Western Pension Plans
Academic and Administrative Staff
Pension Boards

Annual Member Update
for 2022

May 2023
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.
Land Acknowledgement
Agenda

• Summary of the plans
• Member questions
• 2022 fund performance
• Geopolitical Risk
• Responsible investing update
• New fund
• Plan member support
Presenting on behalf of the Board

Martin Bélanger
Director Investments, Western

Cara Bourdeau
Sr. HR Consultant, Total Rewards, Western
<table>
<thead>
<tr>
<th>Name</th>
<th>Role at Western</th>
<th>Board Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ab Birch</td>
<td>Director, Financial Systems</td>
<td>Since 1997</td>
</tr>
<tr>
<td>Stephen Foerster</td>
<td>Professor, Ivey Business School Chair, Academic Board; Vice-Chair, Joint Pension Board</td>
<td>Since 2008</td>
</tr>
<tr>
<td>Rachel Halaney</td>
<td>Acting Executive Director, Office of the Dean, Schulich School of Medicine &amp; Dentistry</td>
<td>Since 2020</td>
</tr>
<tr>
<td>Louise Koza</td>
<td>Director, Total Compensation, Human Resources</td>
<td>Since 2003</td>
</tr>
<tr>
<td>Jim Loupos</td>
<td>Director, Internal Audit, Financial Services Chair, Administrative Board; Chair, Joint Pension Board</td>
<td>Since 2009</td>
</tr>
<tr>
<td>Eric Mallory</td>
<td>Associate Vice-President, Financial Services</td>
<td>Since 2019</td>
</tr>
<tr>
<td>Jane O’Brien</td>
<td>Associate Vice-President, Human Resources</td>
<td>Since 2000</td>
</tr>
<tr>
<td>Saurin Patel</td>
<td>Assistant Professor, Ivey Business School</td>
<td>Since 2021</td>
</tr>
<tr>
<td>Katey Senese</td>
<td>Financial Officer, Faculty of Education</td>
<td>Since 2021</td>
</tr>
<tr>
<td>Joseph Shaw</td>
<td>Lecturer, Geography and Environment</td>
<td>Since 2022</td>
</tr>
<tr>
<td>Shahbaz Sheikh</td>
<td>Professor, DAN Department of Management &amp; Organizational Studies</td>
<td>Since 2021</td>
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</table>
The Western Plans (at Dec 31/22)

- $1.2 billion in assets combined
- 7679 members – 6483 are active
- Invested across 13 investment options

Academic Plan:
- 3050 members
- Average age: 51 years
- Total assets: $714 million
- Average member balance: $234,215
- Average balance for members > age 60: $466,310

Administrative Plan:
- 4629 members
- Average age: 46 years
- Total assets: $522 million
- Average member balance: $112,920
- Average balance for members > age 60: $235,200
Plan Member Questions
2022 Investment Themes

• Persisting Inflation
  – CPI up by 6.3% year-over-year in Canada in December 2022
  – Down from 8.1% in June 2022 but up from 4.8% at the beginning of the year

• Aggressive Tightening by Central Banks
  – Bank of Canada raised its key interest rate from 0.25% at the end of 2021 to 4.25% at the end of 2022
  – U.S. Federal Reserve increasing its key lending rate from 0%-0.25% to 4.25%-4.50%

• Consequences
  – Slowing economic growth
  – Capital markets experiencing negative returns
# 2022 Investment Returns (Net of Fees)

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Investment Fund</th>
<th>Fund</th>
<th>Benchmark</th>
<th>Value Add</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balanced Portfolios</td>
<td>Balanced Growth</td>
<td>-10.11%</td>
<td>-10.57%</td>
<td>+0.36%</td>
</tr>
<tr>
<td></td>
<td>Balanced Income</td>
<td>-9.56%</td>
<td>-10.47%</td>
<td>+1.03%</td>
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<tr>
<td>Equity</td>
<td>Diversified Equity</td>
<td>-10.61%</td>
<td>-10.76%</td>
<td>+0.15%</td>
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<tr>
<td></td>
<td>Canadian Equity</td>
<td>-3.92%</td>
<td>-5.84%</td>
<td>+1.92%</td>
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<tr>
<td></td>
<td>Non-North American Equity</td>
<td>-7.98%</td>
<td>-8.22%</td>
<td>+0.24%</td>
</tr>
<tr>
<td></td>
<td>US Equity-Hedged</td>
<td>-19.19%</td>
<td>-19.11%</td>
<td>-0.08%</td>
</tr>
<tr>
<td></td>
<td>US Equity-Unhedged</td>
<td>-12.25%</td>
<td>-12.16%</td>
<td>-0.09%</td>
</tr>
<tr>
<td></td>
<td>Socially Responsible Global Equity</td>
<td>-13.49%</td>
<td>-12.43%</td>
<td>-1.06%</td>
</tr>
<tr>
<td>Fixed Income and Cash</td>
<td>Diversified Bond</td>
<td>-9.23%</td>
<td>-10.53%</td>
<td>+1.30%</td>
</tr>
<tr>
<td></td>
<td>Long Term Bond</td>
<td>-21.93%</td>
<td>-21.76%</td>
<td>-0.17%</td>
</tr>
<tr>
<td></td>
<td>Canadian Bond</td>
<td>-11.80%</td>
<td>-11.69%</td>
<td>-0.11%</td>
</tr>
<tr>
<td></td>
<td>Money Market</td>
<td>1.75%</td>
<td>1.82%</td>
<td>-0.07%</td>
</tr>
<tr>
<td>Guaranteed Daily Interest Account</td>
<td>4.66% (Rate as of April 24, 2023)</td>
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## 2022 Member Returns
(net of fees)

### Individual* Member Performance

<table>
<thead>
<tr>
<th>2022 Return Breakdown</th>
<th>Historical Median Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum: 7.5 %</td>
<td>1 year: -10.0 %</td>
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<tr>
<td>Average: -9.6 %</td>
<td>3 year: 3.4 %</td>
</tr>
<tr>
<td>Median: -10.0 %</td>
<td>5 year: 4.2 %</td>
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<tr>
<td>Minimum: -24.7%</td>
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*member accounts which had a full year of activity and a balance of $3,000 or more
Savings: Fees

Average Fund Management Fees:

- Defaults to 0.75% in the Sun Life tool
- Western Pension Fund is 0.45%

0.45% = Total weighted average annualized fee (including HST)
Fees: An Illustration

If:
- you invested $500 per month
- in the Western Diversified Equity Fund
- from March 1978 to March 2023

You would have saved = $2,458,700
(based on actual fees and returns)

If:
- you invested the same money,
  earning the same returns, for the same period BUT the fund charged fees 2% higher

You would have saved = $1,265,900

The difference in savings of $1,192,800 is entirely due to fees!

Difference in savings due to fees...
Over the last 30 years - $194,600
Over the last 20 years - $59,300
Over the last 10 years - $9,900

Western Pension Plan: 0.45%
Retail Market: 1.50-2.50%
60/40 Portfolio\(^1\)

- Portfolio that invests 60% in equities and 40% in bonds
- Was traditionally the asset mix of most pension funds
- That specific mix allowed investors to achieve a decent return, with a good balance of growth and income, without taking too much risk
- That portfolio would have achieved a -12.13% return in 2022\(^2\)

\(^1\) A portfolio with a 60% equity and 40% fixed income is not readily available on the Western Pension Plans

\(^2\) Based on a -12.43% return for the MSCI All-Country World Index (equity component) and -11.68% for the FTSE Canada Universe Bond Index (bond component)
60/40 Portfolio

• How do we adapt?
• Start with a 60/40 portfolio as a foundation
• Take incremental risks
  – Increase equity allocation
  – Invest in small companies
  – Invest in emerging markets
• Invest in alternative asset classes that are uncorrelated to traditional capital markets
  – Infrastructure
  – Real estate
  – Private equity
Geopolitical Risk

• Geopolitical risk monitored by Western investment team

• Plan exposure and potential implications reported to plan members
  – Ukraine invasion by Russia (February 2022)
  – U.S. banking crisis (March 2023)
Responsible Investing

- May 2022: Panel discussion on responsible investing with representatives of Western, Sun Life and Mercer was held for members of the pension plans.
- June 2022: Sun Life conducted a survey on responsible investing with members of the Western pension plans.
- September 2022: The Joint Pension Board had an in-depth discussion on responsible investing at its annual retreat, covering the history of responsible investing at Western, reviewing carbon footprint metrics, risks and opportunities, communications with members and next steps.
- Western has measured annually the following metrics for the Western Pension Plans since 2019:
  - Weighted-average carbon intensity (WACI)
  - Carbon emissions per dollar invested
  - Potential emissions from fossil fuel reserves
Responsible Investing

• Measurements will assist in monitoring and identifying:
  – Carbon emissions hot-spots and potential climate risks
  – Exposure and holdings that merit further engagement with external managers
  – A baseline from which to track future progress and report to stakeholders

• Findings:
  – Carbon emissions generally lower than benchmark
  – Compared to their benchmarks, all actively managed equity funds have materially lower exposure to potential emissions from owned fossil fuel reserves.
  – Work in progress and data quality is improving
Future Plans

• Add a real asset allocation (real estate and infrastructure) to the Diversified Equity Fund
• Goal: Get returns similar to those provided by equity investments, but with lower volatility and low correlation to public equity markets
• Why Invest in Real Estate?
  – Provides both income and potential capital gains
  – Low correlation with stocks and bonds
  – Low volatility of returns
  – Inflation protection income from rent and leases adjust to help offset inflation
• Why Invest in Infrastructure?
  – Predictable cash flows for Core assets
  – Inflation sensitive cash flows
  – Long investment horizon
  – Lower risk and low correlation with equity markets
New Fund

Islamic Global Equity Segregated Fund

- Effective June 1, 2023
- Passive fund which aims to replicate the MSCI ACWI Islamic Equity Index
- Fund Management Fee: 0.84%
- Diversified exposures to global equity markets
- Invests in accordance with the principles of Islamic finance.
New Fund

What are the principles of Islamic finance?

○ Prohibition of certain industries, products, and services
  • ex. Alcohol, tobacco, adult entertainment, weapons

○ Prohibition of interest
  • ex. Conventional financial services and leverage

○ Shared risk and reward among all parties
  • ex. Prohibits gambling and elevated uncertainty
Your Western Account at Sun Life

mysunlife.ca/Western

Saving for your future with your Western Pension Plan has never been easier. Sun Life is here to help you better understand the benefits of your workplace retirement and savings plan, and ultimately take action to save for a brighter financial future.

Sign in using your Western user ID and password 😊

Mobile App
Support from Sun Life

Client Care Centre:
General inquires and support

Senior Education Consultants:
Understanding your workplace plan

Financial Services Consultants:
Investment Advice & Retirement Planning

Retirement Consultants:
Converting savings to income
Support from Sun Life

**WHO supports:** Client Care Representatives

**WHAT type of support:**
- plan details,
- account balance,
- investment transactions,
- withdrawals, and tax receipts/tax slips on withdrawals,
- beneficiary update,
- navigating the tools and resources available on the Sun Life member site

**HOW to access support:**
- by phone: 1-866-733-8612
- through chat on the member secure site

**WHEN:** from hire to retire, and beyond
Support from Sun Life

**WHO supports:** Senior Education Consultants

**WHAT type of support:**
- maximize the benefits of your workplace plan,
- understand the Western plan design,
- navigating the tools and resources available on the Sun Life member site

**HOW to access support:**
- 1:1 in-person Education Campaigns announced by Western and Sun Life

**WHEN:** throughout career until pre-retirement
Support from Sun Life

WHO supports: Licenced Financial Services Consultants

WHAT type of support:
- review and update your investment strategy,
- get financial advice,
- discuss your financial and retirement goals,
- create a plan to help you achieve your goals,
- transfer-in assets from other institutions

HOW to access support:
- by phone: 1-866-634-4840 or
- book an appointment online
- virtual consultation via Zoom

WHEN: throughout your career until pre-retirement
Support from Sun Life

WHO supports: Licenced Retirement Consultants

WHAT type of support:
- detailed review of your retirement plan,
- discuss strategies to support your retirement goals,
- understand your income options (RRIF/LIF),
- receive income projections for decumulation
- info on the Sun Life Retirement & Savings Plan for Western Retirees

HOW to access support:
- by phone: 1-866-224-3906
- book an appointment online
- virtual consultation via Zoom

WHEN: 5 years pre-retirement, retirement and beyond
Western Human Resources

Visit: www.uwo.ca/hr/pension

Contact Us: https://www.uwo.ca/hr/contact.html

• Investments:
  – Martin Bélanger mbelang7@uwo.ca

• Eligibility for retirement:
  – Bekki Ollson bollson@uwo.ca

• Governance, Sun Life support, and other inquiries:
  – Cara Bourdeau cara.bourdeau@uwo.ca