



Communications Plan

Project: Management of Restructured Notes

Date: June 10, 2009

Overall Goal: To explain the members of the UWO retirement plans and other individuals with accounts affected by the non bank ABCP:

Their choice for the Restructured Notes and why the Joint Pension Board is proceeding with the carving out of the notes.

Phase 1 – there will be a feedback period after Joint Pension Board decision to implement prior to the effective date of the plan amendments.

Phase 2 – the need for members to make a choice on whether to hold or sell their restructured notes.

Objectives:

- Better understanding of what the restructured notes are and what they provide.
- Knowledge about why carving out is being done.
- Obtain feedback about the carve out and the amendments.
- To provide information to help members decide between selling and holding for the long term.
- Understand the nature of plan amendments and comply with required notice provisions.

Target Audiences:

- All RIF and pension plan members, former members and ex-spouses with accounts exposed to non bank ABCP.
- All former pension plan members affected by redemption restrictions.
- Unions and employee groups.

Key Messages/Themes:

- No liquid market for notes has developed.
- Does not change the amount of notes any member holds.
- Enables redemption restrictions to come off 5 UWO funds.
- Enables members to separate the investment decision for these notes from their other holdings
- Transparent – member will know how much exposure they have and their options.
- Better able to maximize return on notes
- Provides choice to members.
- Develop a strategy for notes that is based on their unique characteristics.

Suggested Action(s) and Timeline:

Feedback	Resource	Audience	Target Date	End date
		All plan members, former members, retirees, ex-spouses and union and employee groups	End of June/09	Sept/09
Email/mail out	Announcement And FAQ		End of June	
Website:	Post: Announcement FAQ Feedback mechanism		End of June	

Newsletter	As needed		Every quarter	
Notice of amendment				
Notice to Unions		Unions and Employee Groups	August 1/09 -allow 60 days before effective date of amendment - allow time for JPB to hear a submission from UWOFA	Sept 30/09
Email – letter and on website	Notice of amendment to all members, vested members or whoever FSCO requires if anyone		Sept 30/09	Nov 30/09
ii) website	Updates as needed		ongoing	
iii) newsletter	Updates as needed		ongoing	
Carve out of Restructured notes				
	Individual transaction statements to each member		Sept/Oct/09	
Member Election				
Letters to each affected member with election form and/or online system set up to process			September /Oct 09	

elections				
Waiver - can this be done online or only in paper form			September – Oct 2009	
Education	As needed Special workshops		September-Oct/2009	
Website	update		ongoing	
Newsletter	update		ongoing	

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| <ul style="list-style-type: none"> • Time pressure to complete carve out for fall 2009 |
| <ul style="list-style-type: none"> • Complexity of subject matter for members |
| <ul style="list-style-type: none"> • Number of members affected |

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Appendix A – Notice requirements for Pension Plan Amendments

Association or Union	Terms affecting notice of the amendment to the RPP
<p>UWOFA –FACULTY ASSC</p>	<p>1.Compensation & Benefits Article V. 55:</p> <p>Such pension plan shall be governed in accord with the official Pension Plan documents that shall be provided to the Association upon request. Notice of any proposed change shall be provided to the Association sufficiently in advance of the planned implementation date for the Association to make representation(s) on the issues to the Academic and/or Joint Pension Board(s). Any change to the official Pension Plan document shall be provided to the Association forthwith upon its taking effect.</p> <p>2.Retirement & Resignation Article 6 – same as above</p> <p>3. Management Responsibilities Article 3: if the Employer wishes to amend or discontinue any of its recognized practices, which are not otherwise the subject of the Collective Agreement, it shall give notice of the proposed amendment or discontinuance simultaneously to the Association and the Joint committee which shall have two months to discuss the proposed amendment(s).</p>
<p>UWOFA – LIBRARIANS & ARCHIVISTS</p>	<p>3. Management Responsibilities Article 3: if the Employer wishes to amend or discontinue any of its</p>

	<p>recognized practices, which are not otherwise the subject of the Collective Agreement, it shall give notice of the proposed amendment or discontinuance simultaneously to the Association and the Joint committee which shall have two months to discuss the proposed amendment(s).</p>
UWOSA	<p>Article 3, 31.01: Any change in the official Pension Plan documents will be provided to UWOSA forthwith upon it taking effect.</p>
PMA	None
SAGE	<p>Policy 8.25 Retirement & Pension Plan Any change in the official Pension Plan documents will be provided to the Select Administrative Group Employees forthwith upon its taking effect.</p>
PSAC	<p>Article 11 –Information The Employer agrees to provide the Union, upon written request, in a timely-fashion, with Employer wide written rules, policies, and practices affecting the employment of bargaining unit members or the working conditions between the Employer and the membership.</p>
GTA UNION	None
IUOE	None
UWOPA	None
CUPE 2692	None
CUPE 2361	None

FSCO FILING TIMELINES

Amendment: 60 days after effective date

Adverse Amendment:

The Superintendent shall require the administrator to transmit to such persons as the Superintendent may specify a written notice containing an explanation of the amendment and inviting comments to be submitted to the administrator and the Superintendent, and the administrator shall provide to the Superintendent a copy of the notice and shall certify to the Superintendent the date on which the last such notice was transmitted.

Registration

If the Superintendent has required the administrator to transmit notices under subsection (1), the Superintendent shall not register an amendment mentioned in that subsection before **the expiration of forty-five days after the date certified to the Superintendent under that subsection, but after the expiration of the forty-five day period the Superintendent may register the amendment with such changes as are requested in writing by the administrator.**

Appendix B – Announcement Draft

(note: currently being reviewed for comment by pension administration staff)

The Joint Pension Board announces a plan to address the non-bank Asset Backed Commercial Paper

Many members, former members and retirees of the retirement plans have been affected by collapse of the market for non-bank Asset Backed Commercial Paper in August 2007. Five of the retirement plans' investment funds have had partial redemption restrictions in place since September 2007. In early 2009, the restructuring plan for non-bank Asset Backed Commercial Paper ("ABCP") was finalized by the courts. Restructured notes were exchanged for the non-bank ABCP as part of this plan. Throughout the period regular updates have been provided and these can be viewed at:

http://www.uwo.ca/humanresources/facultystaff/com/pension/temp_restrictions.

The Joint Pension Board had advised that once a market developed for the restructured notes the redemption restrictions, in place on the Diversified Equity Fund, Balance Growth Fund, Balance Income Fund, US Equity Hedged Fund and US Equity Unhedged Fund ("Affected Funds") would be removed. Ultimately these funds would be merged with the "B" funds.

A review of market conditions has determined that it is unlikely that a market for the restructured notes will develop in the near term, and consequently, the Joint Pension Board has identified an approach for the management of the restructured notes which will separate these notes from the Affected Funds, move the notes to a separate fund called the Liquidating Trust and provide members with the option to either hold on to or sell. This approach:

- enables the removal of restrictions on the Affected Funds,
- allows for the merging of the Affected Funds with the "B" funds, and
- provides members the option to choose to sell or hold on to their restructured notes without having to sell the other assets they held in their Affected Funds.

The board also believes that it would be in a better position to identify opportunities for members to sell their notes held within their portfolio.

Currently, the restructured notes are comingled with the Affected Funds. Members hold restructured notes through their unit holdings in the Affected Fund. The plan is to remove or “carve out” the notes from the Affected Funds and move the notes to the UWO Liquidating Trust. Members would now hold the same amount of restructured notes but now they would be held directly in the Liquidating Trust.

Once this is done, redemption restrictions on the Affected Funds would be removed. The redemption restrictions would remain for the restructured notes for the time being while opportunities for members to sell are being identified or until a liquid market for these notes develops. Ultimately individuals would have the choice to sell their notes without having to sell their Affected Fund units something they could not do when these notes were mingled within the Affected Funds.

Moving the restructured notes to the UWO Liquidating Trust from the Affected Funds will require a one time plan amendment to each of the retirement plans. The amendment will be limited to that purpose and effective only for this one special situation.

This plan amendment does not change the amount of restructured notes any member holds, but it will enable members to choose how to deal with their restructured notes separately from the investment choices they make for the balance of their UWO retirement funds.

Questions or comments about the plan amendment can be directed to: (insert email). Please refer to the website at: (insert) for further information, including a copy of the draft amendments.

The filing of the amendments and carving out of the restructured notes from the Affected Funds is expected to occur in the fall of 2009 after members have had an opportunity to review the amendment and provide feedback.

Appendix C -FAQs

FAQ – PLAN FOR THE MANAGEMENT OF RESTRUCTURED NOTES

(note content for FAQ currently being reviewed by pension administration staff)

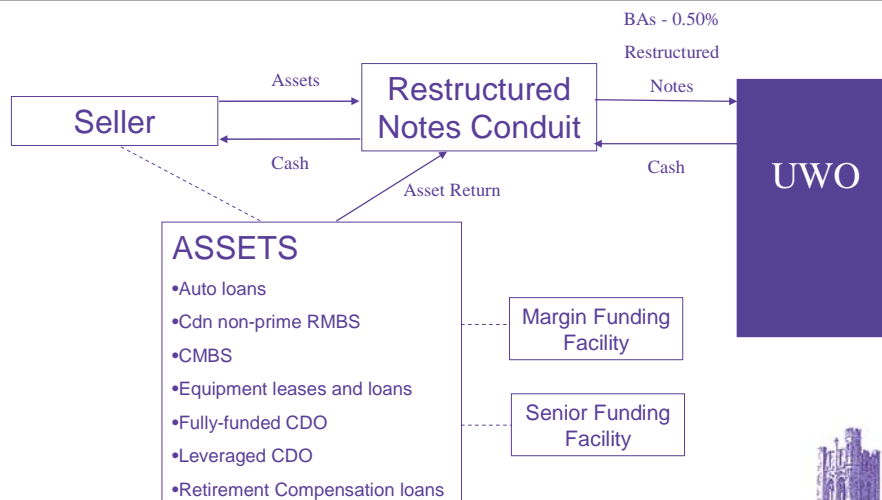
TOPICS:

Heading: what is a “Restructured note”

- **What is a Restructured Note? (diagram)**

The restructured notes that the Western Retirement Plans received in exchange of the non-bank ABCP are fixed income securities that pay a variable interest. The rate is variable because it depends on the rate paid by bankers' acceptances. The assets in the investment vehicle pay income and principal at maturity and this is what will be used to pay interest on the restructured notes and repay the principal at the end.

Restructured Notes



- **What is the investment risk for Restructured notes?**

Approximately 90% of the restructured notes received by Western are rated “A” by DBRS. According to DBRS, this rating of “A” corresponds to an eight-year corporate probability of default of 1.24%. The main investment risk is the probability that some “spread-loss triggers” be breached. This would occur if the yield on a reference fixed income portfolio were to widen compared to high-quality securities and/or the reference portfolio would experience some losses. This would lead to significant losses. In addition, some of the assets backing the notes consist of highly levered structured synthetic investments. Those assets may be exposed to a higher severity of loss should losses rise in excess of stress case scenarios. In addition, the assets comprising CDO transactions (one of the underlying assets) are subject to volatility due to their exposure to numerous non-investment-grade credits.

- **When do the Restructured notes mature?**

The latest maturity date of the leveraged synthetic transactions is December 20, 2016. The approved agreements provide an expected repayment date of January 22, 2017.

- **What can I expect to receive if I hold to maturity?**

- **What are the assets backing the re-structured notes?**

The assets backing the notes include: auto loans, Canadian non-prime residential mortgage-backed securities, commercial mortgage-backed securities, equipment leases and loans, fully-funded CDO (collateralized debt obligations), leveraged CDO and retirement compensation loans. Most of the assets in the notes held by Western (76%) are in leveraged CDO.

- **Do the Restructured Notes pay interest, and if so how much?**

The A-1 and A-2 notes (which account for close to 90% of the Liquidating Trust) pay a quarterly interest rate of 3-month bankers’ acceptances (BAs) minus 0.50%. The B notes accrue interest at BAs minus 0.50% but don’t make any payment before maturity. Because interest rates are so low at the moment, 3-month BAs yield less than 0.50% so the interest payments for the notes will be minimal for the foreseeable future.

- Will I get a statement after the restructured notes have been moved to the Liquidating Trust?

Heading: Selling Restructured notes

- **What if cannot find a buyer?**

Though we cannot guarantee a buyer will be found we have had a expert report done on the valuation of the restructured notes and are of the view that there is going to be an opportunity to sell some or all the notes that members want to sell. If a buyer cannot be found we will re-assess the situation to determine if and when we should try again to find a buyer.

- **If a choose not to sell will I get another chance?**

Assuming a liquid market does not return we will re-assess whether to look for a buyer on annual basis or other reasonable time.

- **If I can't decide what will happen?**

If we receive no election then members will be defaulted to hold the restructured notes to maturity.

Combining the funds

- **Why are you merging the "B" funds?**

The "B" funds were designed to be temporary, and they offer members similar investment choices to the funds affected by exposure to non bank asset backed paper. Once the carve out of the notes has taken place the funds can be combined with the funds that were exposed to non bank asset backed paper because that issue will have been addressed.

- **When do you expect to merge the funds and which funds are affected?**

After the carve out of the restructured is completed.

Redemption Restrictions

(Question to be inserted)

Heading: Special topics

- **Can I do a transfer in-kind to another institution?**

Not at this time because of securities laws which prevent the University from being able to do this.

- **I am turning 71 this year and have to take my funds out of the plan?**

You can do an in-kind transfer from the pension plan to the UWO RIF of your liquidating trust units if you are still holding these when you turn 71.

- **Are you suing the investment manager that invested in non bank asset backed commercial paper?**

Currently the University is not suing the manager. The restructuring plan approved by the courts provided all the main companies involved with non bank asset back paper with a release of liability as part of the court settlement.

- **Are you going to distribute the cash in the Liquidating Trust?**

FAQ – NON BANK ABCP – SEPT 2007

- **Q: How can I find out if my retirement account is affected?**
- **A:** Review your pension statement. Log on to “Pension Account” on the HR website.
- **Q: Why were only certain funds affected by the liquidity problems?**
- **A:** Each fund has a specific mandate. The problem was isolated to those funds investing in money market instruments. Fortunately, the Money Market Fund was not impacted.
- **Q: Why wasn't the money market fund impacted?**
- **A:** The Money Market Fund has a different mandate than the synthetic index funds and was managed by an entirely different manager. The money market manager invested in other types of securities to meet the fund objectives.
- **Q: What's the worse that can happen?**
- **A:** The securities are still highly valued. All the ABCP in the Western plans have an R1-High rating, the highest rating that money market instruments can have. It's hard to speculate on what the liquidating values will be. Our plan exposure to those assets won't increase though.
- **Q: What are the assets backing those securities?**
- **A:** The Western ABCP contains corporate loans and bonds, commercial mortgages, personal lines of credit, mortgage-backed securities and asset-backed securities.
- **Q: When will I get my money?**
- **A:** We don't know when a liquid market will re-emerge but we don't expect much movement before October 15. Money set aside in equity funds should be invested for the long-term, so you shouldn't plan to liquidate if you're not leaving the university. The investment manager in question is working hard with a committee of investors to find a resolution to this situation. You can get more information on that committee at: http://www.uwo.ca/humanresources/docandform/docs/pension/montreal_proposal.pdf
- **Q: Who is the fund manager:**
- **A:** Northwater Capital Management. They manage U.S. equity funds for us.
- **Q: Are you going to stay with this manager?**

- **A:** The Investment Policy Committee continually reviews its managers and a decision will be made. There's no point in replacing the manager while the redemption restrictions are in place.
- **: What is your advice to members?**
- **A:** As always, seek your own independent advice. Redeeming your funds will not allow you to get away from the illiquid securities and you will lose market exposure.
- **Q: Why didn't you warn me about this?**
- **A:** We have a risk management process in place that tries to anticipate risk, but these events were unforeseen even by most sophisticated investors. In the investment guidelines that our investment manager has to follow, they are restricted to the highest quality money market instruments available. The manager has followed those guidelines.
- **Q: How long have you known about this?**
- **A:** The University was notified about the liquidity issues of the ABCP on August 13. A press release explaining the situation was placed on the Pension website on August 17. We received formal notification about the restrictions from the manager on September 4. The Joint Pension Board had an emergency meeting on September 5.
- **Q: Was this a prudent investment?**
- **A:** This is a large market (\$40 billion). Other large sophisticated investors were also caught off guard. The securities are still highly valued by the rating agencies and are within the mandate of the manager.
- **Q: Have we lost money so far?**
- **A:** No. The percentages listed represent the portion of your funds that will be withheld in case you make redemption, these are not losses. No loss has been recorded on these assets yet, they are still valued at 100% of their face value. Furthermore, all of our U.S. equity funds managed by Northwater have had positive returns in August. So your account balance in those funds will most likely have increased when we update our systems next week.
- **Q: Do we need to complete an Investment Change Form next month?**
- **A:** No. Any amount directed to the restricted funds in your future allocation will be automatically directed to the new funds.
- **Q: Can we change direction for future allocations? What is the deadline?**
- **A:** Yes, the changes need to be in by September 25; it would be best to have it in earlier.
- **Q: What precipitated the crisis if the securities are highly-valued/rated? Why does no one want them?**

- **A:** It was a combination of over-reaction to the U.S. sub-prime mortgage markets and concerestructured notes with transparency.
- **Q: If these securities are so highly rated why did the Money Market Manager not invest in them?**
- **A:** The investment mandate with the Money Market Manager does not allow for investments in trusts and the manager did not like the market disruption clauses.
- **Q: Is the rating system different for different types of money market securities?**
- **A:** No. The rating reflects the credit worthiness of an issuer, or its ability and willingness to repay its debt. Other factors come into play to explain why the market lost interest in ABCP. It's possible that money market instruments with ratings lower than R1 High are still trading.
- **Q: What is the link to Erestructured notest & Young – Montreal Proposal?**
- **A:** www.ey.com/ca/commercialpaper

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Appendix D – References and Resources

- Joint Pension Board Governance documents:
<http://www.uwo.ca/univsec/board/acadpension.pdf>
<http://www.uwo.ca/univsec/board/adminpension.pdf>
- 2008 Annual Report:
<http://www.uwo.ca/humanresources/docandform/docs/pension/annreport/annualreport.pdf>
- 2008 Financial Statements: insert link
- Non Bank Asset Backed Commercial Paper Updates:
http://www.uwo.ca/humanresources/facultystaff/comp/pension/temp_restrictions.htm
- RN Management plan updates – link to be inserted
- PIMCO valuation report – link to be inserted
- Draft Amendments – link to be inserted
- Illustrations:

-What is a restructured note?

-Illustrate the carve out with a member example?

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