



Open Pension Meeting

November 16, 2017



Agenda

- Opening Comments & Welcome – Rita LaCivita
- Key Events, Capital Markets and Overall Performance – Brian Dayes (Mercer)
- Investment Manager Presentations
 - Background on Firm
 - Performance as of June 30, 2017
 - Investment Outlook
- Questions and Discussion



Key Events during the year

- Positive global economic news continued to overshadow mounting geopolitical risks, including US and North Korea tension, formal initiation of BREXIT, NAFTA uncertainty, global protectionist sentiment.
- US FED raised rates 25 bps in Dec 2016, March and June 2017.
- Bank of Canada surprised the market with two 25 bps rate hikes during the 3rd quarter.

Key Events during the year

- Extreme volatility in bond markets – transition from falling interest rates to rising interest rate environment
- Extremely LOW volatility in equity markets – all time highs
- A pension valuation as of July 1, 2017 is currently in progress.

Key Events during the year

- **Asset liability review** concluded in 2017, with a new asset mix adopted by Investment Committee for the Pension Plan and Endowment as follows:

Pension Plan	May 2017			Prior to May 2017		
	Benchmark (%)	Minimum (%)	Maximum (%)	Benchmark (%)	Minimum (%)	Maximum (%)
Asset Class						
Cash/Short Term	0	0	20	0	0	20
Fixed Income - Universe Bonds	10	5	20	24	15	40
Fixed Income - Long Bonds	30	20	40	16	10	20
Canadian Equities	30	15	40	30	20	40
Global Equities	30	15	40	30	20	40
Total Equities	-	-	-	60	40	80
Alternative Investments	0	0	10	-	-	-

Endowment Funds	May 2017			Prior to May 2017		
	Benchmark (%)	Minimum (%)	Maximum (%)	Benchmark (%)	Minimum (%)	Maximum (%)
Asset Class						
Cash/Short Term	5	0	15	5	0	15
Fixed Income	35	25	45	35	25	45
Canadian Equities	30	15	40	30	20	40
Global Equities	30	15	40	30	20	40
Total Equities	-	-	-	60	40	80
Alternative Investments	0	0	10	-	-	-



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Key Events during the year

- Portfolio **rebalanced** in 3rd quarter to align with the new asset mix:
 - Redeemed FGP Universe bonds, PH&N CorePlus bonds
 - Funded FGP Long Bonds, PH&N Long Bonds
- **Statement of Policies & Procedures** updated to reflect new asset mix
- **Alternative asset class review currently underway:**
 - Conducting an Infrastructure search for potential investment.
- **Fixed income asset class review currently underway:**
 - Conducting due diligence for possible expansion of the fixed income mandates to provide for greater value added performance potential



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Capital Market Performance

Capital Market Performance: June 30, 2017

	Q2 2017	Year ending June 30, 2017
FTSE TMX Canada 91 Day T-Bill	0.1%	0.5%
FTSE TMX Canada Universe Bond Index	1.1%	0.0%
FTSE TMX Canada Long Bond Index	4.1%	0.4%
S&P/TSX Composite Index	-1.6%	11.0%
MSCI All Country World Index	1.7%	19.4%
MSCI World Index	1.5%	18.9%

Capital Market Performance: Sept 30, 2017

	Q3 2017	Year ending Sept 30, 2017
FTSE TMX Canada 91 Day T-Bill	0.1%	0.5%
FTSE TMX Canada Universe Bond Index	-1.8%	-3.0%
FTSE TMX Canada Long Bond Index	-4.1%	-6.0%
S&P/TSX Composite Index	3.7%	9.2%
MSCI All Country World Index	1.4%	13.5%
MSCI World Index	1.1%	13.1%

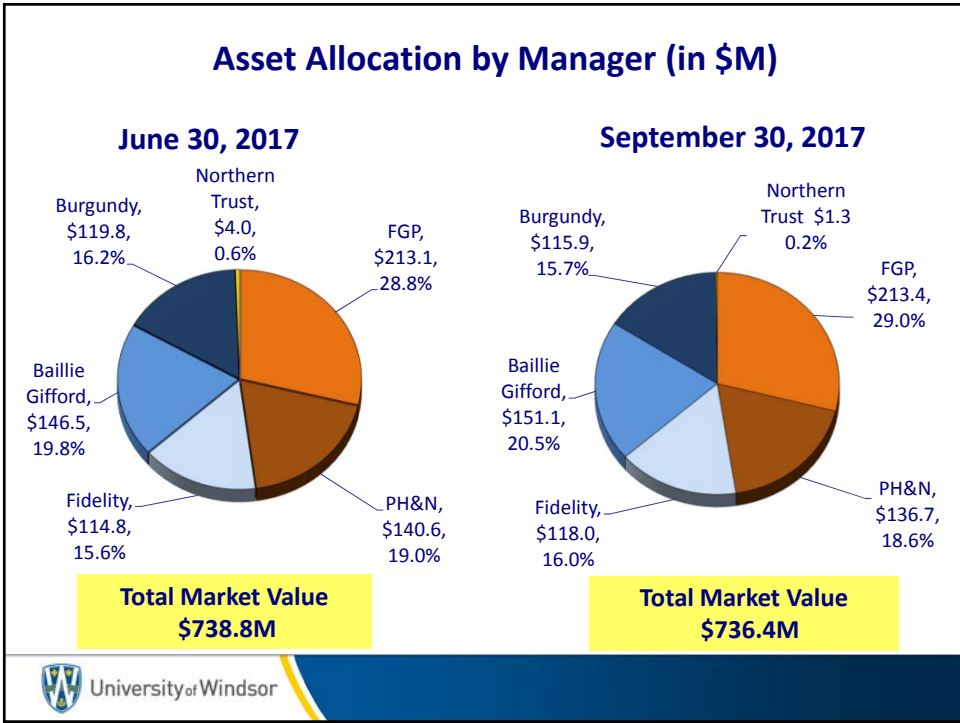
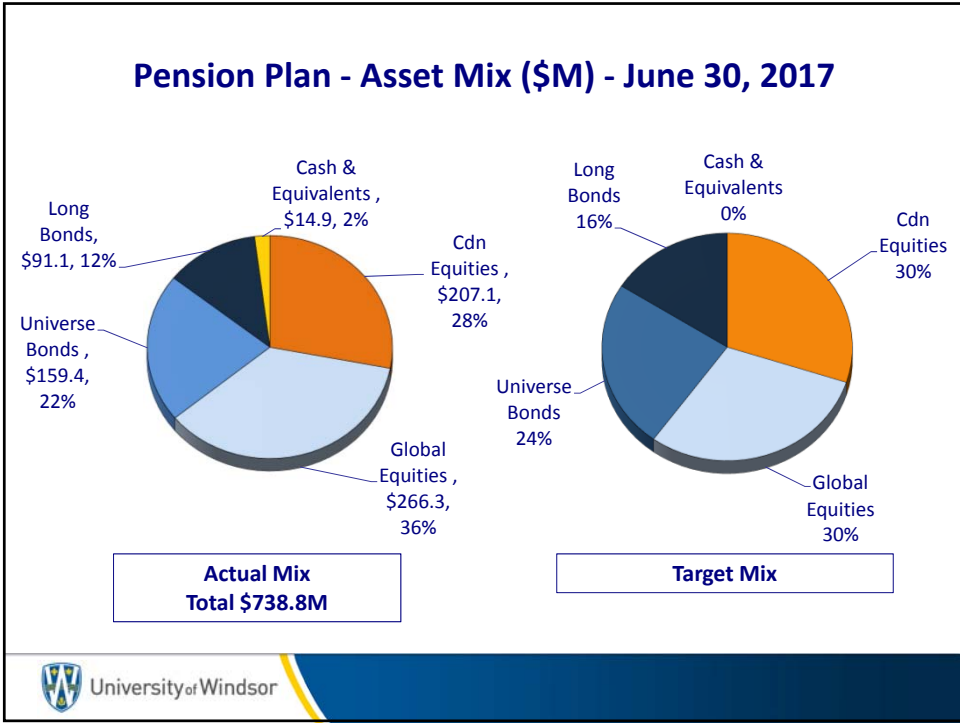
Key Issues Facing Pension Plans

- **Volatile markets** can cause large fluctuations in pension costs
 - Use of diversified asset classes can help in mitigating volatility
 - Currently assessing Infrastructure investment, which typically exhibits lower volatility than equities
- **Currency volatility** is having a meaningful impact on global equity returns, with mixed results
 - C\$ has appreciated vs. USD, but depreciated vs. Euro and Yen
- Proposed Ontario Funding Reform will relieve the University from solvency funding constraints.

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
- **CPP expansion** phased in over 7 years starting January 1, 2019

Performance Results



Total Pension Fund Returns as of June 30, 2017

	Market Value (\$M)		3 Months	1 Year	2 Year	3 Year
Total Fund	\$ 739		1.9%	11.4%	7.0%	7.1%
University of Windsor Benchmark			0.9%	8.9%	6.1%	6.8%
Faculty Plan Portion	\$ 505	68.3%				
Employee Plan Portion	\$ 234	31.7%				



Asset Returns by Manager

	Market Value (\$M)	Annual Returns			
		1 year	2 years	3 years	4 years
	June 30, 2017				
Foyston, Gordon & Payne	213	7.5%	5.1%	3.6%	6.8%
Phillips, Hager & North	141	1.8%	4.8%	5.9%	6.1%
Fidelity	115	10.7%	6.9%	6.2%	N/A
Baillie Gifford	146	29.0%	12.9%	15.7%	18.4%
Burgundy	120	12.9%	N/A	N/A	N/A
Cash	4	0.5%	0.5%	0.6	0.7%
Total Fund	739	11.4%	7.0%	7.1%	10.2%
U of Windsor Benchmark		8.9%	6.1%	6.8%	9.6%



Total Pension Fund Returns as of Sept 30, 2017

	Market Value (\$M)	3 Months	1 Year	2 Year	3 Year
Total Fund	\$ 736	0.4%	6.7%	8.9%	7.1%
University of Windsor Benchmark		0.4%	4.9%	7.9%	6.5%
Faculty Plan Portion	\$ 503	68.3%			
Employee Plan Portion	\$ 233	31.7%			



Impact of Investment Performance for Faculty Plan

June 30, 2017

Gross Fund Return: **11.32%**

Net Fund Return: **10.74%**

- Money Purchase balances increased by 10.74% for active members
- Money Purchase pensions increased by 1.11% for all retirees who retired before July 1, 2004
- Money Purchase pensions increased by 3.42% 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 1.47%



Impact of Investment Performance for Employees Plan

June 30, 2017

Gross Fund Return: **11.35%**

Net Fund Return: **10.70%**

- Rate of credited interest on employee contributions for the year ending June 30, 2017 is 1.18%
- 4 year Average Fund Return for pension increases is 9.77%
- Pensions increased by 0.74%
- Actual increase is 50% of excess average return over 5.60%, limited to 50% of the CPI increase (1.47% at June 30, 2017)



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Investment Manager Presentations

1. **Foyston, Gordon & Payne** – Steve Copeland
2. **Phillips, Hager & North** – Terri Cugno
3. **Fidelity** – Lawrence Lim
4. **Baillie Gifford** – Tim Gooding
5. **Burgundy Asset Management** – Ariel Lubecki



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Questions and Discussion