	127
RIF Membership	356	359	359	406	384	346	315	274	230	209	144
Total	7231	7278	7278	7373	7223	6795	6368	6104	5897	5542	5287

Staff Comments

The active pension plan membership for both faculty and staff has increased by approximately 1.4% last year and increased by 32.7% over the past nine years. The other members which include terminated, retired and former spouses of members have declined by 7.1% last year and increased by 37.3% over the last nine years. The average age of members of both the administrative staff and academic staff pension plans has increased over the past few years. Since 2003 the average age of members of the administrative plan went from 46 to 48 and for the academic plan it went from 50 to 51. The average age of RIF member has increased from 65 to 71 since 2003.

Membership and Equity Exposure – Pension Plan Members

Membership, Service Distribution and Average Equity of Active Members												
	Age Group											
Member Service	Less than 25	25-30	30-35	35-40	40-45	45-50	50-55	55-60	60-65	65-70	70-75	Grand Total
0-5	38 67.2%	156 58.2%	272 62.2%	286 63.4%	229 60.6%	186 55.9%	155 55.0%	104 57.3%	87 50.2%	55 34.6%	5 62.7%	1573 58.5%
5-10	1 70.0%	68 56.0%	248 59.1%	299 59.9%	333 59.8%	329 58.3%	252 54.9%	173 55.9%	110 55.1%	42 52.7%	2 22.8%	1857 57.8%
10-15		5 66.6%	34 59.4%	131 61.6%	215 61.1%	244 58.4%	240 58.6%	182 53.8%	85 51.6%	29 49.5%	2 0.0%	1167 57.8%
15-20			1 70.0%	27 71.3%	51 64.9%	116 61.4%	139 57.1%	106 58.0%	58 49.6%	22 42.5%	1 100.0%	521 58.4%
20-25				1 72.8%	34 60.3%	89 56.7%	168 55.2%	188 49.4%	102 40.4%	39 90.4%	2 55.6%	623 72.8%
25-30					2 98.0%	58 53.5%	96 60.7%	158 57.8%	120 50.4%	34 36.3%		468 54.6%
30-35						7 65.7%	74 57.8%	89 52.1%	119 50.5%	63 45.1%	4 47.5%	356 51.7%
35-40							6 60.0%	35 45.3%	75 50.4%	67 38.0%	9 31.2%	192 44.5%
40-45								8 54.4%	31 49.4%	50 46.0%	4 30.4%	93 47.2%
45-50									1 66.8%	3 58.5%		4 60.5%
Total Count	39	229	555	744	864	1029	1130	1043	788	404	29	6854
Total Average of Percentage Equity	67.2%	57.7%	60.6%	62.0%	61.2%	58.2%	56.9%	55.4%	51.0%	42.5%	42.5%	56.8%

Staff Comments

Some of the criticisms of a defined contribution plan are 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, although it has been going up over the past few years; 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 55-62%, which is similar to last year's range of 56%-62%. Overall the average equity exposure was 56.8% as of

December 31, 2011. This is down from 57.3% last year. The non-bank ABCP exposure understates the equity exposure because the Liquidating Trust is classified as fixed income. If members who have a 100% exposure to the Liquidating Trust (because they have left the plan and their only assets remaining are the Liquidating Trust) were excluded from the analysis, the average equity exposure would have been 57.6%.

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. However, the new default option (Balanced Growth Fund), which has been in place for three years now, seems to be having an impact as we've seen an increase in the equity exposure of members under 30. The equity exposure for new members under age 25 has gone up from 51% in 2007 to 67% in 2011. 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 has been rather weak for the past few years, mostly because of the absence of a multi-year bull rally in equities.

The table below compares the equity exposure of our members with that of "Lifecycle Funds" available to Canadian investors. 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 (less than five years to retirement). 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. The main change observed from providers of lifecycle funds in recent years is the greater use of alternative strategies (hedge funds, private equity, real estate, commodities and absolute return strategies, including real return bonds).

Comparison with Retail Lifecycle Funds

Years to Retirement	BlackRock LifePath Portfolios	Fidelity ClearPath	McLean Budden LifePlans	Scotia Vision Cons	Scotia Vision Aggr	London Life Profile	Alliance Bernstein Retirement Strategies	Franklin Templeton LifeSmart	Average[1]	UWO Pension Plans
40	N/A	84%	89%	N/A	N/A	94%	95%	N/A	92%	67%
35	100%	84%	82%	N/A	N/A	90%	95%	N/A	90%	58%
30	97%	82%	76%	N/A	N/A	86%	95%	80%	87%	61%
25	92%	80%	70%	N/A	N/A	81%	94%	76%	83%	62%
20	86%	72%	64%	72%	84%	75%	90%	75%	78%	61%
15	79%	64%	58%	63%	75%	67%	85%	70%	70%	58%
10	71%	53%	52%	54%	67%	58%	78%	64%	62%	57%
5	61%	45%	47%	48%	59%	50%	71%	45%	51%	55%

[1] The average is based on a sample of 24 lifecycle fund families, including Canadian and U.S. providers.

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 60	60-62	62-64	64-66	66-68	68-70	70-72	72-74	74-76	76-78	78-80	80-82	82-84	84-86	Total
Less than 1				1		2	3								6
				28.9%		62.2%	81.5%								66.3%
1-2			2	1	12	5	1	2	2						25
			48.3%	25.9%	40.7%	29.6%	46.8%	49.9%	65.5%						41.5%
2-3	2		3	5	7	6	1	7							31
	54.3%		38.6	38.1%	50.7%	47.2%	36.6%	28.6%							41.6%
3-4		1			4	8	3	1							17
		17.4%			51.9%	45.8%	33.6%	0.0%							40.7%
4-5	2		1	4	5	12	5	3	1						33
	48.0%		0.0%	37.0%	52.3%	49.2%	50.6%	41.3%	62.6%						46.5%
5-6	1		1	5	4	5	9	2	9						36
	49.4%		86.3%	51.5%	60.1%	37.5%	49.9%	41.1%	42.6%						48.2%
6-7		4	2	1	2	4	11	6	3	1					34
		62.2%	40.3%	58.3%	56.1%	41.0%	48.9%	40.4%	63.8%	27.0%					48.9%
7-8				2	1	2	3	15	4	2					29
				58.0%	82.4%	62.6%	64.1%	44.1%	45.9%	75.3%					52.1%
8-9				1	3	3	3	13	15	8	1				47
				48.8%	56.8%	69.3%	41.7%	48.8%	53.5%	43.4%	54.8%				50.9%
9-10	1		2	1	3	1	1	4	9	1	2		1	1	27
	96.7%		14.0%	57.7%	59.1%	52.0%	96.4%	52.0%	51.8%	42.6%	47.8%		38.6%	62.5%	52.7%
10-11				2	4	4	3	3	7	8	4	1			36
				80.8%	61.9%	53.1%	47.5%	56.5%	39.0%	62.8%	38.8%	39.1%			52.9%
11-12				2	4	6		5	4	12	2	1			36
				45.0%	37.9%	60.0%		51.0%	50.6%	39.3%	16.0%	35.2%			44.4%
Grand Total	6	5	11	25	49	58	43	61	54	32	9	2	1	1	357
	58.4%	53.3%	37.0%	47.3%	50.9%	48.7%	51.7%	43.9%	49.9%	48.2%	37.5%	37.1%	38.6%	62.5%	48.1%

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 48%, compared to 57% for pension plan members on average. The gap (9%) has widened from 4% in 2010 and is back 2008 level at the time of the financial crisis. This suggests that RIF members have decided to reduce their equity exposure because of the market volatility. The equity component, by age group, ranges from 37% to 58% (for age groups with more than one member), with the highest equity allocation observed for RIF annuitants younger than 60. The range of equity exposure was 43% to 59% last year

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 are all between 30% and 40%, which is lower than the allocation chosen by our members on average. 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

	BlackRock LifePath Portfolios	**Fidelity ClearPath**	**McLean Budden LifePlans**	**LifePoints Target Date Funds**	**London Life Profile Funds**	**Alliance Bernstein[2]**	**Franklin Templeton**	***Average***	**UWO Plan**
Fixed Income	**60.0%**	**70.0%**	**65.0%**	**68.5%**	**65.4%**	**65.0%**	**69.6%**	**66.2%**	**51.8%**
Cash	*0.0%*	*17.5%*	*10.0%*	*0.0%*	*5.4%*	*0.0%*	*0.0%*	*4.7%*	*7.1%*
Short-Term Bonds	*0.0%*	*17.5%*	*0.0%*	*8.0%*	*4.4%*	*27.5%*	*0.0%*	*8.2%*	*9.1%*
Bonds	*60.0%*	*35.0%*	*55.0%*	*60.5%*	*55.6%*	*37.5%*	*69.6%*	*53.3%*	*35.6%*
Equity	**40.0%**	**30.0%**	**35.0%**	**31.5%**	**34.6%**	**35.0%**	**30.4%**	**33.8%**	**48.2%**
Domestic	*8.4%*	*15.0%*	*17.5%*	*12.8%*	*14.4%*	*11.0%*	*15.2%*	*13.5%*	*19.5%*
Foreign	*24.2%*	*15.0%*	*17.5%*	*12.4%*	*12.2%*	*4.5%*	*15.2%*	*14.4%*	*28.7%*
Other	*7.4%*	*0.0%*	*0.0%*	*6.3%*	*8.0%*	*19.5%*	*0.0%*	*5.9%*	*0.0%*

[2] Asset mix 15 years into retirement. At maturity the asset mix is about 35% fixed income and 65% equities.

Reconciliation of Membership

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

	2011	2010	% change
Number of members beginning of year	6,919	6,967	-1%
Additions			
Enrollments	414	569	-5%
Deletions			
Terminations paid out	234	272	-28%
Combined records	0	0	N/A
Retirements paid out	190	159	56%
Deaths paid out	10	10	25%
Number of members end of year	6875	6,919	-1%
RIF membership	356	359	-1%
Number of full time equivalents	9.5	11.3	
Number of members per FTE including RIF members	761	644	

Staff Comments

At current staffing levels we are serving approximately 761 members per full time equivalent pension staff member. This represents an 18% increase in the number of members served per staff member.

Much of the staff's time is dedicated to personal counseling. In 2011 approximately 772 hours were devoted to counseling members of the pension plan and an additional 235 hours to our RIF members. These figures represent an 1% decline for the pension plan and a 12% decline for RIF members over 2010. RIF members typically need and request more guidance than pension plan members. It should be noted that 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, 2011[3]

Plan	1.5%	5.5%	Brescia/Huron	2.5%	6.0%-CPP
Faculty	1174	725	89		
Staff			95	2809	174

As at December 31, 2010

Plan	1.5%	5.5%	Brescia/Huron	2.5%	6.0%-CPP
Faculty	1361	555	91		
Staff			102	2764	179

Staff Comments

A trend could be observed in the distribution of contribution levels for faculty members in recent years. Members were selecting the 1.5% option in greater proportion. The default option for new faculty members had been 1.5% until November 2010. 71% of members were contributing at 1.5% at the end of 2010, compared to 69% in 2009 and 66% in 2008. With the new default option is now 5.5%, we have already started to see a reversal in this trend. In addition, members had to make a one-time decision between 1.5% and 5.5% in 2011. At the end of 2011, 62% of faculty members were contributing at the 1.5% level.

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. The option will be discontinued in 2012 for members of the Professional and Managerial Association (PMA).

[3] The difference between the total number of active members shown in this table as at December 2011 (5066) and December 2010 (5052), and those calculated on page 5 (5343 and 5270) is due to the absence of members on long-term disability in the former.

Voluntary Contributions

Year	2004	2005	2006	2007	2008	2009	2010	2011
Value made in year	2,319,143	2,688,723	3,084,713	3,567,050	3,678,980	4,374,420	4,343,638	4,609,146
Average Percentage of Pay	0.9%	1.0%	1.0%	1.1%	1.1%	1.3%	1.2%	1.2%
# Transfer in	79	63	71	99	70	44	32	46
# Transfer out	60	41	63	45	35	54	38	59
Value of Transfer in	2,333,097	1,954,111	2,474,915	2,734,867	1,155,017	2,065,152	1,029,814	1,985,024
Value of Transfer out	1,844,649	482,172	1,145,359	326,606	883,159	777,751	1,328,641	652,677
Average Voluntary Account Balance	43,047	43,332	48,441	45,806	34,635	36,778	40,809	39,558

Staff Comments

The number of transfers out increased by 55% this year but the value decreased by 51%. 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 2011 have slightly increased compared to the previous year, although it remained stable as a percentage of pay. The number of transfers in is up by 55% and the value is up by 93% in 2011. Voluntary account balances have declined this year, reflecting the negative market returns.

Investment Decisions

Allocations by Fund

As at December 31

Pension Accounts (All Accounts)

	2010			2011		
Fund	Number of Investors	Average Allocation	# investors at 100%[4]	Number of Investors	Average Allocation	# investors at 100%[5]
Tier One						
Balanced Income	781	46%	135	826	48%	152
Balanced Growth	2094	70%	1,063	2340	71%	1,220
Tier Two						
Diversified Bond	3044	34%	65	3017	36%	74
Diversified Equity	3702	53%	373	3601	50%	338
Tier Three						
Money Market	1447	42%	332	1334	42%	289
Target Date Funds	306	31%	20	317	34%	25
Canadian Bond	564	24%	18	591	26%	22
Long Term Bond	478	21%	7	519	25%	14
Canadian Equity	1532	34%	64	1534	31%	64
US Equity Hedged	671	15%	8	665	15%	8
US Equity Unhedged	438	16%	11	436	17%	11
Non North American	866	16%	9	819	15%	9
SRI Global Equity	207	19%	8	232	20%	10
Liquidating Trust	4927	6%	233	4508	4%	99

RIF Accounts

	2010			2011		
Fund	Number of Investors	Average Allocation	# investors at 100%[6]	Number of Investors	Average Allocation	# investors at 100%[7]
Diversified Equity	303	50%	8	298	47%	8
Money Market	87	18%	4	77	18%	5
Target Date Funds	139	27%	2	150	29%	6
Canadian Bond	284	32%	0	287	35%	0
Long Term Bond	63	23%	1	73	27%	1
Canadian Equity	110	32%	4	101	28%	4
US Equity Hedged	21	14%	0	18	15%	0
US Equity Unhedged	12	9%	0	13	13%	0
SRI Global Equity	7	10%	0	9	10%	0
Liquidating Trust	259	4%	6	253	3%	2

[4] Excluding any Liquidating Trust holdings
[5] Idem
[6] Idem
[7] Idem

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 15% 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. In addition, the Balanced Growth Fund has been the default option since July 1, 2008.

The Balanced Growth Fund is increasing in popularity among our members with 2340 investors, including 1220 with 100% of their assets in the fund.

It is worth mentioning that there are 232 members in the SRI Global Equity Fund, with an average allocation of 20% of their regular accounts, up from 207 and 19% over last year, respectively.

Figures have been provided for the RIF program for the fifth consecutive 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 287 members in the Canadian Bond Fund and given the Diversified Bond Fund strong performance lately, it is reasonable to expect that such a figure is attainable. However, given changes in the works in the Ontario pension legislation, more specifically regarding the possibility for members ability to take pension payments directly from a pension plan, it is better advised to wait making such a change.

Very few RIF members have invested 100% of their assets in a single fund; only 24 members out of 356 have done so (excluding members in the Liquidating Trust), or 7%. For the pension plans, more than 30% of members have all of their assets invested in a single fund. On average RIF members invest in 3.9 funds and pension plan members in 3.0 funds.

Investment Changes by Month										
Month	2006	2007	2008	2009	2010	2011	Funds Attracting most $ in month	Best performing Fund Month prior to transaction	Best performing Fund Month of transaction	Negative Equity Returns[8]
January	61	244	81	51	63	62	CEF	USH	NNA	NO
February	79	127	56	63	64	85	MMF	NNA	USH	NO
March	74	70	54	54	71	92	DBF	USH	TDF 2012	NO
April	114	106	84	70	69	103	MMF	TDF 2012	NNA	YES
May	303	91	366	72	331	284	TDF 2014	NNA	LTBF	NO
June	74	90	95	57	162	64	CBF	LTBF	TDF 2016	YES
July	63	73	71	52	75	75	TDF 2016	TDF 2016	LTBF	YES
August	69	69	52	62	100	84	LTBF	LTBF	LTBF	YES
September	61	50	67	5163	74	48	MMF	LTBF	LTBF	YES
October	60	55	80	4714	89	71	LTBF	LTBF	USH	YES
November	51	41	71	77	81	60	DBF	USH	LTBF	NO
December	72	15	59	64	63	38	LTBF	LTBF	LTBF	YES
Total	**1081**	**1031**	**1136**	**10,499**	**1242**	**1066**				
Adjusted total[9]	849	859	840	746	994	1066				
# Members	6368	6795	7223	7373	7278	7231				
% of Members Trading	**13.3%**	**12.6%**	**11.6%**	**10.1%**	**13.7%**	**14.7%**				

Staff Comments

The volume of investment changes (adjusted for major events such as non-bank ABCP restructuring and maturing of Target-Date Funds) has slightly increased this year.

The Long-Term Bond Fund attracted the most money during the year (based on fund transfers), which can possibly be due to the fact that it was the best performing fund in 2011 with a net return of 17.93%.

Equity returns (as measured by the return of the Diversified Equity Fund) were positive in five months in 2011. For only one of those five months was an equity fund the one attracting the most money. The fund attracting the most money was either the best performing fund during

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

[9] Adjusted to remove the impact of the non-bank ABCP carve-out in September 2009, the merger of the B funds in October 2009, the maturing of a Target-Date Fund in May 2004, 2006, 2008 and 2010 and the elimination of the Global Bond Fund in January 2007.

the prior month or during the current month for only four months out of 12; three times it was the Long-Term Bond Fund and once the Target-Date Fund 2016.

In the past we highlighted the fact that there seems to be more evidence that members are running away from negative returns rather than chasing positive returns. The investment changes made in 2011 tend to confirm this again this year. Equity returns (as measured by the Diversified Equity Fund) were negative in seven months and for all seven months a fixed income fund (or the Money Market Fund) attracted the most money.

Individual Investment Performance

INDIVIDUAL ACCOUNT RETURNS (Including RPP and RIF Members)		
	2011	2010
	-1.9%	8.5%
Maximum annual return	29.9%	26.6%
Minimum annual return	-24.1%	-31.0%
	2011	2010
1st quartile	29.9%	26.6%
	0.9%	11.0%
2nd quartile		
MEDIAN	-2.4%	8.9%
3rd quartile		
	-4.2%	7.3%
4th quartile		
	-24.1%	-31.0%

Staff Comments

The median return of our member investment for 2011 (-2.4%) was below the median return of 1.5% 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 (7.8% cash, 40.7% bonds and 51.6% equities), compared to the median asset weights of Canadian University pension plans at year end (2.6% cash, 36.5% bonds, 49.7% equities and 11.4% real estate and alternative investments). The higher cash balance and the overweight in bonds have helped the Western Retirement Plans. However, an overweight in EAFE equities, the absence of alternative investments, hedging the U.S. dollar and poor active management from the external managers have contributed to the University Retirement Plans being below the CAUBO median for 2011.

The plans' allocation to short-term investments was 7.8% at the beginning of 2011 and although yields on short-term securities were very low 2011, money market returns were higher than the rest of the portfolio. About 37% of our plans were invested in bonds, compared to 34% for the median CAUBO plan. Given the strong fixed income returns again in 2011, our overweight was beneficial. About 22% of our plans were invested in Canadian equities at the beginning of 2011, compared to 27% for the average pension plan in the CAUBO survey. It was the opposite for EAFE assets: about 19% of our plans were invested in EAFE equities at the beginning of 2011, compared to 12% for the average pension plan in the CAUBO survey.

Given that the S&P/TSX Index and the EAFE Index returned -8.71% and -9.55% respectively in 2011, any underweight was beneficial and any overweight was detrimental.

In large part due to its need for liquidity, the Western Retirement Plans don't invest in alternative investments. Private market investments generally did better than public market investments in 2011 and as a result our lack of alternative investments detracted performance. In addition, most of the plans investments in U.S. dollars are hedged. Given that the Canadian dollar depreciated in 2011, it hurt performance. Finally, overall our active portfolio managers provided negative value added, compared to positive value added for the median CAUBO plan.

Projected Benefits

Projected Benefits										
	Faculty					Staff				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Average Account Total	$188,613	$203,712	$203,831	$178,403	$230,107	$92,452	$95,309	$88,499	$77,744	$104,618
Average Projected Balance	696,302	724,081	734,612	765,996	870,480	458,841	482,061	486,466	520,904	581,102
Average Monthly Pension Projected	3,488	4,141	4,103	4,286	4,879	2,299	2,760	2,717	2,914	3,257
Average Projected Pension as % of earnings*	34%	40%	40%	43%	52%	34%	42%	41%	45%	52%

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

Projected Account Balances and Retirement Income at Normal Retirement

	2011	2010
Plan average	$552,378	$577,055
Projected pension income as a percentage of final salary	34%	41%

Projected Balance	**Percentage of Members**	
Over $1 million	13%	15%
$750,000 - $1 million	14%	15%
$500,000 - $750,000	21%	20%
$250,000 - $500,000	25%	24%
Less than $250,000	27%	25%

Staff Comments

The average projected monthly pension for both faculty and staff has decreased this year. This is due to the double negative impact of lowering the projected future returns from 5.75% to 5.50% and lowering the annuity rate from 4.25% to 3.00% The replacement ratio (amount of final salary to be replaced by pension) went down for both faculty and for staff members. 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

	2011	2010	2009	2008	2007
Faculty	505,089,456	532,455,961	502,127,902	431,759,808	551,897,083
Administration	364,074,257	373,028,890	343,806,808	300,245,496	393,715,322
RIF	197,041,079	200,560,707	186,872,540	170,708,259	211,539,176
Total	1,066,204,792	1,106,045,558	1,032,807,250	902,713,563	1,157,151,581

Percentage of Total Assets in each plan

	2011	2010	2009	2008	2007
Faculty	47.37%	48.14%	48.62%	47.83%	47.69%
Administration	34.15%	33.73%	33.29%	33.26%	34.03%
RIF	18.48%	18.13%	18.09%	18.91%	18.28%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Asset Growth

	2011	2010	2009	2008	2007
One year	-3.60%	7.09%	14.41%	-21.99%	0.96%
Four year	-2.03%	-0.89%	0.38%	-0.74%	7.75%
Five year	-1.43%	1.69%	2.12%	1.01%	8.89%

Return on Investment

	2011	2010	2009	2008	2007
One year	-1.05%	8.90%	16.09%	-20.20%	1.50%
Four year	-0.06%	0.59%	1.62%	0.40%	8.70%
Five year	0.26%	3.04%	3.39%	2.20%	9.60%

Staff Comments

Total assets under administration were around $1.1 billion as at December 31, 2011. As a percentage of total assets our RIF members are beginning to hold a significant portion of our assets, although that has remained stable since 2007. The elimination of mandatory retirement has caused some members to postpone retirement.

The assets under administration decreased by 3.6% during the year, which is largely explained by the investment returns achieved in 2011. This growth rate is also less than the return on investments for the year of -1.05%. 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

	2011	*2010*	*2009*	*2008*	*2007*
University Funding from Operating Budget	$1,331,000	$1,353,000	$1,175,000	$1,273,000	$1,155,000
Funding from Plan Surplus	0	0	0	0	0
Fees from Terminated Members	194,000	177,000	182,000	170,000	171,000
Fees from Participating Employers	55,000	54,000	52,000	50,000	43,000
Net Fees from RIF Investors	299,000	252,000	225,000	204,000	182,000
Total Revenue	1,879,000	1,836,000	$1,634,000	$1,697,000	$1,551,000

Expenses

	2011	*2010*	*2009*	*2008*	*2007*
Staff Salary and Benefits	$982,000	$934,000	$979,000	$889,000	$738,000
Software and Hardware	123,000	134,000	121,000	115,000	223,000
Consultant, Auditor & Professional Fees	552,000	578,000	468,000	585,000	489,000
HST Accrual	126,000	114,000	0	0	0
Communication, Professional Development, equipment miscellaneous	96,000	76,000	66,000	108,000	101,000
Total Expenses	1,879,000	1,836,000	$1,634,000	$1,697,000	$1,551,000

Management Expense Ratio

	2011	*2010*	*2009*	*2008*	*2007*
Expenses paid outside of pension plan	19 bps	18 bps	17 bps	20 bps	14 bps
Expenses paid from the pension plan	35 bps	35 bps	34 bps	33 bps	29 bps
Total Management Expenses	54 bps	53 bps	51 bps	53 bps	43 bps

Staff Comments

Expenditures have increased by 2.3% in 2011. The majority of this increase is due to staff salary and benefits. The revenue base from terminated employees, participating employers and coming from our RIF members are up over 2009, mostly due to the increase in RIF fees.

Governance

Number of Meetings/Attendance	*2011*	*2010*	*2009*	*2008*	*2007*	*2006*
Joint Pension Board	10	9	12	11	8	8
	80%	83%	88%	86%	82%	82%
Academic Board	0	0	0	0	1	1
	N/A	N/A	N/A	N/A	71%	71%
Administrative Board	0	0	0	0	1	1
	N/A	N/A	N/A	N/A	71%	71%
Communication and Administration	0	0	0	0	7	7
	N/A	N/A	N/A	N/A	76%	76%
Investment Policy	0	0	0	0	7	7
	N/A	N/A	N/A	N/A	81%	81%
Meetings with Members	12	9	13	17	18	18
Retreat & other social functions	1	1	1	1	1	1
Number of Conferences Attended by Staff	18	15	10	25	14	14
Number of Conferences Attended by Board	16	10	6	11	8	8
Total	*57*	*44*	*42*	*65*	*65*	*65*

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 has increased from previous years. There was one additional meeting in 2011 compared to 2010 because one meeting was cancelled in December 2010 due to bad weather. No meetings of the investment policy committee and communication and administration committee were held in 2011. This is the eighth year that we have included board and committee attendance. Joint Pension Board meeting attendance is slightly lower 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 four educational workshops and five information sessions on the faculty required contribution rate.

Appendix A – Counseling appointments for 2011

ACADEMIC PLAN

2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Total**
Annuity purchase					1	2							***3***
Beneficiary												1	***1***
Benefits												1	***1***
Contributions			1			2	4	1	1		1	1	***11***
Early retirement feasibility						1							***1***
Group Orientation	1				1	1	5	1	1				***10***
Investments	2	2	5	5	5	8	6	6	4	9	2	4	***58***
Severance/enrichment					1							1	***2***
LIF application			1		5	3	1						***10***
RIF Maintenance							1						***1***
Marriage Breakdown								1					***1***
New member							1					2	***3***
Orientation	2	3	3	1	3	3	5	7	11	4	7	2	***51***
Retirement planning	4	6	5	8	6	2	7	7	2	6	3	6	***62***
Phased Ret			1			1		1	1				***4***
Pregnancy/Parental Leave	2	1	5		3	1	1	3	1	1	3	1	***22***
Postpone Retirement						1							***1***
Retirement		4	3	8	4	2			1	2	1	3	***28***
Termination	1		1					1				1	***4***
Transfer in/out				2	3	5	4	3	6	1	1	1	***26***
Partial Withdrawal	1		1										***2***
SubTotal	***13***	***16***	***26***	***24***	***32***	***33***	***34***	***31***	***28***	***23***	***18***	***24***	***302***

ADMINISTRATIVE PLAN

2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Total**
Annuity purchase	2				1			1		3	1		***8***
Beneficiary	1												***1***
Benefits			1	2	1	1	3	4	1	3	2	6	***24***
Contributions				2		1		1	1	1	2		***8***
Death Benefit					1		1	1					***3***
Early retirement feasibility				1	1		1	1	1				***5***
Group Orientation	2	2	3	1	1	1			2				***12***
Investments	3	11	16	8	13	8	10	12	9	10	8	11	***119***
Severance/enrichment				1				1					***2***
Leaves (excl.PL)									1	1			***2***
LIF application	1	1					1						***3***
Marriage breakdown													
New member	1		1								2	1	***5***
Orientation		1	1	1	2	9	3	5	4	5	4	4	***39***
Retirement planning	3	10	15	11	4	7	9	6	8	14	14	8	***109***
Pregnancy/Parental Leave		3	8	6	4	6	5	5	2	4	4	4	***51***
Postponed Retirement								1					***1***
Retirement	3	3	5	11	2	4	2	2	1	2	2	3	***40***
Statement Review				1									***1***
Termination			1	1	1	2	3	4	4		3	3	***22***
Transfer in/out			1	1	1	1	3	2		1		3	***13***
Partial Withdrawal											1	1	***2***
SubTotal	***16***	***31***	***52***	***47***	***32***	***40***	***41***	***46***	***34***	***44***	***43***	***44***	***470***

RIF PROGRAM

2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Total**
Annuity purchase											1		***1***
Death benefit	1	1										2	***4***
Investments	3	2	3	2	2	3	1	6	3	5	3	2	***35***
LIF application					3					1		1	***5***
RIF Maintenance	2	34	22	8	4	2	2	3	1	10	7	11	***106***
Planning		1							1	3			***5***
Unlocking funds	4	6	8	8	1	7	3	5	3	12	12	5	***69***
Transfer in/out									1		2		***3***
Partial Withdrawal						2							***2***
SubTotal	***10***	***44***	***33***	***18***	***10***	***14***	***6***	***14***	***9***	***31***	***25***	***21***	***235***