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## Open Pension Meeting

December 4, 2009

*thinking forward*

## Agenda

- Discussion of Key Events during 2008/09
- Discussion of Capital Markets
- Overview of Pension Fund as of June 30, 2009 & September 30, 2009
  - ✓ Asset allocation by Manager and Asset Mix
  - ✓ Fund performance
- Manager Presentations
  - ✓ Background on firm
  - ✓ Performance as of June 30, 2009
  - ✓ Investment Outlook
- Questions



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## Key events during the year

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## Key events during the year

- June 2008 – Asset mix change following asset-liability review
  - Reduction of cash allocation from 5% to 2.5%; decrease of Universe Bond Mandate from 35% to 22.5%; introduction of Long Bond Mandate of 15% (implemented over 3 periods ending March 2009)
- August 2008 – Introduction of long bonds into portfolio commences
  - Allocation to Foyston, Gordon & Payne and Phillips, Hager & North
- April 2009 - New Star Investment Company terminated (EAFE specialty manager)
  - Funds transferred to SSGA to invest in EAFE Index fund pending review of global mandate
- November/December 2009 – Consolidation of Cdn equity managers
- Governance process under review

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## Next steps

- January/ February 2010 – Review of Non-North American (NNA) portfolio
  - Committee will be reviewing the investment structure of the NNA portfolio
  - Consideration for global equity mandate
- Approval of Pension Governance Manual

## Capital Market Performance: YTD

	Q3 2009	Q4 2009*	Year-to-Date*
DEX 91-Day T-Bill Index	0.1%	0.0%	0.6%
DEX Universe Bond Index	2.7%	1.3%	6.9%
DEX Long Bond Index	4.3%	0.9%	7.9%
DEX Real Return Bond Index	3.3%	3.1%	13.0%
S&P/TSX Composite Index	10.6%	0.9%	31.2%
S&P 500 Index (\$Cdn)	6.8%	2.2%	6.0%
MSCI EAFE Index (\$Cdn)	10.5%	-1.0%	11.5%
MSCI Emerging Markets Index (\$Cdn)	11.9%	2.6%	47.1%

\* For periods ending November 30, 2009

## Currency Impact on Returns

- For the unhedged Canadian investor, foreign equity returns were dampened by the strong appreciation of the Canadian dollar relative to major currencies over 2009

	Q3 2009	Q4 2009*	Year-to-Date*
CAD vs. USD	8.2%	1.8%	17.1%
CAD vs. Euro	3.8%	-0.9%	8.4%
CAD vs. GBP	11.4%	-0.8%	2.6%

\* For periods ending November 30, 2009

## Capital Market Performance: June 30

### Year Ending June 30, 2009

DEX 91-Day T-Bill Index	2.0%
DEX Universe Bond Index	7.0%
DEX Long Bond Index	4.6%
DEX Real Return Bond Index	-3.8%
S&P/TSX Composite Index	-25.7%
S&P 500 Index (\$Cdn)	-15.5%
MSCI EAFE Index (\$Cdn)	-21.0%
MSCI Emerging Markets Index (\$Cdn)	-17.4%



## What Plan Sponsors are Doing?

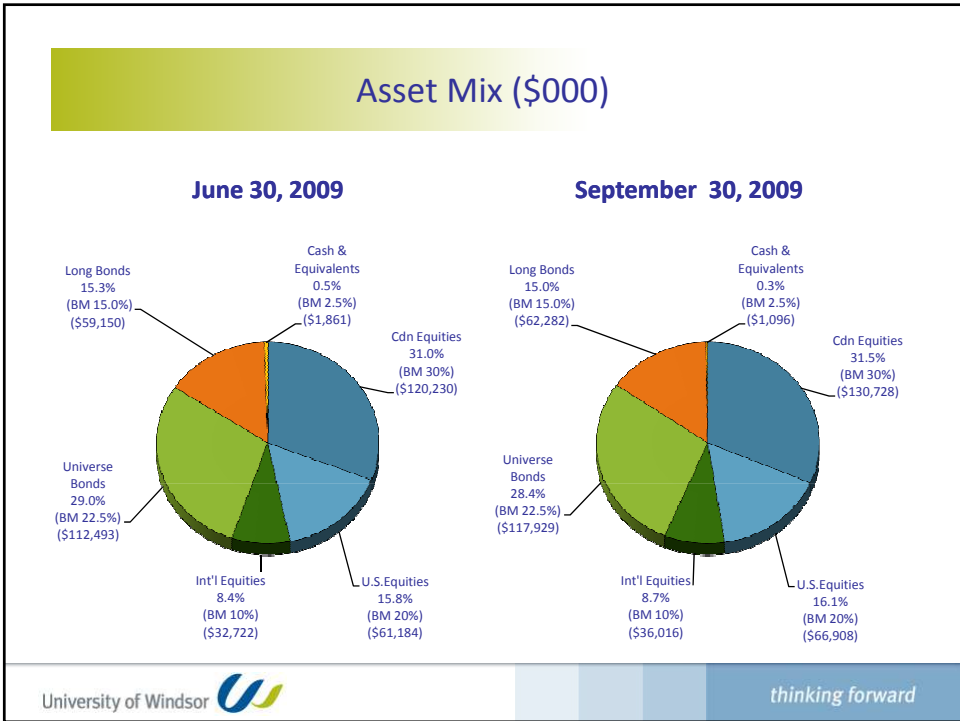
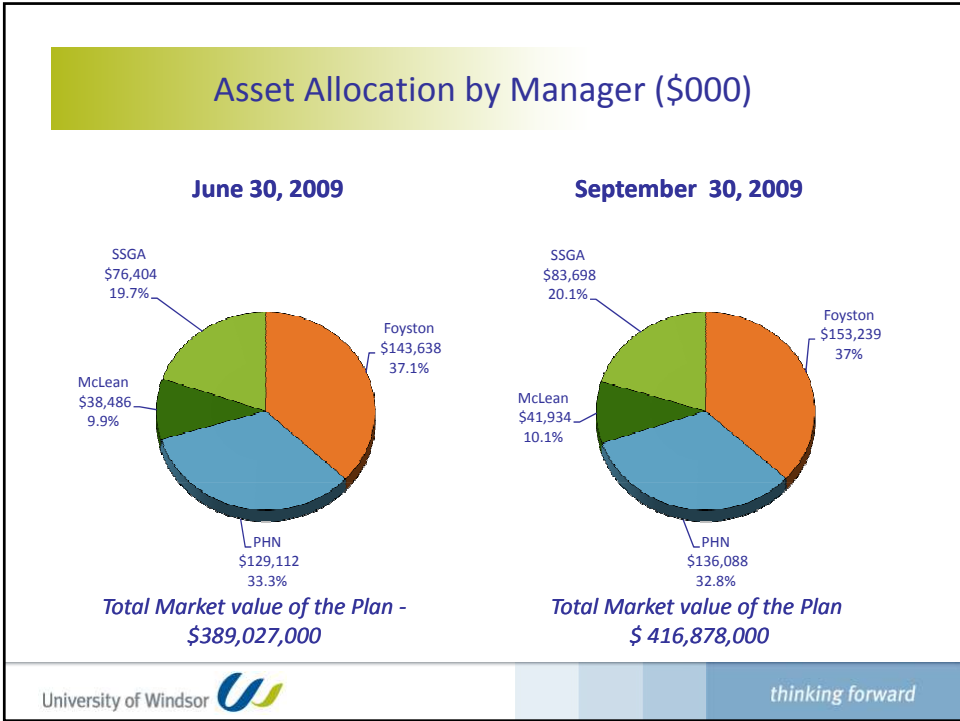
- ✓ Generally, clients are not making substantial changes and are staying with their long term policies
- ✓ Assessment of pension risk management in context of investment, funding and benefit policy
- ✓ Addressing future inflation outlook, including implications of high inflation in addition to potential investment opportunities that may be undertaken in the near-term



## What Plan Sponsors are Doing? (cont'd)

- ✓ Tactical investment issues – currency and credit exposure
- ✓ Consider alternate sources of excess return such as emerging markets and alternative investments
- ✓ Outsourcing a portion of pension investment management responsibilities through an “implemented consulting” approach is gaining some interest

## Performance Results



## Annualized Rates of Return as of June 30, 2009

	Mkt value at June 30/09 (000's)	One Year To June 30/09	Annualized to June 30, 2009		
			2 Years	3 Years	4 Years
Total Fund	\$ 389,027	-8.21%	-5.31%	1.19%	2.19%
U of Windsor Benchmark		-10.58%	-5.66%	0.44%	2.02%
Value added target BM+55 bp		-10.03%	-5.11%	0.99%	2.57%
Additional value added (shortfall)		1.82%	-0.20%	0.20%	-0.38%
Faculty Plan portion	\$ 270,104	69.4%			
Non-Faculty Plan portion	\$ 118,923	30.6%			

## Annual Rates of Return as of June 30, 2009

	At June 30/09 Mkt Value (000's)	% MV	Annual to June 30/09	Annual to June 30/08	Annual to June 30/07	Annual to June 30/06	Annual to June 30/05
Total Fund	<u>\$389,027</u>		-8.2%	-2.3%	15.6%	5.3%	10.0%
U of Windsor Benchmark			-10.6%	-0.5%	13.8%	6.9%	6.9%
<u>Allocation by Manager:</u>							
Foyston, Gordon & Payne	\$126,136	32.4%	-3.0%	1.0%	14.0%	6.7%	11.9%
Phillips, Hager & North	129,112	33.2%	-3.0%	3.2%	13.9%	5.4%	11.0%
McLean Budden	38,486	9.9%	-25.5%	6.1%	16.6%	7.0%	10.8%
State Sreet Global Advisors - US Index	61,184	15.7%	-15.0%	-17.0%	15.3%	-1.3%	n/a
New Star	0	0.0%	n/a	-13.3%	21.4%	9.2%	n/a
State Sreet Global Advisors - EAFE Index	15,220	3.9%	n/a	n/a	n/a	n/a	n/a
Foyston, Gordon & Payne International	17,502	4.5%	-13.9%	-15.9%	25.7%	10.0%	4.4%
Cash	<u>1,387</u>	<u>0.4%</u>					
	<u>\$389,027</u>	<u>100%</u>					



## Impact of Investment Performance for Faculty Plan

**Gross fund return -8.56% for the year ended June 30, 2009**

**Net return of -8.95%**

- Money Purchase balances decreased by -8.95% for active members
- Money Purchase pensions for all retirees decreased by:
  - 15.82% for those who retired before July 1, 2004
  - 14.98% for those who retired on and after July 1, 2004  
(Actual increase is 50% of excess average return over 6% and mortality adjustment)
- Minimum Guaranteed pensions for all retirees increased by 1.65%



## Impact of Investment Performance for Employees' Plan

**Gross fund return -8.55% for the year ended June 30, 2009**

**Net return of -9.05%**

- Rate of credited interest on employee contributions for the year ending June 30, 2009 is 2.31%
- Average Fund Return for pension increases 1.93%
  - 4 year average of fund return
- Pensions remain unchanged
  - Actual increase is 50% of excess average return over 6%, limited to 50% of the CPI increase (1.65% at June 30, 2009)



## Annualized Rates of Return as of September 30, 2009

	Mkt value At Sep 30/09 (000's)	One Year To Sep 30/09	Annualized to September 30, 2009		
			2 Years	3 Years	4 Years
Total Fund	\$ 416,878	6.51%	-1.74%	1.82%	3.09%
U of Windsor Benchmark		4.29%	-2.52%	1.28%	2.76%
Value added target BM+55 bp		4.84%	-1.97%	1.83%	3.31%
Additional value added (shortfall)		1.67%	0.23%	-0.01%	-0.22%
Faculty Plan portion	\$ 289,943	69.6%			
Non-Faculty Plan portion	\$ 126,935	30.4%			

## Investment Manager Presentations

1. Phillips, Hager & North
  - Michel Rheaume
2. McLean Budden
  - Hans VansMonsjou, Scott Campbell
3. Foyston, Gordon & Payne – Domestic & International
  - Steve Copeland, Jim Houston
4. State Street Global Advisors – US & EAFE Index
  - Elham AyoubZadeh