



University
of Windsor

Open Pension Meeting

November 19, 2018



University of Windsor

Agenda

- Opening Comments & Welcome – Rita LaCivita
- Key Events, Capital Markets and Overall Performance – Todd Nelson (Mercer)
- Investment Manager Presentations
 - Background on Firm
 - Performance as of June 30, 2018
 - Investment Outlook
- Questions and Discussion



Key Events During the Year – Financial Markets

- The **global economy** continued to expand at a **slower rate** as growth became less synchronized.
- **Growth in the US remained strong** as fiscal stimulus kicked in, while European and Japanese growth was relatively weak.
- Monetary and fiscal policies should remain supportive across most regions, but **escalating trade tensions** could weigh on the growth outlook.



Key Events During the Year – Financial Markets

- The **Bank of Canada raised interest rates** multiple times throughout the year.
- **Extreme volatility in bond markets** – transition from falling interest rates to rising interest rate environment.
- Recent **high volatility** in Canadian and Global **equity markets**.



Key Events During the Year – Investment Policy

Updates to the Statement of Investment Policies & Procedures for the Pension Plan Fund:

May 2018

- To reflect the new infrastructure managers selected (JP Morgan, IFM) and related benchmarks.
- Implementation of these new infrastructure mandates is underway. Investment of approximately 3% of Pension Fund is planned.



Capital Market Performance



Capital Market Performance: June 30, 2018

	Q2 2018	Year ending June 30, 2018
FTSE Canada 91 Day T-Bill	0.3%	1.0%
FTSE Canada Universe Bond Index	0.5%	0.8%
FTSE Canada Long Bond Index	0.9%	1.8%
S&P/TSX Composite Index	6.8%	10.4%
MSCI All Country World Index	2.8%	12.7%
MSCI World Index	4.0%	13.1%



Capital Market Performance: Sept 30, 2018

	Q3 2018	Year ending Sept 30, 2018
FTSE Canada 91 Day T-Bill	0.3%	1.2%
FTSE Canada Universe Bond Index	-1.0%	1.7%
FTSE Canada Long Bond Index	-2.4%	3.6%
S&P/TSX Composite Index	-0.6%	5.9%
MSCI All Country World Index	2.6%	14.0%
MSCI World Index	3.3%	15.6%



Key Issues Facing Pension Plans

- **Volatile markets** can cause fluctuations in pension costs
 - Use of diversified asset classes can help in mitigating volatility.
 - New infrastructure investment, which typically exhibits lower volatility than equities, will help mitigate risk.
- **Rising interest rates** can be an opportunity for pension plans
 - As interest rates rise, present value of liabilities falls more than the assets.



Key Issues Facing Pension Plans

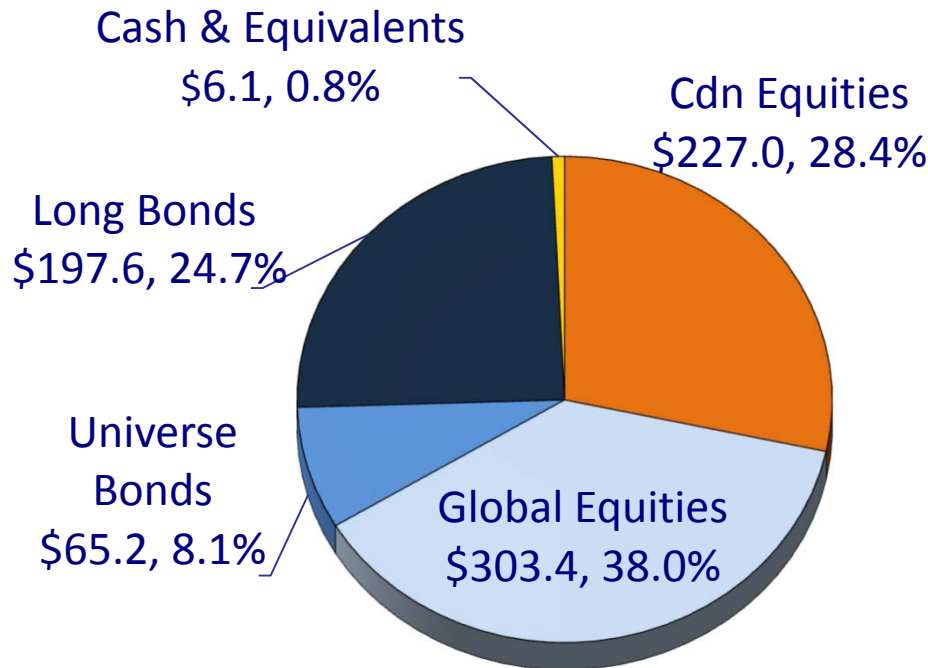
- **Global trade tensions** call for more diversification within the global equity space.
- **Managing risk and diversification** in pension portfolios
 - Alternative asset classes such as real estate and infrastructure continue to increase in usage.
 - Global equity diversification trend continues as home country bias allocation to Canadian equity decreases.



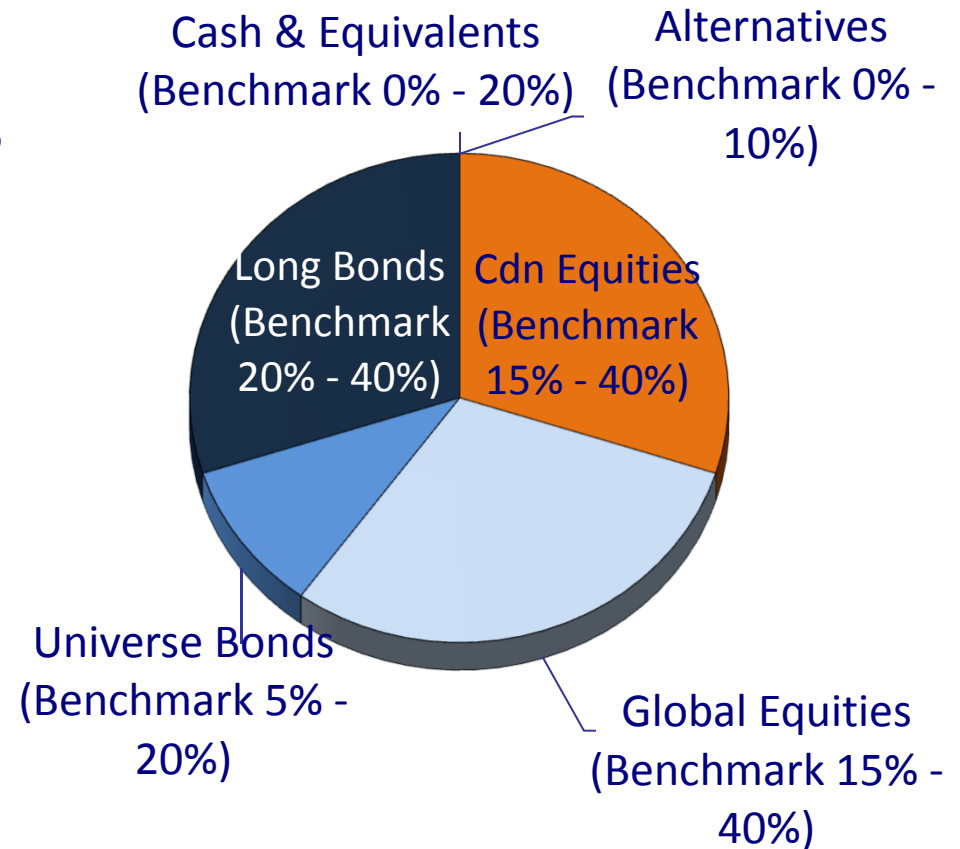
Performance Results



Pension Plan - Asset Mix (\$M) - June 30, 2018



Actual Mix
Total \$799.3M

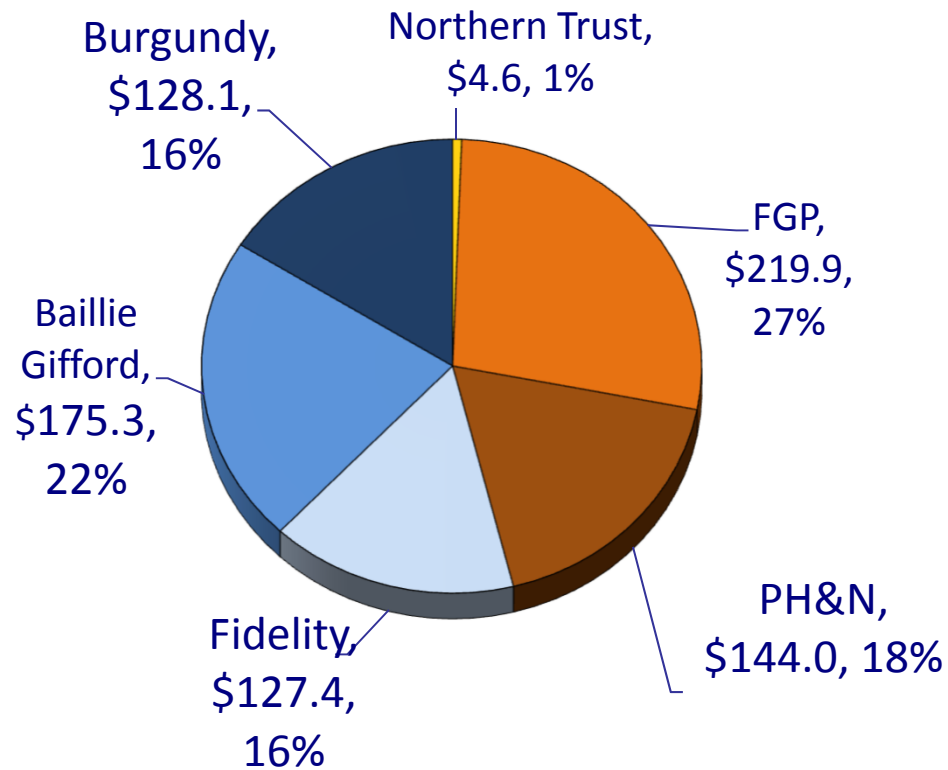


Benchmark Asset Mix

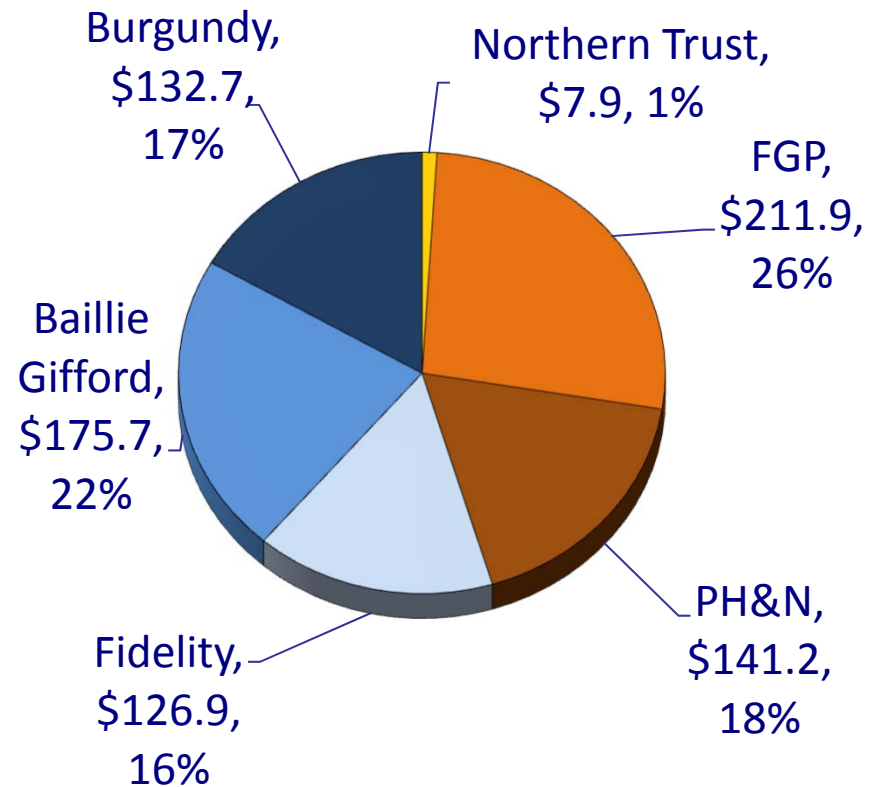


Asset Allocation by Manager (in \$M)

June 30, 2018



September 30, 2018



**Total Market Value
\$799.3M**

**Total Market Value
\$796.3M**



Total Pension Fund Returns as of June 30, 2018

	Market Value (\$M)		3 Months	1 Year	2 Year	3 Year
Total Fund	\$ 799.3		3.2%	9.7%	10.5%	7.9%
University of Windsor Benchmark			3.3%	7.5%	8.2%	6.6%
Faculty Plan Portion	\$ 548.3	68.6%				
Employee Plan Portion	\$ 251.0	31.4%				



Asset Returns by Manager

	Market Value (\$M)	Annual Returns			
		1 year	2 years	3 years	4 years
	June 30, 2018				
Foyston, Gordon & Payne	220	8.4%	7.9%	6.2%	4.8%
Phillips, Hager & North	144	2.5%	2.2%	4.0%	5.0%
Fidelity	127	11.0%	10.8%	8.2%	7.4%
Baillie Gifford	175	19.7%	24.2%	15.1%	16.7%
Burgundy	128	6.9%	9.8%	N/A	N/A
Cash	5	1.0%	0.7%	0.6%	0.7%
Total Fund	799	9.7%	10.5%	7.9%	7.8%
U of Windsor Benchmark		7.5%	8.2%	6.6%	7.0%



Total Pension Fund Returns as of Sept 30, 2018

	Market Value (\$M)		3 Months	1 Year	2 Year	3 Year
Total Fund	\$ 796.3		-0.2%	9.0%	7.8%	8.9%
University of Windsor Benchmark			0.1%	7.2%	6.0%	7.7%
Faculty Plan Portion	\$ 546.3	68.6%				
Employee Plan Portion	\$ 250.0	31.4%				



Impact of Investment Performance for Faculty Plan

June 30, 2018

Gross Fund Return: **9.62%**

Net Fund Return: **9.07%**

- Money Purchase balances increased by 9.07% for active members
- Money Purchase pensions decreased by 0.76% for all retirees who retired before July 1, 2004
- Money Purchase pensions increased by 2.10% 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 1.88%



Impact of Investment Performance for Employees Plan

June 30, 2018

Gross Fund Return: **9.65%**

Net Fund Return: **9.03%**

- Rate of credited interest on employee contributions for the year ending June 30, 2018 is 1.30%
- 4 year Average Fund Return for pension increases is 7.18%
- Pensions increased by 0.79%
- Actual increase is 50% of excess average return over 5.60%, limited to 50% of the CPI increase (1.88% at June 30, 2018)



Investment Manager Presentations

1. **Foyston, Gordon & Payne** – Steve Copeland
2. **Phillips, Hager & North** – Terri Cugno
3. **Fidelity** – Lawrence Lim
4. **Baillie Gifford** – Ben Drury
5. **Burgundy Asset Management** – Mike Sandrasagra



Questions and Discussion





University
of Windsor

Open Pension Meeting

November 19, 2018



University of Windsor