Investing 101: 
Investing Your Western Pension 
Financial Literacy Week 
November 18, 2015 
UCC Room 315 

Disclaimer 

This presentation material was created to educate and update members of the Western Retirement 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: Investing 101

- About the Plan
- Contributions
- Investing Your Retirement Account
- Monitoring and Changing Your Investments
- Questions

Your Defined Contribution Pension Plan

- Employee Contribution Deducted from Pay
- Contribution Made by Western
- Employee Pension Account
- Account Invested at employee’s direction
- Monitor
- Rebalance
- Invest
- Account
- Choose Annuity and/or
- Choose Retirement Income Fund
- Deposit
- Retire

Western
Western’s Responsibilities

- Western negotiates with employee groups on matters of:
  - Required contribution levels, retirement ages and dates, approves significant changes to benefits
- Sponsorship and registration of the plan
- Compliance with all requirements of the Ontario Pension Benefits Act and Income Tax Act (Canada)
- The Board of Governors and Audit Committee of the Board
  - Financial and operational activities associated with the pension plans

Western’s Responsibilities (Delegated to The Joint Pension Board)

- Provide suitable investment options which comply with legislation and allow the opportunity to diversify
- Ensure members have sufficient information to make informed investment decisions
- Report on how the Funds are performing: annual report, pension statement, historical values
Member’s responsibilities

• Understanding the impact of your decision to join and how much you choose to contribute

• Determine your investment objective(s) and understand the associated risks

• Educate yourself to make informed decisions; seek assistance when required

• Monitor your account to ensure you are staying on track with your specific goals and reallocate as needed.

• Choose an income option at retirement

Contributions

a) Regular Contributions
   - Required by the employee and Western
   - “Locked-in” per Ontario pension regulations
   - Immediate vesting

b) Voluntary Contributions
   - Alternative to RRSP contributions
   - “Cashable”, unless you transfer a locked-in account from another employer or financial institution
Voluntary Contributions

Advantages of Voluntary Contributions at Western:

(1) **Tax Break**: Immediate on each paycheck
   Ex. $3,500/month salary ($42,000/yr)
   - 2.5% contribution = $87.50, but only reduces paycheck by $66.37
   - 5.5% contribution = $192.50, but only reduces paycheck by $146.01

(2) **Flexible**: Start/stop/change the amount any month
   - Change form due by the 15th to be effective for that month

(3) **Easy**: You don’t have to remember to save it!

(4) **Efficient**: Access to high caliber investment managers at low fees
   - Same investment options as the Regular account

Contributions

<table>
<thead>
<tr>
<th>If Your Regular Employee Contribution is:</th>
<th>And Western's Regular Contribution is:</th>
<th>...the Maximum Voluntary Contribution* is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5%</td>
<td>7.5%</td>
<td>8%</td>
</tr>
<tr>
<td>2.5%</td>
<td>8.0%</td>
<td>7.5%</td>
</tr>
<tr>
<td>2.5%</td>
<td>8.5%</td>
<td>7%</td>
</tr>
<tr>
<td>1.5%</td>
<td>8.5%</td>
<td>8%</td>
</tr>
<tr>
<td>5.5%</td>
<td>7.5%</td>
<td>5%</td>
</tr>
<tr>
<td>5.5%</td>
<td>8.0%</td>
<td>4.5%</td>
</tr>
<tr>
<td>5.5%</td>
<td>8.5%</td>
<td>4%</td>
</tr>
<tr>
<td>5.5%</td>
<td>9.0%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

*Subject to the limit of the lesser of 18% and $25,370 (2015)
Fees

• Various cost associated with running the Plan
  – Fees for external investment managers
  – Transaction costs
  – Trustee fees
  – Other professional fees
  – Pension staff expenses

• You pay only some of these fees
  – Fees for external managers
  – Transaction costs and trustee fees are funded by your investments
  – Returns for each fund are determined after deducting these fees

Western Investments Options

Tier 1

- Balanced Income Fund
- Balanced Growth Fund

Tier 2

- Diversified Bond Fund
- Diversified Equity Fund

Tier 3

- Canadian Bond Fund
- Long Term Bond Fund
- Canadian Equity Fund
- Non North American Equity Fund
- US Equity Fund - Hedged (CAD)
- US Equity Fund - Unhedged (USD)
- Money Market Fund

2016 2018 2020 Target Date Funds

Cash Fixed Income/Bonds Equity/Stocks
### Cash
Short Term Goals < 3 yrs

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Objective</td>
<td>Safety of principal</td>
</tr>
<tr>
<td>Major Risk</td>
<td>Inflation (loss or purchasing power)</td>
</tr>
<tr>
<td></td>
<td>Relatively low rates of returns compared to other investments</td>
</tr>
<tr>
<td>Major Reward</td>
<td>Liquid (can easily be converted to cash)</td>
</tr>
<tr>
<td>Western Investment Options</td>
<td>Money Market, 2016 Target Date Fund (once it is in its final year)</td>
</tr>
</tbody>
</table>

### Bonds/Fixed Income
Mid Term Goals: 3-10 yrs

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Objective</td>
<td>Pay a fixed amount of interest at regular intervals over a certain period of time</td>
</tr>
<tr>
<td>Major Risk</td>
<td>Interest rate risk, Med-term volatility</td>
</tr>
<tr>
<td>Major Reward</td>
<td>Fixed Maturity Value</td>
</tr>
<tr>
<td>Western Investment Options</td>
<td>Diversified Bond Fund, Target Date Funds, Canadian Bond Fund, Long Term Bond Fund</td>
</tr>
</tbody>
</table>
Equities/Stocks
Long Term Goals: >10 yrs

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Tier 1</th>
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<tbody>
<tr>
<td>Major Objective</td>
<td>Provide growth</td>
</tr>
<tr>
<td>Major Risk</td>
<td>Short-term volatility</td>
</tr>
<tr>
<td>Major Reward</td>
<td>Potential for relatively high returns</td>
</tr>
<tr>
<td>Western Investment Options</td>
<td>Tier 2 and Tier 3</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Tier 2</th>
<th>Diversified Equity Fund</th>
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<tbody>
<tr>
<td></td>
<td>1% Global (small cap)</td>
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<tr>
<td></td>
<td>5% Emerging Markets</td>
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<tr>
<td></td>
<td>24% Global (large cap)</td>
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<tr>
<td></td>
<td>10% US Equity Fund – Hedged (large cap)</td>
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<tr>
<td></td>
<td>10% Non North American Equity Fund</td>
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<tr>
<td></td>
<td>20% Canadian Equity Fund</td>
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<table>
<thead>
<tr>
<th>Tier 3</th>
<th>Canadian Equity Fund</th>
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<tbody>
<tr>
<td></td>
<td>Non North American Equity Fund</td>
</tr>
<tr>
<td></td>
<td>US Equity Fund – Hedged (SCdn)</td>
</tr>
</tbody>
</table>

Western Investments Options

| Tier 1 | Balanced Income Fund |
|--------| (Mix of 70% Diversified Bond Fund & 30% Diversified Equity Fund) |
|        | Balanced Growth Fund |
|        | (Mix of 50% Diversified Bond Fund & 50% Diversified Equity Fund) |

<table>
<thead>
<tr>
<th>Tier 2</th>
<th>Diversified Bond Fund</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>31.75% Canadian Bonds (active)</td>
</tr>
<tr>
<td></td>
<td>31.75% Global Bonds (active)</td>
</tr>
<tr>
<td></td>
<td>10% Commercial Mortgages</td>
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<td>26.5% Canadian Bond Fund (passive)</td>
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<td>Diversified Bond Fund</td>
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<td>Long Term Bond Fund</td>
<td>Diversified Equity Fund</td>
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</tbody>
</table>

- Cash
- Fixed Income/Bonds
- Equity/Stocks

**Level of Risk / Opportunity for Reward is increasing from left to right**
**Tier 3**

**Tier 1**
Pre-set Portfolios of the Diversified Bond Fund & Diversified Equity Fund, with a rebalancing feature

**Tier 2**
Diversified Portfolios of Bonds OR Equities

**Tier 3**
Strategy-specific funds

<table>
<thead>
<tr>
<th>Tier 3 Strategy-specific funds</th>
<th>Canadian Bond Fund (passive)</th>
<th>Canadian Equity Fund</th>
<th>Diversified Equity Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 2</td>
<td>2016</td>
<td>2018</td>
<td>2020</td>
</tr>
<tr>
<td>Target Date Funds</td>
<td>Long Term Bond Fund</td>
<td>US Equity Fund - Hedged (ECan)</td>
<td>Non North American Equity Fund</td>
</tr>
<tr>
<td>Money Market Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>Fixed Income/Bonds</td>
<td>Equity/Stocks</td>
<td></td>
</tr>
</tbody>
</table>

**Tier 2**

**Tier 1**
Pre-set Portfolios of the Diversified Bond Fund & Diversified Equity Fund, with a rebalancing feature

**Tier 2**
Diversified Portfolios of Bonds OR Equities

**Tier 3**
Strategy-specific funds

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<td>26.5% Canadian Bond Fund (passive)</td>
<td>10% Non North American Equity Fund</td>
<td></td>
</tr>
<tr>
<td>30% Canadian Bond Fund (passive)</td>
<td>10% Canadian Equity Fund</td>
<td></td>
</tr>
</tbody>
</table>

**Cash** | **Fixed Income/Bonds** | **Equity/Stocks**
Tier 1

Pre-set Portfolios of the Diversified Bond Fund & Diversified Equity Fund, with a rebalancing feature

Tier 2
Diversified Portfolios of Bonds OR Equities

Tier 3
Strategy-specific funds

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Western Investments Options

Tier 1

Diversified Bond Fund (50% Canadian Bonds (active) 45% Global Bonds (active) 5% Commercial Mortgages 5% Canadian Bond Fund (passive))

Diversified Equity Fund

Tier 2

5% Global Bond Fund
5% Emerging Markets
5% S&P 500 (Net Inc.)
5% US Equity Fund - Hedged (large cap)
10% US Equity Fund
10% Non North American Equity Fund
30% Canadian Equity Fund

Tier 3

Canadian Bond Fund (passive)

Canadian Equity Fund

Non North American Equity Fund

US Equity Fund - Hedged (5%נח)

Long Term Bond Fund

Target Date Funds

Money Market Fund

2016 2018 2020

Cash Fixed Income/Bonds Equity/Stocks
Asset Allocation

- Is an investment process that attempts to balance the risk and reward of the three asset classes in a portfolio according to an investor's personal:
  - Goals
  - Risk tolerance
  - Investment time frame

Goals

- The goal of your Western Pension will be to replace a portion of your employment income by which you can maintain a reasonable standard of living after you retire.

- This is done in combination with your personal savings and Government pension programs.
Risk Tolerance

“Many investors think they can’t live with it. It’s probably more accurate to say they can’t live without it.”


Ask Yourself….

- What is more important?
  - Keeping money safe
  - Looking for higher growth

- How do you react to the ups and downs of the markets?
  - Can you sleep at night

- How much loss or volatility are you prepared for?
  - Losses are unavoidable in the markets

- Will you have other sources of income to fall back on?
  - Personal savings
  - Government pensions
  - Other household income
  - Other employer pension plans
Time Horizon

• Pension rules “lock-in” pension immediately, meaning money must be used in retirement.

• Long term or short term consider:
  – Do you plan to retire early?
  – Do you plan to postpone retirement?

  **Remember! Your time horizon becomes shorter the closer you get to retirement.**

Diversification

  HOW MANY TIMES HAVE I TOLD YOU NOT TO PUT ALL THE CHILDREN IN ONE BASKET?!!?
Know Your Investor Profile

Tools to assess risk tolerance:

<table>
<thead>
<tr>
<th>Human Resources website</th>
<th>Pension &gt; Workshops &amp; Planning Tools &gt; Investment Personality Questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor Education Fund</td>
<td>Tools &amp; Calculators &gt; Quizzes &gt; Risk profile quiz</td>
</tr>
<tr>
<td>The Financial Educator</td>
<td>Lessons &gt; Financial Planning &gt; Asset Allocation Strategies &gt; Investment Personality Profile</td>
</tr>
</tbody>
</table>

Western’s Investment Personality Questionnaire

Visit: www.uwo.ca/hr
- Select Pension
- Select Workshops and Planning Tools
Western’s Investment Personality Questionnaire

• Answer 16 questions. There are no right or wrong answers. Your responses will generate a score. Click on the appropriate portfolio to view the investment details.

Your Investment Personality Questionnaire (IPQ) Score is...

Based on your IPQ Score, click on the appropriate portfolio to view the investment details:

<table>
<thead>
<tr>
<th>SCORE RANGE</th>
<th>PORTFOLIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 - 16</td>
<td>Balanced Income</td>
</tr>
<tr>
<td>17 - 32</td>
<td>Moderate Growth</td>
</tr>
<tr>
<td>33 - 48</td>
<td>Balanced Growth</td>
</tr>
<tr>
<td>49 - 64</td>
<td>Intermediate Growth</td>
</tr>
<tr>
<td>65 - 81</td>
<td>Aggressive Growth</td>
</tr>
</tbody>
</table>

Western’s Investment Personality Questionnaire

• Explanation of suitable portfolio provided.

Balanced Growth Portfolio (IPQ Score 33 - 48)

This portfolio is suitable for an investor who is looking for a portfolio that would provide a good mix of investment income and growth on the accumulated assets, who is reasonably familiar about investments, who generally has a mid term investment horizon (typically five to ten years) and who understands market volatility but is somehow concerned with it.

Asset Allocation: 70% Equities, 30% Fixed Income

Western investment funds for a Balanced Growth portfolio

100% Balanced Growth Fund
Western’s Investment Personality Questionnaire

- Detailed explanation of the suited portfolio provided along with investment manager information.

![Balanced Growth Portfolio](image)

Personalized Pension Account

- Provides up to date information about your investments.
- You can change your investment directions and arrange transfers between funds
  - Requests must be submitted by the 25th of the month.
  - December 17th deadline.
  - Changes are made at the end of the month.
- Log in to your retirement plan account from the Human Resources Website
  - Located in the Login Tools on the right navigation bar
Annual Pension Statement

- Provides your account balance and your net investment returns for the period.
- Estimates your retirement income from the plan at normal retirement.
- Confirms the balance in your regular and voluntary accounts.
- Illustrates your investment choices.
- Confirms your personal data on file.
- Sent by mail in the spring.

The Annual Investment Performance Review

- Provides a detailed description of each of the funds
  - Fund’s objectives
  - Strategy
  - Risks
  - Type of investor who might choose to invest in the fund
- Updated annually
- Available online on the Human Resources Website
  - Pension> Investment Reporting> Annual Report
Western Retirement Fund Performance

- Current value and historical returns for each of the investment fund options available to retirement plan members.
- Updated monthly
- Available online on the Human Resources Website
  - Pension> Investment Reporting> Current Fund Performance

Rebalancing

- Rebalancing is the process of bringing your investment mix that has changed over time back to your original or, perhaps a new, personal asset allocation.
**Rebalancing: How to do it?**

- Keep a record of what asset allocation mix you have personally selected.
- Annually review your current investment mix summary.
- Compare this to the weightings you originally selected.
- If you find your investment mix weightings are distorted complete a change to bring your investments back to your target mix.
- Tier 1 Balanced Funds rebalance automatically

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**Contact Us**

**Human Resources:**

- [www.uwo.ca/hr](http://www.uwo.ca/hr)
- Access retirement plans resources online
- Login to your personal Pension Account

(519) 661-2194 OR ext 82194
Email: hrhelp@uwo.ca
- Contact HR to arrange an appointment with Bekki Ollson or Cara Bourdeau

Location: Support Services Building, room 5100