



University
of Windsor

Open Pension Meeting

November 14, 2019



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, 2019
 - Investment Outlook
- Questions and Discussion



Key Events During the Year – Financial Markets

- Growth forecasts for the Eurozone have declined significantly due to weakness in manufacturing. **The European Central Bank has limited ability to stimulate the economy**, and a ‘no deal’ Brexit remains a risk.
- **US economic growth remains moderate**, with weakness in manufacturing being offset by solid personal consumption.
- 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

- Canadian economic data remains stronger than expected, following real GDP growth of 3.7% (annualized) in the second quarter, and solid employment gains in August and September.
- The **Canadian yield curve inverted during the second and third quarter of 2019**, with the 30-year Government of Canada yield falling while the 2-year yield rose.
 - This prompted speculation that the **Bank of Canada (BoC) may be forced to cut interest rates**, as an inverted yield curve has historically been a precursor to recession.



Capital Market Performance: June 30, 2019

	Q2 2019	Year ending June 30, 2019
FTSE Canada 91 Day T-Bill	0.4%	1.6%
FTSE Canada Universe Bond Index	2.5%	7.4%
FTSE Canada Long Bond Index	4.8%	11.4%
S&P/TSX Composite Index	2.6%	3.9%
MSCI All Country World Index	1.5%	5.6%
MSCI World Index	1.9%	6.2%



Capital Market Performance: Sept 30, 2019

	Q3 2019	Year ending Sept 30, 2019
FTSE Canada 91 Day T-Bill	0.4%	1.7%
FTSE Canada Universe Bond Index	1.2%	9.7%
FTSE Canada Long Bond Index	2.5%	17.1%
S&P/TSX Composite Index	2.5%	7.1%
MSCI All Country World Index	1.4%	4.4%
MSCI World Index	2.0%	4.9%



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.
- **Global trade tensions** call for more diversification within the global equity space.



Key Issues Facing Pension Plans

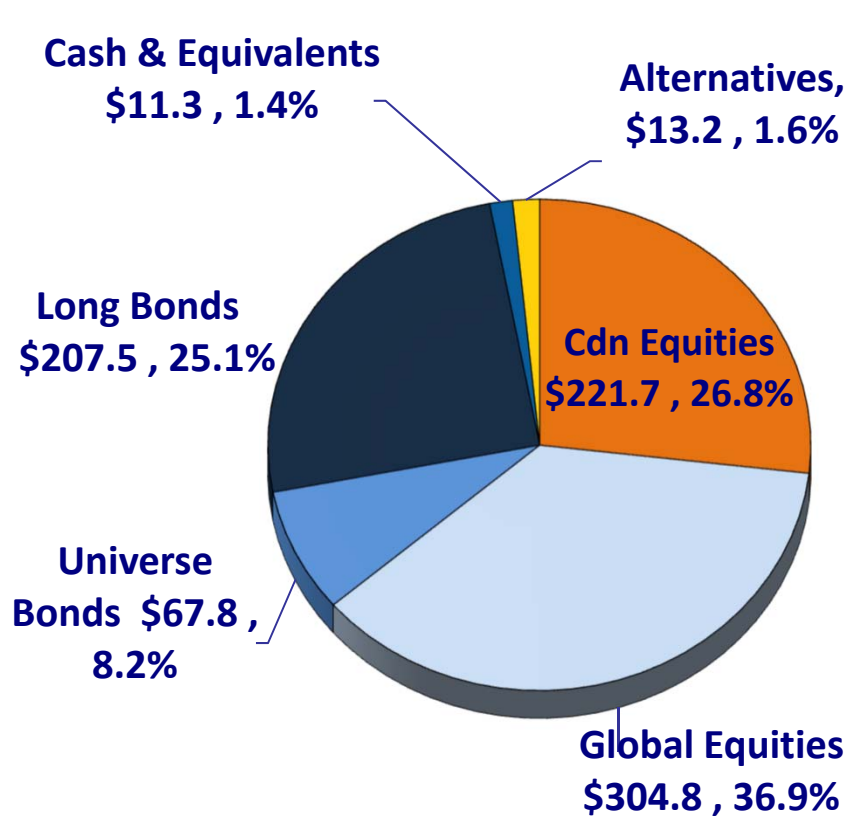
- **Managing risk and diversification** in pension portfolios
 - Alternative asset classes such as real estate and infrastructure continue to increase in usage.
 - Global equity diversification trend continues as home country bias allocation to Canadian equity decreases.



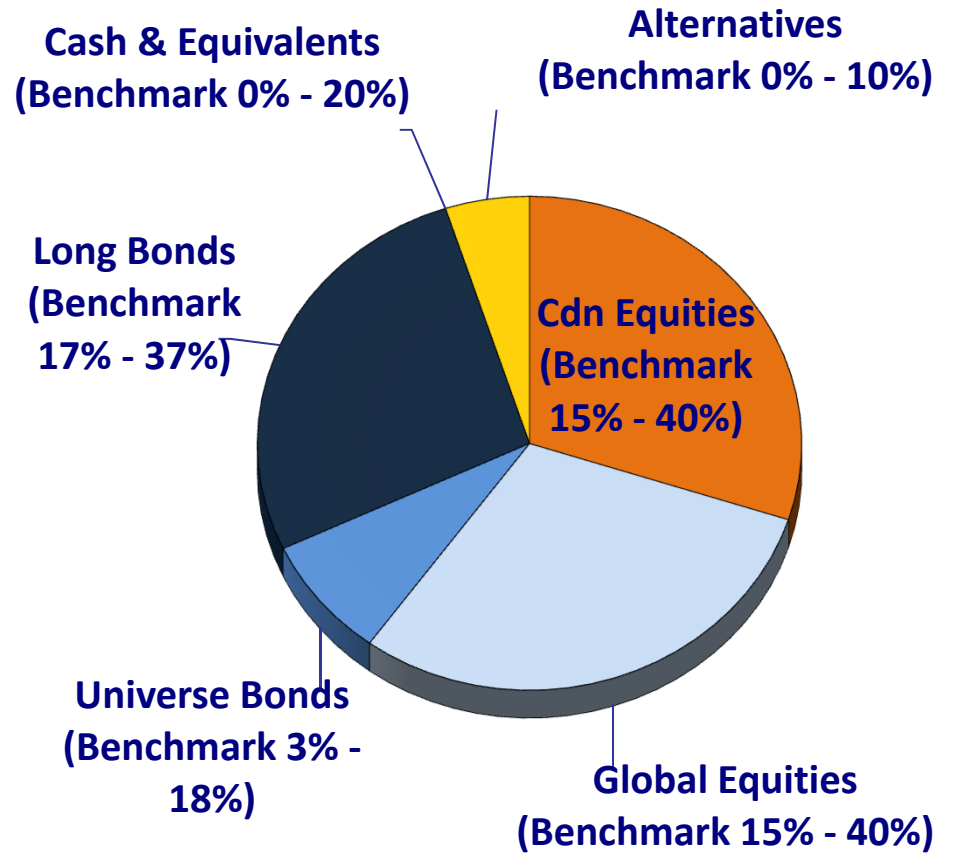
Performance Results



Pension Plan - Asset Mix (\$M) - June 30, 2019



Actual Mix
Total \$826.3M

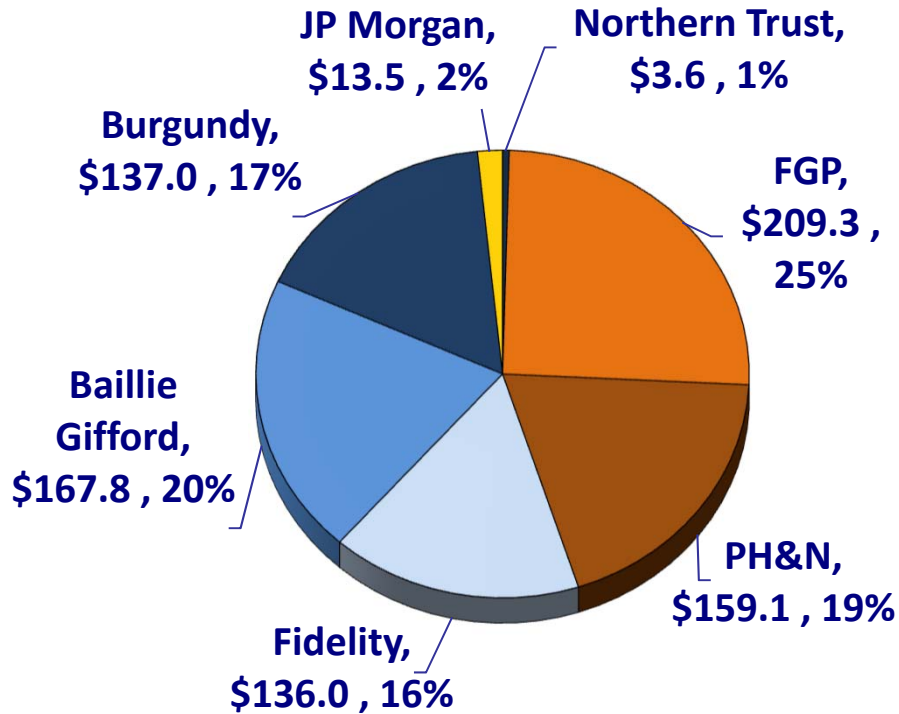


Benchmark Asset Mix



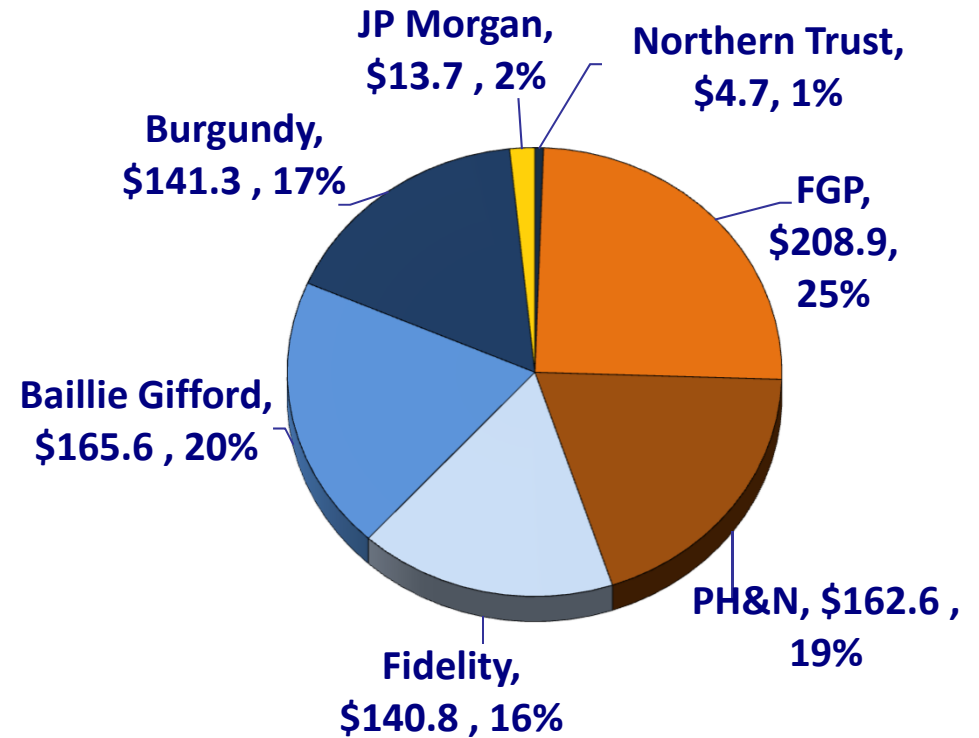
Asset Allocation by Manager (in \$M)

June 30, 2019



**Total Market Value
\$826.3M**

September 30, 2019



**Total Market Value
\$837.6M**



Total Pension Fund Returns as of June 30, 2019

	Market Value (\$M)		3 Months	1 Year	2 Year	3 Year
Total Fund	\$826.3		2.7%	5.4%	7.5%	8.8%
University of Windsor Benchmark			2.9%	7.2%	7.4%	8.1%
Faculty Plan Portion	\$566.8	68.6%				
Employee Plan Portion	\$259.5	31.4%				



Asset Returns by Manager

	Market Value (\$M)	Annual Returns			
		1 year	2 years	3 years	4 years
	June 30, 2019				
Foyston, Gordon & Payne	209	1.5%	4.9%	5.8%	5.0%
Phillips, Hager & North	159	10.4%	6.4%	4.9%	5.6%
Fidelity	136	6.7%	8.8%	9.5%	7.9%
Baillie Gifford	168	5.1%	12.2%	17.5%	12.5%
Burgundy	137	7.0%	6.9%	8.9%	N/A
Cash	4	1.6%	1.3%	1.0%	0.9%
JP Morgan	13	N/A	N/A	N/A	N/A
Total Fund	826	5.4%	7.5%	8.8%	7.2%
U of Windsor Benchmark		7.2%	7.4%	8.1%	6.8%



Total Pension Fund Returns as of Sept 30, 2019

	Market Value (\$M)		3 Months	1 Year	2 Year	3 Year
Total Fund	\$837.6		1.5%	7.2%	8.1%	7.7%
University of Windsor Benchmark			2.1%	9.6%	8.5%	7.4%
Faculty Plan Portion	\$573.7	68.5%				
Employee Plan Portion	\$263.9	31.5%				



Impact of Investment Performance for Faculty Plan

June 30, 2019

Gross Fund Return: **5.23%**

Net Fund Return: **4.75%**

- Money Purchase balances increased by 4.75% for active members
- Money Purchase pensions decreased by 4.54% for all retirees who retired prior to July 1, 2004
- Money Purchase pensions decreased by 2.40% for those who retired on and after July 1, 2004
 - Actual decrease is the difference between the return and 6% plus the mortality adjustment
- Minimum Guaranteed pensions for all retirees increased by 2.00%



Impact of Investment Performance for Employees Plan

June 30, 2019

Gross Fund Return: **5.26%**

Net Fund Return: **4.72%**

- Rate of credited interest on employee contributions for the year ending June 30, 2019 is 1.73%
- 4 year Average Fund Return for pension increases is 6.64%
- Pensions increased by 0.52%
- Actual increase is 50% of excess average return over 5.60%, limited to 50% of the CPI increase (2.12% at June 30, 2019)



Investment Manager Presentations

1. **Foyston, Gordon & Payne** – Gabriel Lopezpineda
2. **Phillips, Hager & North** – Anthony Di Ginosa
3. **Fidelity** – Lawrence Lim
4. **Baillie Gifford** – Ben Drury
5. **Burgundy Asset Management** – Ariel Lubecki

