



University  
of Windsor

# Open Pension Meeting

**November 12, 2015**



University of Windsor

# Agenda

- Opening Comments & Welcome – Sandra Aversa
- Key Events, Capital Markets and Overall Performance – Mark Fieldhouse (Mercer)
- Investment Manager Presentations
  - Background on Firm
  - Performance as of June 30, 2015
  - Investment Outlook
- Questions and Discussion



# Key Events during the year

- Although long term interest rates declined, strong foreign equity market performance helped improve pension funded positions.
  - **FTSE TMX Canada Long Bond** yield: **3.13%** at June 30, 2015 vs. 3.56% at June 30, 2014.
  - **MSCI World Index** returned **19.5%** in Canadian dollar terms over the year ending June 30, 2015.
- Year-to-date ending June 30, 2015, the developed foreign equity markets posted strong returns.
- International equities generated the strongest returns year-to-date, returning 14% in Canadian dollar terms, while Canadian equities returned 1%.



# Key Events during the year (cont'd)

- December 2014: **FGP** announced James Houston, President leaving firm for personal reasons.
  - Bryan Pilsworth, Vice President & portfolio manager, Canadian Equities is successor.
- July 2015: **PH&N** announced William John, Head of Fixed Income taking a temporary leave of absence from the firm for personal reasons.
  - Portfolio managers Stephen Burke and Graeme Robertson to assume day-to-day responsibilities until his return.
- September 2015: **Sprucegrove** announced that Alanna Marshall Lizzola, Research Director & portfolio manager has resigned.
  - Sabu Mehta, Senior Analyst appointed as interim Research Director.



# Key Events during the year (cont'd)

- October 21st, 2015: Board of Governors approved the recommendation to replace **Sprucegrove** with Burgundy Asset Management.
- Ongoing discussions with regards to the development of the Ontario Retirement Pension Plan.
- Impact of the Federal election on the ORPP remains uncertain.



# Capital Market Performance



# Capital Market Performance: June 30, 2015

	Q2 2015	Year ending June 30, 2015
91 Day CDN T-Bill	0.2%	0.4%
FTSE TMX Canada Universe Bond Index	-1.7%	2.4%
FTSE TMX Canada Long Bond Index	-4.6%	2.2%
S&P/TSX Composite Index	-1.6%	0.9%
MSCI World Index (\$Cdn)	-0.9%	11.0%
MSCI Emerging Markets Index (\$Cdn)	-0.6%	11.1%
Median Manager in Mercer Balanced Universe	-1.2%	4.7%



# Capital Market Performance: Sept 30, 2015

	Q3 2015	Year ending Sept 30, 2015
91 Day CDN T-Bill	0.1%	0.5%
FTSE TMX Canada Universe Bond Index	0.1%	2.5%
FTSE TMX Canada Long Bond Index	-0.1%	2.1%
S&P/TSX Composite Index	-7.9%	-7.0%
MSCI World Index (\$Cdn)	-1.6%	9.2%
MSCI Emerging Markets Index (\$Cdn)	-11.7%	-1.9%
Median Manager in Mercer Balanced Universe	-2.3%	2.6%





# Key Issues Facing Pension Plans

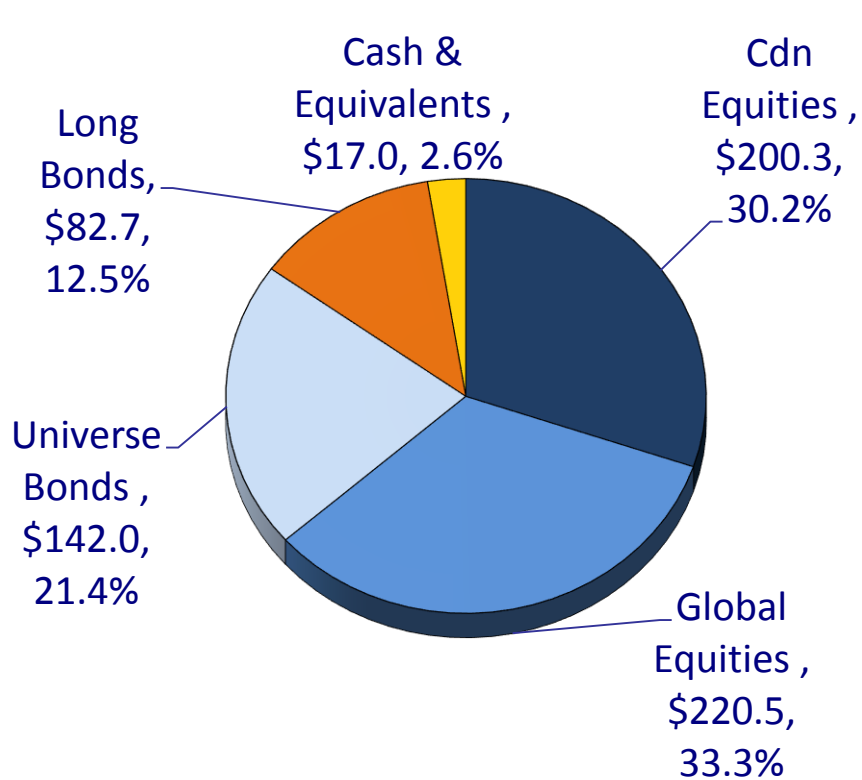
- **Volatile markets** can cause large fluctuations in pension costs
  - Use of diversified asset classes can help in mitigating volatility
- Impact of **low interest rate** environment
  - Makes it difficult to avoid volatility of equities
- Increased **regulatory requirements**
  - Requirement to declare Environmental, Social and Governance considerations with regards to how they impact the investment process
- Managing **risk and diversification** in pension portfolios
  - Alternative asset classes such as real estate and infrastructure continue to increase in usage
- Continued uncertainty regarding the **ORPP**
- Continued trend towards **defined contribution plans** or **cost shared plans**



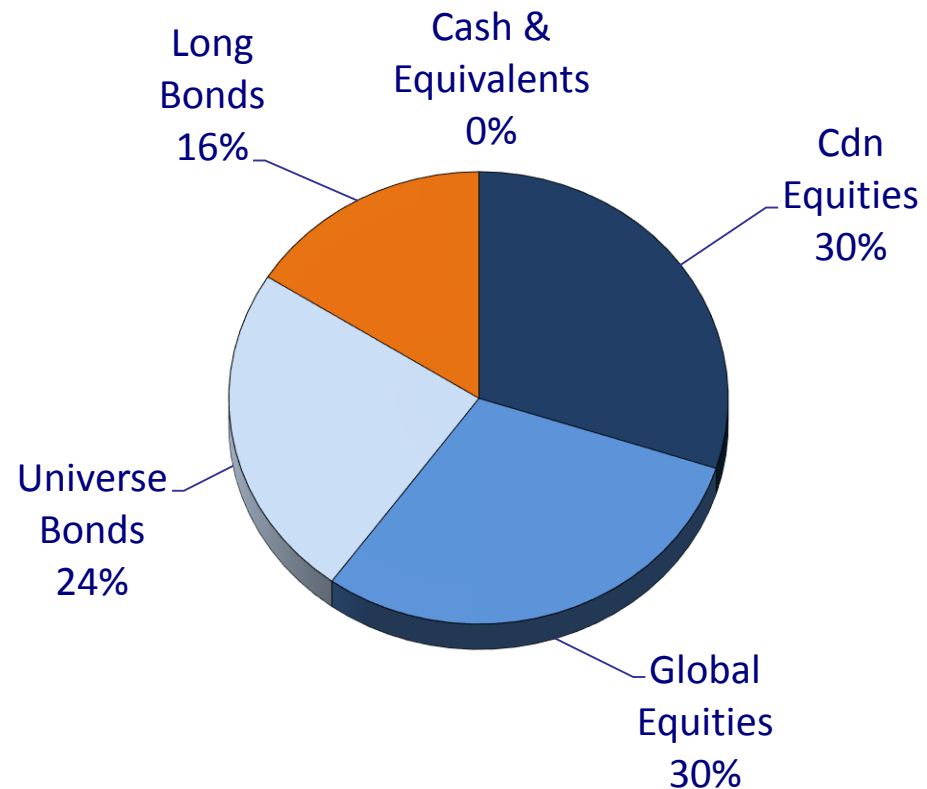
# Performance Results



# Pension Plan - Asset Mix (\$M) - June 30, 2015



**Actual Mix**  
Total \$662.5 M

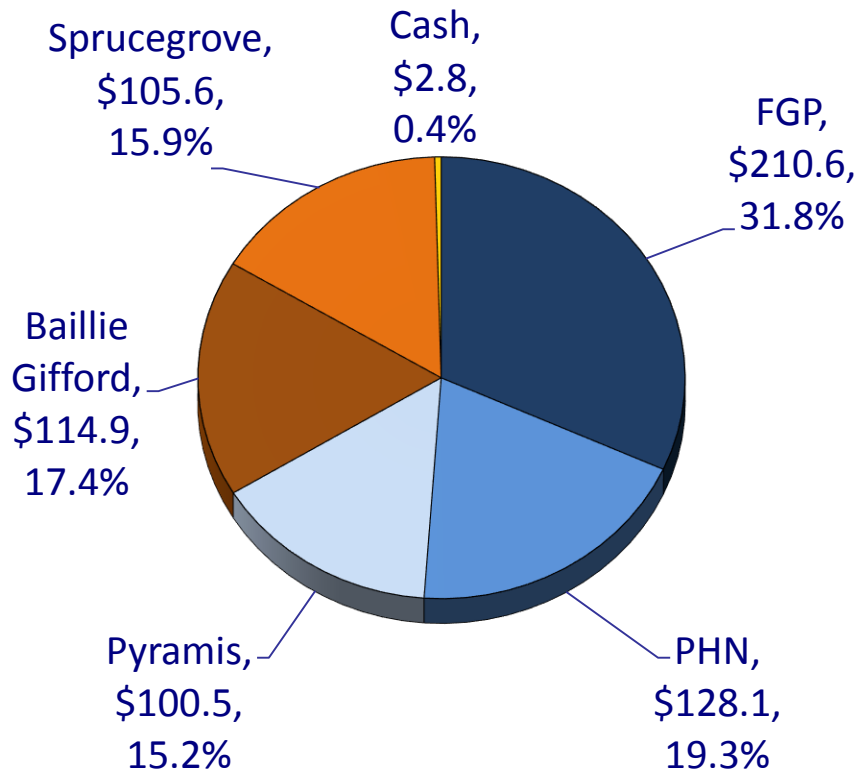


**Target Mix**



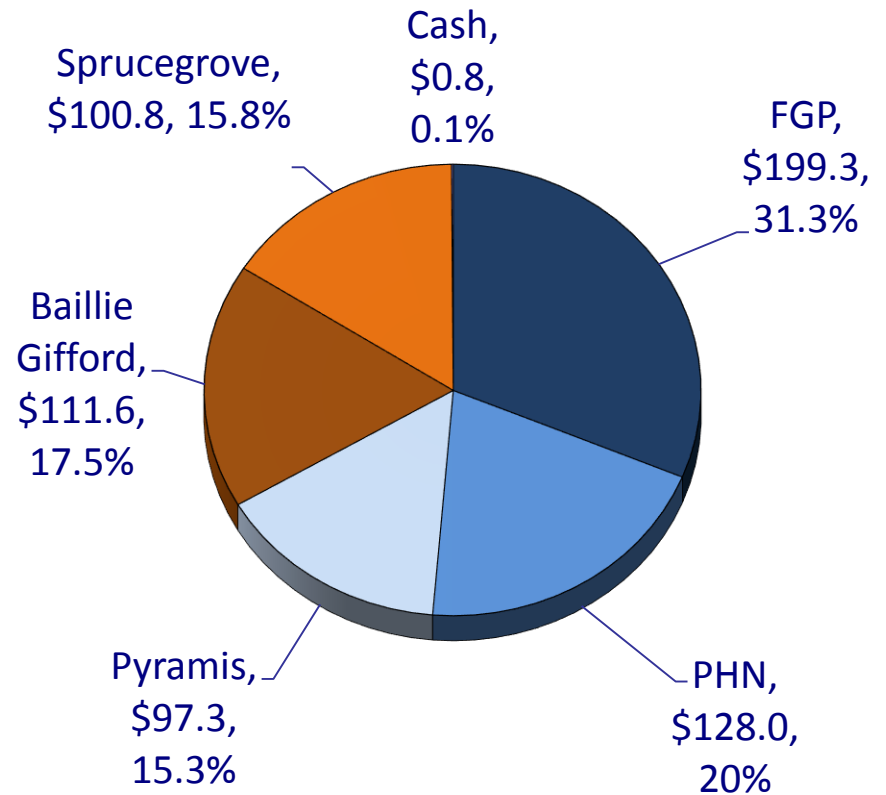
# Asset Allocation by Manager (in \$M)

**June 30, 2015**



**Total Market Value  
\$662.5M**

**September 30, 2015**



**Total Market Value  
\$637.8M**



# Total Pension Fund Returns

## June 30, 2015

	Market Value (\$M)	3 Months	1 Year	2 Year	3 Year	4 Year
<b>Total Fund</b>	\$ 663	-1.4%	7.5%	13.6%	12.9%	9.7%
<b>University of Windsor Benchmark</b>		-1.9%	8.4%	13.3%	11.6%	9.1%
<b>Faculty Plan Portion</b>	\$ 451.8	68.1%				
<b>Employee Plan Portion</b>	\$ 211.2	31.9%				



# Asset Returns by Manager

	Market Value (\$M)	Annual Returns			
		1 year	2 years	3 years	4 years
	June 30, 2015				
<b>Foyston, Gordon &amp; Payne</b>	\$211	0.76%	8.60%	8.72%	7.36%
<b>Phillips, Hager &amp; North</b>	128	8.12%	7.34%	4.67%	6.40%
<b>Pyramis</b>	100	4.72%	N/A	N/A	N/A
<b>Baillie Gifford</b>	115	21.42%	24.30%	25.37%	18.17%
<b>Sprucegrove</b>	106	10.45%	17.46%	18.97%	14.12%
<b>Cash</b>	3	0.87%	0.92%	0.95%	0.95%
Total Fund	<u>\$663</u>	7.45%	13.61%	12.93%	9.72%
U of Windsor Benchmark		8.35%	13.25%	11.56%	9.05%



# Total Pension Fund Returns

## September 30, 2015

	Market Value (\$M)	3 Months	1 Year	2 Year	3 Year	4 Year
<b>Total Fund</b>	\$ 638	-3.2%	3.6%	9.4%	10.4%	10.5%
<b>University of Windsor Benchmark</b>		-3.0%	3.8%	9.8%	9.1%	9.4%
<b>Faculty Plan Portion</b>	\$ 434.5	68.1%				
<b>Employee Plan Portion</b>	\$ 203.5	31.9%				



# Impact of Investment Performance for Faculty Plan

**June 30, 2015**

Gross Fund Return: **7.44%**

Net Fund Return: **6.96%**

- Money Purchase balances increased by 6.96% for active members
- Money Purchase pensions decreased by 1.47% for all retirees who retired before July 1, 2004
- Money Purchase pensions increased by 1.43% 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 1.49





# Impact of Investment Performance for Employees Plan

**June 30, 2015**

Gross Fund Return: **7.44%**

Net Fund Return: **6.88%**

- Rate of credited interest on employee contributions for the year ending June 30, 2015 is 1.35%
- 4 year Average Fund Return for pension increases is 9.31%
- Pensions increased by 0.75%
- Actual increase is 50% of excess average return over 5.60%, limited to 50% of the CPI increase (1.49% at June 30, 2015)



# Investment Manager Presentations

1. Foyston, Gordon & Payne – Steve Copeland & David Adkins
2. Phillips, Hager & North – Terri Cugno & Kevin De Sousa
3. Pyramis Global Investments – Lawrence Lim & Eddie Lui
4. Baillie Gifford – Tim Gooding & Nick Wood



# Questions and Discussion

