

JOINT PENSION BOARD MEETING

November 17, 2010

1:00p.m.

SSB 4220

PRESENT: Stephen Foerster, Krys Chelchowski, Ab Birch, Martin Bélanger, Stephen Hicock, Jane O'Brien, Craig Dunbar, Louise Koza, Jim Loupos, Lynn Logan, Michelle Loveland, Andrea Magahey.

Guests: Bruce Curwood, Russell Investments

Regrets: Cindy Servos

1. Changes to Agenda:

One item was added under other business

2. Approval of September 20th Minutes:

Motion: S. Foerster

Seconded: S. Hicock

All in favour - Minutes approved.

3. Business Arising from the Minutes –SSGA Review

M. Bélanger reviewed the results of the manager review with SSGA. SSGA manages both a passive US equity mandate and a Canadian fixed income mandate. There are three issues that the Board needs to be aware of:

1. Personnel changes at SSGA
2. Client Servicing
3. Tracking error :Canadian Bond Fund

Over the past year SSGA has experienced an unusually high number of personnel changes including changes that directly affect our mandates. This spring there was a change in personnel when Yves Desjardin lead manager for our fixed income strategies left and SSGA did not advise us of this at the time. In the manager review meeting of October 20, 2010 Catherine Biernis reviewed the personnel changes that have occurred at SSGA. These are higher than what we typically see for our other managers. Peter Lindley who is the new president for SSGA replacing Gregory Crispin, and who is also the head of investments, is working on reviewing compensation to ensure it is competitive. We have been advised by Catherine Biernis that Peter Lindley has made the stability of the investment team a priority. From a client service perspective recent experience with Catherine Biernis, our new SSGA client service manager, has not provided service that is overly strong. Lastly there is a higher than expected tracking error in the Canadian Bond Fund and the reasons for this have been discussed at the recent October 20 SSGA review. The one year tracking error was 19bps, while they target a tracking error within 10bps.

Russell Investments has not downgraded SSGA, and is of the view that there are good systems in place for the passive strategies. Concerns from Russell would be focused on the SSGA's active strategies. Bruce Curwood has indicated that Russell will be reviewing SSGA in early 2011.

The Board has requested that the 3 concerns with SSGA be addressed to someone senior at SSGA who also has knowledge of the history of Western's relationship with SSGA. Martin Bélanger will contact SSGA to arrange a meeting.

Based on the issues identified alternative potential managers will be looked at. However, at the moment performance is not at risk but the situation will need to be monitored.

An update on SSGA is to be provided to the Joint Pension Board after the meeting with senior SSGA management.

4. Statement of Investment Policies and Procedures

A. Magahey reviewed the changes made to the 2010 Statement of Investment Policies and Procedures (SIPPs) for both the Academic Staff Pension Plan and Administrative Staff Pension Plan. Updates to the SIPPs included the changes in mandates or managers made since the SIPPs were last reviewed in October 2009. All investment managers were contacted and their mandate descriptions reviewed. The SIPPs for each pension plan must be reviewed annually by the Board.

A review of various sections of the SIPPs was presented in detail to the Board for its information. Some minor editorial or spelling edits to the final version of the SIPPs were identified and will be made.

Motion to approve the Statements of Investment Policy and Procedures for the Academic Staff Pension Plan and the Administrative Staff Pension Plan

Motion: L. Logan

Seconded: L. Koza

All in favour

5. Third Quarter Performance Review

B. Curwood reviewed the Russell Investments 3rd quarter performance review of the University of Western Ontario Pension Plan. Overall the 3rd quarter was very strong for capital markets and in particular equities. There was however significant sector performance variation in the quarter as the Cdn equity market (S&P/TSX Composite +10.3%) was led by a few stocks in (non gold) materials, which sector outperformed with an +18.2% return. For example fertilizer and agricultural chemical companies, like Potash outperformed significantly. Most active Canadian managers struggled (with only 34% beating the index), finding it difficult to keep pace with the benchmark.

The Balanced Fund lost a little value (-10bps) compared to the benchmark but this was still 1st quartile performance for the quarter, while the Balanced Income Fund added good value to its benchmark (+43 bps). Even though the Canadian Equity Fund was below the benchmark (-57 bps) in the quarter, the performance was still 2nd quartile for the year, with a solid return of +11.3%. Beutel Goodman underperformed by -31 bps in the quarter and by -224 bps for the year, but only slightly below the value style benchmark (-16bps) for the year. Connor, Clark & Lunn and Greystone outperformed the S&P/TSX Composite for the year by a wide margin, which resulted in 1st quartile performance for them for the year. SSGA's US equity mandates all

matched or returned close to benchmark for the quarter. Panagora had positive excess returns compared to its benchmark (+73 bps) in the quarter, which was nice to see given quantitative managers have had difficulties since 2007. AllianceBernstein continues to underperform relative to the EAFE benchmark and are ranked review by Russell. Martin Belanger noted they are holding undervalued good quality stocks in their portfolio so the time is not right to make a change. Harris and T.Rowe Price both performed well and the combination of managers is working very well on the Global equity side. Overall, equities performed admirably this quarter; though the Canadian equity market was tough to beat because of individual stock performance. Nevertheless US equity managers kept pace with the Russell 3000 and Global managers performed well, relative to MSCI World Index.

The Diversified Bond Fund had 1st quartile performance for the quarter and year, as AllianceBernstein continued to add considerable value this quarter (+136 bps) and year (+467 bps), while the more passive SSGA products tracked the benchmark. The Bond performance has some lower quality bias due to an overweight in corporate bonds. Money market funds performed well and the TDF funds are on target to return on or above the projected target return.

6. Kilgour Advisory Group Quarterly Report

The Kilgour Advisory Group 3rd quarter report was provided to the Board for its information. M. Bélanger reported that two of the most problematic trades within the Master Vehicle were close to maturity and this was translating into a positive effect for the B and C notes. \$3.2 million (Book value) of notes have been sold for \$2.5 million to provide cash in the Liquidating Trust for member redemptions. A1 and A2 notes have started to make interest payments at 0.4%.

7. Beutel Goodman review

M. Bélanger outlined the results of the review of the manager review meeting with Beutel Goodman on October 28, 2010 at their Toronto office. Beutel Goodman have had no changes to their investment process which is thorough and disciplined. Their performance is over benchmark by 0.68% year to date. They have no compliance issues and have had no personnel changes for our mandate. Beutel Goodman is also a manager for the University's Operating & Endowment Fund and this fund has a small cap mandate with Beutel which has returned very well.

8. Pension Staff Update

M. Bélanger advised that an offer of employment would be made very shortly to an individual to fill the two year term as a Pension & Benefits Consultant. The Canadian Equity re-structuring involving moving assets from Highstreet to the other three remaining Canadian Equity managers went very well in early October. 60% of the portfolio was transferred in-kind highlighting the correlation of the holdings.

A.Magahey reported that the annual enrolment process for part time employees to enrol in the pension plans is underway. Last year about half the eligible part time employees elected to join the plan as of January 1, 2010.

9. Other Business

M. Loveland requested information to provide to member of the Retirement Income Fund (RIF) who had only Liquidating Trust remaining in his account after the balance of his RIF

funds had been transferred. He recently contacted M. Loveland concerned that other RIF members like himself with only Liquidating Trust might not appreciate that effective January 1, 2011 RIF members like himself would be subject to the annual RIF fees. These fees had been previously waived for RIF members with Liquidating Trust only when the redemption restrictions were in place. A. Magahey explained that RIF members with Liquidating Trust only were contacted in June when redemption restrictions were removed and provided with information regarding the RIF fee in January 2011 Also in September all RIF members received notice of the fee change for January 2011 and RIF members with Liquidating Trust only were sent a letter mid November reminding them about the fee and the option to transfer these Liquidating Trust assets out. The pension group will contact the 15 or so RIF's members with Liquidating Trust only by phone as well. These details will be provided by Michelle Loveland to the individual who inquired.

Motion to Adjourn: M. Loveland

Seconded: L. Logan

All in favour

Meeting adjourned at 2:30pm

Pyramis Global Advisors - Manager Review Meeting

Board members were invited to stay for the Pyramis/Fidelity Manager Review

Jim Loupos, Louise Koza, Andrea Magahey, Stephen Foerster and Martin Bélanger met with Rajan Burney (VP, Institutional Client Management) and Michael Strong (Institutional Portfolio Manager) of Pyramis Global Advisors.

Organization

Rajan Burney gave an overview of the organization. Pyramis is headquartered in Smithfield, Rhode Island. Investment personnel turnover resulting from the move from Boston to Smithfield has been minimal. The organization has 381 employees and 111 investment professionals. There have been no changes to the key investment personnel on our portfolios since the last review. Cedric de la Chaise manages European equities, Eileen Dibb manages Japanese equities and John Lo manages Pacific Basin ex-Japan equities. They experience investment personnel turnover at a rate that is typical among investment professionals of 8% to 10% per year.

As of September 30, 2010 Pyramis was managing \$158 billion for 651 clients worldwide (a net gain of 17 since our last review), including \$10.8 billion for 97 Canadian institutional clients (a net gain of 23 since our last review). Client turnover for the international growth strategy has been minimal since our last review. There were no clients gained or lost in Canada. In the U.S. they gained one client and lost four, for a net loss of approximately \$200 million in assets. Pyramis does monitor capacity. They review the size of the positions in each company they own, as well as the length of time it takes to get out of a position and the cost associated with it. International equity growth assets peaked at \$20 billion and are now at \$10 billion.

Investment Process

There have been no changes to the investment process of the international growth strategy. They select companies based on their earnings potential over the next two to three years and target valuation metrics. They perform deep fundamental analysis to assess a company's competitive advantage. Companies are sold when full valuations are reached, when the investment thesis deteriorates or when they find better opportunities.

Pyramis has a process in place regarding environmental, social and governance (ESG) issues. They take into consideration environmental issues, specifically climate change. Governance is important for them; companies have to be shareholder friendly. They receive company specific broker research on ESG issues. The head of ESG reports to the head of equities.

Performance and Portfolio Positioning

The total portfolio has returned 3.19% year-to-date as of October 31, 2010, compared to 1.65% for the MSCI EAFE Index, for a value added of 1.54%. For the one-year period ending October 31, 2010, the portfolio has outperformed by 2.70%.

Performance has been strong in Europe where the manager has generated value added of 3.41% year-to-date and 4.56% year-over-year. In Japan the manager has underperformed the benchmark by 0.74% year-to-date and has outperformed by 0.98% year-over-year. Performance has been weak in the Pacific Basin ex-Japan portion of the portfolio. The manager underperformed by 3.62% year-to-date and by 2.92% year-over-year.

Stock selection in Energy, Healthcare Equipment and Services and Food Beverage and Tobacco have added value. In the Energy sector, companies providing services to the oil industry have added value. Detractors to performance include stock selection in the insurance industry and sector selection in Diversified Financials and Telecommunication Services. Luxury goods manufacturers have done well but Pyramis has been underweight.

Individual securities that have added value include and overweight in Fresenius, a healthcare operator, an underweight in BP, an Energy company and an overweight in Novo-Nordisk, a healthcare company. Overweights in Credit Agricole, a bank, AXA SA, an insurer and Telefonica, a telecommunication services company, have detracted value.

Regarding regional allocation, they were underweight Europe and Japan and overweight in the Pacific region. Japan is still a small underweight as economic prospects are weak.

Looking forward they don't expect to make significant asset allocation changes. They have concerns about European sovereign debt and investors are worried about contagion. They are underweight in the banking sector and they have no exposure to Spanish real estate. They are investing in companies providing commercial services (temp agencies) to take advantage of permanent job cuts in some sectors of the economy, for example the UK government. They expect economic growth to be weak in developed markets. They are underweight in real estate as the housing market doesn't look good. They see opportunities in the healthcare sector. Their two largest overweights are in the software & services and retailing sectors, while their two largest underweights are in real estate and utilities.

Emerging Markets Exposure

As of September 30, 2010 the UWO's portfolio exposure to emerging markets was around 3%. Our portfolio guidelines allow Pyramis to invest in securities of companies having their principal business activities or interests in countries that are not included in the MSCI EAFE Index, if Pyramis expects that the country will be added to the benchmark index or if the security is listed on a prescribed stock exchange, as define by the Income Tax Act.

Michael Strong mentioned that it would be beneficial for our portfolio to invest in emerging markets. The emerging markets component would be managed by Pyramis dedicated emerging market team.

Compliance

Pyramis doesn't have any compliance issues. The portfolio is in compliance with the investment management agreement. The firm or its personnel are not facing any material litigation. Representatives of the U.S. Securities and Exchange Commission did a review at Pyramis' Smithfield location a few months ago. No material issue was raised as a result by the regulator. The firm has an adequate code of ethics. The firm has no conflict of interest to report. A document titled "Relationship Disclosure" was provided to Martin Bélanger a few weeks prior to the meeting.