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of Windsor

## Open Pension Meeting

November 17, 2016



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### Agenda

- Opening Comments & Welcome – Sandra Aversa
- Key Events, Capital Markets and Overall Performance – Brian Dayes (Mercer)
- Investment Manager Presentations
  - Background on Firm
  - Performance as of June 30, 2016
  - Investment Outlook
- Questions and Discussion



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## Key Events during the year

- **“Rollercoaster”** highs
  - Extreme volatility in bond, equity markets, yet both are registering close to all-time highs
  - Negative yields in many global sovereign bond markets
  - Correlation between equity and bonds has moved positive
  - Cycling between “risk-on” and “risk-off” environments
- Long term **interest rates continue to decline**, pushing up value of pension liabilities. Offset in part by strong domestic and global equity performance.



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## Key Events during the year

- Heightened **political uncertainty**
  - China’s surprise devaluation of the Yuan
  - BREXIT
  - Trump presidency
  - US FED raised rates in Dec 2015, and on-hold since. What’s next?
  - Monetary policy ‘experiment’ being replaced with Fiscal stimulus



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## Key Events during the year

- Effective **December 2015**, the Pension Plan Fund completed the transition to **Burgundy Global Equity Fund**.
  - Burgundy prefunded the purchase in order to mitigate out of market risk associated with transition.
- Effective **December 2015**, the Pension Plan Fund completed the transition to the **FGP Revised Universe Bond Fund**.
  - Product offers a greater flexibility to overweight/underweight various sectors.
  - The changes were implemented with the intention to incorporate market development over time.
- **Asset liability review** underway by Investment Committee

## Capital Market Performance

## Capital Market Performance: June 30, 2016

	Q2 2016	Year ending June 30, 2016
FTSE TMX Canada 91 Day T-Bill	0.1%	0.5%
FTSE TMX Canada Universe Bond Index	2.6%	5.2%
FTSE TMX Canada Long Bond Index	5.5%	9.9%
S&P/TSX Composite Index	5.1%	-0.2%
MSCI World Index (\$Cdn)	1.6%	1.7%
MSCI Emerging Markets Index (\$Cdn)	1.2%	-8.2%

## Capital Market Performance: Sept 30, 2016

	Q3 2016	Year ending Sept 30, 2016
FTSE TMX Canada 91 Day T-Bill	0.1%	0.5%
FTSE TMX Canada Universe Bond Index	1.2%	6.3%
FTSE TMX Canada Long Bond Index	2.4%	12.6%
S&P/TSX Composite Index	5.5%	14.2%
MSCI World Index (\$Cdn)	6.2%	9.8%
MSCI Emerging Markets Index (\$Cdn)	10.5%	14.9%

## Key Issues Facing Pension Plans

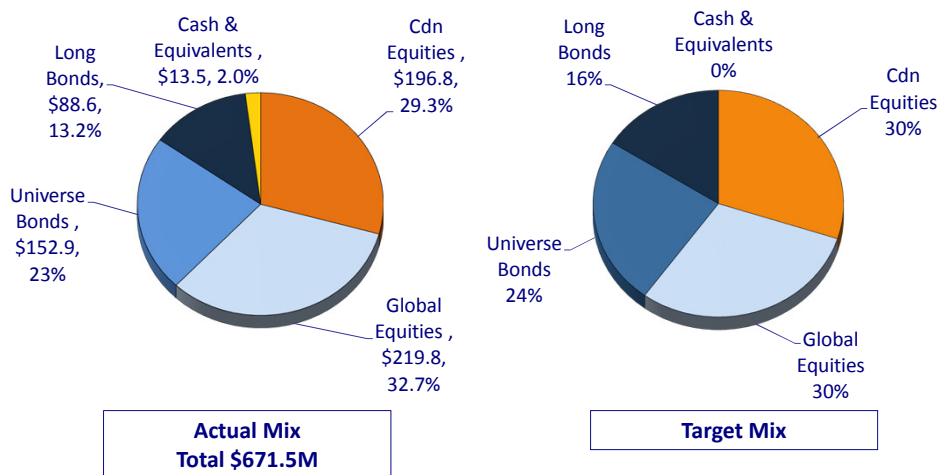
- **Volatile markets** can cause large fluctuations in pension costs
  - Use of diversified asset classes can help in mitigating volatility
- **Currency volatility** is having a meaningful impact on global equity returns
- Impact of **low interest rate environment**
  - Makes it difficult to avoid volatility of equities

## Key Issues Facing Pension Plans

- **Increased regulatory requirements**
  - Requirement to file Statement of Investment Policies and Procedures with provincial regulator (FSCO)
- **Managing risk and diversification** in pension portfolios
  - Alternative asset classes such as real estate and infrastructure continue to increase in usage
- **CPP expansion** phased in over 7 years starting January 1, 2019

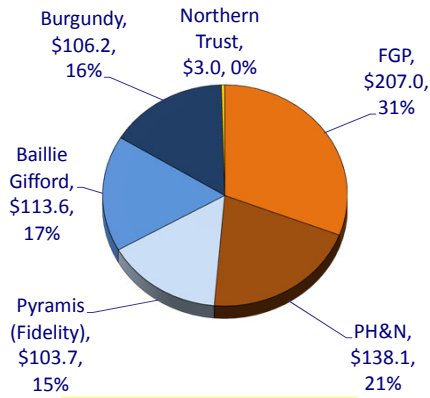
# Performance Results

## Pension Plan - Asset Mix (\$M) - June 30, 2016



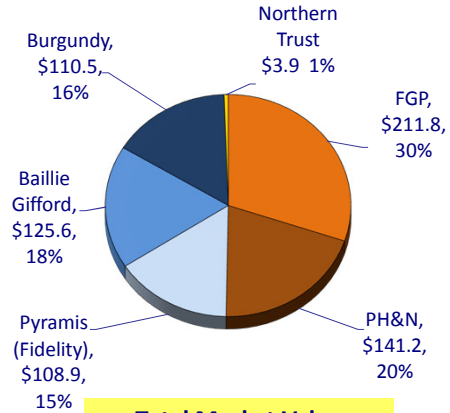
## Asset Allocation by Manager (in \$M)

**June 30, 2016**



**Total Market Value  
\$671.5M**

**September 30, 2016**



**Total Market Value  
\$701.9M**



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## Total Pension Fund Returns as of June 30, 2016

	Market Value (\$M)		3 Months	1 Year	2 Year	3 Year
<b>Total Fund</b>	\$ 672		3.0%	2.7%	5.1%	9.9%
<b>University of Windsor Benchmark</b>			3.6%	3.3%	5.8%	9.8%
<b>Faculty Plan Portion</b>	\$ 458	68.2%				
<b>Employee Plan Portion</b>	\$ 214	31.8%				



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### Asset Returns by Manager

	Market Value (\$M) June 30, 2016	Annual Returns			
		1 year	2 years	3 years	4 years
<b>Foyston, Gordon &amp; Payne</b>	<b>207</b>	2.7%	1.7%	6.6%	7.2%
<b>Phillips, Hager &amp; North</b>	<b>138</b>	7.8%	8.0%	4.7%	6.4%
<b>Pyramis</b>	<b>104</b>	3.2%	4.0%	N/A	N/A
<b>Baillie Gifford</b>	<b>114</b>	(1.2%)	9.6%	15.1%	18.1%
<b>Burgundy</b>	<b>106</b>	N/A	N/A	N/A	N/A
<b>Cash</b>	<b>3</b>	0.3%	0.2%	(0.0%)	0.0%
<b>Total Fund</b>	<b>672</b>	2.7%	5.1%	9.9%	10.3%
<b>U of Windsor Benchmark</b>		3.3%	5.8%	9.8%	9.4%



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### Total Pension Fund Returns as of Sept 30, 2016

	Market Value (\$M)	3 Months	1 Year	2 Year	3 Year
<b>Total Fund</b>	\$ 702	4.8%	11.2%	7.3%	10.0%
<b>University of Windsor Benchmark</b>		4.2%	11.0%	7.4%	10.2%
<b>Faculty Plan Portion</b>	\$ 479	68.2%			
<b>Employee Plan Portion</b>	\$ 223	31.8%			



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## Impact of Investment Performance for Faculty Plan

**June 30, 2016**

Gross Fund Return: **2.69%**

Net Fund Return: **2.21%**

- Money Purchase balances increased by 2.21% for active members
- Money Purchase pensions decreased by 5.91% for all retirees who retired before July 1, 2004
- Money Purchase pensions increased by 5.50% for those who retired on and after July 1, 2004
  - Actual increase is the difference between the return and 6% plus the mortality adjustment
- Minimum Guaranteed pensions for all retirees increased by 1.40%



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## Impact of Investment Performance for Employees Plan

**June 30, 2016**

Gross Fund Return: **2.69%**

Net Fund Return: **2.12%**

- Rate of credited interest on employee contributions for the year ending June 30, 2016 is 1.22%
- 4 year Average Fund Return for pension increases is 9.84%
- Pensions increased by 0.70%
- Actual increase is 50% of excess average return over 5.60%, limited to 50% of the CPI increase (1.40% at June 30, 2016)



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## Investment Manager Presentations

1. **Foyston, Gordon & Payne** – Steve Copeland & Rob Head
2. **Phillips, Hager & North** – Terri Cugno & Kevin De Sousa
3. **Burgundy Asset Management** – Ariel Lubecki
4. **Baillie Gifford** – Tim Gooding & Catherine Flockhart
5. **Pyramis (Fidelity)** – Lawrence Lim & Edward Lui



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## Questions and Discussion



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