JOINT PENSION BOARD MEETING

September 28, 2009

9:00 a.m.

SSB 4220

PRESENT: Ab Birch, Michelle Loveland, Stephen Hicock, Stephen Foerster, Krys Chelchowski, Jim Loupos, Cindy Servos, Martin Bélanger, Louise Koza, Jane O'Brien, Lynn Logan, Ann Jones, Andrea Magahey, Deirdre Chymyck.

Guests: Bruce Curwood (Conference Call), Lisa Mills (Conference Call)

Regrets: C. Dunbar

1. Changes to Agenda:
Administrative and Academic Board Chairs to be elected

2. Approval of July 23, 2009 Minutes:
Motion: C. Servos
Seconded: L. Koza
Minutes approved with changes

3. Board Chair Elections
L. Koza reviewed the roles of the Boards Chairs (Academic, Administrative and Joint Pension Board)

Joint Pension Board Chair: M. Loveland
S. Hicock nominated M. Loveland, Seconded: S. Foerster, all in favour

Academic Board Chair: M. Loveland
S. Foerster nominated M. Loveland, Seconded: S. Hicock, all in favour

Administrative Board Chair: Ab Birch
AB Birch was nominated by Krys Chelchowski, seconded Cindy Servos, all in favour

4. Second Quarter Performance Review:
B. Curwood presented the 2009 Second Quarter Review. It was a good quarter with the TSX Composite, the Russell 3000 and EAFE having positive returns, although over the one year period returns were negative. Both Value and Growth styles had positive returns for the quarter. B. Curwood will verify the Total Policy Portfolio return for the second quarter of 2009 (pg 12) of the report. It was noted that the AllianceBernstein Canadian equity fund underperformed in the second quarter but AllianceBernstein have since been replaced by Beutel Goodman. Greystone underperformed in the second quarter but they are expected to do well as quality will benefit as the growth/recovery continues. M. Bélanger noted that Greystone also underperformed in the fall of 2008, because of poor selection. B. Curwood asked M. Bélanger to send to other members of the Joint Pension Board the report on Greystone prepared by Kathleen Wylie, Senior Research Analyst at Russell Investments. PanAgora is starting to see positive performance; B. Curwood hopes to see this trend

continue as quality is rewarded. The SRI Fund outperformed this quarter. L. Koza noted that T. Rowe Price was underweight in financials and asked if this was expected. B. Curwood agreed but noted that the value manager is overweight. M. Bélanger will provide T. Rowe Price guidelines.

5. Non-Bank ABCP Restructuring Plan
a) KPMG Report
M. Bélanger reviewed the KPMG Report on the ABCP. M. Bélanger informed the board that the report was made at our request and it must be kept in context. The methodology used was formulated by the pension administration staff to assist in the review of the transactions in question. This is not an audit report. KPMG was requested to perform certain specified procedures and this report presents the results of the request. Any discrepancies in the findings can be explained through the application of 7 additional factors would have put the differences between Western and KPMG closer to zero. The identified exposure changes in the two Balanced Funds are due to the necessary re-balancing of the funds which caused an overall increase in equity exposure. This rebalancing was done consistent with the mandate of the fund and to members' advantage because though the re-balancing increased the equity exposure including ABCP, pension plan members also received more cash holdings.

M. Bélanger reviewed the 7 other adjustments with the board, confirming members have the required allocations. L. Logan stated the need to validate the additional 7 transactions to "close the loop" to demonstrate that the transactions are correct.

It was agreed that a letter indicating management's confidence with the accepted process will be written. A reconciliation of the discrepancies when the additional factors are assessed will be provided by management to confirm that the attributions are correct, and that each example is reconciled; the need to be careful with the numbers was stressed and the level of transparency by management was credited.

b) Report on Feedback
Lisa Mills, counsel and partner at Hicks Morley joined the meeting by Conference Call at 10:20
A. Magahey reviewed the feedback received by the various employee groups and walked the board through the goals of the information process. Members have been updated regularly through mass emails, and an ABCP website that has copies of the amendments for members to view, meetings have been held with leaders of unions and employee associations. It was explained that formal endorsement by union groups was not required to amend the plans, but feedback was requested. UWOFA and the Clinical Faculty were the only groups to respond with the Clinical Faculty indicating support for the proposal. UWOFA sent a letter to M. Bélanger stating that they agreed that moving the restructured notes out of the affected funds was in members' best interest but the proposal overall did not go far enough. The Board was provided with a copy of the UWOFA feedback setting out their argument that the University should offer to purchase these notes from all affected members of the pension plans and RIF at their value at August 2007 (before the collapse of the ABCP market) plus interest.

M. Bélanger noted that 35 members had responded to the request for feedback but more with questions of what it means to them, but also providing support. A. Magahey stated that the website will continue to be used for communication and updates; each affected member will get a personal statement and workshops will be held to provide support for members.

S. Foerster noted that the request outlined in the UWOFA letter is beyond the mandate of the board; A. Magahey agreed stating that M. Bélanger's obligation is to ensure the University has a copy of the letter. L. Koza noted that the letter contained information for the board that the board should not lose sight of.

A. Magahey informed the board that Hicks Morley had contacted Financial Services Commission of Ontario (FSCO) with a letter outlining the proposed restructuring plan and copies of the proposed amendments to the pension plans. A. Magahey explained that FSCO does not have to provide any formal advance ruling on the amendments but given the complex and unique nature of the ABCP issue it was appropriate to contact the pension regulator and provide them with information as to why the amendments were necessary.

Lisa Mills stated that in her view the amendments were not adverse but that it was recommended that, if board approves the management plan implementation, that the amendments be filed by September 30, 2009. If FSCO determines the amendments are adverse then registration of the amendment may require fulfilling conditions but the effective date of the amendment will remain September 30, 2009. Management and the board are working on the premise that the changes are not adverse amendments, based on expert outside legal opinion, but filing the amendments by 30th September is a good precaution. L. Mills has been asked to follow up with FSCO and is expecting feedback by September 30, 2009 L. Mills observed that these are not adverse amendment but simply amendments to move the relative exposure of restructure notes held by members to the Liquidating Trust. There may be clarification or communication requirements made by FSCO if the amendments are deemed to be adverse but in any event it is prudent to have the amendments to the pension plans filed by September 30, 2009.

c) Appointment of Liquidating Trust Manager
A. Magahey reviewed Exhibit IV with board members with the purpose of advising the board that it has the power to delegate the investment management of the Liquidating Trust to a Portfolio Manager. The search for such a manager for the Liquidating Trust will be conducted and a recommendation will be made to the board at a later meeting. For the short term Northwater will continue to act as the investment manager for the Liquidating Trust.

d) Liquidating Trust Guidelines
M. Bélanger reviewed the Investment Guidelines of the Liquidating Trust (Exhibit V), noting that the document was similar to the one presented to the Joint Pension Board at the June meeting, with the exception of the clarification that "Banks" means the five largest Scheduled 1 Chartered Canadian Banks.

e) Update on transfer of Northwater's assets to SSgA
Northwater continues to act as our manager for the Liquidating Trust for the interim, but no longer holds any assets. As of September 28, the transfer of assets to SSgA was progressing normally.

f) Pension Plan Amendments and Restructuring Plan
A. Magahey stated a motion was required to proceed with the recommended approach for the management of the restructured notes:
L. Koza motioned that:
The Joint Pension Board moves that the recommended approach for the management of the restructured notes, set out in the minutes of the Joint Pension Board meeting of April 24, 2009, being:

i) carving out the Restructured Notes from the Diversified Equity Fund, Balanced Growth Fund, Balanced Income Fund, US Equity Hedged Fund and US Equity Unhedged Fund (the "Affected Funds"),
ii) transferring the Restructured Notes to the Liquidating Trust, thereby giving plan members direct holdings in the Liquidating Trust,
iii) merging the "B" funds with the original UWO Affected Funds; and
iv) removing the redemption restrictions on the UWO Affected Funds with the exception of the Liquidating Trust

be implemented including the modification of pension plan documentation as may be necessary.

C. Servos requested an explanation of the B funds which A. Magahey provided and J. O'Brien asked why the reference back to April 24, 2009 meeting was necessary in the motion. A. Magahey stated that the restructuring plan had been approved subject to implementation issues at that meeting.

Seconded: S. Hicock, all in favour

A. Magahey reviewed the proposed amendments to the Academic and Administrative Pension Plans, reviewing the wording and the new schedules. The amendments were written by Hicks Morley and were written narrowly to be administrative amendments for these restructured notes and for the affected funds for this particular situation. The amendments were to be approved by the respective boards subject to the numbering being corrected and removing the unnecessary reference to the general account for the administrative plan amendment. (See attached for motions)

Academic Plan Amendment:
Motion: L. Koza
Seconded: M. Loveland
All in favour (Academic Board members only)

Administrative Plan Amendment
Motion: L. Koza
Seconded: K. Chelchowski
All in favour (Administrative Board members only)

L. Mills left meeting at 11:00

6. Review of Joint Pension Board Priorities
The board reviewed its priorities for the 2009-2010 Academic year

7. Joint Pension Board Work Plan
The board reviewed the 2009-2010 work plan calendar. M. Bélanger invited board members to participate in the manager reviews, especially the Highstreet review which will be held at the Highstreet offices in London. M. Bélanger will send out notices in advance of the Manager meetings.

8. Other Business
None

M. Bélanger invited members to stay for the AllianceBernstein Review following the Joint Pension Board meeting.

Motion to adjourn: M. Loveland
Seconded: J. O'Brien
Meeting adjourned 11:05

Report for Information Purposes Only

UNIVERSITY OF WESTERN ONTARIO RETIREMENT PLANS

AllianceBernstein Review

September 28, 2009 11:10am to 1:00pm

UWO Attendees:
Stephen Foerster, Professor Ivey Scholl of Business
Stephen Hicock, Professor Earth Science
Michelle Loveland, Professor, Management & Organizational Studies
Louise Koza, Director Total Compensation
Andrea Magahey, Pension Staff
Martin Belanger, Director Investments

AllianceBernstein Attendees:
Michael Parsons Director Client Relationships, Toronto
Morgan Harding Senior Portfolio Manager –Value Equities, New York
Scott DiMaggio – Director Fixed Income, New York

Location: University of Western Ontario

Organization
Michael Parsons reported that AllianceBernstein is doing well and is still a sizable firm. Currently, funds under management in USD (Billions) are $447 in the 2nd quarter of 2009 down from $462 in 2008 and the 5 year high of $850. The bulk of the loss in funds under management is attributed to loss in market value, but also lost mandates for the blended business in the UK, strategic value equities and clients with liquidity issues. AllianceBernstein has a strong commitment to research including having 54 value buy-side analysts. There is continuity in investment expertise in the leadership and senior personnel of the firm.

Investment Personnel:
Alliance Bernstein has a strong commitment to research including having 54 value buy-side analysts.

In response to a question for Martin Bélanger regarding their new CEO explained that Peter Krause came from Goldman Sachs and was well known to the AXA board when it was decided a change was needed. This change has been positive but has not affected how our account is managed.

Review of Equity Performance:
Morgan Harding reviewed equity performance and he advised that the intensity of AllllianceBersntein ‘s approach was greater than that of other managers during the downturn, which explains the lower returns, but is expected to improve returns as value factors have performed well during market recoveries. M. Harding also said that currency risk has hurt performance. There is still a good deal of anxiety in the market and volatility should remain high for the foreseeable future.

AllianceBernstein also sees opportunities to rotate the portfolio.

Mr. Harding discussed environmental, social and governance (ESG) issues.

AllianceBernstein considers EGS issues when they impact earnings and risk. He also outlined the ESG alert system to provide research on controversial business issues and evaluate any possible business concern.

He commented that AllianceBernstein has the right factors in their value approach but the recent difficult market and particularly the recent credit market challenges highlighted that some priorities like liquidity may need to be moved forward.

Alliance Bernstein is still in very strong shape and for example it is one of the only three managers selected by the US Treasury to manage its assets under TARP. In terms of future opportunities Mr. Harding commented that the value opportunities in the emerging markets is somewhat higher than in developed markets.

Review of the Fixed Income

Scott DiMaggio discussed the recent challenges in the fixed income market. He noted that volatility in the fixed income market has been extreme and that has caused some poor performance. He advised that the portfolio is well positioned to recuperate the lost value over the next 6 to 9 months. So far only 20-25 basis points of default losses has been locked-in. The benchmark for the fund is 50% Lehman Global Aggregate (hedged to the Canadian dollar) and 50% DEX Universe. He explained that like on the Equity side, Alliance has models that have the right factors but Alliance does realize that recent market challenges mean there is a need to refine how to prioritize them. Liquidity issues are more important now.

Concern was expressed by members of the Joint Pension Board regarding the amount of volatility that was experienced by investors in this fund. This was a particular concern because this is a Defined Contribution Pension Plan and members who are invested in the Diversified Bond Fund would have done it looking to escape market volatility but they did not get that out of this fund. The question was asked of AllianceBernstein if there was anything that could be done differently to limit the volatility that members experienced. Scott Di Maggio advised that there were things that could have been done, such as tightening corporate exposure. However, even a 5-7% overweight in corporates would have hurt a lot last fall. It wouldn’t have been in the fund’s interest of selling in the middle of the market disruption as there were huge discounts with selling corporate bonds back then.

Credit markets are continuing to recover as debt issues surge and credit spreads start to narrow. Scott Di Maggio was of the view that the fixed income performance would continue to improve. Business and consumer sentiment was improving globally but there was still uncertainty that was keeping 10 year government bond yields extremely low.

Compliance

No compliance issues, Michael Parsons will follow up with written confirmation that there is no ongoing litigation and that the SEC review was without anything to report.