

Open Pension Meeting

November 17, 2014



Agenda

- Opening comments & Welcome – Sandra Aversa

- Key Events, Capital Markets and Overall Performance
 - ✓ Mark Fieldhouse – Mercer

- Manager Presentations
 - ✓ Background on Firm
 - ✓ Performance as of June 30, 2014 and Sept 30, 2014
 - ✓ Investment Outlook

- Questions and Discussion



Key Events during the year

- Although long term interest rates declined, pushing up the value of pension liabilities, strong foreign equity market performance helped improve pension funded positions
 - FTSE TMX Canada Long Bond yield: 3.56% at June 30, 2014 vs. 3.80% at June 2013
 - MSCI World Index returned 25.9% in Canadian dollar terms over the year ending June 30, 2014

- Canadian markets had impressive gains, with the S&P/TSX composite posting a return of 28.7% over the year ending June 30, 2014



Key Events during the year (cont'd)

- Canadian Institute of Actuaries to release new mortality table in 2014
 - ✓ Indicates people are living longer. Will lead to higher pension liabilities
- Province continues initiative to consolidate broader public sector pension plan assets
- Increased public discussion about expanding CPP and QPP



Capital Market Performance



Capital Market Performance - June 30, 2014

	Year ending June 30, 2014
91 Day CDN T-Bill	1.0%
FTSE TMX Canada Universe Bond Index	5.3%
FTSE TMX Canada Long Bond Index	7.6%
S&P/TSX Composite Index	28.7%
MSCI World Index (\$Cdn)	25.9%
MSCI Emerging Markets Index (\$Cdn)	15.8%
Median Manager in Mercer Balanced Universe	19.0%



Capital Market Performance: September 30, 2014

	Q3 2014	YTD 2014
91 Day CDN T-Bill	0.2%	0.7%
FTSE TMX Canada Universe Bond Index	1.1%	5.9%
FTSE TMX Canada Long Bond Index	2.3%	11.6%
S&P/TSX Composite Index	-0.6%	12.2%
MSCI World Index (\$Cdn)	2.8%	9.7%
MSCI Emerging Markets Index (\$Cdn)	1.4%	8.1%
Median Manager in Mercer Balanced Universe	0.9%	8.4%



Key Issues Facing Pension Plan

- ✓ **Volatile markets** can cause large fluctuations in pension costs
 - Diversify equities among major markets
- ✓ Impact of **low interest rate environment**
 - Makes it difficult to avoid volatility of equities;
 - Funding relief measures to help sponsors deal with uncertain costs; and
 - Sponsors consider higher returns in alternate fixed income strategies
- ✓ **Managing risk and diversification** in pension portfolios
 - Sponsors consider alternative investments such as real estate and infrastructure
- ✓ **Longevity improvements** continue to increase pension costs
Continued trend to defined contribution plans or cost shared plans

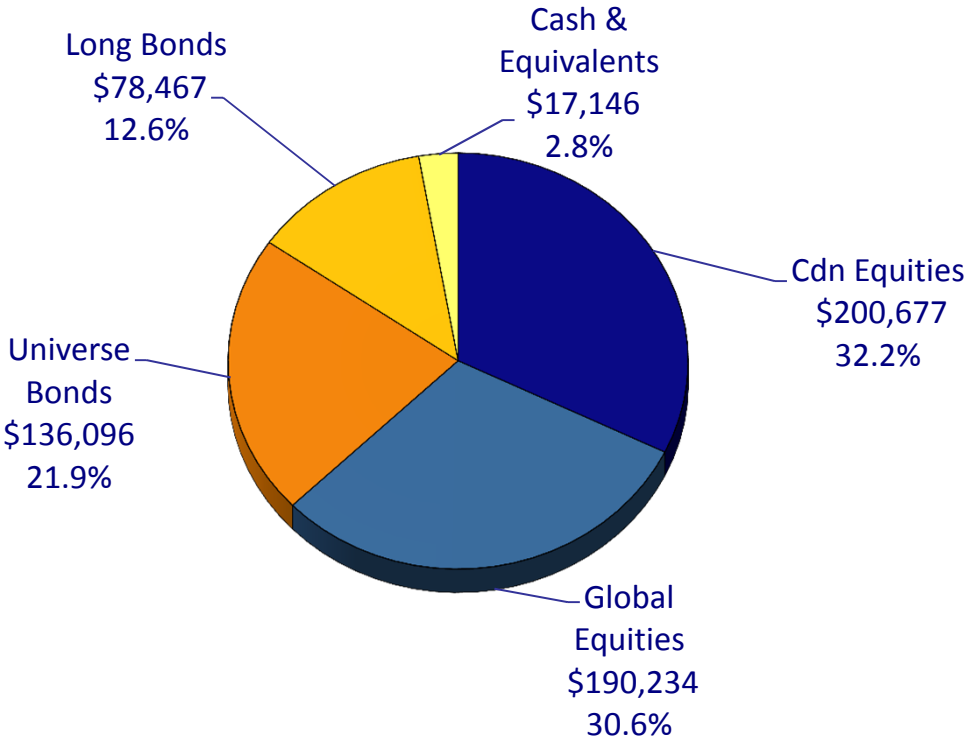


Performance Results

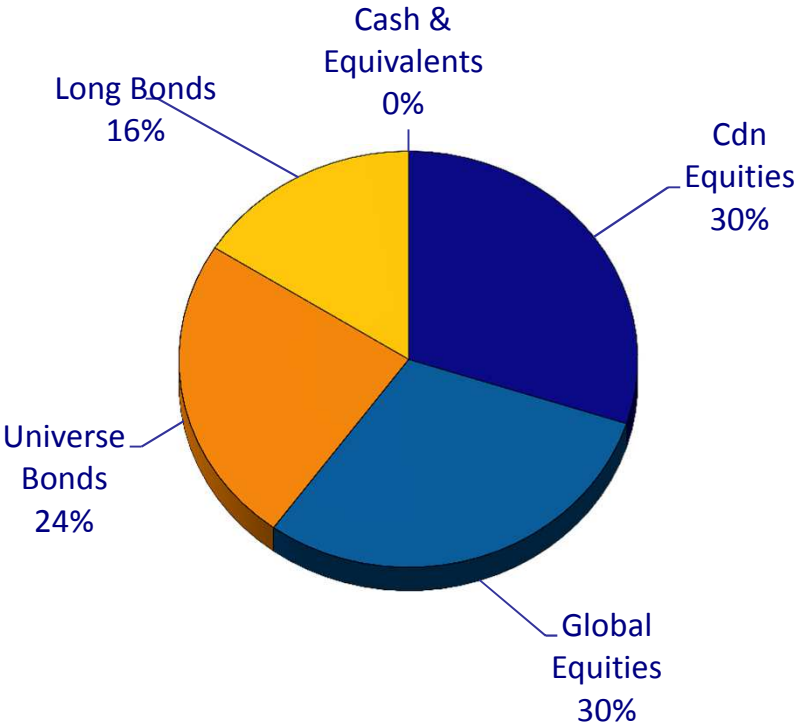


Pension Plan - Asset Mix (\$M)

June 30, 2014



Actual Mix
Total \$622,620

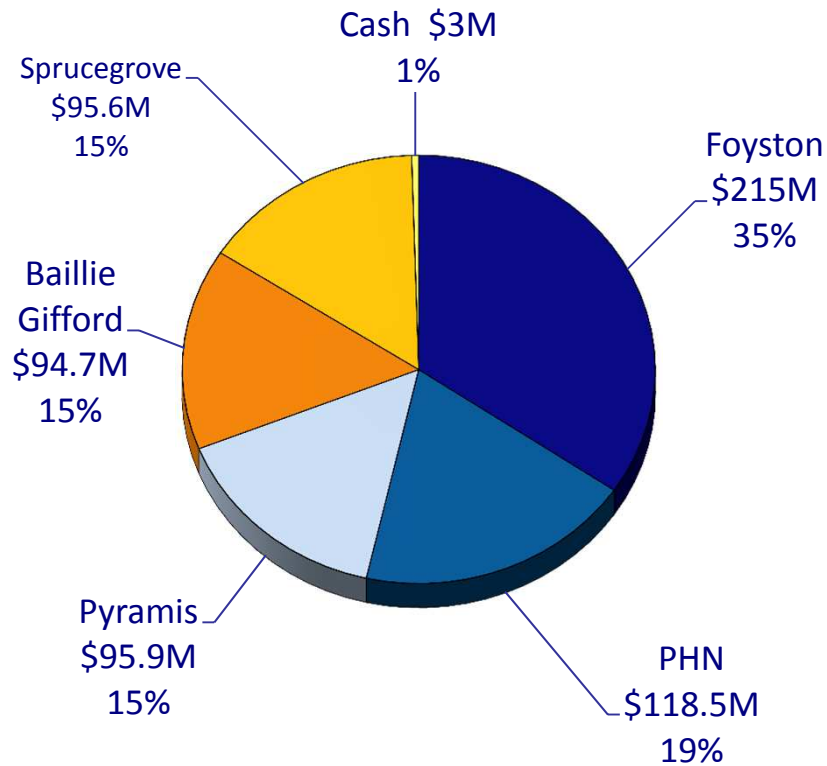


Target Mix



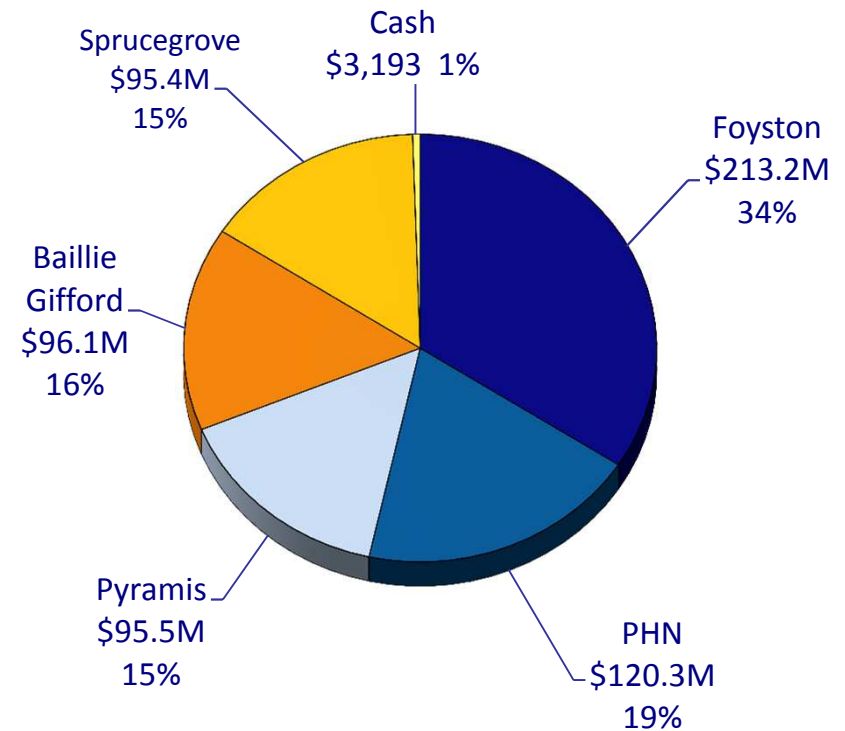
Asset Allocation by Manager (\$M)

June 30, 2014



Total Market Value
\$622.6M

September 30, 2014



Total Market Value
\$623.8M



Total Pension Fund Returns as of June 30, 2014

	Mkt value at June 30 2014 (\$M)	Recent QTR at June 30 2014 (3 mths)	One Year at June 30 2014	Annualized to June 30, 2014		
				2 Years	3 Years	4 Years
Total Fund	\$622.6	2.97%	20.13%	15.77%	10.48%	11.56%
U of Windsor Benchmark		3.46%	18.38%	13.20%	9.28%	10.44%
Faculty Plan portion	\$424.9	68.25%				
Employees Plan portion	\$197.7	31.75%				



Asset Allocation by Manager (\$M)

	Market Value	%	Annualized to June 30			
	30-Jun-14	Market Value	1 year	2 years	3 years	4 years
<u>Allocation by Manager:</u>						
Foyston, Gordon & Payne	\$215.0	34.53%	17.05%	12.93%	9.66%	10.71%
Phillips, Hager & North	118.5	19.03%	6.57%	2.99%	5.83%	5.88%
Pyramis	95.9	15.41%	N/A	N/A	N/A	N/A
Baillie Gifford	94.7	15.20%	27.25%	27.39%	17.10%	18.33%
Sprucegrove	95.6	15.35%	24.90%	23.47%	15.38%	15.47%
Cash	3.0	0.48%	0.97%	0.99%	0.98%	0.96%
Total Fund	<u>\$622.6</u>		20.13%	15.77%	10.48%	11.56%
U of Windsor Benchmark			18.38%	13.20%	9.28%	10.44%



Total Pension Fund Returns as of Sept 30, 2014

	Mkt value at Sept 30 2014 (\$M)	Recent QTR at Sept 30 2014 (3 mths)	One Year at Sept 30 2014	Annualized to Sept 30, 2014		
				2 Years	3 Years	4 Years
Total Fund	\$623.8	0.41%	15.62%	13.96%	12.83%	9.58%
U of Windsor Benchmark		1.26%	16.03%	11.90%	11.35%	8.75%
Faculty Plan portion	\$425.4	68.19%				
Employees Plan portion	\$198.4	31.81%				



Impact of Investment Performance for Faculty Plan

Gross fund return 20.09% for the year ended June 30, 2014

Net return of 19.51%

- Money Purchase balances increased by 19.51% for active members
- Money Purchase pensions for all retirees increased by:
 - 11.48% for those who retired before July 1, 2004
 - 12.49% 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 1.43%



Impact of Investment Performance for Employees Plan

Gross fund return 20.04% for the year ended June 30, 2014

Net return of 19.39%

- Rate of credited interest on employee contributions for the year ending June 30, 2014 is 1.45%
- 4 year Average Fund Return for pension increases is 11.12%
- Pensions increased by 0.72%
- Actual increase is 50% of excess average return over 5.6%, limited to 50% of the CPI increase (1.43% at June 30, 2014)



Investment Manager Presentations

1. Foyston, Gordon & Payne - Steve Copeland & David Adkins
2. Pyramis Global Investments - Edward Lui & Lawrence Lim
3. Phillips, Hager & North - Kevin De Sousa & Terri Cugno
4. Baillie Gifford – Tim Gooding & Nick Wood
5. Sprucegrove - Sebastien Roy & Craig Merrigan



Questions and Discussion

