



Annual General Meeting Investments Review

University of Saskatchewan 1999 Academic Pension Plan

October 22, 2018

Prepared by Aon

Presentation to the Members of the University of Saskatchewan 1999 Academic Pension Plan

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Agenda

- Investment Objectives
- Role of Pension Committee
- Role of Investment Consultant
- Role of Asset Mix
- Asset Mix
- Total Portfolio - Performance
- Total Portfolio - Change in Market Value
- Market Update
- Questions?
- Appendix - Asset Class Overview

Investment Objectives

Plan Objectives

“The purpose of the Fund is to provide for the accumulation of pension benefits to eligible members and to provide members of the Plan with retirement benefits prescribed under the terms thereof.”

Guiding Risk Philosophy

*“The assets of the Plan should be prudently managed to assist in managing funding volatility and excessive volatility in annual rates of return. The Plan uses a number of investment strategies to achieve the **relative** and **absolute** performance objectives set by the Committee.”*

Dual Investment Objectives

Benchmark Portfolio

(Performance, net of fees, relative to capital market indices that reflect target asset mix)

Inflation Targeting

(CPI + 3.45% over 10+ years)

Role of Pension Committee

Establish, maintain and review investment policies and procedures

- Investment objectives
- Asset mix / manager structure
- Permitted investments

Monitor investment performance versus Plan objectives

- Overall fund
- Individual managers
- Compliance with investment policy

Replace investment managers as required

Role of Investment Consultant

The Investment Consultant's responsibility is to provide strategic advice regarding the Pension Plan's investment policies, investment managers and investment performance issues.

Quarterly Committee Meetings

- Performance Monitoring
- Compliance Reviews
- Market & Manager Updates
- Investment Trends Amongst Pension Plans & Institutional Investors

Annual Investment Policy Statement Reviews

- Oversight of Regulatory Requirements
- Working Alongside the Pension Plan's Actuaries
- Discussion and Incorporation of Best Practices

Annual General Meeting

- Updating the Pension Plan members

Other Projects

Role of Asset Mix

Fund Purpose - Provide Pension Benefits

- Ensure safety of capital
- Adequate return to support pension promise
 - Target long-term return of CPI + 3.45%

Asset Mix

- A new de-risking investment strategy was approved in 2017.
- The Asset Mix will adjust dynamically as the financial position of the Plan improves.

Components

Liability-Matching Component (allocation to increase as the Plan's financial improves)

Long Term Bonds (i.e. investing in bonds with maturities of 10 years or greater)

- Maturity profile is more in line with the liabilities of the Plan

Role of Asset Mix (Continued)

Growth Component (allocation to decrease as the Plan's financial position improves)

Equities

- provide potential for higher returns, but with greater risk
- diversification by region helps reduce risk

Global Low Volatility Equities

- expected to provide market-like equity returns when markets are strong
- expected to significantly outperform the market when equity markets are weak
- returns are expected to be better than fixed income and real estate but less than traditional equities
- returns are expected to be less volatile than traditional equities and real estate and in line with fixed income

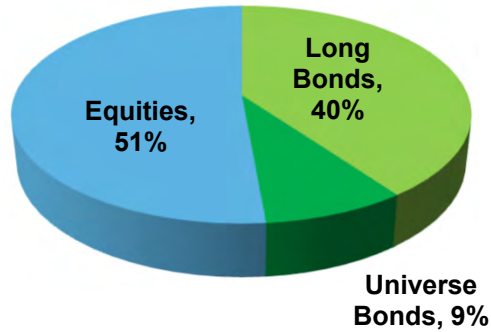
Canadian Commercial Real Estate

- expected to provide diversification benefits and some inflation protection
- returns are expected to be better than fixed income but less than equities
- returns are expected to be less volatile than equities but more volatile than fixed income

Asset Mix

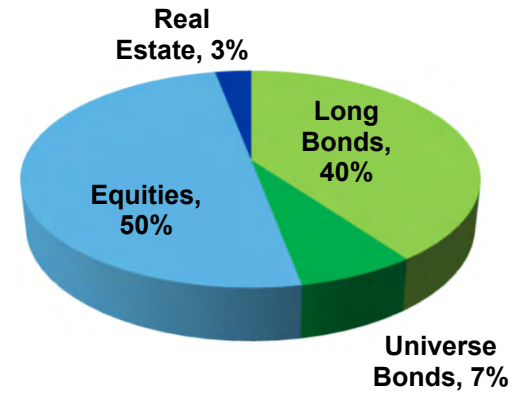
Target Asset Mix as of June 30, 2017

Market Value: \$182 million

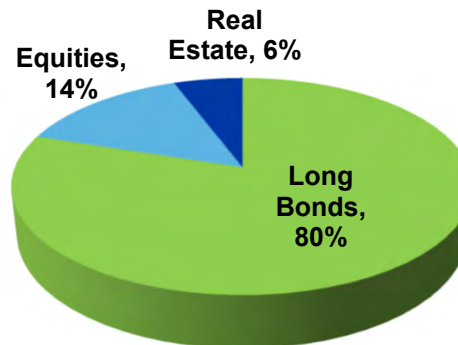


Target Asset Mix as of June 30, 2018

Market Value: \$184 million



Future Target Asset Mix



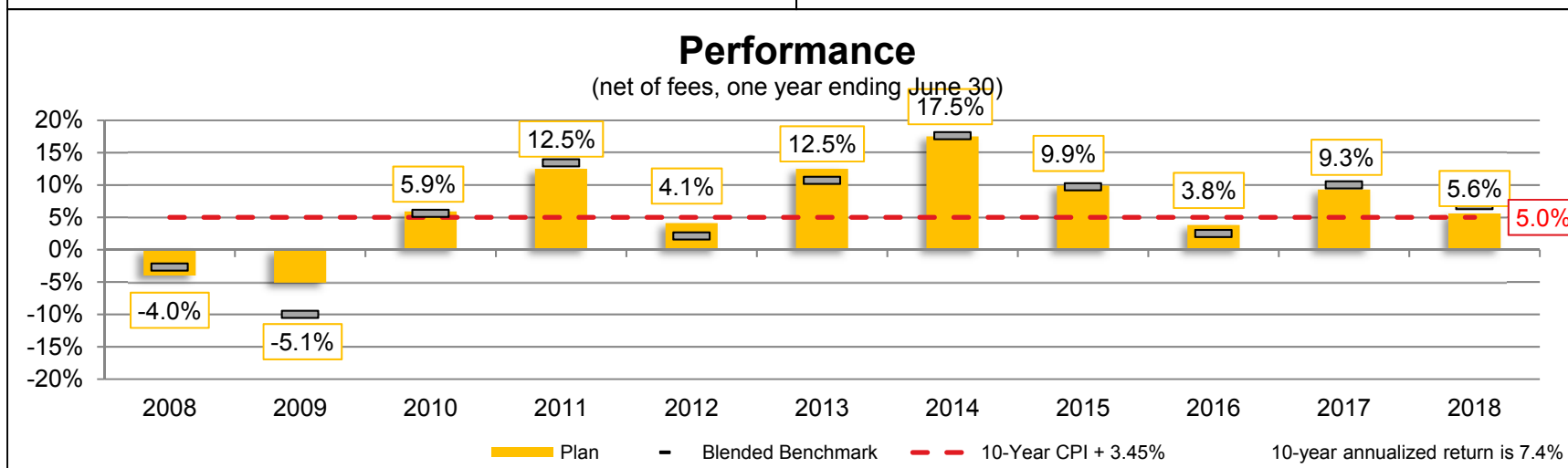
Total Portfolio - Performance

Strategy Summary

- Low cost passive management in universe and long bonds, where adding value has proven difficult.
- Active equity manager of about 150 stocks with a Canadian focus, “growth at a reasonable price” investment philosophy and moderate active positioning versus the capital market indices.
- Active global low volatility equity manager primarily investing in companies with attractive dividend yields and positive growth in free cash flow.
- Active real estate manager with a well diversified approach in terms of regional, style and asset exposure in the Canadian real estate market.

Performance Commentary

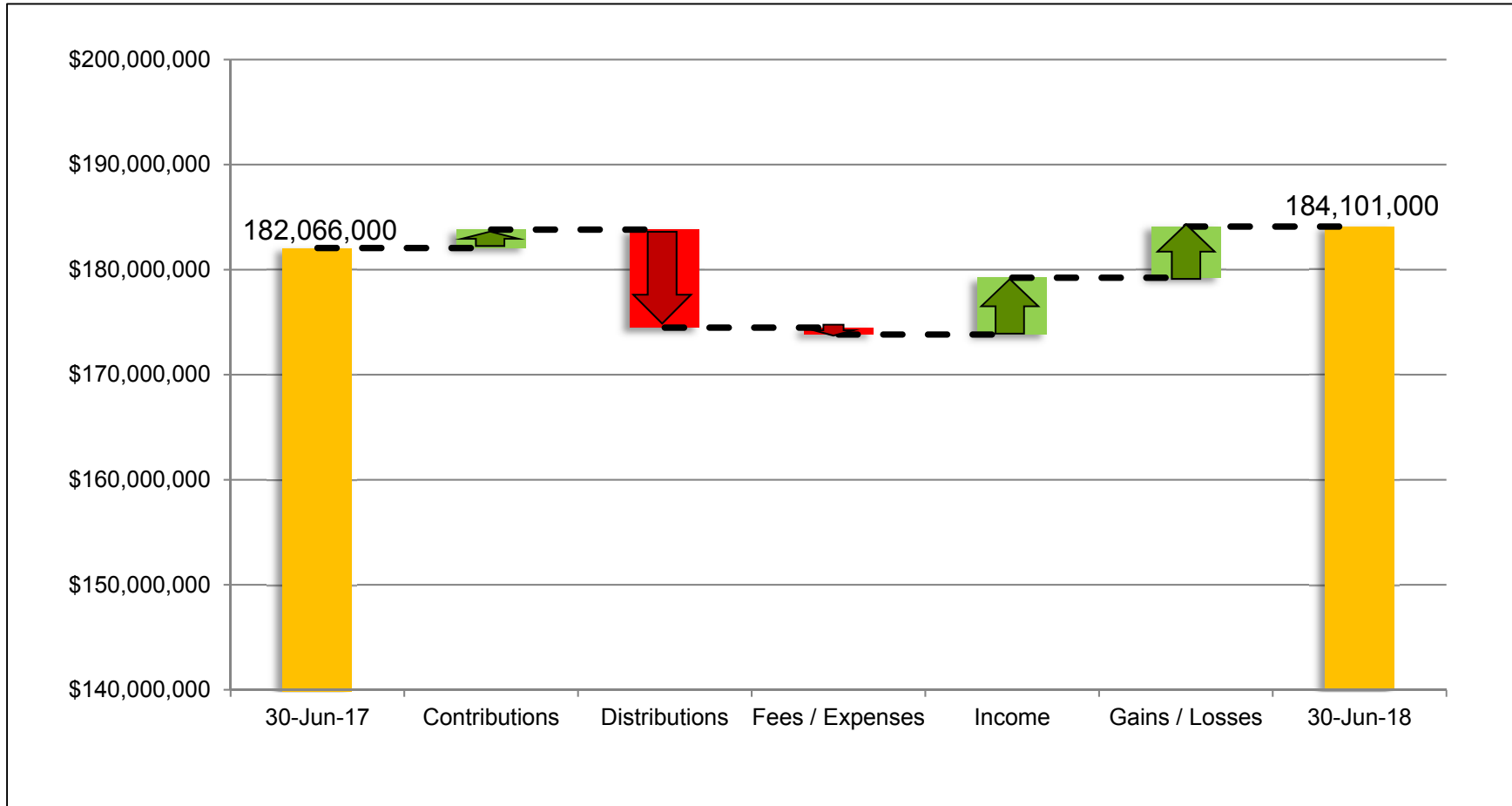
- Long-term annual return target of CPI + 3.45% (5.0%) has been exceeded by 2.4% net of fees over 10 years
- Performance versus a Blended Benchmark of capital market indices has also been positive (net of fees), but by a smaller margin
- Long-term performance has been superior in down markets, as expected given the manager structure
- Majority of value-added performance has come from Canadian and international equities
- Annual management fee is currently about 0.30%



Current Blended Benchmark: 40% FTSE Canada Long Bond, 7% FTSE Canada Universe Bond, 16% S&P/TSX Capped Composite Total Return, 8.5% S&P500 Total Return (CAD), 8.5% MSCI EAFE Net Total Return (CAD), 17% MSCI World Net Total Return, 3% REALpac/IPD Canada Property.

The Blended Benchmark is currently in transition until the allocation to Real Estate is complete.

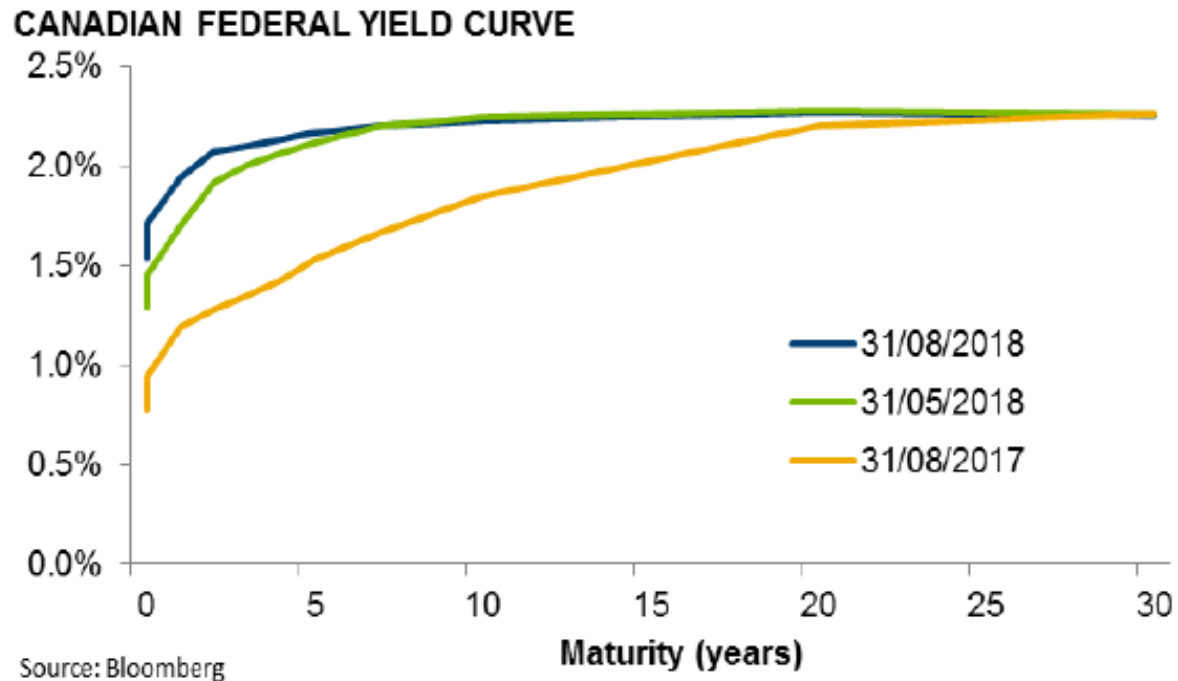
Total Portfolio – Change in Market Value



Market Update

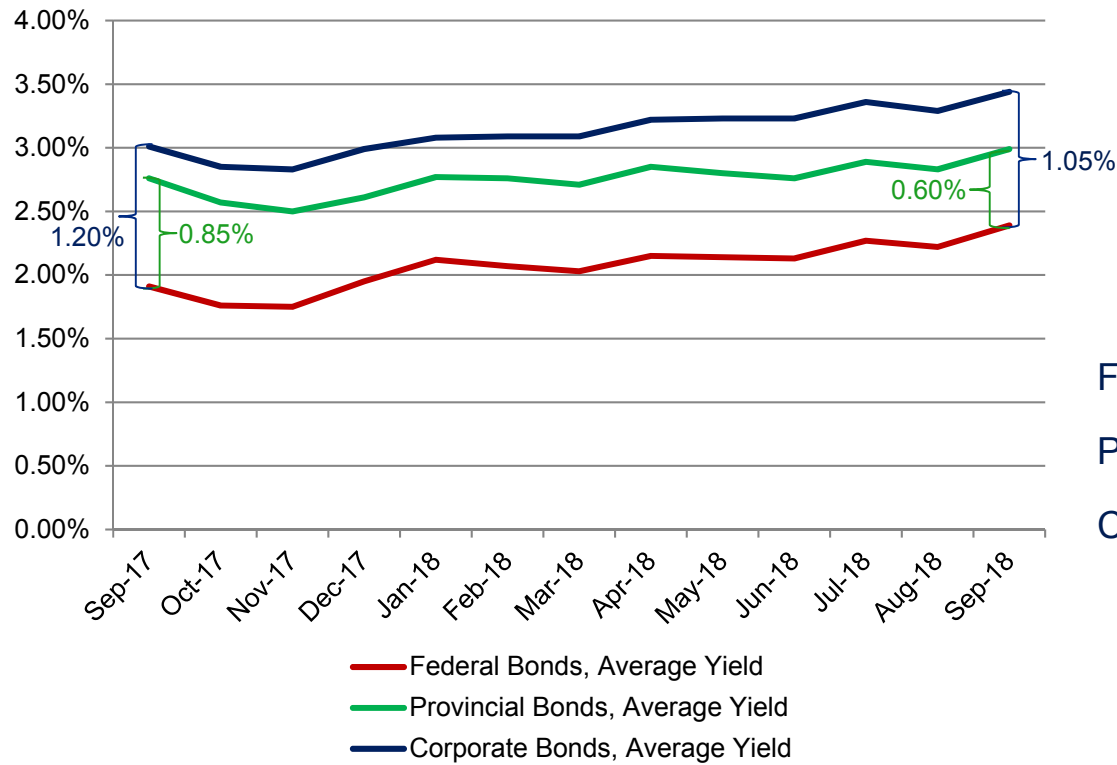
Yield Curve is the Flattest Since the 2008 Crisis

Government of Canada Bond Yield Curves



Market Update (continued)

Bond Yields Increasing Moderately



1-Year Return to Sept. 30, 2018

Federal Bonds	0.71%
Provincial Bonds	2.33%
Corporate Bonds	2.10%

Source: FTSE TMX Global Debt Capital Markets

Market Update (continued)

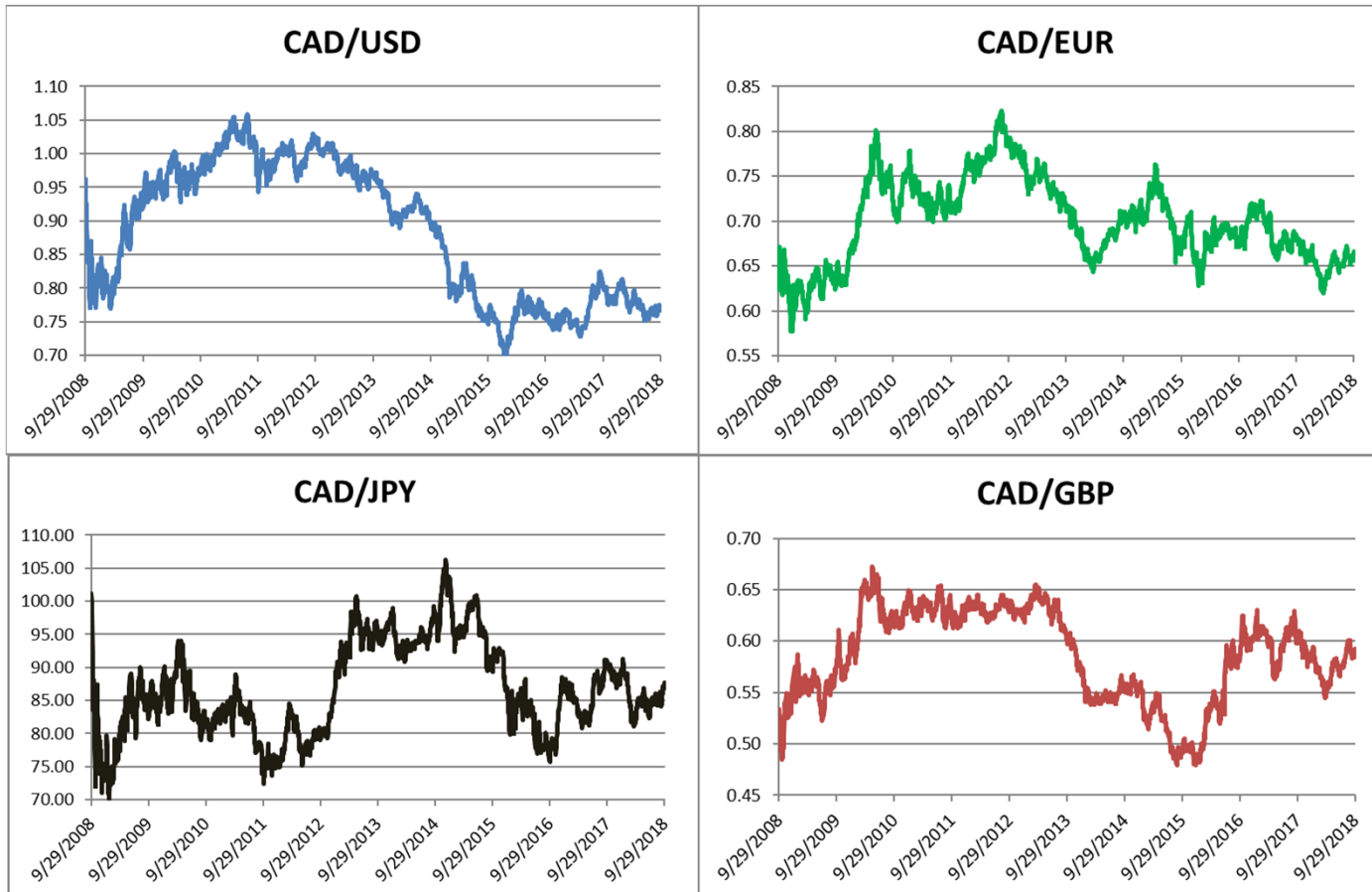
Oil Continues to Rise



Source: www.macrotrends.net. West Texas Crude. As of September 28, 2018 in U.S. dollars.

Market Update (continued)

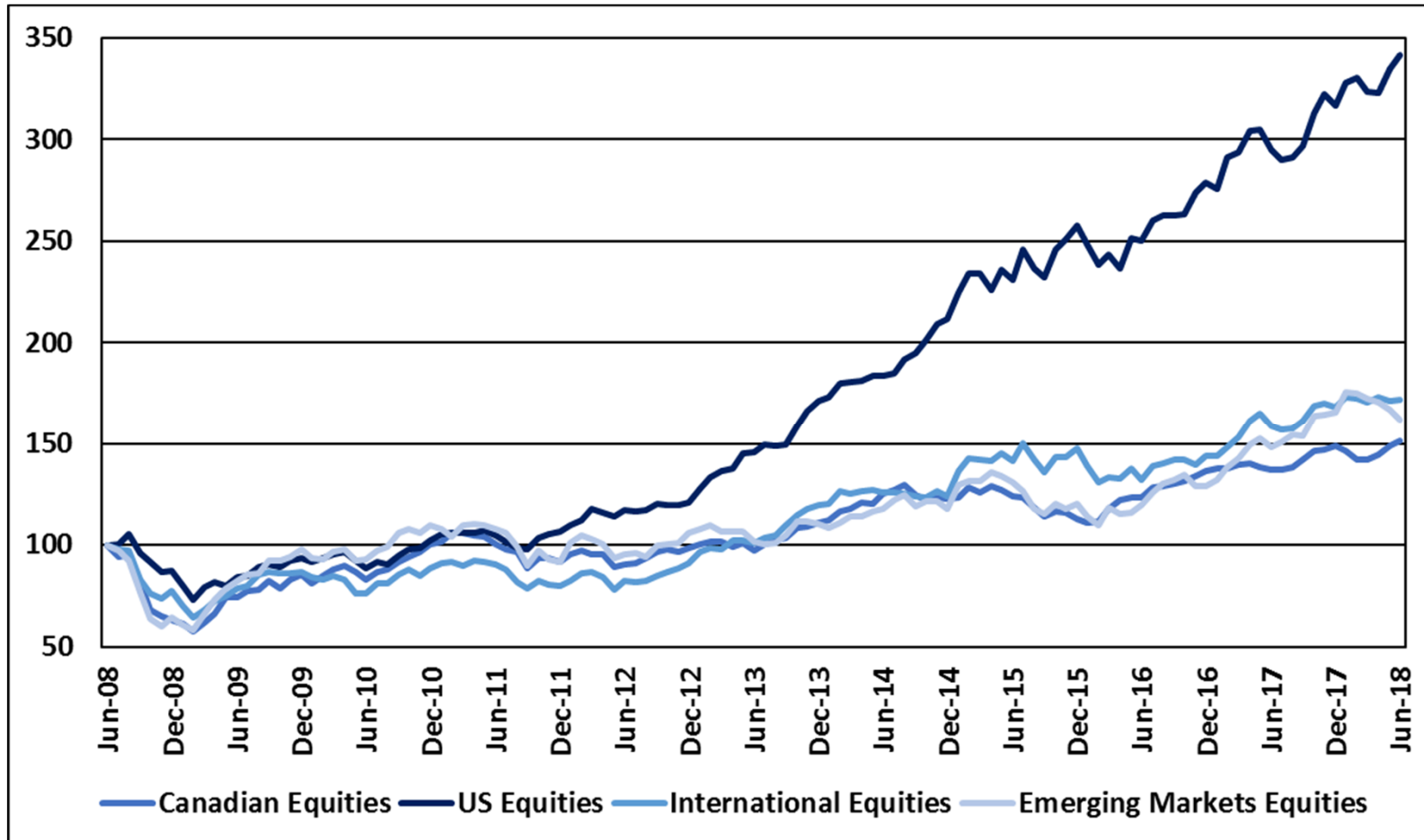
Canadian Dollar Strength Stagnates



Source: Bank of Canada.

Market Update (continued)

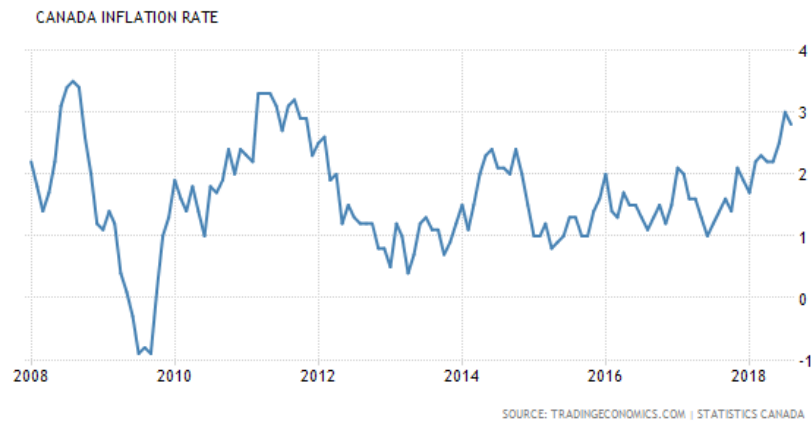
U.S. Stock Market Breaks Away



Source: Standard & Poor's. MSCI. Currency: CAD

Market Update (continued)

Investing in Cash – Still Negative in Real Terms



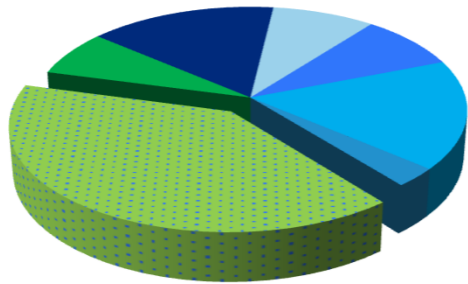
Deposit rates have been below inflation rates in Canada since 2013.

As a result, Canadian investors are losing money in real terms by investing in cash.

Appendix – Asset Class Overview

Canadian Bond Allocation – Long Bonds

Manager Structure



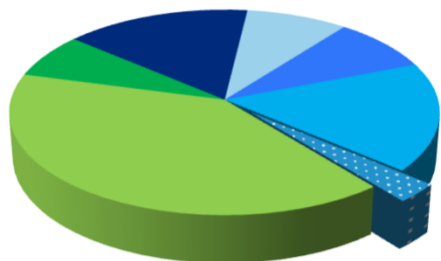
BlackRock Long Bonds, 40%

BlackRock Long Bonds Strategy Summary

- Index strategy aims to match the performance of the broad Canadian investment grade long bond market
- BlackRock has achieved this goal on a pre-fee basis historically
- BlackRock is the world's largest asset manager
- Current yield is approximately 3.05%
- Annual management fee is approximately 0.036%
- Initial investment was made in June 2017.

Canadian Real Estate Allocation

Manager Structure



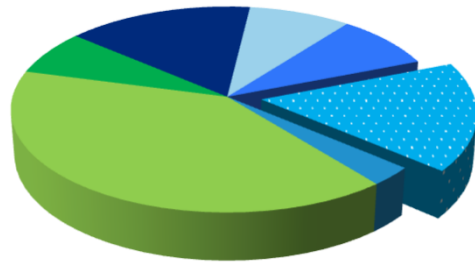
Greystone Real Estate, 3%

Greystone Real Estate Strategy Summary

- Active strategy aims to provide predictable income and moderate capital appreciation by investing in a diversified portfolio of Canadian commercial real estate.
- Current 1 year cash dividend return is 2.9%
- Annual management fee is approximately 1.038%
- Initial investment was made in February 2018.

Global Low Volatility Equity Allocation

Manager Structure



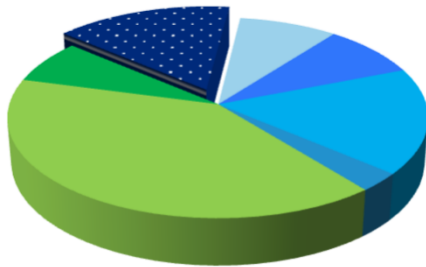
TDAM Epoch Global Equity, 17%

TDAM Epoch Strategy Summary

- Active strategy focused on achieving high levels of income through a diversified portfolio of global companies with attractive dividend yields and positive growth in free cash flow
- TDAM is the one of the largest asset managers in Canada
- Current dividend yield is 4.3%, nearly 80% higher than the benchmark
- Annual management fee is approximately 0.760%
- Initial investment was made in February 2018.

Canadian Equity Allocation

Manager Structure



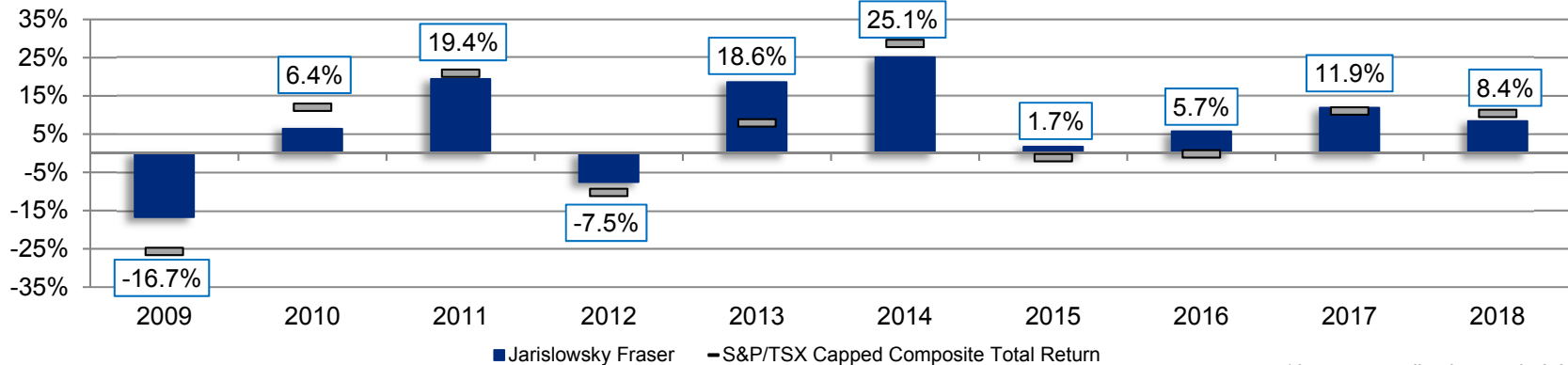
JF Canadian Equity, 16%

Jarislowsky Fraser (JF) Strategy Summary

- Active mandate part of an equity portfolio, allowing tactical geographic shifts between Canada, U.S. and international equities
- Approach is “growth at a reasonable price”
- Dividend yield is approximately 2.9%
- Blended management fee based on assets under management is approximately 0.34% per annum

Performance

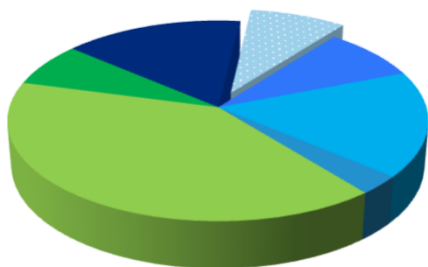
(gross of fees, one year ending June 30)



10-year annualized return is 6.6%

U.S. Equity Allocation

Manager Structure



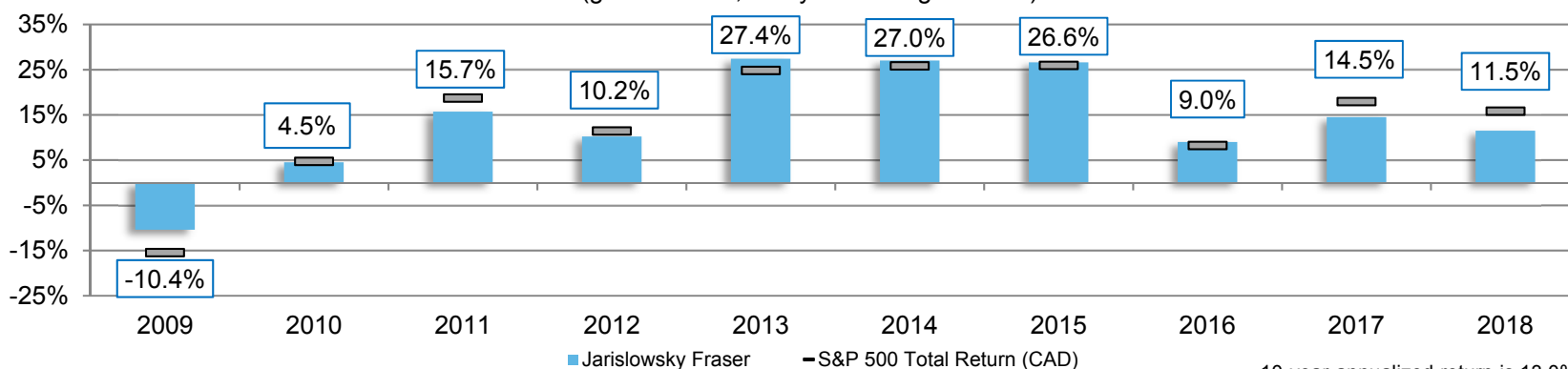
JF U.S. Equity, 9%

Jarislowsky Fraser (JF) Strategy Summary

- Active mandate part of a global equity portfolio, allowing tactical geographic shifts between Canada, U.S. and international equities
- Approach is “growth at a reasonable price”
- Dividend yield is approximately 1.6%
- Blended annual fee based on assets is approximately 0.34%

Performance

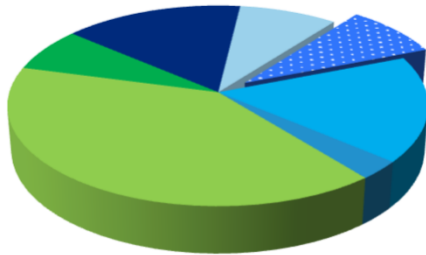
(gross of fees, one year ending June 30)



10-year annualized return is 13.0%

International Equity Allocation

Manager Structure



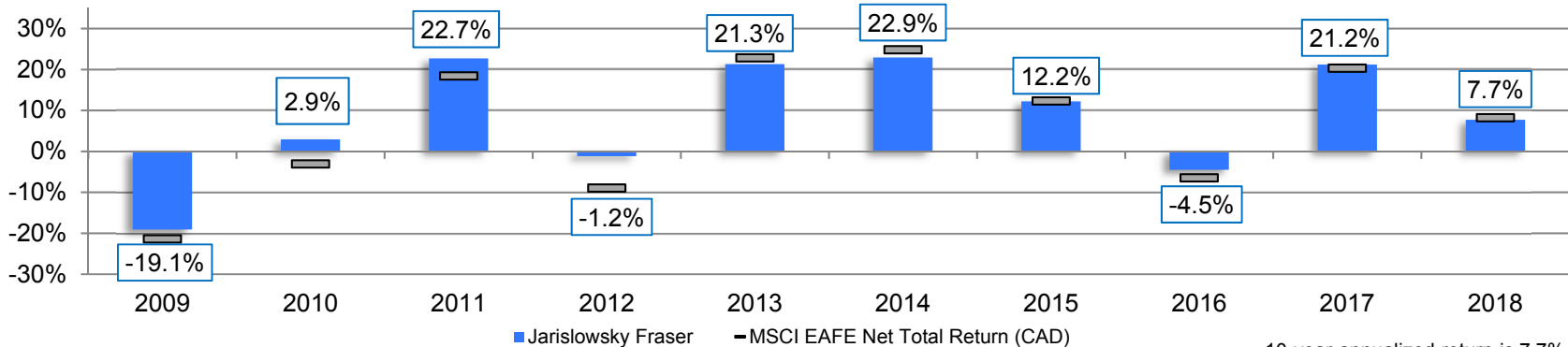
JF International Equity, 9%

Jarislowsky Fraser (JF) Strategy Summary

- Active mandate part of a global equity portfolio, allowing tactical geographic shifts between Canada, U.S. and international equities
- Approach is “growth at a reasonable price”
- Dividend yield is approximately 3.0%
- Annual management fee of 0.70%

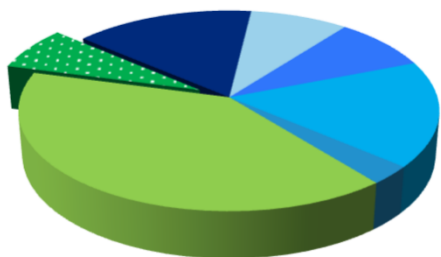
Performance

(gross of fees, one year ending June 30)



Canadian Bond Allocation – Universe Bonds

Manager Structure



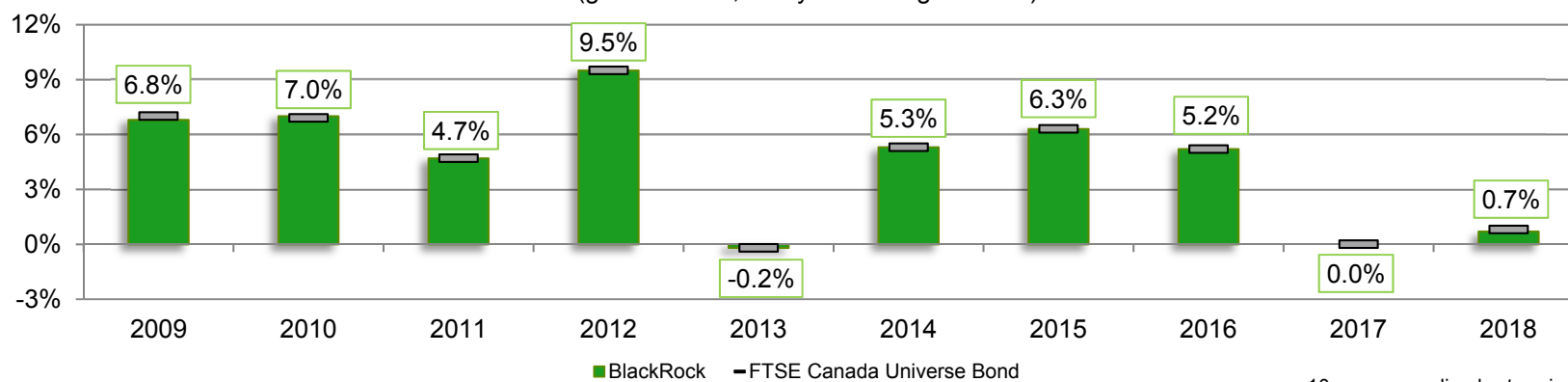
BlackRock Universe Bonds, 7%

BlackRock Universe Bonds Strategy Summary

- Index strategy aims to match the performance of the broad Canadian investment grade bond market
- BlackRock has achieved this goal on a pre-fee basis
- BlackRock is the world's largest asset manager
- Current yield is 2.69%
- Annual management fee is approximately 0.036%

Performance

(gross of fees, one year ending June 30)



10-year annualized return is 4.5%

Questions?

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