

**THE UNIVERSITY OF WESTERN ONTARIO**

**STATEMENT OF INVESTMENT POLICIES AND PROCEDURES**

**FOR THE**

**PENSION PLAN FOR MEMBERS OF THE ACADEMIC STAFF**

**AND**

**MEMBERS OF THE ADMINISTRATIVE STAFF**

**(Revised October 10, 2008)**  
**Revisions October 2009**

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**AND MEMBERS OF THE ADMINISTRATIVE STAFF**

**TABLE OF CONTENTS**

STATEMENT OF INVESTMENT POLICIES FOR MEMBERS OF THE ACADEMIC STAFF.....	4
SECTION 1 - INTENT AND SCOPE .....	4
SECTION 2 - PLAN OBLIGATIONS AND OBJECTIVES.....	5
SECTION 3 - CATEGORIES OF INVESTMENTS .....	6
SECTION 4 - IDENTIFICATION AND MEASUREMENT OF RISK.....	8
SECTION 5 - DIVERSIFICATION OF PORTFOLIOS .....	9
SECTION 6 - LIQUIDITY OF INVESTMENTS .....	12
SECTION 7 - LENDING OF CASH AND SECURITIES .....	12
SECTION 8 – BORROWING .....	12
SECTION 9 - VOTING RIGHT.....	13
SECTION 10 - VALUATION OF INVESTMENTS .....	14
SECTION 11 - RESPONSIBILITIES OF FUND MANAGERS AND PENSION AGENTS .....	15
SECTION 12 - CONFLICTS OF INTEREST .....	16
SECTION 13 - REVIEW PROCEDURES .....	18
SECTION 14 – POLICY ON SOCIALLY RESPONSIBLE INVESTING .....	21
STATEMENT OF INVESTMENT POLICIES FOR MEMBERS OF THE ADMINISTRATIVE STAFF .....	22
SECTION 1 - INTENT AND SCOPE .....	22
SECTION 2 - PLAN OBLIGATIONS AND OBJECTIVES SECTION.....	23
SECTION 3 - CATEGORIES OF INVESTMENTS .....	24
SECTION 4 - IDENTIFICATION AND MEASUREMENT OF RISK.....	26
SECTION 5 - DIVERSIFICATION OF PORTFOLIOS .....	27
SECTION 6 - LIQUIDITY OF INVESTMENTS .....	30
SECTION 7 - LENDING OF CASH AND SECURITIES .....	30
SECTION 8 – BORROWING .....	30
SECTION 9 - VOTING RIGHT.....	31
SECTION 10 - VALUATION OF INVESTMENTS .....	32
SECTION 11 - RESPONSIBILITIES OF FUND MANAGERS AND PENSION AGENTS .....	33
SECTION 12 - CONFLICTS OF INTEREST .....	34
SECTION 13 - REVIEW PROCEDURES .....	36
SECTION 14 – POLICY ON SOCIALLY RESPONSIBLE INVESTING .....	39
APPENDIX A – INVESTMENT MANAGERS.....	40
BEUTEL, GOODMAN & COMPANY LTD. ....	41
HIGHSTREET ASSET MANAGEMENT INC. ....	44
CONNOR, CLARK & LUNN INVESTMENT MANAGEMENT LTD.....	47
SANFORD C. BERNSTEIN & Co. LLC .....	50
STATE STREET GLOBAL ADVISORS, LTD.....	54
STATE STREET GLOBAL ADVISORS, LTD - (US EQUITY) .....	60
GREYSTONE MANAGED INVESTMENTS.....	64
NORTHWATER CAPITAL MANAGEMENT INC. ....	72
PYRAMIS GLOBAL ADVISORS .....	74
PANAGORA U.S. DYNAMIC SMALL CAP CORE STRATEGY .....	77
HARRIS ASSOCIATES L.P.....	80
T. ROWE PRICE GLOBAL INVESTMENT SERVICES LIMITED.....	83
MACKENZIE FINANCIAL CORPORATION.....	86
APPENDIX B – PENSION AGENTS .....	89

<b>ACS/BUCK CONSULTANTS .....</b>	<b>90</b>
<b>KPMG .....</b>	<b>91</b>
<b>RUSSELL INVESTMENTS CANADA LIMITED .....</b>	<b>97</b>
<b>MELLON ANALYTICAL SOLUTIONS CANADA, INC.....</b>	<b>100</b>
<b>NORTHERN TRUST .....</b>	<b>102</b>
<b>FINANCIAL EDUCATION INSTITUTE OF CANADA.....</b>	<b>103</b>
<b>MERCER HUMAN RESOURCE CONSULTING .....</b>	<b>106</b>
<b>MERCER INVESTMENT CONSULTING SERVICES.....</b>	<b>108</b>
<b>APPENDIX C – GOVERNANCE OF PENSION PLANS .....</b>	<b>111</b>

# **STATEMENT OF INVESTMENT POLICIES FOR MEMBERS OF THE ACADEMIC STAFF**

## **SECTION 1 - INTENT AND SCOPE**

- 1.1 The Pension Plan for Members of the Academic Staff (the Plan) was established to provide retirement benefits for the academic staff of The University of Western Ontario and its affiliated universities, colleges and businesses.
- 1.2 The Plan is sponsored by The University of Western Ontario (the University) and the legal plan administrator is the Academic Pension Board. The Academic Pension Board is empowered to review, monitor, administer and supervise all investment activities of the Fund.
- 1.3 This Statement of Investment Policies and Procedures has been implemented by the Academic Pension Board, effective December 31, 1989, and has been updated periodically since then. The most recent amendments have been made to reflect the restructuring of the Diversified Equity Fund, the addition of the Socially Responsible Global Equity Fund and the elimination of the sub-committees of the Joint Pension Board.
- 1.4 This Statement provides broad investment guidelines for the management of the Plan assets ( the Fund) . In general, the management of the Fund is delegated to professional external investment managers, subject to investment manager mandates and performance standards.
- 1.5 The Academic Pension Board, the University, the investment managers and any agent or advisor providing services in connection with the investment of the Fund shall accept and adhere to this Statement

## SECTION 2 - PLAN OBLIGATIONS AND OBJECTIVES

- 2.1 The Plan mentioned in Section 1.1 has both a defined benefit and defined contribution component. Academic employees of the University who joined the Plan subsequent to July 1, 1970 or was less than age 45 on July 1, 1970 are classed as "Regular Members" and are provided with a defined contribution benefit. Academic employees of the University who were members of the prior plan and who were age 45 or older on July 1, 1970 are classed as "Special Members" and are provided with a minimum guaranteed benefit based on a defined benefit formula (which is a best average salary plan). There are no active Special Members and only a few remaining retired members in receipt of benefits under the defined benefit component. Assets to fund these benefits are invested in accordance with the policy set out in Section 5.4.

Each Regular Member covered under the defined contribution component of the Plan is entitled to a benefit, the amount of which will depend upon the market value of the employees' investment accounts at the time of retirement, termination or death.

- 2.2 Active Members of the plan are required to make contributions to the Plan.
- 2.3 Individual members and their employer each contribute specific percentages of each member's basic salary to the Fund.

With respect to the Special Members, the University is required to contribute whatever, in addition to the Member's accumulated required contribution, is required to finance the defined benefits. These contributions are established from time to time, based on the advice of an actuary.

Members may make voluntary contributions to the Fund.

- 2.4 Because of the above features of the Plan's design, the University, participating employers and all active and retired members have a direct interest in the Fund's investment return.
- 2.5 Since the vast majority of investments under the Plan are to provide defined contribution benefits to Members, investment policies are designed by considering:
- a) **The needs and expectations of members:** for most members the benefit derived from this Plan makes a significant contribution to their overall retirement income. The Plan contribution levels and investment options have been designed to allow members to meet their needs and expectations for retirement income.
  - b) **The mix of members:** the members of the Plan vary in accordance with their age, tolerance for risk, investment knowledge and desire to implement and monitor a retirement plan. The investment and payment options under the Plan have been designed to address the varying preferences of the members.
  - c) **The ability of members to make well informed decisions:** on going information and training is provided to Plan members to ensure they are able to make well informed decisions and limits are placed on the risks that the investments are exposed to.

## SECTION 3 - CATEGORIES OF INVESTMENTS

3.1 Investments may be made in any of the following asset classes:

- a) Canadian common stocks or preferred stocks, warrants or rights, investment trusts including but not limited to:
  - i) those listed on a recognized stock exchange;
  - ii) over the counter stocks;
  - iii) debt convertible into equity.

The mandates for current Canadian equity managers are provided in Appendix A. The characteristics of these portfolio assets when combined are not anticipated to deviate significantly from the characteristics of the S&P/TSX Composite Index.

- b) Non-Canadian common stocks, Depository Receipts, warrants or rights, futures contracts investment trusts including
  - i) those of U.S. corporations;
  - ii) those of non-U.S. corporations.

The mandates for current US and Non North American equity managers are provided in Appendix A. In general, the returns and characteristics of the U.S. large and mid cap portfolio assets should not deviate significantly from the returns of the S&P 500 index and S&P 400 index. The U.S. small cap and Non North American portfolio assets are actively managed. The performance of these portfolios is benchmarked to the Russell 2000 index (US) and the MSCI EAFE index (Non North American) but the composition of the portfolios may differ substantially from the benchmarks.

- c) Debt securities of Canadian issuers, including those denominated in non-Canadian currencies.

The mandates for current Canadian bond managers are provided in Appendix A. In general, the returns and characteristics of these portfolio assets should not deviate significantly from prevalent Canadian Bond indices.

- d) Debt securities of non-Canadian issuers, including:
  - i) those of U.S. issuers;
  - ii) those of non-U.S. issuers.

The mandates for current non-Canadian bond managers are provided in Appendix A. Debt securities of non-Canadian issuers are actively managed and their performance is benchmarked to the Barclays Capital Global Aggregate Bond Index, but their characteristics may differ substantially from the benchmark. Derivative instruments are included in this portfolio.

- e) Real estate, Real Estate Income Trusts (REITs), Mortgages and Resource Properties.

There is no current mandate for a specific manager to invest in these assets; however the Canadian Equity, International Equity, U.S. Equity, Global Equity and Bond Managers may have a small allocation to these assets at any given time. In addition, separate mandates investing in these asset classes may be created in the future.

- f) Deposits with banks or trust companies.

Cash that is used to fund benefit payments or is awaiting investment is occasionally invested by the Fund custodian in short term deposits or notes with banks or trust companies.

g) Contracts with life insurance companies.

There is no current mandate for a specific manager to invest in these assets.

- 3.2 Investments may be made in the above asset classes either directly, or by holding units of a pooled, segregated or mutual fund investing in one or more of the asset classes, or by an indirect holding through a special purpose corporation as described in the Regulations of the Pension Benefits Act.
- 3.3 The Fund may not borrow, except under the circumstances and conditions set out in the Pension Benefits Act and Regulations under the Act.
- 3.4 The Fund may lend any of its investments, under conditions set out in the Pension Benefits Act, and Regulations under the Act.
- 3.5 The Fund may be involved in the purchase and sale of derivative instruments, in a segregated fund or a pooled fund holding eligible securities and derivatives, under the following conditions:
  - a) Selling or writing a call option on an investment held by the Fund.
  - b) Buying a call option.
  - c) Selling or writing a put option, if the underlying investment is permitted under this Section 3 and the Fund has sufficient liquidity to cover the option.
  - d) Buying a put option on an investment held by the Fund.
  - e) Holding offsetting positions in options.
  - f) Buying a future, if the underlying investment is permitted under this Section 3 and the Fund has sufficient liquidity to cover all margins.
  - g) Selling a future on an investment held by the Fund.
  - h) Holding offsetting positions in futures and currency forward contracts.
- 3.6 The mandates for each manager in Appendix A identifies whether derivative instruments are permitted in the portfolio of assets under their management.
- 3.7 The selected securities are obtained by employing a broker or entering into a transaction to purchase the securities directly from the issuers. In general, the managers will choose which brokerage firm to use in executing the transactions; however the Academic Pension Board may also direct the brokerage use.

## SECTION 4 - IDENTIFICATION AND MEASUREMENT OF RISK

- 4.1 The Academic Pension Board has identified the following factors which may represent risk in the investment of the pension fund:
- a) **Price risk:** the risk that the market value of an investment will fluctuate due to supply and demand. Other components of price risk include:
    - i) **Interest rate risk:** the risk that the market value of an investment, particularly bonds, will fluctuate due to changes in market interest rates.
    - ii) **Currency risk:** the risk that the market value of an investment will fluctuate due to changes in domestic currency values relative to the currency the investments are denominated in.
  - b) **Credit risk:** the risk that an issuer of a security will not pay the amount due as called for.
  - c) **Inflation risk:** the risk that the purchasing power of funds invested will be reduced during the period of investment.
  - d) **Operational risk:** the risk that the funds are not invested in the appropriate securities when required or that transaction and implementation costs erode the return of the securities.
- 4.2 The Academic Pension Board measures and analyzes these risks by reviewing the portfolios as outlined in Section 13. Applying the *Prudent Person approach*, risk of an investment is not considered based on the inherent risks of a particular security but rather by considering the risk of an entire portfolio, once the various securities are combined.
- 4.3 Risk of a portfolio is measured and monitored by considering the standard deviations of the returns and the correlation of returns among the securities in a portfolio and the value at risk measurements of the entire portfolio.



## SECTION 5 - DIVERSIFICATION OF PORTFOLIOS

5.1 The Fund is administered and managed on a combined basis through specialist portfolios (i.e. stocks, bonds, money market, etc.).

There are currently 16 investment funds through which the Fund may be invested.

These are:	Money Market Fund	Canadian Bond Fund
	Diversified Bond Fund	Canadian Equity Fund
	Diversified Equity Fund	US Equity Hedged Fund
	Balanced Income Fund	US Equity Unhedged Fund
	Balanced Growth Fund	Non North American Equity Fund
	Target Date Fund 2010	Long Term Bond Fund
	Target Date Fund 2012	Socially Responsible Global Equity Fund
	Target Date Fund 2014	UWO Liquidating Trust

All of these funds are professionally managed by external investment managers appointed by the Academic Pension Board.

- a) The Money Market Fund is diversified according to issuer and term to maturity. Federal, provincial and corporate issues are in the portfolio. At least 95% of the fund must be invested in securities with term to maturity of one year or less.
- b) The following asset mix for the Diversified Bond Fund, based on market value, has been adopted:

Canadian investment grade federal, provincial, municipal and corporate bonds, and Canadian bonds	66.5%
Non-Canadian bonds	33.5%

Up to 17% of the portfolio (25% of the assets managed by AllianceBernstein) may be exposed to non-Canadian currency.

- c) The following asset mix for the Diversified Equity Fund, based on market value, has been adopted:

Canadian Stocks, including Small Capitalization	30%
US Stocks and equivalents, including Small Capitalization	22.5%
Non-North American Stocks and equivalents	30%
Global Stocks and equivalents	17.5%

Up to 50% of the portfolio may be exposed to non-Canadian currency.

- d) The Canadian Equity Fund, US Large Cap Equity Funds, Non North American Equity Fund and Canadian Bond Fund are invested by the same managers and under the same mandates as the respective components of either the Diversified Bond Fund or the Diversified Equity Fund.

This modular structure for the investment options provides opportunity for more customized diversification for some members without increasing the administrative costs for all members.

- e) The Target Date Funds are diversified according to term to maturity. All securities in these portfolios are Government of Canada issues.
- f) The Long Term Bond Fund is diversified according to issuer and term to maturity. Federal, provincial and corporate issues are in the portfolio. All bonds are due to mature in 10 or more years.
- g) The UWO liquidating Trust includes investments in Restructured Notes received as a result of a *Companies Creditors Arrangement Act* restructuring plan for non-bank asset backed commercial paper held by pooled funds invested. The Restructured Notes at present have limited liquidity and the scope for professional management of this investment is limited by market considerations.

Investment in any one security will not exceed the maximum allowed under the Regulations of the Pension Benefits Standards Act or the Income Tax Act.

- 5.2 The members of the defined contribution component may direct both their own and their employer's contributions among the available investment funds. In addition, these members have the right, at any time, to change the distribution of the future contributions and, also, to re-distribute past contributions among the available investment funds. Some members may choose the pre-diversified funds as outlined above, or may choose their own asset mix among the available portfolios.
- 5.3 Some of the portfolios offered have a significant component that is passively managed, following a specified market index that is assumed to be a good representation of the broad asset class. This strategy allows for reduced management costs and reduced deviation of the portfolio returns from the established market benchmark.

Possible grounds for exception to the general principle of passive management would include the following:

- a) Implementation problems: for some asset classes it may be difficult to adopt a completely passive management policy.
  - b) Attractive active management: in some instances there may be good reasons to believe that a manager could out perform the market as defined by a benchmark and be easily monitored as to effectiveness.
  - c) No clearly attractive passive benchmark available.
- 5.4 For the Special Members, a formal asset mix review was conducted, which took into account all of the important liability-related factors such as the funded status, Plan demographics, actuarial assumptions, etc. Assets which have been set aside to meet liabilities for retired Special Members should be invested with 40% Equities, and 60% Bonds.
  - 5.5 Mercer's Report on the Actuarial Valuation for Funding Purposes of Special Members Benefit as at December 31, 2006 assumes that investment returns will average 4.50% in the long term. "This is based on an assumed inflation rate of 2.25% per year plus a real rate of return of 2.25%. The Academic Pension Board considers that a real return of 2.25% per annum is a satisfactory long-term return for the Fund, if achieved in the future.
  - 5.6 It shall be the responsibility of the Academic Pension Board, from time to time, to sub-divide, or to delegate the managers to sub-divide, the defined benefit component 60/40 debt/equity asset mix policy, defined in Section 5.4, among the asset classes permitted in Section 3.

It will also be the responsibility of the Academic Pension Board to select investment fund vehicles for the defined contribution members, from among the asset classes permitted in Section 3.

## **SECTION 6 - LIQUIDITY OF INVESTMENTS**

- 6.1 The Plan requires that payments be made as specified by members or their beneficiaries when they become entitled to those payments. In addition, members may choose to alter the investment of their entitlements as frequently as monthly. These provisions require that the investments are sufficiently liquid to meet these member and beneficiary requests. The UWO Liquidating Trust has limited liquidity because of market conditions.

In general, the amount of investments that are required to be redeemed from any portfolio to meet member requests are estimated at least 4 business days prior to each month end. Most of the portfolios hold a minimal amount of cash so managers are asked to identify securities to redeem in order to meet these requests by month end. The assets must be sufficiently liquid to be able to accommodate this request within 3 business days.

## **SECTION 7 - LENDING OF CASH AND SECURITIES**

- 7.1 The Plan may engage in securities lending activities to generate income incremental income, subject to the provisions of the *Pension Benefits Act*, the *Income Tax Act (Canada)* and their applicable Regulations.

Such loans must be secured by obligations of or guaranteed by the respective government of Canada or the United States, their respective agencies, or any Canadian province. The amount of collateral taken for securities lending should reflect best practices in local markets. In Canada, the current market practice is to obtain collateral of at least 105% of the market value of the borrowed securities, except that loans to US securities to US-domiciled borrowers shall be initially collateralized at 102%. This market relationship must be calculated at least daily.

The terms and conditions of any securities lending program including the maximum exposure in aggregate and by counterparty will be set out in a contract with the Custodian. The Custodian shall, at all times, ensure that the administration has a current list of those institutions that are approved to borrow the Plan's investments. If the Plan assets are invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract.

## **SECTION 8 – BORROWING**

- 8.1 The Plan may borrow funds, if necessary, of a short-term nature (period that does not exceed ninety days) to resolve any cash-flow requirements and/or to avoid a distress sale of securities, subject to the Pension Benefits Act, the Income Tax Act and their applicable Regulations.

## **SECTION 9 - VOTING RIGHT**

- 9.1 The exercising of voting rights acquired through any investment is delegated to the investment manager, subject to written direction to the contrary from the Academic Pension Board, with the instruction to vote in favour of any proposal which, in the manager's opinion, will accrue and enhance the investment value and against any proposals which will unduly increase the risk level or reduce the investment value of the relevant security.
- 9.2 If the investment manager or any of its voting officers has any direct or indirect pecuniary interest in any matter on which the Fund has a right to vote, it shall be brought to the attention of the Academic Pension Board, which has discretion to:
- a) instruct the investment manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
  - b) instruct the investment manager how to cast the Fund's vote, having considered the principles described above; or
  - c) Authorize the Fund's custodian/trustee to exercise the voting right in line with the principles described above.

## **SECTION 10 - VALUATION OF INVESTMENTS**

10.1 Investments under the Fund must be valued for many purposes:

- to evaluate the entitlements of members
- to evaluate the performance of managers
- to meet regulatory requirements
- to determine the suitable funding for defined benefit entitlements

10.2 The market value of the securities is used to value all portfolios. In order to verify regulatory requirements, the book value of the securities is also measured.

10.3 Investments that are traded on public exchanges and over the counter are valued at the end of each month based on the pricing sources as chosen by the custodian of the assets.

10.4 Any asset that is not capable of being traded frequently shall have its market value appraised internally by an investment manager at intervals not exceeding one year, providing that:

- a) the principles underlying such reappraisals are consistent with the principles underlying an external appraisal, and
- b) Any such reappraisal resulting in a value different by at least 10% from the last appraised value shall be confirmed by an external appraisal.

Further, any such asset whose most recently appraised value is at least 5% of the market value of the Fund shall have its market value appraised by a qualified independent agent at intervals not exceeding three years.

## **SECTION 11 - RESPONSIBILITIES OF FUND MANAGERS AND PENSION AGENTS**

- 11.1 The Academic Pension Board delegates responsibilities and duties to the following managers and agents:
- a) internal professional staff
  - b) external professional investment counsel
  - c) external custodians
  - d) external investment consultants
  - e) external auditors
  - f) external actuaries
  - g) external legal counsel
  - h) external software developers
- 11.2 The responsibilities and tasks for each of the internal and external pension agents are described in detail in Appendix B.
- 11.3 The Academic Pension Board retains the fiduciary responsibility for tasks assigned to investment managers and pension agents and must ensure that tasks are clearly documented, that the parties are adequately supervised and are reviewed periodically. Each of the professionals which are delegated duties by the Academic Pension Board is subject to their own professional standards regarding fiduciary duty to their clients and beneficiaries of the investments.

## SECTION 12 - CONFLICTS OF INTEREST

12.1 The Academic Pension Board is composed of:

- a) representatives of the Plan sponsor (the University), and
- b) members of the Plan elected by the plan membership

Academic Pension Board members in either category may be members of the Plan and by virtue of such membership may have an interest in the Funds affairs, and may participate in benefits under the Plan. However, members of the Academic Pension Board may receive no compensation for their services as such unless authorized by the University's Board of Governors.

12.2 A member of the Academic Pension Board who is a member of the Plan may take part in discussions and vote on all matters relating to the Plan, other than matters in which the member's interest is not the same or substantially the same as that of other members of the plan.

12.3 If a member of the Academic Pension Board has any direct or indirect interest, which is not the same or substantially the same as that of other members of the plan, in any matter in which the Fund is concerned, and if that member is present at a meeting of the Academic Pension Board at which time the matter is considered, the person shall, as soon as practicable after the commencement of the meeting, disclose this interest and shall not take part in the discussion or vote on the matter.

12.4 Where the Academic Pension Board is of the opinion that a conflict of interest exists that has not been declared, the Academic Pension Board may declare, by a resolution carried by two-thirds of the members present at the meeting, that a conflict of interest exists, and a member of the Academic Pension Board thus found to be in conflict of interest shall,

- a) refrain from taking part in any discussion or vote related to the matter, and
- b) withdraw from the meeting when the matter is being discussed if requested to do so by a majority of members present at the meeting.

12.5 Where such an interest has not been disclosed, because the person was absent from the meeting or acquired or became aware of the interest after the meeting, the person shall declare the interest and otherwise comply with section 12.3 above at the first meeting of the Academic Pension Board he or she attends after the meeting in question or after acquiring or becoming aware of the meeting in question or after acquiring or becoming aware of the interest.

12.6 a) The Academic Pension Board shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any investment manager appointed by it. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be deemed to apply to such investment manager.

b) For any such appointment of an investment manager any investigation required by the Academic Pension Board shall be carried out before the recommendation is made.

12.7 Any agent, or advisor, who is a party to a material contract, or proposed material contract with the Fund, shall disclose in writing to the Academic Pension Board, or request to have entered into the minutes of the Academic Pension Board, the nature and extent of such interest.

12.8 Every disclosure of interest under this Section 12 shall be recorded in the minutes of the relevant meeting of the Academic Pension Board.



12.9 The failure of a person to comply with the procedures described in this section shall not of itself invalidate any decision, contract or other matter.

## **SECTION 13 - REVIEW PROCEDURES**

13.1 This Statement of Investment Policies and Procedures shall be reviewed by the Academic Pension Board no less frequently than annually, and shall be confirmed or amended at that time.

13.2 **Quarterly Performance Reviews** including a summary of the short and long term performance of each investment fund and each manager is reviewed by the Academic Pension Board at the end of each quarter of the calendar year. The investment consultant provides details on relative performance and, where possible, an attribution analysis for the deviation from the benchmark for each manager and fund. Quarterly reports from the investment managers are also provided to the Academic Pension Board for this review. The Director, Investments, will be asked to research certain issues based on this review which occurs at the Joint Pension Board level (Academic Pension Board and the Administrative Staff Pension Board). In assessing performance, in all cases the primary emphasis is performance relative to a market benchmark and not relative to a universe of competing managers.

### **13.3 Annual meeting with the Joint Pension Board and Internal Staff**

Each year, the Joint Pension Board reviews the portfolio managed by each manager. The Director, Investments, meets with each portfolio manager every year and reports to the Joint Pension Board. The meeting location alternates between the portfolio manager's office and the University. Joint Pension Board members are invited to attend the meetings that take place at the manager's office, while meetings that take place at the University are held during regular meetings of the Joint Pension Board. Based on recommendations made by the investment consultant and the Director, Investments, the Joint Pension Board will discuss changes or issues with the fund.

The Director, Investments, considers the latest manager performance, the most recent review from investment consultant, the current investment objectives and the current fee schedule. If there has been an organizational change with the manager, a deviation from the mandate or if there is a concern about recent performance or any other concern, a meeting with the manager is arranged and they are informed of the specific concerns of the committee. The results of the meeting may include a change in mandate, a change in fee structure or a change in manager which is then recommended to the Joint Pension Board.

### **13.4 Research and Opinions provided by Consultants**

An investment consultant is retained to provide the Director, Investments, with their latest research regarding the investment management organization and their products. Russell Investments provides periodic reports on the products offered by most investment management organizations. These reports include commentary on the investment staff, organizational stability, portfolio construction, security selection, investment implementation and research by the firm with respect to the specific product being reviewed.

Russell Investments generally provides an overall recommendation for the product which can assume one of four values: HIRE, RETAIN, REVIEW, TERMINATE. For actively managed products, the recommendation is based on the degree of confidence Russell has with respect to a manager's ability to perform relative to a benchmark. The Joint Pension Board generally holds these opinions in high regard, since it is difficult to argue that the Joint Pension Board can have any better information than Russell Investments may have with respect to the internal operations of a manager. The rankings are used by the Joint Pension Board as one of several factors assisting them in their decisions.

### **13.5 Actions taken when under performance are observed.**

The Joint Pension Board's response to under performance recognizes that all managers will have such episodes and the response will depend on the nature of the asset class and the manager's style. The Joint Pension Board may choose to meet with the manager regarding the under performance.

If the under performance continues, the Joint Pension Board will review the appropriateness of the benchmark, the nature of the manager's style and re-evaluate their investment objectives. The period of evaluation of results, as agreed upon in the manager mandate, generally is observed before making any recommendations on the future of the manager's mandate. The Director, Investments, may recommend holding the manager because he believes the manager is still the best choice for meeting the objectives. Alternatively, the Director, Investments, may recommend that the pension board consider replacing the manager.

### **13.6 Actions taken when Consultant opinion changes**

When the investment consultant has downgraded their recommendation on a manager, the Director, Investments, first reviews the report prepared by the consultant to identify the source for their concern. Generally only downgrades to REVIEW or TERMINATE merit additional investigation. When a manager's product is recommended for REVIEW, the Director, Investments, will meet with the manager to discuss the concerns presented by Russell Investments. The Director, Investments, will then determine if he believes the manager has a well thought out plan to address the concerns raised. Changes in ranking will be reported to the Joint Pension Board who will decide if further action is required by the Director, Investments. Some actions that may be considered include:

- a) withhold all future cash flows to the manager, if a multi-manager fund
- b) rebalance the portfolio, allocating less weight to the manager in question
- c) identify the administrative issues with discontinuing the portfolio (eg. Notification period, termination clauses)

When Russell Investments issues a TERMINATE recommendation, then the Director, Investments, will go through the same process as for a downgrade to a REVIEW, however, the Joint Pension Board will strongly consider alternative managers for the portfolio. Some actions that may be considered include:

- a) withhold all future cash flows to the manager, if a multi-manager fund
- b) terminate the manager and invoke the back up manager strategy that has been previously agreed to
- c) initiate a search for a replacement manager
- d) identify and estimate the costs in changing managers and develop strategies for minimizing those costs.
- e) Terminate the manager once a replacement manager has been selected

### **13.7 Actions when administrative problems arise**

When administrative problems arise which may include failure to report information, inaccurate accounting of funds, difficulty in making allocations and redemptions with the manager, and failure to complete documentation required, the Director, Investments, based on the advice of other internal staff, may make recommendations. Some of the actions that may be considered include:

- a) meet with the manager to clarify the reporting and documentation required
- b) request an external audit of the accounting procedures
- c) determine the implementation costs associated with the manager in comparison to alternative managers
- d) discount the expected value added by the administrative aggravation to judge whether the manager should continue to be retained
- e) request fee forgiveness or reimbursement of expenses if the administrative issues are clearly the result of the manager's actions.

## **SECTION 14 – POLICY ON SOCIALLY RESPONSIBLE INVESTING**

14.1 The Mission of the Joint Pension Board is to provide members with the opportunity to accumulate adequate funds for retirement.

14.2 The duty of the Joint Pension Board is to maximize investment returns without undue risk.

14.3 The Joint Pension Board will not request that its external managers divest some of their holdings because of pressure from members of the University Community, due to the involvement of a particular company in some controversial industry or region of the world.

14.4 Nevertheless, the Joint Pension Board recognizes that environmental, social and governance factors may have an impact on corporate performance over the long-term, although the impact can vary by industry.

14.5 In order to monitor the impact of these factors on plan performance, the Director, Investments, may ask its external managers, as part of their annual review, to disclose all actions they've taken in regard to environmental, social and governance factors and their impact on our portfolio.

14.6 The Academic Staff Pension Board may offer a socially responsible investment option on a stand-alone basis. The investment option(s) offered must provide competitive risk-adjusted returns.

# **STATEMENT OF INVESTMENT POLICIES FOR MEMBERS OF THE ADMINISTRATIVE STAFF**

## **SECTION 1 - INTENT AND SCOPE**

- 1.1 The Pension Plan for Members of the Administrative Staff (the Plan) was established to provide retirement benefits for the administrative staff of The University of Western Ontario and its affiliated universities, colleges and businesses.
- 1.2 The Plan is sponsored by The University of Western Ontario (the University) and the legal Plan administrator is the Administrative Staff Pension Board (the Pension Board). The Pension Board is empowered to review, monitor, administer and supervise all investment activities of the Plan.
- 1.3 This Statement of Investment Policies and Procedures has been implemented by the Pension Board, effective December 31, 1989, and has been updated periodically since then. The 2008 amendments have been made to reflect the restructuring of the Diversified Equity Fund, the addition of the Socially Responsible Global Equity Fund and the elimination of the sub-committees of the Joint Pension Board.
- 1.4 This Statement provides broad investment guidelines for the management of the Plan assets (the Fund). In general, the management of the Fund is delegated to professional external investment managers, subject to investment manager mandates and performance standards.
- 1.5 The Pension Board, the University, the investment managers and any agent or advisor providing services in connection with the investment of the Fund shall accept and adhere to this Statement.

## SECTION 2 - PLAN OBLIGATIONS AND OBJECTIVES SECTION

- 2.1 The Plan mentioned in Section 1.1 has both a defined benefit and defined contribution component. Members who were employees of the University on May 1, 1974 and who have been continuously employed since that time are classed as “Special Members” and are provided with a minimum guaranteed benefit based on a defined benefit formula (which is a best average salary plan). Assets to fund these benefits are invested in accordance with the policy set out in Section 5.4.

Members who were hired by the University subsequent to May 1, 1974 are classed as “Regular Members” and are provided with a defined contribution benefit.

Each Regular Member covered under the defined contribution component of the Plan is entitled to a benefit, the amount of which will depend upon the market value of the employees’ investment accounts at the time of retirement, termination or death.

- 2.2 Active Members of the Plan are required to make contributions to the Plan.
- 2.3 Individual members and their employer each contribute specific percentages of each member’s basic salary to the Fund.

With respect to the Special Members, the University is required to contribute whatever, in addition to the Member’s accumulated required contribution, is required to finance the defined benefits. These contributions are established from time to time, based on the advice of an actuary.

Members may make voluntary contributions to the Fund.

- 2.4 Because of the above features of the Plan’s design, the University, participating employers and all active and retired members have a direct interest in the Fund’s investment return.
- 2.5 Since the vast majority of investments under the Plan are to provide defined contribution benefits to Members, investment policies are designed by considering:
- a) **The needs and expectations of members:** for most members the benefit derived from this Plan makes a significant contribution to their overall retirement income. The Plan contribution levels and investment options have been designed to allow members to meet their needs and expectations for retirement income.
  - b) **The mix of members:** the members of the Plan vary in accordance with their age, tolerance for risk, investment knowledge and desire to implement and monitor a retirement plan. The investment and payment options under the Plan have been designed to address the varying preferences of the members.
  - c) **The ability of members to make well informed decisions:** ongoing information and training is provided to Plan members to ensure they are able to make well informed decisions and limits are placed on the risks that the investments are exposed to.

## SECTION 3 - CATEGORIES OF INVESTMENTS

3.1 Investments may be made in any of the following asset classes:

- a) Canadian common stocks or preferred stocks, warrants or rights, investment trust including but not limited to:
  - i) those listed on a recognized stock exchange;
  - ii) over the counter stocks;
  - iii) debt convertible into equity.

The mandates for current Canadian equity managers are provided in Appendix A. The characteristics of these portfolio assets when combined are not anticipated to deviate significantly from the returns of the S&P/TSX Composite Index.

- b) Non-Canadian common stocks, Depository Receipts, warrants or rights, future contract, investment trust including
  - i) those of U.S. corporations;
  - ii) those of non-U.S. corporations.

The mandates for current US and Non North American equity managers are provided in Appendix A. In general, the returns and characteristics of the U.S. large and mid cap portfolio assets should not deviate significantly from the returns of the S&P 500 index and S&P 400 index. The U.S. small cap and Non North American portfolio assets are actively managed. The performance of these portfolios is benchmarked to the Russell 2000 index (US) and the MSCI EAFE index (Non North American) but the characteristics of the portfolios may differ substantially from the benchmarks. Debt securities of Canadian issuers, including those denominated in non-Canadian currencies.

The mandates for current Canadian bond managers are provided in Appendix A. In general, the returns and characteristics of these portfolio assets should not deviate significantly from prevalent Canadian Bond indices.

- c) Debt securities of non-Canadian issuers, including:
  - i) those of U.S. issuers;
  - ii) those of non-U.S. issuers.

The mandates for current non-Canadian bond managers are provided in Appendix A. Debt securities of non-Canadian issuers are actively managed and their performance is benchmarked to the Barclays Capital Global Aggregate Bond Index, but their characteristics may differ substantially from the benchmark.

- d) Real estate, Real Estate Income Trusts (REITs), Mortgages and Resource Properties.

There is no current mandate for a specific manager to invest in these assets; however the Canadian Equity, International Equity, U.S. Equity, Global Equity and Bond Managers may have a small allocation to these assets at any given time. In addition, separate mandates investing in these asset classes may be created in the future.

- e) Deposits with banks or trust companies.

Cash that is used to fund benefit payments or is awaiting investment is occasionally invested by the Fund custodian in short term deposits or notes with banks or trust companies.

- f) Contracts with life insurance companies.

There is no current mandate for a specific manager to invest in these assets.



- 3.2 Investments may be made in the above asset classes either directly, or by holding units of a pooled, segregated or mutual fund investing in one or more of the asset classes, or by an indirect holding through a special purpose corporation as described in the Regulations of the Pension Benefits Act.
- 3.3 The Fund may not borrow, except under the circumstances and conditions set out in the Pension Benefits Act and Regulations under the Act.
- 3.4 The Fund may lend any of its investments, under conditions set out in the Pension Benefits Act, and Regulations under the Act.
- 3.5 The Fund may be involved in the purchase and sale of derivative instruments, in a segregated fund or a pooled fund holding eligible securities and derivatives, under the following conditions:
  - a) Selling or writing a call option on an investment held by the Fund.
  - b) Buying a call option.
  - c) Selling or writing a put option, if the underlying investment is permitted under this Section 3 and the Fund has sufficient liquidity to cover the option.
  - d) Buying a put option on an investment held by the Fund.
  - e) Holding offsetting positions in options.
  - f) Buying a future, if the underlying investment is permitted under this Section 3 without leverage.
  - g) Selling a future on an investment held by the Fund.
  - h) Holding offsetting positions in futures and currency forward contracts.
- 3.6 The mandates for each manager in Appendix A identifies whether derivative instruments are permitted in the portfolio of assets under their management.
- 3.7 The selected securities are obtained by employing a broker or entering into a transaction to purchase the securities directly from the issuers. In general, the managers will choose which brokerage firm to use in executing the transactions; however the Pension Board may also direct the brokerage use.

## SECTION 4 - IDENTIFICATION AND MEASUREMENT OF RISK

- 4.1 The Pension Board has identified the following factors which may represent risk in the investment of the pension fund:
- a) **Price risk:** the risk that the market value of an investment will fluctuate due to supply and demand. Other components of price risk include:
    - i) **Interest rate risk:** the risk that the market value of an investment, particularly bonds, will fluctuate due to changes in market interest rates.
    - ii) **Currency risk:** the risk that the market value of an investment will fluctuate due to changes in domestic currency values relative to the currency the investments are denominated in.
  - b) **Credit risk:** the risk that an issuer of a security will not pay the amount due as called for.
  - c) **Inflation risk:** the risk that the purchasing power of funds invested will be reduced during the period of investment.
  - d) **Operational risk:** the risk that the funds are not invested in the appropriate securities when required or that transaction and implementation costs erode the return of the securities.
- 4.2 The Pension Board measures and analyzes these risks by reviewing the portfolios as outlined in Section 13. Applying the *Prudent Person approach*, risk of an investment is not considered based on the inherent risks of a particular security but rather by considering the risk of an entire portfolio, once the various securities are combined.
- 4.3 Risk of a portfolio is measured and monitored by considering the standard deviations of the returns and the correlation of returns among the securities in a portfolio and the value at risk measurement of the entire portfolio.

## SECTION 5 - DIVERSIFICATION OF PORTFOLIOS

- 5.1 The Fund is administered and managed on a combined basis through specialist portfolios (i.e. stocks, bonds, money market, etc.).

There are currently 16 investment funds through which the Fund may be invested. These are:

Money Market Fund	Canadian Bond Fund
Diversified Bond Fund	Canadian Equity Fund
Diversified Equity Fund	US Equity Hedged Fund
Balanced Income Fund	US Equity Unhedged Fund
Balanced Growth Fund	Non North American Equity Fund
Target Date Fund 2010	Long Term Bond Fund
Target Date Fund 2012	Socially Responsible Global Equity Fund
Target Date Fund 2014	UWO Liquidating Trust

All of these funds are professionally managed by external investment managers appointed by the Pension Board.

- a) The Money Market Fund is diversified according to issuer and term to maturity. Federal, provincial and corporate issues are in the portfolio. At least 95% of the fund must be invested in securities with term to maturity of one year or less.
- b) The following asset mix for the Diversified Bond Fund, based on market value, has been adopted:

Canadian investment grade federal, provincial, municipal and corporate bonds, and Canadian bonds	66.5%
Non-Canadian bonds	33.5%

Up to 17% of the portfolio (25% of the assets managed by AllianceBernstein) may be exposed to non-Canadian currency.

- c) The following asset mix for the Diversified Equity Fund, based on market value, has been adopted:

Canadian Stocks, including Small Capitalization	30%
US Stocks and equivalents, including Small Capitalization	22.5%
Non-North American Stocks and equivalents	30%
Global Stocks and equivalents	17.5%

Up to 50% of the portfolio may be exposed to non-Canadian currency.

- d) The Canadian Equity Fund, US Large Cap Equity Funds, Non North American Equity Fund and Canadian Bond Fund are invested by the same managers and under the same mandates as the respective components of either the Diversified Bond Fund or the Diversified Equity Fund.

This modular structure for the investment options provides opportunity for more customized diversification for some members without increasing the administrative costs for all members.

- e) The Target Date Funds are diversified according to term to maturity. All securities in these portfolios are Government of Canada issues.
- f) The Long Term Bond Fund is diversified according to issuer and term to maturity. Federal, provincial and corporate issues are in the portfolio. All bonds are due to mature in 10 or more years.
- g) The UWO Liquidating Trust includes investments in Restructured Notes received as a result of a *Companies Creditors Arrangement Act* restructuring plan for non-bank asset backed commercial paper held by pooled funds in which certain investment funds were invested. The Restructured Notes at present have limited liquidity and the scope of professional management is limited by market conditions.

Investment in any one security will not exceed the maximum allowed under the Regulations of the Pension Benefits Standards Act or the Income Tax Act.

- 5.2 The members of the defined contribution component may direct both their own and their employer's contributions among the available investment funds. In addition, these members have the right, at any time, to change the distribution of the future contributions and, also, to re-distribute past contributions among the available investment funds. Some members may choose the pre-diversified funds as outlined above, or may choose their own asset mix among the available portfolios.
- 5.3 Some of the portfolios offered have a significant component that is passively managed, following a specified market index that is assumed to be a good representation of the broad asset class. This strategy allows for reduced management costs and reduced deviation of the portfolio returns from the established market benchmark.

Possible grounds for exception to the general principle of passive management would include the following:

- a) Implementation problems: for some asset classes it may be difficult to adopt a completely passive management policy.
  - b) Attractive active management: in some instances there may be good reasons to believe that a manager could out perform the market as defined by a benchmark and be easily monitored as to effectiveness.
  - c) No clearly attractive passive benchmark available.
- 5.4 For the Special Members, a formal asset mix review was conducted, which took into account all of the important liability-related factors such as the funded status, Plan demographics, actuarial assumptions, etc. The contribution ratio for this portion of the Plan was subsequently re-confirmed, and is as follows: assets for Active Special Members should be invested with 50% of the contributions going into the Equities, and 50% going into the Bonds. It is expected that each member's actual asset mix differs from this ratio as the asset classes perform differently over time. It is important to note that there remains only 90 active Special Member in the Plan, whose defined contribution assets currently exceed by far the value of the defined benefit pensions.

With respect to funds which have been set aside to meet liabilities for retired Special Members, an Immunized Bond Fund was created on September 26, 2006. The fund invests mostly in zero-coupon provincial bonds. The future cash flows of the fund are expected to match the future pension payments.

- 5.5 Mercer's Report on the Actuarial Valuation for Funding Purposes as at December 31, 2006 assumes that investment returns will average 4.50% in the long term. "This is based on an assumed inflation rate of 2.25% per year plus a real rate of return of 2.25%. The Pension Board considers that this level of real return per annum is a satisfactory long-term return for the Fund, if achieved in the future.
- 5.6 It shall be the responsibility of the Pension Board, from time to time, to sub-divide, or to delegate the managers to sub-divide, the defined benefit component asset mix policy, defined in Section 5.4, among the asset classes permitted in Section 3.

It will also be the responsibility of the Pension Board to select investment fund vehicles for the defined contribution members, from among the asset classes permitted in Section 3.

## **SECTION 6 - LIQUIDITY OF INVESTMENTS**

- 6.1 The Plan requires that payments be made as specified by members or their beneficiaries when they become entitled to those payments. In addition, members may choose to alter the investment of their entitlements as frequently as monthly. These provisions require that the investments are sufficiently liquid to meet these member and beneficiary requests. The UWO Liquidating Trust has limited liquidity as a result of market conditions.

In general, the amount of investments that are required to be redeemed from any portfolio to meet member requests are estimated at least 4 business days prior to each month end. Most of the portfolios hold a minimal amount of cash so managers are asked to identify securities to redeem in order to meet these requests by month end. The assets must be sufficiently liquid to be able to accommodate this request within 3 business days.

## **SECTION 7 - LENDING OF CASH AND SECURITIES**

- 7.1 The Plan may engage in securities lending activities to generate income incremental income, subject to the provisions of the *Pension Benefits Act*, the *Income Tax Act (Canada)* and their applicable Regulations.

Such loans must be secured by obligations of or guaranteed by the respective government of Canada or the United States, their respective agencies, or any Canadian province. The amount of collateral taken for securities lending should reflect best practices in local markets. In Canada, the current market practice is to obtain collateral of at least 105% of the market value of the borrowed securities, except that loans to US securities to US-domiciled borrowers shall be initially collateralized at 102%. This market relationship must be calculated at least daily.

The terms and conditions of any securities lending program including the maximum exposure in aggregate and by counterparty will be set out in a contract with the Custodian. The Custodian shall, at all times, ensure that the administration has a current list of those institutions that are approved to borrow the Plan's investments. If the Plan assets are invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract.

## **SECTION 8 – BORROWING**

- 8.1 The Plan may borrow funds, if necessary, of a short-term nature (period that does not exceed ninety days) to resolve any cash-flow requirements and/or to avoid a distress sale of securities, subject to the Pension Benefits Act, the Income Tax Act and their applicable Regulations.

## SECTION 9 - VOTING RIGHT

- 9.1 The exercising of voting rights acquired through any investment is delegated to the investment manager, subject to written direction to the contrary from the Pension Board, with the instruction to vote in favour of any proposal which, in the manager's opinion, will accrue and enhance the investment value and against any proposals which will unduly increase the risk level or reduce the investment value of the relevant security.
- 9.2 If the investment manager or any of its voting officers has any direct or indirect pecuniary interest in any matter on which the Fund has a right to vote, it shall be brought to the attention of the Pension Board, which has discretion to:
- a) instruct the investment manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
  - b) instruct the investment manager how to cast the Fund's vote, having considered the principles described above; or
  - c) authorize the Fund's custodian/trustee to exercise the voting right in line with the principles described above

## SECTION 10 - VALUATION OF INVESTMENTS

10.1 The Fund must be valued for many purposes:

- to evaluate the entitlements of members
- to evaluate the performance of managers
- to meet regulatory requirements
- to determine the suitable funding for defined benefit entitlements

10.2 The market value of the securities is used to value all portfolios. In order to verify regulatory requirements, the book value of the securities is also measured.

10.3 Investments that are traded on public exchanges and over the counter are valued at the end of each month based on the pricing sources as chosen by the custodian of the assets.

10.4 Any asset that is not capable of being traded frequently shall have its market value appraised internally by an investment manager at intervals not exceeding one year, providing that:

- a) the principles underlying such reappraisals are consistent with the principles underlying an external appraisal, and
- b) any such reappraisal resulting in a value different by at least 10% from the last appraised value shall be confirmed by an external appraisal.

Further, any such asset whose most recently appraised value is at least 5% of the market value of the Fund shall have its market value appraised by a qualified independent agent at intervals not exceeding three years.



## **SECTION 11 - RESPONSIBILITIES OF FUND MANAGERS AND PENSION AGENTS**

11.1 The Pension Board delegates responsibilities and duties to the following managers and agents:

- a) internal professional staff
- b) external professional investment counsel
- c) external custodians
- d) external investment consultants
- e) external auditors
- f) external actuaries
- g) external legal counsel
- h) external software developers

11.2 The responsibilities and tasks for each of the internal and external pension agents are described in detail in Appendix B.

11.3 The Pension Board retains the fiduciary responsibility for tasks assigned to investment managers and pension agents and must ensure that tasks are clearly documented, that the parties are adequately supervised and are reviewed periodically. Each of the professionals which are delegated duties by the Pension Board is subject to their own professional standards regarding fiduciary duty to their clients and beneficiaries of the investments.

## SECTION 12 - CONFLICTS OF INTEREST

12.1 The Pension Board is composed of:

- a) representatives of the plan sponsor (the University), and
- b) members of the plan elected by the plan membership.

Pension Board members in either category may be members of the plan and by virtue of such membership may have an interest in the Fund's affairs, and may participate in benefits under the plan. However, members of the Pension Board may receive no compensation for their services as such unless authorized by the University's Board of Governors.

12.2 A member of the Pension Board who is a member of the Plan may take part in discussions and vote on all matters relating to the Plan, other than matters in which the member's interest is not the same or substantially the same as that of other members of the Plan.

12.3 If a member of the Pension Board has any direct or indirect interest, which is not the same or substantially the same as that of other members of the plan, in any matter in which the Fund is concerned, and if that member is present at a meeting of the Pension Board at which time the matter is considered, the person shall, as soon as practicable after the commencement of the meeting, disclose this interest and shall not take part in the discussion or vote on the matter.

12.4 Where the Pension Board is of the opinion that a conflict of interest exists that has not been declared, the Pension Board may declare, by a resolution carried by two-thirds of the members present at the meeting, that a conflict of interest exists, and a member of the Pension Board thus found to be in conflict of interest shall,

- a) refrain from taking part in any discussion or vote related to the matter, and
- b) withdraw from the meeting when the matter is being discussed if requested to do so by a majority of members present at the meeting.

12.5 Where such an interest has not been disclosed, because the person was absent from the meeting or acquired or became aware of the interest after the meeting, the person shall declare the interest and otherwise comply with section 12.3 above at the first meeting of the Pension Board he or she attends after the meeting in question or after acquiring or becoming aware of the meeting in question or after acquiring or becoming aware of the interest.

12.6 a) The Pension Board shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any investment manager appointed by it. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Association of Investment Management and Research shall be deemed to apply to such investment manager.

b) For any such appointment of an investment manager any investigation required by the Pension Board shall be carried out before the recommendation is made.

12.7 Any agent, or advisor, who is a party to a material contract, or proposed material contract with the Fund, shall disclose in writing to the Pension Board, or request to have entered into the minutes of the Pension Board, the nature and extent of such interest.

12.8 Every disclosure of interest under this Section shall be recorded in the minutes of the relevant meeting of the Pension Board.

12.9 The failure of a person to comply with the procedures described in this section 12 shall not of itself invalidate any decision, contract or other matter.

## **SECTION 13 - REVIEW PROCEDURES**

- 13.1 This Statement of Investment Policies and Procedures shall be reviewed by the Pension Board no less frequently than annually, and shall be confirmed or amended at that time.
- 13.2 **Quarterly Performance Reviews** including a summary of the short and long term performance of each investment fund and each manager is reviewed by the Pension Board at the end of each quarter of the calendar year. The investment consultant provides details on relative performance and, where possible, an attribution analysis for the deviation from the benchmark for each manager and fund. Quarterly reports from the investment managers are also provided to the Pension Board for this review. The Director, Investments, will be asked to research certain issues based on this review which occurs at the Joint Pension Board level (Academic Pension Board and the Administrative Staff Pension Board). In assessing performance, in all cases the primary emphasis is performance relative to a market benchmark and not relative to a universe of competing managers.

### **13.3 Annual meeting with the Committee**

Each year, the Joint Pension Board reviews the portfolio managed by each manager. The Director, Investments, meets with each portfolio manager every year and reports to the Joint Pension Board. The meeting location alternates between the portfolio manager's office and the University. Joint Pension Board members are invited to attend the meetings that take place at the manager's office, while meetings that take place at the University are held during regular meetings of the Joint Pension Board. Based on recommendations made by the investment consultant and the Director, Investments, the Joint Pension Board will discuss changes or issues with the fund.

The committee considers the latest manager performance, the most recent review from the investment consultant, the current investment objectives and the current fee schedule. If there has been an organizational change with the manager, a deviation from the mandate or if there is a concern about recent performance or any other concern, a meeting with the manager is arranged and they are informed of the specific concerns of the committee. The results of the meeting may include a change in mandate, a change in fee structure or a change in manager which is then recommended by the committee to the Joint Pension Board.

### **13.4 Research and Opinions provided by Consultants**

An investment consultant is retained to provide the Director, Investments, with their latest research regarding the investment management organization and their products. Russell Investments provides periodic reports on the products offered by most investment management organizations. These reports include commentary on the investment staff, organizational stability, portfolio construction, security selection, investment implementation and research by the firm with respect to the specific product being reviewed.

Russell Investments generally provides an overall recommendation for the product which can assume one of four values: HIRE, RETAIN, REVIEW, TERMINATE. For actively managed products, the recommendation is based on the degree of confidence Russell has with respect to a manager's ability to perform relative to a benchmark. The Joint Pension Board generally holds these opinions in high regard, since it is difficult to argue that the Joint Pension Board can have any better information than Russell Investments may have with respect to the internal operations of a manager. The rankings are used by the Joint Pension Board as one of several factors assisting them in their decisions.

### **13.5 Actions Taken When under Performance Is Observed**

The Joint Pension Board's response to under performance recognizes that all managers will have such episodes and the response will depend on the nature of the asset class and the manager's style. The Joint Pension Board may choose to meet with the manager regarding the under performance.

If the under performance continues, the Joint Pension Board will review the appropriateness of the benchmark, the nature of the manager's style and re-evaluate their investment objectives. The period of evaluation of results, as agreed upon in the manager mandate, generally is observed before making any recommendations on the future of the manager's mandate. The Director, Investments, may recommend holding the manager because they believe the manager is still the best choice for meeting the objectives. Alternatively, the Director, Investments, may recommend that the pension board consider replacing the manager.

### **13.6 Actions Taken When Consultant Opinion Changes**

When the investment consultant has downgraded their recommendation on a manager, the Director, Investments, first reviews the report prepared by the consultant to identify the source for their concern. Generally only downgrades to REVIEW or TERMINATE merit additional investigation. When a manager's product is recommended for REVIEW, the Director, Investments, will choose to meet with the manager to discuss the concerns presented by Russell Investments. The Director, Investments, will then determine if he believes the manager has a well thought out plan to address the concerns raised. Changes in ranking will be reported to the Joint Pension Board who will decide if further action is required by the Director, Investments. Some actions that may be considered include:

- a) withhold all future cashflows to the manager, if a multi-manager fund
- b) rebalance the portfolio, allocating less weight to the manager in question
- c) identify the administrative issues with discontinuing the portfolio (e.g. Notification period, termination clauses)

When Russell Investments issues a TERMINATE recommendation, then the Director, Investments, will go through the same process as for a downgrade to a REVIEW, however, the Joint Pension Board will strongly consider alternative managers be considered for the portfolio.

Some actions that may be considered include:

- a) withhold all future cashflows to the manager, if a multi-manager fund
- b) terminate the manager and invoke the back up manager strategy that has been previously agreed to
- c) initiate a search for a replacement manager
- d) identify and estimate the costs in changing managers and develop strategies for minimizing those costs
- e) Terminate the manager once a replacement manager has been selected

### **13.7 Actions When Administrative Problems Arise**

When administrative problems arise which may include failure to report information, inaccurate accounting of funds, difficulty in making allocations and redemptions with the manager, and failure to complete documentation required, the Director, Investments, based

on the advice of other internal staff, may make recommendations. Some of the actions that may be considered include:

- a) meet with the manager to clarify the reporting and documentation required
- b) request an external audit of the accounting procedures
- c) determine the implementation costs associated with the manager in comparison to alternative managers
- d) discount the expected value added by the administrative aggravation to judge whether the manager should continue to be retained
- e) request fee forgiveness or reimbursement of expenses if the administrative issues are clearly the result of the manager's actions

## **SECTION 14 – POLICY ON SOCIALLY RESPONSIBLE INVESTING**

14.1 The Mission of the Joint Pension Board is to provide members with the opportunity to accumulate adequate funds for retirement.

14.2 The duty of the Joint Pension Board is to maximize investment returns without undue risk.

14.3 The Joint Pension Board will not request that its external managers divest some of their holdings because of pressure from members of the University Community, due to the involvement of a particular company in some controversial industry or region of the world.

14.4 Nevertheless, the Joint Pension Board recognizes that environmental, social and governance factors may have an impact on corporate performance over the long-term, although the impact can vary by industry.

14.5 In order to monitor the impact of these factors on plan performance, the Director, Investments, may ask its external managers, as part of their annual review, to disclose all actions they've taken in regard to environmental, social and governance factors and their impact on our portfolio.

14.6 The Administrative Staff Pension Board may offer a socially responsible investment option on a stand-alone basis. The investment option(s) offered must provide competitive risk-adjusted returns.

# **APPENDIX A – Investment Managers**

INVESTMENT MANAGER MANDATES

AND

PERFORMANCE STANDARDS

BY MANAGER



## BEUTEL, GOODMAN & COMPANY LTD.

### INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS

#### MANAGER SPECIALIZATION:

Beutel, Goodman & Company Ltd. (“Beutel Goodman”) has been appointed by the Joint Pension Board of The University of Western Ontario as an investment counsellor to manage a segment of The Master Trust for The University of Western Ontario Pension Plans and the University of Western Ontario Retirement Income Fund within a quasi mutual fund trust called the UWO Canadian Equity Segregated Fund (the “Fund”). Beutel Goodman will manage a Canadian equity portfolio.

#### INVESTMENT OBJECTIVE:

The overall objective under this mandate is to manage:

1. A diversified equity portfolio of Canadian stocks, resulting over time in returns which exceed the S&P/TSX Composite total return.

#### EFFECTIVE COMMENCEMENT DATE:

This mandate will be in effect as at August 28, 2009 and will remain in effect until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed not less than on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to Beutel Goodman and reviewed by them for comments.

#### INVESTMENT GUIDELINES:

Beutel Goodman will have full discretion to manage the Fund subject to the following guidelines:

##### ***Permissible Investments***

Canadian common stock and equivalent securities including, but not limited to, equity warrants, rights, call options, installment receipts, convertible debentures, limited partnerships, private placements, REITs, income trusts, preferred shares, stock index futures, options on futures, cash and equivalents, so long as all investments qualify at all times as “prescribed investments” for registered retirement income funds pursuant to the *Income Tax Act* (Canada) and the Regulations hereunder, as amended from time to time.

##### ***Asset Mix***

	<b>Minimum</b>	<b>Maximum</b>
Canadian equities	90%	100%
Cash & short-term equivalents	0%	10%

##### ***Risk Controls***

*Cash & short-term equivalents:* The minimum quality standards are R1-low for money market securities and A for short-term bond and floating rate notes, as rated by a recognized rating agency.

*Holdings:* The number of holdings will range between 30 and 45.

*Single Stock Limits:* A single company will not represent more than 10% of the Fund, as measured in terms of market value.

*Sector Weights:* No minimum; the maximum is equal to the S&P/TSX Composite Index sector weight, as defined by the Global Industry Classification Standard, plus 10%.

***Derivatives:***

Conventional derivative instruments, such as warrants, rights, call options, stock index futures and options on futures, may be used provided they comply with the permissible investment provisions of this Mandate, but leverage is prohibited.

***Securities Lending:***

Securities lending is permissible. Securities loaned must be secured by cash and/or readily marketable government bonds and treasury bills. The minimum collateral coverage should be consistent with current market practice.

***Soft Dollars:***

The use of soft dollars is permissible. Beutel Goodman's soft dollar policy must comply with the CFA Institute Soft Dollar Standards and all applicable laws and regulatory policies.

**CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute.

**PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index and against an appropriate peer group sample.

The "value-added" performance objective for this mandate is highlighted below:

**Benchmark:** S&P/TSX Composite expressed in Canadian dollars

**Value-Added Target:** 200 basis points per annum

**Time Frame:** Four-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

On a relative performance basis, results for this mandate are expected to place above the median return of a recognized comparative measurement service.

**PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. Beutel Goodman has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

**MANAGER CONTACTS:**

William Ashby will be the account executive and primary contact for this mandate. Mark Thomson, Senior Vice President & Director of Research is the lead portfolio manager.

**MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

**TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolio.

**PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to Beutel Goodman, with the instruction to vote in favour of any proposal which, in its opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If Beutel Goodman, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Fund has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- (i) instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- (ii) instruct the manager how to cast the Fund's vote, having considered the principles described above; or
- (iii) authorize the Fund's custodian/trustee to exercise the voting right in line with the principles described above.

**ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of Beutel Goodman to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

*Last revised: October 2009*

# **HIGHSTREET ASSET MANAGEMENT INC.**

## **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD**

### **MANAGER SPECIALIZATION:**

Highstreet Asset Management Inc. has been appointed by the Joint Pension Board of The University of Western Ontario as an investment counselor to manage a segment of the Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). Highstreet will manage a Canadian equity portfolio.

### **INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage:

1. A diversified Canadian equity portfolio resulting over time in returns which outperforms the S&P/TSX Composite total return.

### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at July 9th, 2003 with respect to the Highstreet Canadian Equity Pooled Fund and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to Highstreet and reviewed by them for comments.

### **INVESTMENT GUIDELINES:**

Highstreet will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

The portfolio of Canadian securities invested for the UWO Diversified Equity Fund and the UWO Canadian Equity Fund will be invested in the Highstreet Canadian Equity Pooled Fund. This portfolio will be subject to the investment policies, procedures and guidelines set forth in the Highstreet Investment Management Agreement and Offering Memorandum, last revised in January 2009.

### **INVESTMENT CONSTRAINTS:**

All securities held must meet qualification investment rules for the Registered Retirement Income Funds and Registered Retirement Savings Plans under Sections 146.3 and 204 of the Income Tax Act and Section 4900 of the Regulation to the Income Tax Act (the Act).

As well, the investments are subject to the specific constraints covered by the Regulations under the Pension Benefits Act, the Pension Benefits Standards Act, and the Income Tax Act.

**CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute, as may be amended from time to time.

**PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index.

The "value-added" performance objective for this fund is highlighted below:

Benchmark:	S&P/TSX Composite expressed in Canadian dollars
Value-Added Target:	200 basis points per annum
Time Frame:	Four-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

**PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. Highstreet has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

**MANAGER CONTACTS:**

Janice Evans, Vice President, Investments, will be the account executive and primary contact for this mandate. Shaun Arnold, Chief Investment Officer, is the lead portfolio manager.

**MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

**TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (l) Not adhering to the stated investment guidelines.

- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

### **PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to Highstreet, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If Highstreet, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Master Trust has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- (i) instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- (ii) instruct the manager how to cast the Master Trust's vote, having considered the principles described above; or
- (iii) authorize the Master Trust's custodian/trustee to exercise the voting right in line with the principles described above.

### **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide Highstreet with any and all such amendments.

*Last revised: October 2009*

# **CONNOR, CLARK & LUNN INVESTMENT MANAGEMENT LTD.**

## **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD**

### **MANAGER SPECIALIZATION:**

Connor Clark & Lunn Investment Management Ltd. (CC&L) has been appointed by the Joint Pension Board of The University of Western Ontario as an investment counselor to manage a segment of the Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). CC&L will manage a Canadian equity portfolio.

### **INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage:

1. A diversified Canadian equity portfolio resulting over time in returns which outperforms the S&P/TSX Composite total return.

### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at July 9th, 2003 with respect to the CC&L pooled Canadian Equity Q Core Fund and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to CC&L and reviewed by them for comments.

### **INVESTMENT GUIDELINES:**

CC&L will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

The portfolio of Canadian securities invested for the UWO Diversified Equity Fund and the UWO Canadian Equity Fund will be invested in the Canadian Equity Q Core Fund. This portfolio will be subject to the investment policies, procedures and guidelines set forth in the CC&L Statement of Investment Policies and Procedures, last revised in June 2006.

### **INVESTMENT CONSTRAINTS:**

All securities held must meet qualification investment rules for the Registered Retirement Income Funds and Registered Retirement Savings Plans under Sections 146.3 and 204 of the Income Tax Act and Section 4900 of the Regulation to the Income Tax Act (the Act).

As well, the investments are subject to the specific constraints covered by the Regulations under the Pension Benefits Act, the Pension Benefits Standards Act, and the Income Tax Act.

### **CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute, as may be amended from time to time.

**PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index.

The "value-added" performance objective for this fund is highlighted below:

Benchmark:	S&P/TSX Composite expressed in Canadian dollars
Value-Added Target:	200 basis points per annum
Time Frame:	Four-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

**PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. CC&L has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

**MANAGER CONTACTS:**

Phil Cotterill, Partner will be the account executive and primary contact for this mandate. Martin Gerber, Partner, is the lead portfolio manager.

**MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

**TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.



### **PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to CC&L, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If CC&L, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Master Trust has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- (i) instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- (ii) instruct the manager how to cast the Master Trust's vote, having considered the principles described above; or
- (iii) authorize the Master Trust's custodian/trustee to exercise the voting right in line with the principles described above.

### **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide CC&L with any and all such amendments.

*Last revised: October 2009*

## **SANFORD C. BERNSTEIN & Co. LLC**

### **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD**

#### **MANAGER SPECIALIZATION:**

Sanford C. Bernstein Institutional Investment Management (AllianceBernstein) has been appointed by the Joint Pension Board of The University of Western Ontario as an investment manager to manage a segment of the Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). AllianceBernstein will manage two non-North American equity portfolios, and a global fixed income portfolio.

#### **INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage:

1. Two diversified equity portfolios of non-North American stocks, resulting over time in returns which exceed the MSCI EAFE total return.
2. A global fixed income portfolio, resulting over time in returns that exceed 50% of the Lehman Global Aggregate Index hedged in Canadian dollars and 50% of the DEX Universe Bond Index.

#### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at November 3, 1997 with respect to the non-North American equity mandates, and November 21, 2003 with respect to both the Global and Canadian fixed income mandates and will remain until further notice. On February 1, 2007, the Global and Canadian fixed income mandates that had been in effect since November 21, 2003 were merged into a single mandate that invests 50% of its assets in Canadian bonds and 50% in global bonds. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to AllianceBernstein and reviewed by them for comments.

#### **INVESTMENT GUIDELINES:**

Bernstein will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

1. The portfolio of non-North American securities invested for the UWO Diversified Equity Fund will hold companies listed on the stock exchanges of the countries included in the MSCI Europe, Australia and the Far East Index (EAFE).
2. The portfolio of non-North American securities invested for the UWO Non-North American Equity Fund will be invested in the Sanford C. Bernstein International (Cap-

Weighted, Unhedged) Fund (the "SCB Fund"). This portfolio will be subject to the investment policies, procedures and guidelines set forth in the Trust Agreement dated October 9, 1997 (as amended and supplemented from time to time) establishing the SCB Fund.

3. The portfolio of global fixed income securities invested for the UWO Diversified Bond Fund will be subject to the investment policies, procedures and guidelines set forth in the Investment Guidelines for UWO Bond Fund, dated December 5, 2006 and amended on November 18, 2007.

### **CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute.

### **PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index and against an appropriate peer group sample.

The "value-added" performance objective for this fund is highlighted below:

#### **Non North American Equity Mandates:**

Benchmark:	MSCI EAFE expressed in Canadian dollars
Value-Added Target:	300 basis points per annum
Time Frame:	Four-year, moving-average time horizon

#### **Global Fixed Income Mandate:**

Benchmark:	50% Lehman Global Aggregate hedged in Canadian dollars and 50% DEX Universe Bond Index
Value-Added Target:	100 basis points per annum
Time Frame:	Three-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

On a relative performance basis, results for these funds are expected to place above the median return of a recognized comparative measurement service.

### **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. AllianceBernstein has been selected as an investment management organization for its investment approach and for the skill and experience of its decision-making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

**MANAGER CONTACTS:**

Michael Parsons will be the account executive and primary contact for these mandates. The Investment Policy Group will be responsible for the portfolio management with specific resources on that group familiar with the UWO portfolios as follows:

- (i) Kevin Simms and Henry D’Auria with respect to non-North American equities
- (ii) Doug Peebles and Scott DiMaggio with respect to Global Fixed Income

**MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

**TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

**PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to AllianceBernstein, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If AllianceBernstein, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Master Trust has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- i. Instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- ii. Instruct the manager how to cast the Master Trust's vote, having considered the principles described above; or
- iii. Authorize the Master Trust's custodian/trustee to exercise the voting right in line with the principles described above.

For the avoidance of doubt, compliance with AllianceBernstein’s proxy voting manual (a copy which has been delivered to the Joint Pension Board) shall be deemed compliance with this section.

**ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide AllianceBernstein with any and all such amendments.

*Last revised: October 2009*

# STATE STREET GLOBAL ADVISORS, LTD

## **MANAGER SPECIALIZATION:**

State Street Global Advisors, Ltd (“the Manager”) has been appointed by the Joint Pension Board of The University of Western Ontario as an investment manager to manage a segment of the pension fund portfolio Master Trust for the University of Western Ontario Pension Plans and Retirement Income Funds (the “Master Trust”). The manager will manage:

- 1) A series of Target Date Funds (“TDFs”), each with a prescribed maturity date.
- 2) A Canadian Short Term Investment Fund (currently known as Canadian Money Market Fund)
- 3) A Canadian Bond Fund
- 4) A Canadian Long Term Bond Fund, and
- 5) An Immunized Bond Fund

## **INVESTMENT OBJECTIVE:**

The overall objectives under this mandate are as follows:

### **1) Target Date Funds**

The primary objective for each of the Target Date Funds managed by the Manager is to ensure, at a minimum, the achievement of a prescribed rate of return to the maturity date of each Target Date Fund (“TDF”). The prescribed rate of return will be determined at the inception date of each TDF and will be based on the yield to maturity on Government of Canada residual bonds with maturity dates closest to the maturity dates of each TDF. For those target date funds whose inception date was prior to the mandate effective commencement date, the prescribed rate of return will be the rate of interest, which is based directly on the yield to maturity of the portfolio as at November 30<sup>th</sup>, 2003.

A secondary objective is to add additional returns for each TDF by 1) purchasing issues that permit the TDFs to achieve a higher return than defined by the primary objective, and 2) by ongoing trading activity that will add incremental value to the TDFs over time.

### **2) Canadian Short Term Investment Fund (currently known as Canadian Money Market Fund)**

The overall objective is to exceed the return of the DEX 91 day T-Bill index.

### **3) Optimized Canadian Bond Fund**

The overall objective is to match the risk/return parameters of the DEX Universe Bond Index.

### **4) Optimized Canadian Long Term Bond Fund**

The overall objective is to match the risk/return parameters of the DEX Long Term Bond Index.

### **5) Immunized Bond Fund**

The overall objective of the Immunized Bond Fund is to invest the assets of the general account backing the defined benefit liabilities of the Administrative Staff Pension Plan in such a way that the cash flows generated by the Immunized Bond Fund match the expected benefit payments.

### **EFFECTIVE COMMENCEMENT DATE:**

This Investment Manager Mandate and Performance Standards statement will be in effect as at November 21, 2003 with respect to the TDFs, the Money Market Fund, the Optimized Canadian Bond Fund and the Optimized Canadian Long Term Bond Fund, and as at September 26, 2006 with respect to the Immunized Bond Fund and will remain until further notice. The investment Manager Mandate and Performance Standard statement will however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to the Manager and reviewed by them for comments.

### **INVESTMENT GUIDELINES:**

The Manager will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

#### **1) Target Date Funds:**

- a) Each TDF will be managed as an immunized portfolio.
- b) The average duration of each TDF should not deviate from its time to maturity date by more than 5%.
- c) Portfolios may be comprised only of Government of Canada issues (including Crown Corporations) and Canadian Provincial Issues (including provincially guaranteed securities). For those target date funds whose inception dates occur after the mandate effective commencement date, the federal and provincial issues will comprise of strip bonds only.
- d) For each TDF, total holdings of cash and securities under one year to maturity will be limited as follows:

<u>Remaining Term</u>	<u>Maximum Short-Term %</u>
i. 4 Years or more	10%
ii. 2 to 3.9 Years	25%
iii. Under 2 Years	no limit

- e) Foreign debt issues and private placements are not permitted.

#### **2) Canadian Short Term Investment Fund (currently known as Canadian Money Market Fund)**

- a) The maximum average term of the fund will not exceed 180 days
- b) The minimum quality of the short term security purchases will be R1-low or equivalent

- c) At least 95% of the fund must be invested in securities with term to maturity of one year or less, where the term to maturity for floating rate notes is deemed to be the next reset date.
- d) Holdings will be limited to Canadian issues denominated in Canadian dollars

### **3) Optimized Canadian Bond Fund**

- a) The portfolio will be managed as an indexed fixed income portfolio
- b) The portfolio should have characteristics substantially similar to the characteristics of the underlying benchmark with respect to quality, sector, duration and term structure.
- c) Foreign debt issues are not permitted
- d) Investment is not permitted in short term paper with quality ratings less than R1-low as measured by a recognized Canadian bond rating service

### **4) Optimized Canadian Long Term Bond Fund**

- a) The portfolio will be managed as an indexed fixed income portfolio
- b) The portfolio should have characteristics substantially similar to the characteristics of the underlying benchmark with respect to quality, sector, duration and term structure.
- c) Foreign debt issues are not permitted
- d) Investment is not permitted in short term paper with quality ratings less than R1-low as measured by a recognized Canadian bond rating service

### **5) Immunized Bond Fund**

- a) The primary investment objective of the Immunized Bond Portfolio Strategy is to manage a portion of the Fund's assets such that their value moves approximately in tandem with changes in the value of the fund's liabilities due to the effects of changes in interest rates.
- b) The Manager shall invest the Immunized Bond Portfolio in a segregated portfolio comprised only of Government of Canada issues (including Crown Corporations) and Canadian Provincial Issues (including provincially guaranteed securities) this will also include federal and provincial guaranteed issues of strip bonds and money market securities.
- c) The Manager shall manage the Immunized Bond Portfolio according to a modified duration target provided on receipt of advice from University of Western Ontario, which may be amended from time to time. The Manager shall ensure that the Immunized Bond Portfolio will be managed within plus or minus 0.25 years of the target modified duration.
- d) The Manager shall provide sufficient liquidity in the Immunized Bond Portfolio to pay monthly pension benefits. The Manager shall also provide sufficient liquidity in the Immunized Bond Portfolio so that all other fees and expenses of



the Fund are paid. Therefore, all investments must be in highly liquid, publicly traded securities.

### **INVESTMENT CONSTRAINTS:**

All securities held must meet qualification investment rules for the Registered Retirement Income Funds and Registered Retirement Savings Plans under Sections 146.3 and 204 of the Income Tax Act and Section 4900 of the Regulation to the Income Tax Act (the "Act").

As well, the investments are subject to the specific constraints covered by the Regulations under the Pension Benefits Act, the Pension Benefits Standards Act, and the Income Tax Act.

### **CODE OF CONDUCT:**

For these mandates, investment activities should be conducted in a manner consistent with the Code of Ethics and The Standards of Professional Conduct adopted by CFA Institute.

### **PERFORMANCE STANDARDS:**

#### **1) Target Date Funds ("TDFs"):**

Performance results will be monitored and evaluated at least quarterly.

The basis for evaluation will be the projected value at maturity of a unit of each TDF on the date of valuation. This maturity value will be calculated using the current unit value as determined by the fund custodian using generally accepted accounting principles and a rate of interest, which is based directly on the yield to maturity of the portfolio. This projected maturity value will be compared to the corresponding benchmark for each TDF<sup>1</sup> :

**Benchmark:** The projected maturity value per unit as determined at the inception date of each TDF, based on the returns on Government of Canada residuals with maturity dates closest to the maturity dates of each TDF.

The returns on the Canadian issues will be determined by averaging the offering yields of three recognized investment dealers in zero coupon securities, of those issues which best meet the maturity criteria noted above, at 4 pm on the first day on which the Manager is notified that funds are available to invest in each TDF.

Performance results will be monitored on an ongoing basis to determine if performance is within an appropriate tolerance range of the selected benchmark.

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<sup>1</sup> For Target Date Funds whose inception date was prior to the mandate effective commencement date, the benchmark will be the projected maturity value as determined at November 30<sup>th</sup> 2003, where the projected maturity value will be calculated by accumulating the Target Date Fund Unit value as at November 30<sup>th</sup>, 2003 using generally accepted accounting principles and a rate of interest, which is based directly on the yield to maturity of the portfolio as at November 30<sup>th</sup>, 2003.

**2) Canadian Short Term Investment Fund (currently known as Canadian Money Market Fund):**

Performance results will be evaluated on a quarterly basis against the DEX 91 day T-Bill index.

The "value-added" objective follows:

<b>Benchmark:</b>	DEX 91-day T-Bill index
<b>Value-Added Target:</b>	25 basis points per annum
<b>Time Frame:</b>	Four year, moving average time horizon

**3) Optimized Canadian Bond Fund**

Performance results will be monitored and evaluated on a quarterly basis against the appropriate benchmark:

<b>Benchmark:</b>	DEX Universe Bond Index
<b>Tracking error:</b>	10 bps annually

**4) Optimized Canadian Long Term Bond Fund**

Performance results will be monitored and evaluated on a quarterly basis against the appropriate benchmark:

<b>Benchmark:</b>	DEX Long Term Bond Index
<b>Tracking error:</b>	10 bps annually

**5) Immunized Bond Fund**

Performance results will be monitored and evaluated at least quarterly.

<b>Benchmark:</b>	DEX Universe Bond Index
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The basis for performance evaluation will be the successful completion of the following goals:

- a) Insuring that the fund's asset value moves approximately in tandem with the fund's liabilities due to the effect of changes in interest rates;
- b) Maintaining a portfolio duration within plus or minus 0.25 years of the target modified duration provided by the University.
- c) Providing sufficient liquidity to pay monthly pension benefits

**PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. The Manager has been selected as an investment management organization for its investment approach and for the skill and experience of its decision-making professionals that implement this approach.

It is understood that any changes in key personnel, ownership, and any changes or proposed changes to investment management philosophy, style, approach, and/or fees specific to this mandate, will be discussed in detail, with the appropriate individuals at the University of Western Ontario.

### **MANAGER CONTACTS:**

Mr. Marco Larocque will be the Client Service Officer and primary contact for these mandates. The Fixed Income Team will be responsible for the portfolio management with Nick Arvanitis and Louis Basque acting as specific resources on that group familiar with the UWO portfolio.

### **MEETING FREQUENCY:**

Performance review meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of the University of Western Ontario.

### **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- 1) Not adhering to the stated investment guidelines.
- 2) Performance results consistently below the stated performance objectives.
- 3) Changes in ownership, personnel, organizational structure, style, approach and/or fees which might be deemed to affect the overall risk level of the fund assets or to reduce the potential return of the portfolios.

The University of Western Ontario retains the right to terminate for any reason.

### **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandate and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of the University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide the Manager with any and all such amendments.

*Last revised: October 2009*

## **STATE STREET GLOBAL ADVISORS, LTD - (US Equity)**

### **MANAGER SPECIALIZATION:**

State Street Global Advisors, Ltd (“the Manager”) has been appointed by the Joint Pension Board of The University of Western Ontario as an investment manager to manage a segment of the pension fund portfolio Master Trust for the University of Western Ontario Pension Plans and Retirement Income Funds (the “Master Trust”). The manager will manage:

- 6) A U.S. Large Cap Equity Fund, indexed to the S&P 500 Index, with currency hedging
- 7) A U.S. Large Cap Equity Fund, indexed to the S&P 500 Index, without currency hedging
- 8) A U.S. Mid Cap Equity Fund, indexed to the S&P Midcap 400 Index, with currency hedging

### **INVESTMENT OBJECTIVE:**

The overall objectives under this mandate are as follows:

#### **1) U.S. Equity Hedged Fund**

The overall objective of this mandate is to replicate the performance of the S&P 500 index. The return to this portfolio will be hedged against exchange rate changes.

#### **2) U.S. Equity Unhedged Fund**

The overall objective of this mandate is to replicate the performance of the S&P 500 index. The return to this portfolio will not be hedged against exchange rate changes.

#### **3) Mid Cap U.S. Equity Hedged Fund**

The overall objective of this mandate is to replicate the performance of the S&P 400 index. The return to this portfolio will be hedged against exchange rate changes.

### **EFFECTIVE COMMENCEMENT DATE:**

This Investment Manager Mandate and Performance Standards statement will be in effect as at April 16, 2009 with respect to the U.S. Equity Hedged Fund, the U.S. Equity Unhedged Fund and the Mid Cap U.S. Equity Hedged Fund and will remain until further notice. The investment Manager Mandate and Performance Standard statement will however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to the Manager and reviewed by them for comments.

### **INVESTMENT GUIDELINES:**

The Manager will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

#### **1) U.S. Equity Hedged Fund:**

The portfolio of U.S. equity securities will be invested in the State Street Bank and Trust Company S&P 500 Index Common Trust Fund. The currency hedging component of the mandate will be done according to the currency overlay mandate described in schedule A of the First Amendment to the Investment Management Agreement made as of May 14, 2009.

**2) U.S. Equity Unhedged Fund:**

The portfolio of U.S. equity securities will be invested in the State Street Bank and Trust Company S&P 500 Index Common Trust Fund.

**3) Mid Cap U.S. Equity Unhedged Fund:**

The portfolio of U.S. equity securities will be invested in the State Street Bank and Trust Company S&P Midcap Index Common Trust Fund. The currency hedging component of the mandate will be done according to the currency overlay mandate described in schedule A of the First Amendment to the Investment Management Agreement made as of May 14, 2009.

**INVESTMENT CONSTRAINTS:**

All securities held must meet qualification investment rules for the Registered Retirement Income Funds and Registered Retirement Savings Plans under Sections 146.3 and 204 of the Income Tax Act and Section 4900 of the Regulation to the Income Tax Act (the "Act").

As well, the investments are subject to the specific constraints covered by the Regulations under the Pension Benefits Act, the Pension Benefits Standards Act, and the Income Tax Act.

**CODE OF CONDUCT:**

For these mandates, SSGA complies with the State Street Global Advisor, Ltd.'s Code of Ethics and State Street Corporation's Standard of Conduct requirements. Moreover, SSGA recognizes that its employees who have obtained the CFA® charter or who are candidates in the CFA® program are subject to the "Code of Ethics and Standards of Professional Conduct" established by the "CFA Institute".

**PERFORMANCE STANDARDS:**

**U.S. Equity Hedged Fund:**

Performance results will be monitored and evaluated on a quarterly basis against the appropriate benchmark:

**Benchmark:** S&P 500 Index Hedged

**Tracking error:** 10 bps annually

**2) U.S. Equity Unhedged Fund:**

Performance results will be monitored and evaluated on a quarterly basis against the appropriate benchmark:

**Benchmark:** S&P 500 Index Unhedged

**Tracking error:** 10 bps annually

### **3) Mid Cap U.S. Equity Hedged Fund:**

Performance results will be monitored and evaluated on a quarterly basis against the appropriate benchmark:

**Benchmark:** S&P Midcap 400 Index Hedged

**Tracking error:** 10 bps annually

### **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. The Manager has been selected as an investment management organization for its investment approach and for the skill and experience of its decision-making professionals that implement this approach.

It is understood that any changes in key personnel, ownership, and any changes or proposed changes to investment management philosophy, style, approach, and/or fees specific to this mandate, will be discussed in detail, with the appropriate individuals at the University of Western Ontario.

### **MANAGER CONTACTS:**

Mr. Mark Bischoff will be the Client Service Officer and primary contact for these mandates. The U.S. Equity Team will be responsible for the portfolio management of U.S. equities with David Chin and Dwayne Hancock acting as specific resources on that group familiar with the UWO portfolio and the Currency team will be responsible for the currency overlay with Yann Depin acting as specific resources on that group familiar with the UWO portfolio.

### **MEETING FREQUENCY:**

Performance review meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of the University of Western Ontario.

### **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- 1) Not adhering to the stated investment guidelines.
- 2) Performance results consistently below the stated performance objectives.
- 3) Changes in ownership, personnel, organizational structure, style, approach and/or fees which might be deemed to affect the overall risk level of the fund assets or to reduce the potential return of the portfolios.

The University of Western Ontario retains the right to terminate for any reason.

### **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandate and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of the University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide the Manager with any and all such amendments.

*Last revised: October 2009*

## **GREYSTONE MANAGED INVESTMENTS**

### **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD**

#### **MANAGER SPECIALIZATION:**

Greystone Managed Investments (Greystone) has been appointed by the Joint Pension Board of The University of Western Ontario as an investment counsellor to manage a segment of The Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). Greystone will manage a Canadian equity portfolio.

#### **INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage:

2. A diversified equity portfolio of Canadian stocks, resulting over time in returns which exceed the S&P/TSX Composite total return.

#### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at January 13, 2003 and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to Greystone and reviewed by them for comments.

#### **INVESTMENT GUIDELINES:**

Greystone will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

The portfolio of Canadian securities invested for the UWO Diversified Equity Fund and the UWO Canadian Equity Fund will be invested in the Greystone Canadian Equity Pooled Fund. This portfolio will be subject to the investment policies, procedures and guidelines set forth in the attached *Investment Policy and Performance Standards, Canadian Equity Growth Strategy* dated October 1, 2005 (and as amended from time to time).

#### **CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute.



## **PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index and against an appropriate peer group sample.

The "value-added" performance objective for this mandate is highlighted below:

### **Canadian Mandate:**

**Benchmark** S&P/TSX Composite expressed in Canadian dollars

**Value-Added Target:** 200 basis points per annum

**Time Frame:** Four-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

On a relative performance basis, results for this mandate are expected to place above the median return of a recognized comparative measurement service.

## **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. Greystone has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

## **MANAGER CONTACTS:**

Betty-Jane Thomas will be the account executive and primary contact for these mandates. The Canadian Equity Portfolio Team will be responsible for the portfolio management with Rod Balkwill acting as a specific resource on that group familiar with the UWO portfolio.

## **MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

## **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolio.

## **PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to Greystone, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If Greystone, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Fund has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- (i) instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- (ii) instruct the manager how to cast the Master Trust's vote, having considered the principles described above; or
- (iii) authorize the Master Trust's custodian/trustee to exercise the voting right in line with the principles described above.

## **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide Greystone with any and all such amendments.

*Last revised: October 2009*

## Appendix

# GREYSTONE CANADIAN EQUITY FUND

## INVESTMENT POLICY

### 1. OBJECTIVE

The investment objective of the Greystone Canadian Equity Fund (the “Fund”) is to seek superior long-term capital appreciation by investing in the equity securities of Canadian companies.

The performance objective is to exceed the Fund’s benchmark return gross of fees. Investment performance is evaluated over a full market cycle, which generally lasts between three and five years.

### 2. INVESTMENT STRATEGY

The Fund invests in a diversified portfolio of Canadian common stocks and other related securities. The Fund is actively managed and seeks to enhance returns and control risks.

To meet its superior long-term capital appreciation objective, the portfolio management process focuses on mature companies that can sustain superior earnings growth. Emphasis is also placed on earnings quality and financial strength. Analysis is undertaken in the context of the overall market and accordingly growth characteristics are assessed on a relative basis.

### 3. PERFORMANCE BENCHMARK

The performance benchmark index for the Fund is the S&P/TSX Composite Index. In instances where a stock comprises more than 10% of the Index, an appropriate “capped” equivalent index is adopted.

### 4. PERMISSIBLE INVESTMENTS

Canadian common stock and equivalent securities including, but not limited to, equity warrants, installment receipts, convertible debentures, limited partnerships, REITs and income trusts are permitted investments by the Fund. All securities are traded in recognized markets and purchased and sold through registered broker-dealers.

Private placements may be purchased, if the security issued will become eligible for trading within a reasonable and defined timeframe.

### 5. ASSET GUIDELINES

Generally the Fund is fully invested in Canadian equities. Based on total current market value, investment classes will be within the following ranges:

	% Minimum	% Neutral	% Maximum
Canadian Equities (1)	90	99	100
Cash & Short-term Equivalents (2)	0	1	10

*(1) Index-replicating vehicles may be used temporarily to get large short-term balances invested quickly.*

*(2) Cash and short-term equivalents are primarily used to facilitate ongoing realignments in the portfolio and liquidity requirements.*

## 6. RISK CONTROLS

All risk controls are measured in terms of market value.

**Short-term:** Money market securities must have a minimum rating of 'R1' as rated by a recognized rating service. Short-term bonds and floating rate securities must have a minimum rating of 'A' as rated by a recognized rating service.

**Holdings:** "Holding" refers collectively to equity securities of a single corporation, its subsidiaries and other controlled entities. The number of holdings will range between 30 and 50.

**Single Stock Limits:** A single company will not represent more than 10% of the Fund. A single holding will not exceed 10% of the voting shares of the corporation.

**Capitalization Limits:** At time of purchase, securities will have a total market capitalization of at least \$250 million.

**Industry Sector Limits:** Risk is managed by diversifying across various sectors and securities of the market. The Global Industry Classification Standard defines 10 sectors of the S&P/TSX Composite Index. Based upon this classification scheme, the aggregate holdings of the Fund in a single sector are maintained within the following ranges:

<i>S&amp;P/TSX Composite Index Sector Weight</i>	<i>Minimum</i>	<i>Maximum</i>
Less than or equal to 7%	0%	Sector +5%
Greater than 7% to 20%	0.25x Sector	Sector +10%
Greater than 20%	0.5x Sector	Sector +15%

In instances where a limit is breached due to changes in market prices and not because of portfolio activity initiated by Greystone, the Fund is re-balanced within a reasonable period.

## 7. DERIVATIVES

Conventional derivative instruments may be utilized in the portfolio management process. Currently, the Fund does not employ derivatives. Should derivatives be utilized in the future, advance written notification will be given to the unitholders.

## 8. SAFEKEEPING

The Fund's custodian, State Street Trust Company Canada, safekeeps the securities, settles trades and manages the Fund's security lending program.

## 9. SECURITIES LENDING

Securities lending is permissible. An affiliate of the Fund's custodian, State Street Bank and Trust Company, may loan securities held by the Fund, within a Greystone approved program.

Greystone will determine when it is in the best interest of the Fund to enter into a securities lending program. The purpose of securities lending is to generate additional income for the Fund.

Securities loaned must be secured by cash and/or readily marketable government bonds and treasury bills having a minimum collateral coverage as follows:

- At least 105% of the market value of the loaned securities for Canadian securities,
- At least 102% of the market value of the loaned securities for US securities; and
- Collateral margins in any other market must reflect best practices in that market.

## 10. PROXY VOTING

Greystone is responsible for voting proxies of securities held by the Fund. Voting is done pursuant to Greystone's Proxy Voting Guidelines approved by the Company and amended from time to time. A copy of the current Greystone Proxy Voting Guidelines may be obtained from Greystone upon request.

Where the Fund participates in a securities lending program, the Fund does not vote the proxies attached to those lent securities. In these instances, proxy voting becomes the right of the borrower.

Greystone engages the firm Institutional Shareholder Services (ISS) as its proxy management consultant. ISS assists Greystone in the process of fulfilling its fiduciary responsibilities concerning the voting of its clients' proxy ballots including this Fund.

## 11. SOFT DOLLAR USAGE

Greystone engages in soft dollar arrangements in trading the Fund's securities pursuant to Greystone's Soft Dollar Policy approved by the Company and amended from time to time. A copy of the current Soft Dollar Policy may be obtained from Greystone upon request.

## 12. BEST EXECUTION

Greystone strives to achieve "*best execution*" on all trades (both agency and principal) including those that involve "*soft dollar*" arrangements.

Greystone, in carrying out its fiduciary duties to the Fund, seeks to obtain the most favourable terms reasonably available under the circumstances for every Fund transaction.

In seeking the most favourable terms, Greystone considers the full range and quality of broker-dealer services in placing trades including, among other things, the value of research provided as well as execution capability, commission rate, market spread, financial stability, and responsiveness to Greystone.

The determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the Fund, in light of the above circumstances.

Greystone has in place a periodic and systematic evaluation process, which ranks the execution performance of broker-dealers. A transaction cost analysis is also done on a regular basis.

## 13. PROHIBITED TRADING

The Fund is prohibited from short selling, margin trading and maintaining negative cash positions.

#### 14. PERFORMANCE MEASUREMENT

Greystone measures investment performance of the Fund and provides it to unit holders on a quarterly basis.

#### 15. RELATED PARTIES

Greystone is a private company that is not associated with, nor related to, any parties providing services, including brokerage and custody services, to the Fund. Greystone, Greystone's Funds and Greystone's employee pension plan may hold units in the Fund from time to time.



# **NORTHWATER CAPITAL MANAGEMENT INC.**

## **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS**

### **MANAGER SPECIALIZATION:**

Northwater Capital Management Inc. (Northwater) has been appointed by the University of Western Ontario Joint Pension Board (UWO) as investment manager for the UWO Liquidating Trust. The UWO Liquidating Trust invests primarily in Restructured Notes (formerly non bank asset backed commercial paper) received as a result of the settlement and restructuring of the non-bank asset backed commercial paper market in Canada which received court approval under a *Companies Creditors Arrangement Act* (“CCAA”) restructuring plan in January 2009.

### **INVESTMENT OBJECTIVE:**

The Manager shall be responsible for the ongoing investment of the Restructured Notes and interest payments generated by the Restructured Notes.

### **INVESTMENT GUIDELINES:**

The fund will have two categories of investments:

1) Restructured Notes include the following categories of investments:

- i. MAV II Class A-1 Notes
- ii. MAV II Class A-2 Notes
- iii. MAV II Class B Notes
- iv. MAV II Class C Notes
- v. MAV II Tracking Notes Class 13

2) Reinvested Cash

The fund may invest the interest payments generated by the Restructured Notes in high quality Canadian Money Market instruments such as Treasury Bills, short term government bonds (federal only); bankers acceptances and term deposits); and cash. No corporate securities are allowed

### **REGULATORY AND CODE OF CONDUCT:**

**The investments are subject to the provisions of the Pension Benefits Act, R.S.O. 1990 and Regulations, including the applicable regulations to the Pension Benefits Standards Act.**

### **MANAGER CONTACTS:**

Mohammed Khaki, Vice-President will be the primary contact.

### **MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario. Northwater will commit to meeting a maximum of twice per year in London, Ontario.

### **TERMINATION:**



The Board may exercise its discretionary termination rights under the Agreement for reasons that may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

**ADDENDUM:**

UWO is currently conducting a manager search for the management of these funds.

*Last revised: October 2009*

# PYRAMIS GLOBAL ADVISORS

## INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD

### **MANAGER SPECIALIZATION:**

Pyramis Global Advisors ("Pyramis") has been appointed by the Joint Pension Board of The University of Western Ontario as an investment counselor to manage a segment of the Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). Pyramis will manage an International equity portfolio.

### **INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage:

1. A diversified International equity portfolio resulting in long-term capital growth.

### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at July 29th, 2005 with respect to the Pyramis International Growth Investment Account and will remain until further notice. This Investment Manager Mandate and Performance Standard will, however, be reviewed on an annual or, if requested by the Client, more frequent basis to ensure the content is still appropriate. Any proposed changes will be forwarded to the Investment Manager for its review and approval.

### **INVESTMENT GUIDELINES:**

Pyramis will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

- a) The Investment Manager may invest in all types of securities (which may be denominated in local currencies), including, without limitation, common, preferred and other capital stock, convertible securities and depository receipts for these securities. The Investment Manager may also invest in fixed-income securities for defensive purposes or for funds awaiting reinvestment and in fixed-income securities that are convertible into equity securities.
- b) The Investment Manager may invest in securities of companies having their principal business activities or interests in developing countries if those countries are included in the benchmark index.
- c) The Investment Manager may invest in securities of companies having their principal business activities or interests in countries not included in the benchmark index where the Investment Manager anticipates that such countries will be added to the benchmark index.
- d) Equity index futures may be used on an unleveraged basis solely to create synthetic equity exposure for cash.
- e) The Investment Manager may acquire, buy and sell rights, calls, and warrants in order to maintain a fully invested position while at the same time

accommodating liquidity requirements. The total position in rights, calls and warrants may not exceed 5% of the Investment Account.

**INVESTMENT CONSTRAINTS:**

Pyramis agrees to invest the assets of the Investment Account only in “qualified investments” under the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time, for registered retirement income funds.

As well, the investments shall comply with the *Pension Benefits Act* (Ontario) and the *Pension Benefits Standards Act, 1985* (Canada) and the respective regulations made thereunder, as may be amended from time to time.

**CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the Fidelity Investments Code of Ethics for Personal Investing, which is generally similar to the Code of Ethics adopted by the CFA Institute.

**PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index.

The "value-added" performance objective for this fund is highlighted below:

Benchmark:	MSCI EAFE expressed in Canadian dollars
Value-Added Target:	300 basis points per annum
Time Frame:	Four-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

**PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. Pyramis has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

**MANAGER CONTACTS:**

Rajan Burney, Vice President, Institutional Client Management will be the account executive and primary contact for this mandate. Michael Strong, Institutional Portfolio Manager, is the lead portfolio manager.

### **MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

### **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

### **PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to Pyramis, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If Pyramis, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Master Trust has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- (i) instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- (ii) instruct the manager how to cast the Master Trust's vote, having considered the principles described above; or
- (iii) authorize the Master Trust's custodian/trustee to exercise the voting right in line with the principles described above.

### **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended from time to time. The University of Western Ontario agrees to provide Pyramis with any and all such amendments.

*Last revised: October 2009*

# PANAGORA U.S. DYNAMIC SMALL CAP CORE STRATEGY

## INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARD

### **MANAGER SPECIALIZATION:**

PanAgora Asset Management, Inc. (PanAgora) has been appointed by the Joint Pension Board of The University of Western Ontario (UWO) as an investment counselor to manage a segment of the Master Trust for the University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). PanAgora will manage a U.S. small cap equity portfolio.

### **INVESTMENT OBJECTIVES AND PERFORMANCE STANDARDS:**

-To outperform the Russell 2000 Index by 250 to 300 basis points per annum over a full market cycle (3 to 5 years)

-To maintain a predicted annual tracking error between 3% and 6%

The above objectives are targets and as such their achievement can not be guaranteed.

### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at October 13<sup>th</sup>, 2006 and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to PanAgora and reviewed by them for comments.

### **INVESTMENT GUIDELINES:**

1. The Account will invest primarily in the following type of securities;
  - Common and other Equity Securities
  - Exchange traded funds (ETFs)
  - U.S. Treasury Bills
  - Short-term investment funds
2. The Account may invest in derivative instruments, such as equity index futures as an alternative to direct investment in the cash equity market, provided that the appropriate amount of cash and short-term money market securities is retained to prevent leveraging the portfolio.
3. The Account may not invest in physical commodities or physical commodities contracts.
4. The Account may not engage in short sales.
5. The Account may not invest in private-placements, including Rule 144A securities.
6. The Account may invest in any single stock up to 2% above the issuer weight in the above Index.
7. The Account may invest in any sector up to 6% above the sector weight in the above Index.

8. Cash and cash equivalent holdings not equitized by futures will typically not exceed 5%.
9. PanAgora will have full discretion to manage this segment of the Master Trust subject to the following guidelines: The portfolio of U.S. securities invested for the UWO Diversified Equity Fund will hold companies listed on prescribed stock exchanges, as defined in PART XXXII of the Income Tax Regulations. These stock exchanges include, but are not limited to, the New York Stock Exchange, the National Association of Securities Dealers Automated Quotation System (NASDAQ), the American Stock Exchange (AMEX), the Chicago Board of Options, and the Chicago Board of Trade.
10. All securities held must meet qualification investment rules for the Registered Retirement Income Funds and Registered Retirement Savings Plans under Sections 146.3 and 204 of the Income Tax Act and Section 4900 of the Regulation to the Income Tax Act.

As well, the investments are subject to the specific constraints covered by the Regulations under the Pension Benefits Act, the Pension Benefits Standards Act, and the Income Tax Act.

All investment guidelines apply at the time the security is purchased for the Account.

#### **CURRENCY MANAGEMENT:**

The benchmark used for reporting purposes by UWO is the Russell 2000 Index (unhedged) from a Canadian investor perspective. The manager may choose to hedge the U.S. currency exposure in order to add value.

#### **CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and the Standards of Professional Conduct adopted by the CFA Institute, as may be amended from time to time.

#### **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. PanAgora has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

#### **MANAGER CONTACTS:**

Robert Job, Director, Institutional Sales and Relationship Management will be the account executive and primary contact for this mandate. Ronald Hua, Chief Investment Officer, is the lead portfolio manager.

### **MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

### **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

In case of termination, UWO requests that the assets managed by PanAgora be transferred within 30 days.

### **PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to PanAgora, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

If PanAgora, or any of its officers, has any direct or indirect pecuniary interest in any matter on which the Master Trust has a right to vote, it should be brought to the attention of the Joint Pension Board of The University of Western Ontario, who is given discretion to:

- (i) Instruct the manager to exercise the voting right in line with the principles described above, on the grounds that the relevant pecuniary interest is not material; or
- (ii) Instruct the manager how to cast the Master Trust's vote, having considered the principles described above; or
- (iii) Authorize the Master Trust's custodian/trustee to exercise the voting right in line with the principles described above.

### **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standards statement proves to be too restrictive, in practice, given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

# **HARRIS ASSOCIATES L.P.**

## **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS**

### **MANAGER SPECIALIZATION:**

Harris Associates L.P. ("Harris") has been appointed by the Joint Pension Board of The University of Western Ontario (the "Joint Pension Board") as an investment counsellor to manage a segment of The Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). Harris will manage a global equity portfolio.

### **INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage a diversified equity portfolio of global equity stocks, resulting over time in returns which exceed the MSCI World Index total return as described more fully below under "Performance Standards".

### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at October 1, 2008 and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed by the Joint Pension Board or internal staff of The University of Western Ontario on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to Harris and reviewed by them for comments.

### **INVESTMENT GUIDELINES:**

Harris will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

The portfolio of global equity securities invested for the UWO Diversified Equity Fund will be invested in the Harris Associates Global Large Cap L.P. This portfolio will be subject to the investment policies, procedures and guidelines set forth in the attached *Confidential Offering Memorandum* dated August, 2007 (and as amended from time to time).

Harris shall manage the Partnership in such a manner that the Master Trust shall not be called upon to provide additional cash to satisfy obligations incurred by Harris on behalf of the partnership, unless Harris obtains prior written approval from the Master Trust.

### **CODE OF CONDUCT:**

In carrying out its mandate under the Subscription Agreement and Limited Partnership Agreement as same are modified by any side letters between the parties, Harris shall exercise its powers and perform its duties honestly and in good faith and shall exercise the degree of care, diligence and skill that a prudent



professional investment manager experienced in the management of pension trust assets would exercise in dealing with the property of another person. Harris and all of its employees, officers, directors, agents, contractors, delegates, successors and assigns shall comply with the CFA Institute *Code of Ethics and Standards of Professional Conduct*, as amended from time to time.

### **PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated on a quarterly basis against the applicable market index and against an appropriate peer group sample.

The "value-added" performance objective for this mandate is highlighted below:

Global Mandate:

**Benchmark**  
dollars

MSCI World Index expressed in Canadian

**Value-Added Target:**

150 basis points per annum

**Time Frame:**

Four-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

On a relative performance basis, results for this mandate are expected to place above the median return of a recognized comparative measurement service.

### **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. Harris has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, in detail, with the appropriate individuals of The University of Western Ontario.

### **MANAGER CONTACTS:**

Vineeta Raketich will be the account executive and primary contact for these mandates. The Global Equity Investment Team will be responsible for the portfolio management with David Herro and Bob Levy acting as a specific resource on that group familiar with the UWO portfolio.

### **MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario.

## **TERMINATION:**

Reasons for termination may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolio.

## **PROXY VOTING:**

The exercising of voting rights acquired by the fund is understood to be delegated to Harris, with the instruction to vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security and against any proposals which will increase the risk level or reduce the investment value of the relevant security.

## **ADDENDUM:**

If any item, guideline or constraint within this Investment Manager Mandates and Performance Standard statement proves to be too restrictive in practice given certain market conditions, it will be the responsibility of the investment manager to prepare a written report on the specific item for consideration by the Joint Pension Board of The University of Western Ontario.

This document may be amended from time to time by the Joint Pension Board or internal staff of The University of Western Ontario. The University of Western Ontario agrees to provide Harris with any and all such amendments.

*Last revised: October 2009*

## **T. ROWE PRICE GLOBAL INVESTMENT SERVICES LIMITED**

### **INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS**

#### **MANAGER SPECIALIZATION:**

The Joint Pension Board of The University of Western Ontario has determined that an investment in T. Rowe Price Funds SICAV Global Equity Fund (the "Fund") is a suitable investment for the Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds. Because T. Rowe Price Global Investment Services ("TRPGIS") makes the Fund available to the public through a prospectus under applicable securities laws, the Joint Pension Board has not appointed TRPGIS as an investment counselor to manage a segregated mandate. The Fund is a global equity portfolio into which the Master Trust will invest.

#### **INVESTMENT OBJECTIVE:**

The overall objective under this mandate is to manage a diversified equity portfolio of global equity stocks, resulting over time in returns which exceed the MSCI World All-Country Index total return as described more fully below under "Performance Standards".

#### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at October 1, 2008 and will remain until further notice.

#### **INVESTMENT GUIDELINES:**

TRPGIS will have full discretion to manage this segment of the Master Trust subject to the following guidelines:

The portfolio of global equity securities invested for the UWO Diversified Equity Fund will be invested in the T. Rowe Price Société d'investissement à capital variable (SICAV) Global Equity Fund. This portfolio will be subject to the investment policies, procedures and guidelines set forth in the attached *Simplified Prospectus* dated April, 2008 (and as amended from time to time).

#### **CODE OF CONDUCT:**

For these mandates, investment activities will be conducted in a manner consistent with the relevant section of the Code of Ethics and The Standards of Professional Conduct adopted by the CFA Institute.

### **PERFORMANCE STANDARDS:**

The current aim of the Global Equity Fund is to outperform the MSCI All Country World Index by 4% per annum, or more (gross of fees), over a rolling three year period, with an expected tracking error of 5% to 10%. The tracking error is an expected level, rather than a target level. There is no guarantee of investment performance.

TRPGIS acknowledges that Client shall monitor the performance of the Fund on a quarterly and 12 month moving-average basis.

### **PERSONNEL/STYLE:**

TRPGIS agrees to give Client at least one month's prior written notice (where practicable and consistent with the law applicable to TRPGIS and its parent company) of any change in the personnel of TRPGIS who are directly responsible for investing the assets of the Global Equity Fund, being Robert Gensler, or if such personnel otherwise cease to be employed in the same capacity as they are employed as at the date of this Agreement.

TRPGIS undertakes to give Client prior written notice of any proposed material change to the investment objective, policy and/or restrictions of the Fund as set out in the Prospectus.

### **MANAGER CONTACTS:**

Marlon Brown will be the account executive and primary contact for these mandates. The Global Equity Portfolio Team will be responsible for the portfolio management with Rob Gensler acting as a specific resource on that group familiar with the UWO portfolio.

### **MEETING FREQUENCY:**

The parties agree to meet yearly or at such other intervals as agreed between them to discuss in particular the Fund's performance and investment objectives.

### **TERMINATION:**

This Agreement may be terminated by either Party upon 60 days written notice to the other Party.

This Agreement shall be terminated (i) automatically in the event of the commencement of insolvency, composition or liquidation proceedings for the assets of Client or TRPGIS, or the SICAV, or (ii) if any of these entities lose necessary registrations to conduct the business contemplated by this Agreement, or (iii) in the event either Party breaches any material provision of this Agreement, provided that if the breach is capable of being remedied, the breaching Party has

not remedied such breach within 10 days of receipt of a notice from the other Party of such material breach.

This Agreement may be terminated with immediate effect by Client upon redemption of its total holding of Shares.

For the avoidance of doubt, termination of this Agreement shall not act to terminate any rights a Party may have, including the right to indemnification, arising out of actions or conduct occurring prior to such termination.

**PROXY VOTING:**

UWO acknowledges that proxy voting in relation to the Fund is undertaken by the Fund's investment manager or its delegate, in accordance with its proxy voting procedures.

**ADDENDUM:**

This document may be amended from time to time. The University of Western Ontario agrees to provide TRPGIS with any and all such amendments.

*Last revised: October 2009*

# Mackenzie Financial Corporation

## INVESTMENT MANAGER MANDATE AND PERFORMANCE STANDARDS

### **MANAGER SPECIALIZATION:**

The Joint Pension Board of The University of Western Ontario (the "Board") has determined that an investment in Mackenzie Universal Sustainable Opportunities Class (the "Fund") is a suitable investment for the Master Trust for The University of Western Ontario Pension Plans and Retirement Income Funds (the "Master Trust"). Because Mackenzie Financial Corporation ("Mackenzie") makes the Fund available to the public through a simplified prospectus under applicable Canadian securities laws, the Board has not appointed Mackenzie as an investment counselor to manage a segregated mandate. The Fund is a socially responsible investing ("SRI") global equity portfolio into which the Master Trust will invest.

### **INVESTMENT OBJECTIVE:**

The Fund seeks to achieve long-term capital growth by investing primarily in securities of companies in any country which are socially responsible in the conduct of their business operations ("socially responsible companies").

Socially responsible companies include those that:

- encourage progressive industrial relations with employees;
- encourage equal opportunities within their business operations and environment and within the countries in which they operate or do business;
- do not derive a significant portion of income from tobacco or alcohol sales, pornography or gaming products;
- provide products or services which are designed primarily for civilian use and are not military in character;
- are energy or utility companies which provide energy from non-nuclear sources and which minimize pollutants from their use of fossil fuels;
- consistently strive to comply with environmental regulations established by governments and government agencies;
- are committed to implementing environmentally conscious practices.

### **EFFECTIVE COMMENCEMENT DATE:**

This mandate will be in effect as at March 1<sup>st</sup>, 2008 commencing with the Master Trust's investment in Mackenzie Universal Sustainable Opportunities Class (the "Fund"), whose portfolio managers are Aberdeen Asset Management ("Aberdeen"), and will remain until further notice. This Investment Manager Mandate and Performance Standard statement will, however, be reviewed by the Board on an annual basis to ensure the content is still appropriate. Any proposed changes will be forwarded to Mackenzie and reviewed by them for comments. Mackenzie is under no obligation to respond to any changes to this Statement and Mackenzie is under no obligation to change or refrain from changing any parameters of the Fund to match this statement. Should Mackenzie make any such changes, it is the sole responsibility of the Board to determine whether the Fund remains a suitable investment for the Master Trust.

### **INVESTMENT GUIDELINES:**

Mackenzie will have full discretion to manage the Fund. The Board understands that the Fund is subject to the investment policies, procedures and guidelines set forth in the simplified prospectus issued by Mackenzie Financial Corporation, last revised in November 2008, and subject to renewal annually and to material changes at any time in accordance with applicable Canadian securities laws.

### **CODE OF CONDUCT:**

Mackenzie manages its Funds in accordance with its investment management policies and procedures and in accordance with its statutory duty of care. Mackenzie may, but has absolutely no obligation whatsoever to, use materials published by the CFA institute as a source in drafting the policies and procedures but makes no representation or warranty as to its adherence to any codes or standard published by the CFA institute. Mackenzie's Code of Conduct follows the Investment Funds Institute of Canada Code of Ethics.

### **PERFORMANCE STANDARDS:**

Performance results will be monitored and evaluated by the Board on a quarterly basis against the applicable market index.

The "value-added" performance objective for this fund is highlighted below:

Benchmark:	MSCI World Index expressed in Canadian dollars
Value-Added Target:	300 basis points per annum
Time Frame:	Three-year, moving-average time horizon

Performance results will also be monitored and evaluated on a twelve-month, moving-average basis to determine if performance is within an appropriate tolerance range on either side of the selected benchmark.

While the foregoing standards have been communicated to Mackenzie, they are communicated for Mackenzie's information only. Mackenzie has made no representations, warranties or covenants regarding these standards and understands that the Board may, in its discretion, use these standards to evaluate the suitability of investment in the Fund by the Master Trust from time to time. While the Board may consider these standards in any decision to cease investment in the Fund by the Master Trust, any such actions must be in accordance with the agreement dated February 26, 2008 and amended on August 19, 2009 between Mackenzie and the Board regarding investment in the Fund (the "Series O Agreement" and, to the extent that there is a conflict or inconsistency between this Statement and any provision of the Series O Agreement, the Series O Agreement shall prevail.

### **PERSONNEL/STYLE:**

Continuity in personnel is important to a successful investment management program. Mackenzie, with Aberdeen as portfolio managers, has been selected as an investment management organization for its investment approach and for the skill and experience of its decision making professionals that implement this approach.

It is understood that any changes or proposed changes in key personnel, ownership, investment management philosophy, style, approach, and/or fees, will be discussed, to the extent permitted by applicable securities laws, with the appropriate individuals of The University of Western Ontario. Mackenzie is under no obligation to seek any approval for any changes contemplated by this paragraph. The Board agrees that this paragraph shall not be construed to give the Board of the Master Trust any rights with respect to changes to the Fund not provided for specifically in the Series O Agreement.

**MANAGER CONTACTS:**

Doug Heighington, Senior Vice President at Mackenzie, will be the account executive and primary contact for this mandate. Jamie Cumming, Senior Investment Manager at Aberdeen, is the lead portfolio manager.

**MEETING FREQUENCY:**

Performance reviews and investment strategy meetings will be held regularly but not less frequently than annually with the Joint Pension Board or internal staff of The University of Western Ontario. Mackenzie will commit to meeting a maximum of twice per year in London, Ontario.

**TERMINATION:**

Termination is subject to the Series O Agreement. For Mackenzie's information, the Board may exercise its discretionary termination rights under the Series O Agreement for reasons that may include, but are not limited to, the following:

- (i) Not adhering to the stated investment guidelines.
- (ii) Performance results consistently below the stated performance objectives.
- (iii) Changes in ownership, personnel, structure, style, approach, and/or fees which might be deemed to affect the overall risk level of the assets or to reduce the potential return of the portfolios.

**PROXY VOTING:**

The exercising of voting rights acquired by the Fund is understood to be delegated to Mackenzie, as per the investment management agreement signed between The University of Western Ontario and Mackenzie Financial Corporation.

As sub-advisor of the Fund, Aberdeen has the authority to make all voting decisions concerning the securities held in the Funds on a fully discretionary basis in accordance with the advisory or sub advisory agreement. Mackenzie has determined that Aberdeen has proxy voting guidelines in place and is of the view that the guidelines are substantively similar to Mackenzie's Proxy Voting Policy.

**ADDENDUM:**

This document may be amended from time to time. The University of Western Ontario agrees to provide Mackenzie with any and all such amendments.

Mackenzie's proxy voting policies and procedures are outlined in the Fund's Annual Information Form.

*Last revised: October 2009*



# **APPENDIX B – Pension Agents**

DELEGATION OF DUTIES

TO

PENSION AGENTS

# ACS/BUCK CONSULTANTS

## Services provided to the University of Western Ontario Pension Plans

As part of the pension boards' effort to ensure prudent governance of the pension plans, the Communications and Administration Committee of the Joint Pension Board is documenting the role that ACS Buck Consultants and other pension agents play in the administration of the pension plans.

ACS/Buck Consultants have been employed by the University Pension Plans since 1994 when they were asked to design and deliver record keeping software. ACS is among the largest pension and actuarial consulting firms in Canada. Their primary role for our purposes is the development and maintenance of pension record keeping software. However, in the past they have also provided services regarding communication strategies - including conducting focus groups and making recommendations for communication strategies based on those focus group results. The following is a detailed description of their role, based on the most recent plan year:

- assessment of functionality of BASIS the software developed for our pension plan record keeping, as issues are reported to them from their clients and as technology and operating systems change
- provide improvements in system capabilities either when new functions are required or when a error in the processing logic has been identified
- provide guidance on interfaces of BASIS with other systems and database software (e.g. Payroll, improvements, new retiree benefits imports, exports for annual statements, direct query on data via Crystal reports)
- assist in the design and redesign of the annual statements to members
- provide on-going communications regarding changes in pension legislation that may impact our processes

# KPMG

## Services provided to the University of Western Ontario Pension Plans

**March 9, 2009**

Except as specified herein, all provisions of the most recent Engagement Letter between KPMG and The University of Western Ontario Pension Plan for Members of the Academic Staff, Pension Plan for Members of the Administrative Staff, Retirement Income Funds Program, and the Master Trust for the Pension Plans for the Academic and Administrative Staff and Retirement Income Funds Program ("the Plans") dated February 15, 2008 continue in effect from period to period unless amended or terminated in writing.

This letter amends the following terms of our engagement:

### Fees

The Plans and KPMG agree to a base fee of \$31,850 for financial statement audit services, including our audit report on the financial statements, our letter to management on significant internal control weaknesses (if any) and our communications to the Joint Pension Board.

### Other

The terms and conditions have been amended such that the Plans acknowledges that KPMG personnel are authorized to connect their computers to the Plans' IT Network, subject to any restrictions communicated to KPMG from time to time. Connection to the Plans' IT Network or the Internet via the Network, while at the Plans' premises, will be for the express purpose of conducting normal business activities, primarily relating to facilitating the completion of work referred to in this letter.

**February 15, 2008**

The purpose of this letter is to outline the terms of our engagement to express an opinion on the financial statements (hereinafter referred to as "annual financial statements") of The University of Western Ontario Pension Plan for Members of the Academic Staff, Pension Plan for Members of the Administrative Staff, Retirement Income Funds Program, and the Master Trust for the Pension Plans for the Academic and Administrative Staff and the Retirement Income Funds Program (the "Plans") as at and for the year ended December 31, 2007.

The annual financial statements referred to above will be presented in accordance with Canadian generally accepted accounting principles (hereinafter referred to as the "financial reporting framework").

This letter supersedes our previous letter to the University dated December 6, 2006. The terms of the engagement outlined in this letter will continue in effect from year to year, unless amended or terminated by the mutual consent of KPMG and the University in writing. The attached Terms and Conditions form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

## OUR RESPONSIBILITIES REGARDING THE AUDIT

Our function as auditors of the Plans is to express an opinion on the Plans' annual financial statements. We will conduct the audit in accordance with Canadian generally accepted auditing standards (hereinafter referred to as applicable "professional standards"). We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements present fairly, in all material respects, the net assets available for benefits and changes in net assets available for benefits in accordance with the financial reporting framework referred to above.

Accordingly, we will:

- obtain an understanding of the Plans' internal control over financial reporting to identify types of potential misstatements, consider factors that affect the risks of material misstatement, and design the nature, timing and extent of further audit procedures. This understanding will not be sufficient to enable us to render an opinion on the effectiveness of internal control over financial reporting.
- examine, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. We will also assess the accounting principles used and their application and significant estimates made by management, as well as evaluate the overall financial statement presentation.
- maintain our independence with respect to the Plans within the meaning of the Rules of Professional Conduct/Code of Ethics under which we are governed.
- communicate matters required by professional standards to the appropriate level of management to the extent that such matters come to our attention during our engagement. Such matters include: any misstatements resulting from error, other than trivial errors; any evidence obtained that indicates an illegal act or possibly illegal act, other than one considered inconsequential, may have occurred; any material weaknesses in the Plans' internal control over financial reporting; and any fraud or any information obtained that indicates that a fraud may exist.
- communicate a summary of our audit approach as well as other matters required by professional standards to those with oversight responsibility for the financial reporting process (e.g., the Joint Pension Board) to the extent that such matters come to our attention during our engagement. Such matters include:
  - any misstatements resulting from error, other than trivial errors, as communicated to management.
  - any evidence obtained that indicates an illegal act or possibly illegal act, as communicated to management.
  - any material weaknesses in the Plans' internal control over financial reporting, as communicated to management.
  - any fraud or any information obtained that indicates that a fraud may exist that, involves management, involves employees who have significant roles in internal

control over financial reporting, or results, or may result, in a non-trivial misstatement of the annual financial statements.

- any related party transaction which is not in the normal course of operations and involves significant judgments made by management concerning measurement or disclosure.
- questions regarding the honesty and integrity of management.
- matters that may cause future annual financial statements to be materially misstated.
- our professional judgment on the qualitative aspects of the accounting principles used in the Plans' annual financial statements.
- any disagreements with management about matters that individually or in the aggregate could be significant to the Plans' annual financial statements or our report thereon, whether or not subsequently resolved. our views about any matters that were the subject of management's consultation with other accountants about accounting matters and professional standards.
- any major issues discussed with management in connection with our audit including, among other matters, any discussions regarding the application of accounting principles and professional standards, and fees.
- any serious difficulties that we encountered in dealing with management.

The type and significance of the above matters to be communicated will determine the level of management or those with oversight responsibility for the financial reporting process to which the communication is directed. The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management or to those with oversight responsibility for the financial reporting process in discharging their responsibilities.

We will communicate any services we provided to the Plans (and related/affiliated entities) and other relationships between ourselves and the Plans (and related/affiliated entities) that, in our professional judgment, may reasonably be thought to bear on our independence. We will also confirm annually, in a written letter, our independence with respect to the Plans, within the meaning of the Rules of Professional Conduct/Code of Ethics under which we are governed.

## MANAGEMENT'S RESPONSIBILITIES

Management is responsible for:

- (a) the preparation and fair presentation of the Plans' annual financial statements in accordance with the financial reporting framework referred to above.
- (b) maintaining accounting records, selecting and applying appropriate accounting policies, and the safeguarding of assets.
- (c) providing us with and making available complete and accurate financial records and related data, and copies of all minutes of meetings of directors and committees of directors.

- (d) the Plans' internal control, including the design, implementation and operation of internal control over financial reporting to prevent and detect fraud and error, including internal controls over the financial reporting process and the accuracy of period-end adjusting journal entries.
- (e) disclosing to us any known control deficiencies in the design and implementation or operation of internal control over financial reporting.
- (f) disclosing to us information relating to any known or probable instances of non-compliance with legislative, regulator, governmental or other requirements, including financial reporting requirements or deficiencies and any known illegal act or possibly illegal act and all significant facts relation thereto..
- (g) (g) disclosing to us information relating to any allegations of fraud or suspected fraud affecting the Plans' annual financial statements communicated by others such as employees, former employees, or others.
- (h) disclosing to us information relating to fraud or suspected fraud and all significant facts related thereto affecting the Plans involving management, employees who have significant roles in internal control over financial reporting, or others, where the fraud could have a material effect on the annual financial statements.
- (i) disclosing to us any known action by any officer or director of the Plans, or any other person acting under the direction thereof, to fraudulently influence, coerce, manipulate or mislead us.
- (j) disclosing to us the results of its assessment of the risk that the annual financial statements may be materially misstated as a result of fraud.
- (k) disclosing to us information regarding all related parties and related part}' transactions
- (l) approving any corrected misstatements identified by us during the engagement and correcting the annual financial statements for all material misstatements and communicating their belief that the effects of any uncorrected misstatements aggregated during the engagement are immaterial, both individually and in the aggregate, to the annual financial statements taken as a whole.
- (m) providing us with written confirmation of significant representations made to us during the engagement on matters that are: directly related to items that are material, either individually or in the aggregate, to the annual financial statements; not directly related to items that are material to the annual financial statements but are significant, either individually or in the aggregate, to the engagement; or relevant to judgments or estimates that are material, either individually or in the aggregate, to the annual financial statements.

## OTHER MATTERS

One of the underlying principles of our profession is a duty of confidentiality with respect to client affairs. Accordingly, except for information that is in or enters the public domain, we will not provide any third party with confidential information concerning the affairs of the

Plans without the University's prior consent, unless required to do so by law or our Rules of Professional Conduct/Code of Ethics or orders from professional, securities or other regulatory or governmental authorities (both in Canada and abroad).

Auditors conducting an audit in accordance with professional standards obtain reasonable assurance that the annual financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. It is important to recognize that auditors cannot obtain absolute assurance that material misstatements in the annual financial statements will be detected, because of factors such as: the use of judgment; the use of testing of the data underlying the annual financial statements; the inherent limitations of internal control over financial reporting; and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.

Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with professional standards may not detect a material fraud.

While effective internal control over financial reporting reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot guarantee that fraud, error or illegal acts, if present, will be detected when conducting an audit in accordance with professional standards.

In addition, we cannot provide assurance that an unqualified opinion on the annual financial statements will be rendered. Circumstances may arise in which it is necessary for us to include a reservation in our report or to withdraw from the engagement. In such circumstances, our findings or reasons for withdrawal will be communicated to management and those with oversight responsibility for the financial reporting process.

When public documents contain or incorporate by reference either full or summarized annual financial statements that we have audited ("designated public documents"), professional standards require the performance of certain procedures, including determining whether the annual financial statements and our audit report(s) have been accurately reproduced, reading the designated public documents and assessing whether any of the information appears to be inconsistent. Management is responsible for providing us with copies of any designated public documents prior to their release and with adequate notice of the preparation of such documents as well as advising us of any-electronic filings of designated public documents.

#### INCOME TAX ADVISORY AND COMPLIANCE SERVICES

Tax advisory and compliance services are outside the scope of this letter. These services will be subject to the terms and conditions of a separate engagement letter.

#### FEES

The University and KPMG agree to a base fee of \$31,200 for financial statement audit services, including our audit report on the financial statements, our letter to management on significant internal control weaknesses (if any) and our communications to the Joint Pension Board.

We are available to assist the University, upon request, with a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.



# **RUSSELL INVESTMENTS CANADA LIMITED**

## **Services provided to the University of Western Ontario Pension Plans**

Russell Investments plays an important role in the administration of the pension plan. They not only provide consulting services but are a reliable and valuable resource for a wide variety of investment data and analysis. Russell Investments contract with the pension plans on a retainer fee basis. The following is a summary of the work performed by Russell Investments, as defined by the consulting service agreement:

### **Fund Governance**

- Russell shall provide assistance in the development of governance structures, policies and procedures that:
- Separate policy, management, operation and control responsibilities;
- Delegate investment management decisions prudently and profitably;
- Deliver timely and informative fund and manager reports; and,
- Monitor fund and manager compliance with policies, procedures and restrictions.

Russell shall provide assistance with documentation for the Plan, including:

- Statement of Investment Policies and Procedures;
- Statement of Investment Beliefs; and,
- Investment manager mandates.

### **Objective Setting and Asset Allocation**

- For the operating and Endowment Funds and, where applicable, for the Pension Fund, Russell shall provide:
- Assistance in the clarification of liabilities to be managed, objectives, risks to be managed and risk tolerance.
- Assistance in developing asset mix policies that maximize expected surplus growth or minimize contributions subject to client objectives and risk constraints.
- Assistance in the evaluation of a wide spectrum of asset classes including Canadian, U.S. and international stocks, bonds and cash, Canadian real estate, and non-traditional strategies, such as private equity, hedge funds and currency overlay.
- Assessment and recommendations regarding an appropriate rebalancing policy.

### **Investment Strategies and Manager Structures**

Russell shall provide:

- Recommendations as to asset class strategies that are designed to reduce underperformance risk by diversifying among complementary investment management styles.
- Analysis and recommendations regarding manager structures, using the appropriate mix of active and passive management, balanced and specialty management, segregated accounts and pooled funds.
- Style classification of composite and individual equity and bond portfolios using qualitative assessment, portfolio characteristic analysis and return-based measures.
- On a periodic basis, formal structural review of active manager strategies.

### **Investment and Manager Research**

Russell shall provide:

- Evaluation of Canadian, U.S. and global investment manager products using Russell Investments' worldwide manager-research professionals.
- Manager Notes that formally document meetings between Russell's manager research professionals and the investment managers for the products that it follows for the Client.
- Opinions regarding managers, including Hire/Retain/Review/Terminate ranks.
- Updates to Russell's manager recommendations, as they occur, including assessments of material staff, organizational and process changes.

### **Manager Search and Selection**

Russell shall provide:

- Identification of potential suitable candidates as investment managers in traditional asset classes and hedge funds, including an analysis of the blend of styles to identify good fit for the portfolios.
- Assistance in reducing the list to three or four, based on the style of management desired.
- Structural and performance analysis of short-list candidates and existing managers for comparison purposes.
- Preparation of questionnaires for interviews of investment managers.
- Attendance at manager interviews.

### **Performance Measurement, Evaluation and Reporting**

Russell shall provide:

- A Quarterly Performance Bulletin, with the data analytics to be provided by Mellon Analytical Solutions Canada, Inc. including details of the capital market environment, fixed income and equity markets, details of certain manager benchmark returns by industry, asset summary by class and manager, returns over selective time periods by class and manager, risk summary by class and manager, return attribution analysis, characteristics of stock and bond portfolios and comparative measurement for active managers.
- Comparison and, where warranted, reconciliation of Russell and investment manager returns.
- Quarterly performance and investment manager review presentations.
- Ongoing active manager qualitative review.

### **Research**

Russell shall provide the following research publications to the Client:

- Capital Market Returns (monthly).
- Canadian Capital Market History (annual).
- Russell Canada publications and ad hoc research from time to time.
- Russell Research Commentaries and Conversation Pieces from time to time.
- Russell Consulting Viewpoints and Practice Notes from time to time.

Russell will provide web-based access to Russell's research library of all published research, including Research Commentaries, Viewpoints, Monographs, and Practice Notes etc noted above. Russell will also provide capital market data on a monthly and annual basis (e.g. information for annual mailing to members) including rates of return and standard deviations and correlations for various time frames. Russell will provide direct research support, including data, analysis and interpretation, relating to questions or issues of an investment nature that are relevant to the investment program.

### **Education**

Russell shall provide the following education seminars which the Client may attend:

- Customized education seminars to members on specific topics as required and at educational sessions for Joint Pension Board on topics that are mutually agreed. This can include broad fiduciary training seminars every 3 to 5 years.
- Russell Investment Seminars, that are held periodically in Tacoma, Washington.
- Staff members and board members are invited to Russell client conferences that are held annually.
- Investment issue conferences that may be held on an ad hoc basis.

#### **Attendance at Meetings**

- Russell attend up to 12 meetings per year of the Joint Pension Board.
- Russell will provide pension boards with an external perspective on asset management issues, including preparation and presentation of key materials as may be required.
- Russell will observe and assess organizational or investment policy issues specific to the pension board.

#### **Other Services**

- Russell will provide consulting assistance as required arising from regulatory changes.

## **MELLON ANALYTICAL SOLUTIONS CANADA, INC.**

Mellon Analytical Solutions Canada, Inc. ("MAS") provides performance measurement services and analytical services through research reports, data and/or database(s) to be delivered by electronic means or hard copy format.

Reporting above includes:

- Monthly calculations of total fund, investment manager, and asset class performance of the pension plans based on the Custodial Financial Statements.
- Quarterly Performance Reports –including details of the capital market environment, fixed income and equity market, asset class summary by class and manager, returns over selective time periods by class and manager, returns attribution analysis, and comparative analysis measurement for active manager . QPB is sent in both Abode and Hardcopy to University of Western Ontario and Russell Investments Canada Limited.
- Comparison and, where warranted, reconciliation of MAS's and investment Manager returns.
- Access to MAS web based Workbench system including 9 user licenses.

# HICKS MORLEY HAMILTON STEWART STORIE LLP

## Services provided to the University of Western Ontario Pension Plans

As part of the pension boards' effort to ensure prudent governance of the pension plans, the Communication and Administration Committee of the Joint Pension Board are documenting the role that *Hicks Morley Hamilton Stewart Storie LLP* and other pension agents play in the administration of the pension plans.

*Hicks Morley* is the external legal counsel to the pension plans. They provide a variety of services to the pension plans as follows:

- **Information and advice on good plan governance**

*Hicks Morley* representatives attend the pension board retreat sessions and provide opportunities for internal staff to meet with them and other clients to discuss specific governance and administrative cases. They provide a regular newsletter that generally includes pension-related court decisions

- **Legal documents**

At the discretion of the Department staff, *Hicks Morley* is called upon to clarify details or suggest amendments to draft contracts with external providers of services, and amendments to the pension plan texts.

- **Proposed communication to plan members**

At the discretion of the Department staff, *Hicks Morley* is asked to review communication material for distribution to plan members and make comment on any areas where the University may be exposed to liability and make specific wording recommendations.

- **Interpretation of Plan Documents, Applicable Legislation and Court Orders**

Where the Department staff is unclear of the interpretation of plan provisions, the Ontario Pension Benefits Act and regulations, the Income Tax Act and regulations, the Family Law Act, the Employment Standards Act or specific court orders as relates to unique or uncommon situations (e.g. Assignment of benefits due to marriage breakdown, payment of survivor benefits) *Hicks Morley* is consulted.

- **Special Projects as delegated**

In the past *Hicks Morley* has been involved significantly in the development of special programs including the Supplemental Pension Arrangement and the Life Income Fund products.

*Hicks Morley* is paid an hourly rate, depending on the level of services required.

## **NORTHERN TRUST**

### **Services provided to the University of Western Ontario Pension Plans**

As part of the pension boards' effort to ensure prudent governance of the pension plans, the Communications and Administration Committee of the Joint Pension Board is documenting the role that *NORTHERN TRUST* and other pension agents play in the administration of the pension plans.

*Northern Trust* has been the trustee and custodian to the pension plans since December 1, 1999. They provide a variety of services to the pension plans as follows:

- **Hold assets and provide valuation of assets on a monthly basis**
- **Execute transactions as instructed by UWO and Managers**
- **Pay monthly and lump sum payments**
- **Provide documentation and special reports for audit and financial statements**
- **Provide on-line access to investment accounts**
- **Coordinate securities lending**

More details on the services provided by Northern are articulated in the service level agreement.

# FINANCIAL EDUCATION INSTITUTE OF CANADA

## Services provided to the University of Western Ontario Pension Plans

In order to better service its members and to comply with the requirements of the Capital Accumulation Plan Guidelines, the Joint Pension has entered into an agreement with the Financial Education Institute of Canada.

The Financial Education Institute of Canada is an independent provider of financial, retirement, and life planning education to various types of investors. The firm is not associated with any investment firms and does not sell financial products. As such, the advice provided is unbiased and we can expect that members will be more comfortable in this type of environment.

The firm provides education through three mediums: 1) seminars and workshops, 2) books and publications, and 3) a comprehensive website. The seminars and workshops are provided by independent facilitators. The facilitator for the University will be Graydon Watters, the founder and President of the Financial Education Institute of Canada.

### Seminars and Workshops

The content for the education sessions follows a modular design. The client can choose the modules that they would like to have included in the workshops. The Financial Education Institute of Canada offers a variety of financial modules and non-financial or life planning modules.

One-Day Financial and Retirement Planning Workshops use a holistic approach to address the following topics:

- Creating a happy, healthy, lifestyle
- Pre-retirement preparation and planning
- Time management
- Human needs satisfaction
- Relationships in retirement
- Financial self-management skills and techniques
- Investment and asset allocation strategies
- Retirement income planning

### Books and Publications

The Financial Education Institute of Canada publishes the following books:

- Financial Survival for the 21<sup>st</sup> Century
- Financial Pursuit: Canada's Working Guide to Personal Wealth

### The Financial Educator™ Website

The Financial Educator™ is an e-learning website that offers a modular-based self-study program with each module functioning independently of the others. The financial exercises supported by tips and narratives. The modules are continually being redesigned and new modules added. This is an area of priority for FKI.

The modules are presented under four different themes: financial planning, retirement planning, life planning and specialty planning.

Here's a list of modules currently offered:

- 1) Financial Planning
  - Financial Planning - The Basics
  - Creating Goals & Setting Objectives
  - Magic of Compounding
  - Asset Allocation Strategies
  - The Personal Financial Planning Process
  - The ABCs of Fixed-Income
  - The ABCs of Equities
  - Economic Cycles
  - The World of Financial Advisors
  - An Honest Assessment of Your Finances
  - Mutual Funds - The Basics
  - Mutual Funds - Intermediate Planning Strategies
  - Mutual Funds - Advanced Planning Strategies
  - ABCs of Income Trusts
  - REITs, Royalty, and Business Trusts
  - Bear Market Psychology
  - Registered Education Savings Plans
  - Risk Management - Life Insurance
  - Exchange Traded Funds
- 2) Retirement Planning:
  - Retirement Planning - The Basics
  - Making the Most of Your RRSPs
  - RRSPs - Advanced Planning Strategies
  - Annuity Tactics
  - RRIF Opportunities
  - Retirement Income Planning
  - Reverse Mortgages
- 3) Life Planning:
  - Life Planning - The Basics
  - Work-Life Balance - Stress Management
  - Work-Life Balance - Time Management
  - Relationships in Retirement
- 4) Specialty Planning:
  - Pensions - Commuted Value Theory
  - Pensions - Commuted Value Considerations



The website also offers an extensive suite of everyday use calculators. There are 18 calculators in total and they cover topics such as loan calculations, asset accumulation, budgeting, life expectancy, life insurance, renting or buying and RRIF payments.

# MERCER HUMAN RESOURCE CONSULTING

## Services provided to the University of Western Ontario Pension Plans

Mercer Human Resource Consulting provides services to the University as part of the University's obligations to meet the ongoing pension liability of the Academic Staff and Administrative Staff Pension Plans and any obligations resulting from the supplemental benefits payable to special members who are entitled to a minimum defined benefit guarantee.

The services provided by Mercer, as defined in schedule 1 of a letter of agreement dated February 14, 2003, are the following:

### Actuarial Valuations

Mercer will perform a triennial actuarial valuation of the Academic and Staff Plans at December 31 including:

- A verification and analysis of demographic, financial and trust data provided by the University;
- A determination of the actuarial value of plan assets, actuarial liabilities on both going concern and solvency bases and the resulting determination of any funding surplus or deficit;
- An actuarial opinion on current service costs and special payments, if any, required to amortize an unfunded liability or solvency deficiency in accordance with the requirements of the Pension Benefits Act of Ontario, the Income Tax Act and the professional requirements of the Canadian Institute of Actuaries;
- An actuarial opinion on the financial impact of ad hoc improvements of pensions in payment; and
- An analysis of the change in funding position of the two pension plans since the most recent actuarial valuation prepared for funding purposes.

### Disclosure Statements and PBGF Assessment Certificates

Mercer will prepare the relevant information related to the Plans' liabilities to be included on the University's pension plan financial statements using the template provided in Appendix A of the RFP. In interim valuation years, disclosure items will be extrapolated from full accounting valuation results in the triennial valuation year.

Mercer will also complete the Pension Benefits Guarantee Fund Assessment Certificate for each pension plan on an annual basis.

### Benefit and Policy Design

Mercer will provide advice on all aspects of benefit and policy design that may be required by the University, including the sample design and policy issues set out in the RFP.

### Special Actuarial Projects

In addition to triennial actuarial valuations, special actuarial projects could include:

- Costings to determine the effects of plan improvements;
- Projections to test the adequacy of benefits provided to Faculty and Staff from the pension plans; and

- Asset/liability projections to assist the University in choosing an asset mix for the pension funds backing the defined benefit provisions that match the liability structure of the defined benefit provisions.

Any special Actuarial Projects will only commence at the request of the University or at our request with approval by the University.

### **Approach to the Actuarial Valuation**

In order to perform the triennial valuations of the Staff and Academic Plans in an efficient and timely manner, Mercer will:

- Prepare for and attend a pre-valuation discussion of actuarial assumptions and other relevant valuation issues;
- Request membership data via an Excel spreadsheet with simple instructions for the University to meet their data requirements;
- Perform adequacy tests on membership data compared to the data used for the previous valuation and fully rectify any data issues or problems;
- Perform adequacy tests on the pension fund data compared to the trustee's or auditor's reports and fully rectify any fund data issues or problems;
- Perform a complete reconciliation of the membership and pension fund data from the data used in the most recent actuarial valuation for funding purposes;
- Perform the funding and solvency valuations using membership data provided by the University, fund data provided by the trustee or auditor as well as the assumptions developed in the pre-valuation discussion;
- Perform a thorough gain and loss analysis to explain the change in going concern funded position of the plans since the previous actuarial valuation;
- Present the valuation results in a format that meets the University's needs and attend a meeting with the appropriate University representatives or Committee to review and discuss the valuation results; and
- Prepare funding actuarial reports and filings for the regulatory authorities including the completion of the Actuarial Information Summary Form.

### **Meeting With the Director, Investments or the Director, Total Compensation**

- On or before March 1<sup>st</sup> and prior to the commencement of any work outlined in paragraph A or B, Mercer will meet with the Director, Investments or the Director, Total Compensation to discuss and agree upon:
- The schedule for the completion of the actuarial valuation or information for pension plan disclosure statements;
- The staff proposed to work on the valuations; and
- A list of the necessary schedules, working papers, analysis and other information to be prepared by the staff of the University.

## **MERCER INVESTMENT CONSULTING SERVICES**

### **Services provided to the University of Western Ontario Pension Plans**

Mercer Human Resource Consulting provides investment consulting services to the University regarding the monitoring of the Socially Responsible Global Equity Fund that was added to the Retirement Plans on March 1, 2008.

The services provided by Mercer, as defined in appendix A of a letter of agreement dated June 25, 2007, are the following:

#### **Investment Monitoring Annual Report – Qualitative Review**

Our qualitative analysis is a forward-looking review which will include the following:

- Ownership and strategic direction of the firm;
- Stability of its investment team and succession plan;
- “street” perception of the organization;
- Growth in its asset base and client servicing capabilities;
- Implementation of investment philosophy relative to stated approach and consistency of portfolio management with stated style; and
- Mercer’s Research View of the product, including our observations of the fund and our opinion on the probability of the fund to outperform the appropriate benchmark into the future.

A qualitative review of the plan permits early detection of potential problems that may not yet be reflected in the performance of the manager’s fund.

#### **Updates on Emerging Developments**

The monitoring program will also include the provision of updates on significant developments impacting Aberdeen that are material to the University of Western Ontario, including any changes to the Mercer rating of the Aberdeen SRI product.

# DEPARTMENT OF HUMAN RESOURCES

## KEY RESPONSIBILITIES IN ADMINISTRATION OF PENSION PLAN

The day-to-day operation of the Plan will be a function of Human Resources, subject to any delegation by the Pension Board to an outside Administrator of all or any part of such operation, with operating decisions based on policies as established from time to time by the Pension Board.

- **INDUCTION OF NEW MEMBERS**

Individual sessions with new regular full time members to provide information on contribution levels, investment options and benefits on termination, death and retirement, and designation of beneficiaries.

- Determination of eligibility of part time or contract employees.
- Preparation and distribution of communication material outlining part time member enrollment.
- Establish and verify the rate of contribution deduction on payroll system.
- Establish and verify beneficiary and investment direction on pension system.

- **SERVICES FOR MEMBERS ON LEAVE**

- For members on parental, sabbatical or unpaid leave: information and coordination of contributions during their absence.
- For members on sick leave: determination of level of University contributions.

- **SERVICES FOR TERMINATING EMPLOYEES**

Individual sessions to provide information on severance payment options, pension payment options, and health benefit continuation, calculation and authorization of lump sum pension payments; coordination of payments between member, trustee and new administrator of funds.

- **SERVICES FOR RETIRING EMPLOYEES**

- Several individual sessions starting as early as age 55 until retirement to provide information on retiring allowance payment options, pension payment options, pension projections, annuity quotations, health and other benefit continuation, and life insurance coverage.
- Calculation and authorization of lump sum pension payments and annuity purchases; coordination of payments between member, trustee and new administrator of funds.
- Provide calculations to departments with respect to the cost savings due to a member retiring early.

- **SERVICES PROVIDED TO ALL MEMBERS OR FORMER MEMBERS WITH FUNDS INVESTED IN THE PLAN**

- Monthly investment of contributions and valuation of units held in funds.

- Monthly opportunity to change direction of investments, alter level of voluntary contributions, change beneficiaries. Verification of these changes is reported back to the members.
  - Individual member statements available on request.
  - Individual sessions to provide information on investment funds and contribution levels.
  - Coordination of lump sum transfers into the pension plan from previous employers or RRSP's.
  - Calculation and coordination of pension benefit assignments to former spouses of members.
  - Preparation and mailing of pension statements, pension plan descriptions, and investment fund performance on an annual basis.
  - Design and coordination of pension information sessions for members and their spouses.
  - Maintenance of website with details of pension benefits, investment funds and returns.
  - Publication of unit values and benefit changes in Western News and via direct mail as required.
  - Publication of a quarterly newsletter that provides updates about plan changes, meeting announcements and investment education.
- **SERVICES TO THE ACADEMIC AND ADMINISTRATIVE STAFF PENSION BOARDS**
    - Working with the chair of each board, Schedule meetings, book rooms, invite guests, prepare and mail (deliver) agendas for all pension board meetings.
    - Keep attendance, minutes and present the notes to the board members for approval.
    - Maintain a library of minutes and agenda attachments, investment manager and consultant reports, and other presentations made to the boards.
    - Coordinate the nomination and election of new board members.
    - Prepare material and design training sessions for new board members.
    - Actively participate in education of Board members. Preparation of agenda items and attendance at all pension board meetings.
- **SERVICES REQUIRED TO MAINTAIN ACCURATE INVESTMENT OF FUNDS**
    - Determination of net cashflows through each of the Academic and Administrative Staff trust accounts to each of the 20 trust accounts holding assets for 15 investment funds under the plan; two cash flows per month.
    - Liaison with investment managers and trustee with respect to significant rebalancing or changes in structure of the assets.
    - Verification of assets reported on a monthly basis and determination of returns for each of the 15 investment funds.
    - Coordination with financial services with respect to manager mandates, contracts, performance measurement, valuation of assets.
- **MISCELLANEOUS**
    - Completion of investment management surveys for Statistics Canada, Benefits Canada, PIAC and Canadian University investment management groups.
    - Review of software and communication tools for retirement planning. Design, testing and review of pension record keeping, cash flow and payroll software applications.

# **APPENDIX C – Governance of Pension Plans**

## **Executive Summary**

The governance of UWO pension plans has evolved gradually over the years. Given the relatively unique structure of the plan, historical experience, and the changing external environment, documentation of governance is warranted. An initial overview of the current situation suggests that the size and the defined contribution nature of the pension plans imply that significant resources should be devoted toward their management. Also, seven key principles (choice, fairness, liquidity, well-informed decisions, responsiveness to member preferences, prudence and cost effective administration) should be used to determine the basic structure of the pension plans.

This document outlines the mandate for two standing committees of the Joint Pension Board: Investment Policy, and Communications and Administration. The committees have the principal responsibility for analysing and monitoring the Pension Boards' responsibilities.

### **Overview of the Current Situation**

The Joint Pension Board is a governing body made up of all members from the Academic Staff Pension Board and the Administrative Staff Pension Board. For efficiency, the Joint Pension Board meets frequently to discuss and set pension policies that concern both the Pension Plan for Academic Staff and the Pension Plan for Administrative Staff. The Academic Staff and Administrative Pension Boards are subcommittees of the Board of Governors of the University. The Pension Boards report to the Board of Governors annually and seek the approval of the Board of Governors for significant amendments to the Pension Plans.

Each of the Academic and Administrative Staff Pension Boards consist of four elected members of the respective plans and three appointed representatives of the University. Elected members serve for four year terms. Board members receive no compensation, either financial or time release, for their effort.

The Board works with internal staff in Human Resource Services and retains outside consultants for investment advice, design and actuarial cost advice, as well as legal advice.

The Academic and Administrative Staff Pension Plans have combined assets of over \$945 million, one of the larger funds in Canada. The size of the UWO pension funds both demands and permits significant resources to be devoted to fund management.

The nature of UWO pension plans eliminates some administrative problems faced by defined benefit plans, but also creates additional challenges. Defined contribution plans like those sponsored by UWO allow members to exercise choice over the way in which funds are invested and over the type of retirement income vehicle chosen. This flexibility implies that resources must be devoted to communication efforts that help members make informed decisions, since members assume the risks associated with these decisions.

Pension contributions are made by both Plan members and the University, based upon percentages of pensionable earnings. Plan members may allocate both the University's and their contributions among 15 fund alternatives: two Balanced Funds, a Diversified Bond Fund, a Diversified Equity Fund, a Money Market Fund, a Canadian Bond Fund, a Long Term Bond Fund, a Canadian Equity Fund, two U.S. Equity Funds, a Non-North American Equity Fund, three Target Date Funds, and a Socially Responsible Global Equity Fund. In the event that new members have not chosen a specific allocation, contributions are allocated to the Balanced Growth Fund until written direction is provided by the member.

External managers have been hired to manage all pension funds.



- The Balanced Funds are pre-established mixes of the Diversified Bond and Diversified Equity Fund.
- The Money Market Fund is invested in short-term, high quality fixed income assets.
- Target Date Funds are invested in Government of Canada Bonds and Provincial Bonds with durations that average out to the time to the respective Target Date.
- The Diversified Bond Fund is invested primarily in high quality, fixed income assets of various maturity periods from Canadian and foreign issuers. Up to 10% of the fund investments are in high-yield corporate bond and emerging market debt
- The Long Term Bond Fund is invested in high quality, fixed income assets of maturity periods over 10 years from Canadian issuers.
- The Diversified Equity Fund includes a variety of asset classes including stocks of large and medium capital Canadian companies, U.S. equities and international equities. The regional funds for the bonds and equities (Canadian, US, Non-North American) have the same investment mandate as the respective components of the Diversified Funds.

The Money Market and some of the bond and equity investments are actively managed. The U.S. equity investments are synthetically indexed to the S&P 500 and S&P 400. A portion of the Diversified Bond Fund is indexed to the Scotia Capital Market Universe Bond index.

### **Rationale for Current Strategies**

The Pension Boards are constantly seeking ways to improving returns on members' investments. Past experience with actively managed funds have yielded disappointing value added results. Passive management where feasible and rational, should serve to improve on past returns in these asset classes.

Being able to move in and out of investments quickly is an important feature for investment of UWO pension funds, since many members make this decision monthly. Past investments in asset classes such as Canadian venture capital and Canadian real estate have not allowed for the liquidity required by the plan. For this reason, the degree of liquidity associated with an asset class will be a principle for consideration in the future.

Significant changes in the investment environment have occurred recently. There are much greater opportunities to use derivative instruments to track specific investment alternatives, both within Canada and internationally. These changes have implications for both the choice of passive versus active management and for the feasibility of offering a wider variety of investment funds for members.

In the design of the investment options, a modular approach has been used where the managers and mandates of special regional funds are the same as the components of diversified funds and, in turn, the balanced funds. This design provides for members that are active in their investment allocation decisions and a preset allocation for members who are less active. This design also simplifies the administration and communication of the investment options.

The scope of alternative retirement vehicles has changed dramatically within the last 10 years. Retiring and terminating members are no longer limited to purchasing an annuity, but can choose among Locked-In Retirement Accounts, Life Income Funds, and Retirement Income Funds. As the multiplicity of choices (and vendors of vehicles) has increased, so has the demand for help in making these choices.

Continuity of internal administration is also important. The volunteer and temporary nature of the Pension Board membership can create some confusion about the nature and rationale for certain policies. There are inefficiencies created as new Pension Board members learn what has happened in the past. With a solid governance structure, these inefficiencies can be overcome as committee members develop an

"expertise" in an area and then pass it on to new members. With specific principles defined, new board members will have a framework within which the operation of the plans can be reviewed.

Board members will normally request data and research for their decision making from outside suppliers via the Director, Investments.

### **Mission Statement**

*Our Mission is to provide members with the opportunity to accumulate adequate funds for retirement. We seek to provide sufficient choices but not onerous choices. We seek to provide services and options on a cost effective basis to accommodate members who are active in the management of their retirement savings and also for those members who look to the board for guidance. We will provide these services and options while following our principles.*

### **Principles for UWO Pension Plan Management**

The design, governance, and operation of the UWO Pension Plans are bound by the seven principles described below. The purpose of specifying these principles is to define a broad framework within which the plan design can be reviewed and specific operational decisions can be made. It is important to recognize, of course, that the principles themselves may at times conflict. For example, cost considerations may conflict with the goal of optimum choice. In such areas of conflict it will be particularly important for the Pension Board to exercise good judgements in making the appropriate trade-offs. Despite such difficulties, it is anticipated that the act of defining basic principles will be of great benefit in helping both present and future Pension Boards to review the overall design of the pension plans, to make specific operational decisions, and to assure continuity between present and future Pension Boards.

#### **PRINCIPLES:**

1. **Offer members the broad and diversified CHOICE of both investment and retirement vehicles.** Flexibility and choice is very important because it allows individuals to adopt different decisions reflecting their degree of risk tolerance, the size and nature of their investment portfolio outside of the UWO Retirement Plan, their age and family circumstances, their interest in adopting an active asset allocation strategy, and their varying need for payments from their portfolio.
2. **Maintain FAIRNESS among members in plan operations.** Within the constraint of administrative feasibility, the choice of one member should not inequitably restrict or adversely affect the choice of another.
3. **Provide investment alternatives which possess high LIQUIDITY.** If members are to be free to move monies from one fund to another, if the portfolios are to be easily rebalanced to their established mix and if retired members are arranging for payments as frequently as monthly, these funds should be as liquid as possible.
4. **Assist members in making WELL—INFORMED DECISIONS about investment and retirement alternatives.** If choice is to be meaningful, members must be provided clear and comprehensive information about the plan operation, fund performance and relevance of plan options to individual circumstances.
5. **Solicit information about and be RESPONSIVE TO MEMBER PREFERENCES regarding the plan.** Communication is a two-way street. If there is to be an effective split of responsibilities

between the Pension Board and member decision-making, members not only need to be informed about available options, they must also have ample opportunity to express their opinions and desires about how the plan itself should be run.

6. **Use PRUDENCE in assessing and reviewing plan decisions and operations.** The fiduciary responsibility of the Pension Board, to use ordinary prudence when dealing with the property of another person, is always of critical importance. Due diligence must be exercised in monitoring and supervising all aspects of the administration of the pension plans, managing all anticipated capital market, operational, legal and reputational risks of the pension and retirement income fund programs.
7. **Assure COST EFFECTIVE ADMINISTRATION of plan operation.** Cost is always a consideration. Concerns about costs may limit the extent to which other principles may be applied to a decision.

### **Intention of Passive Management**

After considerable research into the value added by active management of security selection, the current pension boards made the following motion:

*"It is the belief of the Joint Pension Board, based upon the survey of research that has been done for the Board, advice from the Board's investment consultant, and the Board's own historical experience, that in general active investment management cannot be expected to outperform passive management on a risk adjusted basis. Furthermore, the Board recognizes that active management is more costly than passive management. Finally, passive management has the advantage of making investment choices clearer to members."*

The Board reviews its current selection of investment managers and its future decisions regarding investment choices for members in view of this intention.

Possible grounds for exception to the general principle of passive management would include the following:

1. Implementation problems: for some asset classes it may be difficult to adopt a completely passive management policy.
2. Attractive active management: in some instances there may be good reasons to believe that such a manager could achieve out-performance and be easily monitored as to effectiveness.
3. No clearly attractive passive benchmark available.

### **Conflicts of Interest**

A member of the Joint Pension Board who is a member of the plan may take part in discussions and vote on all matters relating to the pension plan, other than matters in which the member's interest is not the same or substantially the same as that of other members of the plan.

If a member has any direct or indirect interest, which is not the same or substantially the same as that of other members of the plan, in any matter, and that member is present at a meeting of the Pension Board at which time the matter is considered, the person shall, as soon as practical after the commencement of the meeting, disclose this interest and shall not take part in the discussion or vote on the matter.

Where the Board or Committee is of the opinion that a conflict of interest exists that has not been declared, the Board may declare, by resolution carried by two-thirds of the members present at the meeting, that a conflict of interest exists, and a member of the Board is thus found to be in conflict of interest shall, (a) refrain from taking part in any discussion or vote related to the matter, and (b) withdraw from the meeting when the matter is being discussed if requested to do so by a majority of members present at the meeting.

### **Joint Pension Board Structure**

At its June 23, 2008 meeting, the Joint Pension Board voted to disband its sub committee structure, which created the Investment Policy Committee and the Communications and Administration Committee. This structure was replaced with one monthly meeting of the full Joint Pension Board addressing topics formerly considered by these two committees with all board members having a vote on policy decisions for all issues.

The Terms of Reference for the Joint Pension Board for the items that are the responsibility of the Joint Pension Board are as follows:

#### **Investment Functions**

- Choice of pension plan funds available to members
- Decisions regarding asset mix within funds
- Decisions on internal versus external management
- Selection of managers and their mandates
- Selection of investment consultant(s) and their mandate
- Review and update of Statement of Investment Policy and Procedures
- Ensure Joint Pension Board members are knowledgeable regarding investment policy issues
- Participate in activities of PIAC (Pension Investment Association of Canada) and other relevant organizations
- Decisions regarding currency policy

#### **Communications and Administration Functions**

- Monitor the fiduciary soundness of all operational pension plan activities
- Oversee the Board's information systems including unit value calculations, member accounting and fund accounting
- Provide input on the assignment of internal resources to Human Resource Services
- Provide opportunities for new and current Board members to become better informed on a broad range of pension matters, including a one-day initiation session and an annual one-day retreat
- Oversee the management of cash in accordance with Board Policy
- Act as the link between Pension Boards and pension plan members Benefits
- Monitor the personal pension counseling program provided to the pension plan members through Human Resource Services
- Provide input to PIAC/ACPM and regulatory bodies on proposed program designs and legislative constraints

### **Agendas for Meetings**

- Agendas and relevant material for each board meeting should be distributed to members at least seven days ahead of each meeting to allow sufficient preparation time
- Notice of all pension board meetings are posted on the Pension Plan web site and posted at the department
- Items for each agenda for each board meeting are based on the plans approved by the Joint Pension Board and amended as required
- When specific motions or decisions are to be made at a meeting, this is to be clearly specified on the agenda