Western Retirement Plans
Academic and Administrative Staff Pension Boards

Report to Members
April - May 2017
Disclaimer

This presentation material was created to educate and update members of the Western Pension Plans.

It is not intended to constitute legal, tax, pension, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type.

This presentation contains general information and should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.
Agenda

• Welcome and introduction
• Update on the changes made in 2016
• Update on members’ decisions and experience in plans
• Update on Liquidating Trust
• Questions and feedback from you throughout and after
• Guest Speaker: Jason Heath, CFP, Objective Financial Partners Inc.
Welcome

• Western Pension Plans (as of December 31, 2016)
  – One of the largest and oldest defined contribution pension plan in the country
  – Academic plan established in 1970
  – Administrative staff plan established in 1974
  – $1.1 billion in assets
  – 6823 members
  – 15 investment options
  – Governed by the Joint Pension Board (ACA & ADM)
# Your Joint Pension Board

<table>
<thead>
<tr>
<th>Name</th>
<th>Role at Western</th>
<th>Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joanna Asuncion (Chair)</td>
<td>Director, Administration &amp; Finance, Faculty of Information and Media Studies</td>
<td>Since 2013</td>
</tr>
<tr>
<td>Michelle Loveland (Vice-Chair)</td>
<td>Prof. Department of Management and Organizational Studies</td>
<td>Since 2007</td>
</tr>
<tr>
<td>Ab Birch</td>
<td>Systems Support Analyst, Financial Services</td>
<td>Since 1997</td>
</tr>
<tr>
<td>John Ciriello</td>
<td>Prof. Department of Physiology and Pharmacology</td>
<td>Since 2015</td>
</tr>
<tr>
<td>Megan Clements</td>
<td>Director, Administration &amp; Finance, Faculty of Information and Media Studies</td>
<td>Since 2016</td>
</tr>
<tr>
<td>John de Bruyn</td>
<td>Prof. Department of Physics and Astronomy</td>
<td>Since 2015</td>
</tr>
<tr>
<td>Stephen Foerster (Chair)</td>
<td>Prof. Richard Ivey School of Business</td>
<td>Since 2008</td>
</tr>
<tr>
<td>Louise Koza</td>
<td>Director, Total Compensation</td>
<td>Since 2003</td>
</tr>
<tr>
<td>Lynn Logan</td>
<td>Associate Vice-President, Finance &amp; Facilities</td>
<td>Since 2009</td>
</tr>
<tr>
<td>Jim Loupos</td>
<td>Internal Audit</td>
<td>Since 2009</td>
</tr>
<tr>
<td>Jane O’Brien</td>
<td>Associate Vice-President, Human Resources</td>
<td>Since 2000</td>
</tr>
</tbody>
</table>
2016 Changes

- Consolidation of services at Sun Life
  - Joint Pension Board still responsible for governance and accountable for the composition of the investment platform and overall administration of the plans
  - Investments are the same
  - Fees are similar
  - Some manager changes:

<table>
<thead>
<tr>
<th>Fund / Mandate</th>
<th>Previous Manager</th>
<th>New Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Bond</td>
<td>SSgA</td>
<td>BlackRock</td>
</tr>
<tr>
<td>Long Term Bond</td>
<td>SSgA</td>
<td>BlackRock</td>
</tr>
<tr>
<td>Money Market</td>
<td>SSgA</td>
<td>Sun Life Global Investments</td>
</tr>
<tr>
<td>US Equity Unhedged</td>
<td>SSgA</td>
<td>BlackRock</td>
</tr>
<tr>
<td>SRI Global Equity</td>
<td>Aberdeen</td>
<td>MFS</td>
</tr>
<tr>
<td>Diversified Bond</td>
<td>Split of global bond component into two portfolios, still managed by AB</td>
<td></td>
</tr>
</tbody>
</table>

So Far in 2017:
- Maturing of most of the notes in the Liquidating Trust (January 2017)
- Canadian equity portfolio mix change (March 2017)
Our Members’ Decisions

• Level of Savings
  – Required
  – Voluntary

• Investment Choices
  – Asset allocation
  – Number of funds
  – Choice of funds
Required Contributions

Employee required contribution levels:

Faculty Contribution Rates:

1.5% \text{ vs } 5.5%

Administrative Contribution Rates:

2.5% \text{ vs } 5.5%
## Voluntary Contributions

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of members making voluntary contributions</td>
<td>27.3%</td>
<td>27.7%</td>
</tr>
<tr>
<td>Total voluntary contributions</td>
<td>$5.9 million</td>
<td>$6.0 million</td>
</tr>
<tr>
<td>% of pay</td>
<td>4.5%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Transfers from RRSP/employers</td>
<td>$3.3 million, 48 members</td>
<td>$2.3 million, 42 members</td>
</tr>
</tbody>
</table>
# Total Contribution Rate

<table>
<thead>
<tr>
<th>Faculty</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maximum</strong></td>
<td>18.0</td>
</tr>
<tr>
<td>75&lt;sup&gt;th&lt;/sup&gt; percentile</td>
<td>14.5</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>14.0</td>
</tr>
<tr>
<td>25&lt;sup&gt;th&lt;/sup&gt; percentile</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Minimum</strong></td>
<td>10.0</td>
</tr>
</tbody>
</table>

**Maximum contributions for 2017:**

- Lesser of:
  - 18% of income for 2017
  - $26,230
## Asset Mix

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Bonds</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Equities</td>
<td>64%</td>
<td>63%</td>
</tr>
</tbody>
</table>
Investment Choices
Asset allocation

RPP Equity Exposure

Equity (%) vs Age

- 2016
- 2015
- 2014
- 2013
- 2012
- Lifecycle
Investment Choices

Number of funds

Number of Investment Options Chosen By Members
(Excluding Liquidating Trust)
Investment Choices
Choice of funds

Member Investment Choice by Amount and Count

Assets
$0
$50
$100
$150
$200
$250
$300
$350
$400
$450

Count
0
500
1000
1500
2000
2500
3000
3500

- Div Equity
- Bal Growth
- Div Bond
- Bal Income
- CDN Eq
- Money Market
- US Eq
- US Eq Hedged
- Non-N.A.
- Target Date
- CDN Bond
- Long Term Bond
- Liq Trust
- Soc. Responsible
Our Members’ Experience

• Rates of return
• Fees
• Replacement rates
## Rates of Return

### Individual Member Accounts

<table>
<thead>
<tr>
<th>2016 Return Breakdown</th>
<th>Historical Median Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Maximum: 20.3%</td>
<td>• 1 year: 6.4%</td>
</tr>
<tr>
<td>• Average: 6.0%</td>
<td>• 3 year: 7.2%</td>
</tr>
<tr>
<td>• Median: 6.4%</td>
<td>• 5 year: 9.8%</td>
</tr>
<tr>
<td>• Minimum: -18.3%*</td>
<td></td>
</tr>
</tbody>
</table>

* Due to large transaction during the year.
Rates of Return

• Summary of 2016:
  – Several geopolitical events: Brexit, Fort McMurray wildfires, U.S. Presidential elections
  – Strong Canadian equity returns
  – Decent U.S. and emerging markets equity returns
  – Poor non-North American equity returns
  – Difficult year for active managers
  – Growth underperformed value
  – Rising interest rates during the latter part of 2016
  – Nominal money market returns
Fees

Investment managers, brokers, custodian, administration
Can erode returns and therefore replacement income over time
2% incremental fee per annum = significant reduction in income

Investing $500 per month in Western Diversified Equity Fund from March 1978 to March 2017 = $1,573,000
Investing in a fund charging fees 2% higher over the same period = $894,000
Entire difference ($679,000) due to higher fees

<table>
<thead>
<tr>
<th></th>
<th>Western</th>
<th>Retail Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Plan</td>
<td>0.44%</td>
<td>1.50% - 2.50%</td>
</tr>
</tbody>
</table>

Fees have a huge impact!
## Fees

### 2016 Investment and operational expenses

<table>
<thead>
<tr>
<th>Western Fund</th>
<th>Investment Management Fee</th>
<th>Custodian Fee</th>
<th>Underlying fund Operating Expense</th>
<th>Expected Average Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balanced Income</td>
<td>0.35%</td>
<td>0.02%</td>
<td>0.06%</td>
<td>0.43%</td>
</tr>
<tr>
<td>Balanced Growth</td>
<td>0.43%</td>
<td>0.02%</td>
<td>0.06%</td>
<td>0.51%</td>
</tr>
<tr>
<td>Diversified Bond</td>
<td>0.29%</td>
<td>0.02%</td>
<td>0.06%</td>
<td>0.37%</td>
</tr>
<tr>
<td>Diversified Equity</td>
<td>0.49%</td>
<td>0.02%</td>
<td>0.06%</td>
<td>0.57%</td>
</tr>
<tr>
<td>Money Market</td>
<td>0.02%</td>
<td>0.02%</td>
<td>0.04%</td>
<td>0.08%</td>
</tr>
<tr>
<td>Target Date Fund 2018</td>
<td>0.08%</td>
<td>0.02%</td>
<td>0.00%</td>
<td>0.10%</td>
</tr>
<tr>
<td>Target Date Fund 2020</td>
<td>0.08%</td>
<td>0.02%</td>
<td>0.00%</td>
<td>0.10%</td>
</tr>
<tr>
<td>Canadian Bond</td>
<td>0.06%</td>
<td>0.02%</td>
<td>0.04%</td>
<td>0.12%</td>
</tr>
<tr>
<td>Canadian Long Term Bond</td>
<td>0.06%</td>
<td>0.02%</td>
<td>0.04%</td>
<td>0.12%</td>
</tr>
<tr>
<td>Socially Responsible Global Equity</td>
<td>0.46%</td>
<td>0.02%</td>
<td>0.12%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Canadian Equity</td>
<td>0.28%</td>
<td>0.02%</td>
<td>0.04%</td>
<td>0.34%</td>
</tr>
<tr>
<td>US Equity - Hedged</td>
<td>0.06%</td>
<td>0.02%</td>
<td>0.09%</td>
<td>0.17%</td>
</tr>
<tr>
<td>US Equity - Unhedged</td>
<td>0.06%</td>
<td>0.02%</td>
<td>0.04%</td>
<td>0.12%</td>
</tr>
<tr>
<td>Non-North American Equity</td>
<td>0.65%</td>
<td>0.02%</td>
<td>0.12%</td>
<td>0.79%</td>
</tr>
<tr>
<td>Liquidating Trust</td>
<td>0.11%</td>
<td>0.02%</td>
<td>0.00%</td>
<td>0.14%</td>
</tr>
</tbody>
</table>
Replacement Rates

• Replacement rates – to what extent can you expect the plan to replace your employment income

• Focus on your retirement income goals

Projected annual benefit from retirement accounts
Projected salary at retirement

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>All active</td>
<td>33.8% (33.9%)</td>
<td>33.2%</td>
</tr>
</tbody>
</table>

Assumptions:
• Annuity rate: 3.00% (2.75% in 2015)
• Investment return: 5.25% (5.50% in 2015)
• Salary increases: 2% (same as in 2015)
Replacement Rates

How does that compare with a defined benefits plan?

“People who have access to a DB plan get a 70% replacement rate”

1. Most DB plans have their pension benefits integrated with CPP benefits, while Western replacement rate is based on the Western pension plan only.
   • For a member making $75,000 a year, including the maximum benefits at age 65 ($13,370) would increase the replacement rate by 17.8%.

2. You will only get a 70% replacement rate if you work 35 years or more at an organization. Western replacement rates include everyone.
   • If only members expected to have at least 35 years of service at age 65 were included, the replacement rate would increase by 14.5%.

3. The 70% replacement rate that DB plans promise is typically based on your best five years of income, while at Western we measure it based on the last year of income before retirement.
   • Using the best five years of income would increase the replacement rate by 1.2%.

4. Summary
   • If those three components were added to the base replacement ratio of 33.8%, we would get an average replacement rate of 67.3%, in line with most DB plans.
Replacement Rates

Western Value Proposition:

• Lower fees: at 0.44% on average, Western fees are lower by about 2% than the retail market. Increase the MERs by 2% would reduce the replacement rate by 7.2%.

• Western uses very conservative assumptions. Western uses expected returns of 5.25% in its projections. Using a slightly higher expected return of 7.0% would increase the replacement rate by 8.6%.

• Member contribution rates at Western are generally lower than at most defined benefits pension plan

• High income earners have access to Western Supplemental Pension Arrangement
Monitor your progress

• Advice on how to invest your account is available from a Sun Life Investment Advice Specialist
  – Call 1-866-733-8612 8 am to 8 pm on business days

• Use the tools online in your Sun Life account to monitor your progress and customize your own projections
  – Sign in from sunlife.ca/Western
    choose: my financial centre > Resources > my money tools
      ➢ Asset Allocation tool
      ➢ Retirement Planner
      ➢ Tools
Liquidating Trust Update

- Liquidating Trust unit value as of March 31, 2017: $106.3413
- Most of the notes in the Fund matured in January 2017
- Proceeds invested in a money market fund
- Mass email sent on April 11, 2017
- You have to submit an investment direction to re-allocate your assets by 3:00 PM on June 5, 2017
- Full redemptions must be done on a % basis
- If no action taken: Money Market Segregated Fund
- Trading will resume after 8:00 AM on June 8, 2017
Support

All pension plan members:
www.sunlife.ca/western

Sun Life Customer Care Centre:
1-866-733-8612
• Account management support including designating/maintaining beneficiaries, using tools and making investment changes
• Investment Advice Specialist

Members within 5 years of retirement or retired:
www.sunlife.ca/western
> Select RIF/LIF

Sun Life Retirement Consultant:
1-866-224-3906 (option 1)
• Planning 1-on-1 in-person
• Income projections
• Investment advice
• Sun Life Retirement & Savings Plan for Western Retirees

For questions about eligibility for retirement, post-retirement benefits or other employment or governance related questions contact Western HR at hrhelp@uwo.ca 519-661-2194
Questions