



University
of Windsor

Open Pension Meeting

November 25, 2020



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, 2020
 - Investment Outlook



Key Events During the Year – Financial Markets

- The global pandemic caused financial conditions to tighten significantly during the first quarter with **credit spreads spiking** and **global equity markets experiencing steep declines**
- **Accommodative monetary policy** around the globe helped mitigate some of the economic damage with Central banks slashing interest rates to near-zero levels
- After inverting in 2019, the **Canadian yield curve steepened significantly** in the first quarter of 2020
 - Yields across the entire yield curve are considerably lower than last year



Key Events During the Year – Financial Markets

- Economic indicators have shown a **strong rebound**, seeing recoveries in global trade, consumption, industrial production and employment
- Global economy continues to recover, but at a slower pace, as **global COVID cases spike** once again and several sectors remain restricted
- **Political risks remain elevated** over the near term
 - Tension between the US and China along with uncertainty over the UK-EU transition could lead to further market volatility



Capital Market Performance: June 30, 2020

	Q2 2020	Year ending June 30, 2020
FTSE Canada 91 Day T-Bill	0.1%	1.6%
FTSE Canada Universe Bond Index	5.9%	7.9%
FTSE Canada Long Bond Index	11.2%	12.0%
S&P/TSX Composite Index	17.0%	-2.2%
MSCI All Country World Index	14.2%	7.0%
MSCI World Index	14.4%	7.8%



Capital Market Performance: Sept 30, 2020

	Q3 2020	Year ending Sept 30, 2020
FTSE Canada 91 Day T-Bill	0.1%	1.3%
FTSE Canada Universe Bond Index	0.4%	7.1%
FTSE Canada Long Bond Index	-0.3%	8.9%
S&P/TSX Composite Index	4.7%	0.0%
MSCI All Country World Index (CAD)	6.2%	12.0%
MSCI World Index (CAD)	6.0%	12.0%



Key Issues Facing Pension Plans

- **Volatile markets** can cause fluctuations in pension costs
 - Funded positions of typical DB pension plans have generally deteriorated over 2020, with the economic downturn caused by COVID-19 bringing to light the underlying and, in some cases, unintended risks of their portfolios
 - Use of diversified asset classes can help in mitigating volatility
 - Asset-liability study (in progress by the Investment Committee) is a powerful tool to assess the risk level of the current portfolio and merits of alternative allocations
- **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
- Historically **low bond yield** environment
 - Expected to persist over the next few years as Central banks around the world enact stimulus measures to counteract the effects of COVID induced economic downturn
 - Has some pension plan sponsors re-thinking the role of their “traditional” fixed income allocations



Performance Results



Pension Plan - Asset Mix (\$M) - June 30, 2020

Cash & Equivalents
\$11.6 , 1.3%

Alternatives,
\$27.7 , 3.2%

Long Bonds
\$224.7 , 26.0%

Cdn Equities
\$215.3 , 24.9%

Universe
Bonds \$67.6 ,
7.8%

Global Equities
\$318.0 , 36.8%

Actual Mix
Total \$864.9M

Cash & Equivalents
(Benchmark 0% - 20%)

Alternatives
(Benchmark 0% - 10%)

Long Bonds
(Benchmark
17% - 37%)

Cdn Equities
(Benchmark
15% - 40%)

Universe Bonds
(Benchmark 3% -
18%)

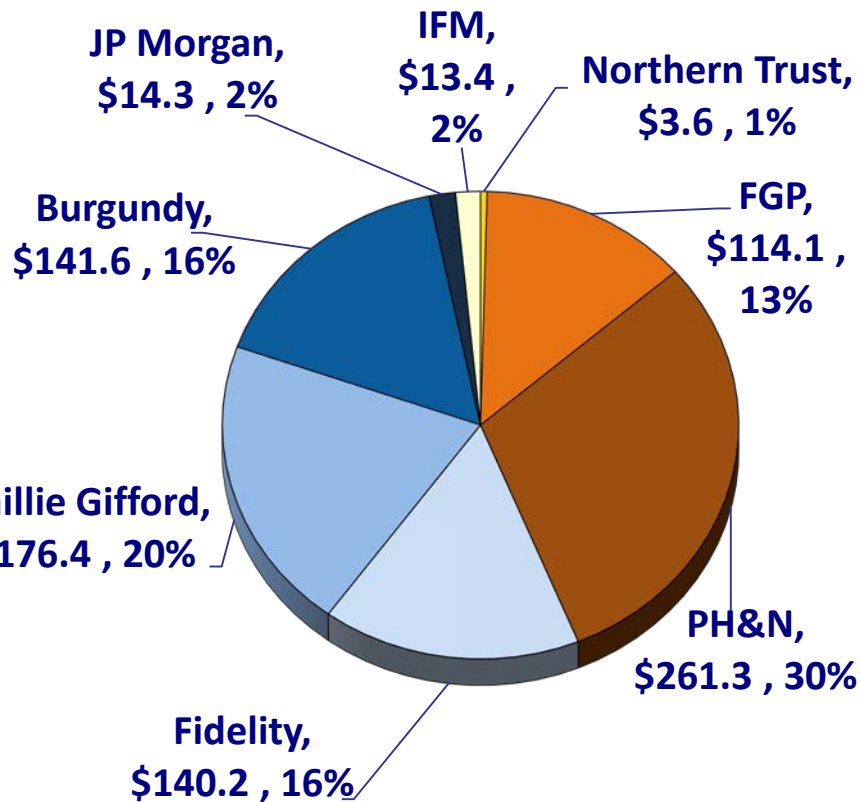
Global Equities
(Benchmark 15% - 40%)

Benchmark Asset Mix



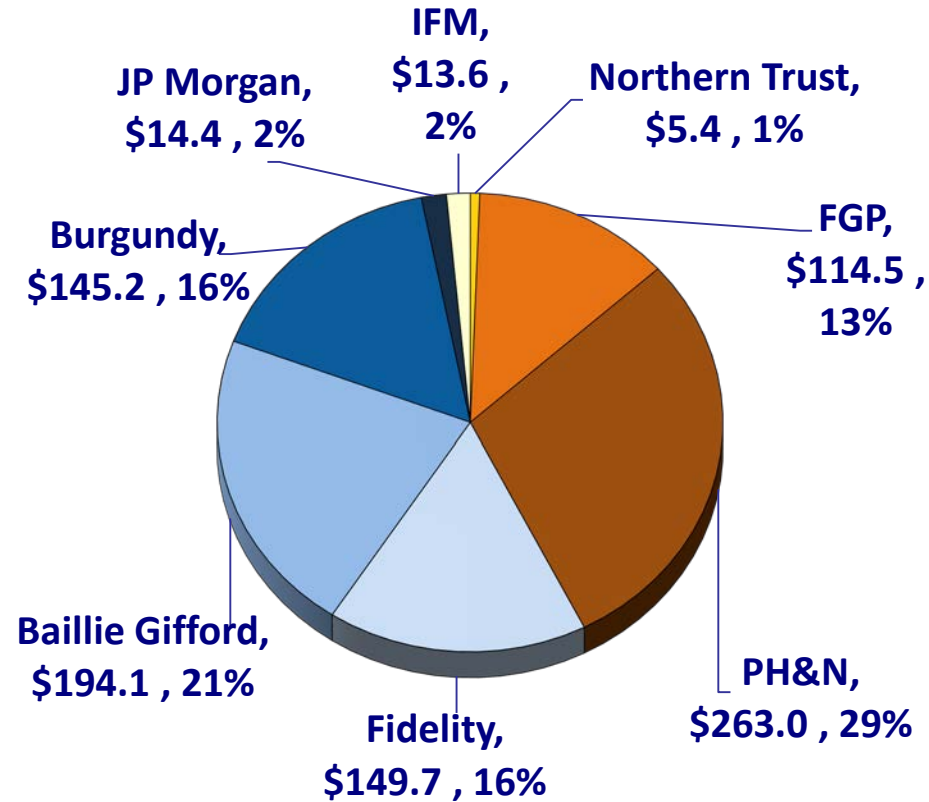
Asset Allocation by Manager (in \$M)

June 30, 2020



**Total Market Value
\$864.9M**

September 30, 2020



**Total Market Value
\$899.9M**



Total Pension Fund Returns as of June 30, 2020

	Market Value (\$M)		3 Months	1 Year	2 Year	3 Year
Total Fund	\$864.9		13.3%	6.0%	5.6%	7.0%
University of Windsor Benchmark			12.9%	5.9%	6.6%	7.0%
Faculty Plan Portion	\$594.4	68.7%				
Employee Plan Portion	\$270.5	31.3%				



Asset Returns by Manager

	Market Value (\$M)	Annual Returns			
		1 year	2 years	3 years	4 years
	June 30, 2020				
Foyston, Gordon & Payne	114	-4.1%	-1.4%	1.8%	3.2%
Phillips, Hager & North	261	11.0%	10.7%	7.9%	6.4%
Fidelity	140	3.1%	4.9%	6.9%	7.8%
Baillie Gifford	177	19.2%	11.9%	14.5%	17.9%
Burgundy	142	3.3%	5.1%	5.7%	7.5%
Cash	4	1.6%	1.6%	1.4%	1.2%
JP Morgan	14	5.15%*	N/A	N/A	N/A
IFM	13	N/A	N/A	N/A	N/A
Total Fund	865	6.0%	5.6%	7.0%	8.1%
U of Windsor Benchmark		5.9%	6.6%	7.0%	7.5%

* The JP Morgan 1-year rate of return was calculated by Northern Trust and includes the foreign exchange adjustment



Total Pension Fund Returns as of Sept 30, 2020

	Market Value (\$M)		3 Months	1 Year	2 Year	3 Year
Total Fund	\$899.9		4.2%	8.7%	8.0%	8.3%
University of Windsor Benchmark			3.2%	7.0%	8.4%	8.1%
Faculty Plan Portion	\$618.2	68.7%				
Employee Plan Portion	\$281.7	31.3%				



Impact of Investment Performance for Faculty Plan

June 30, 2020

Gross Fund Return: **5.91%**

Net Fund Return: **5.40%**

- Money Purchase balances increased by 5.40% for active members
- Money Purchase pensions decreased by 1.99% for all retirees who retired prior to July 1, 2004
- Money Purchase pensions decreased by 1.68% 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 1.46%



Impact of Investment Performance for Employees Plan

June 30, 2020

Gross Fund Return: **5.97%**

Net Fund Return: **5.43%**

- Rate of credited interest on employee contributions for the year ending June 30, 2020 is 1.37%
- 4 year Average Fund Return for pension increases is 7.47%
- Pensions increased by 0.73%
- Actual increase is 50% of excess average return over 5.60%, limited to 50% of the CPI increase (1.46% at June 30, 2020)



Investment Manager Video Presentations

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



Questions and Discussion





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