



# **University of Saskatchewan Academic Money Purchase Pension Plan**

Investment Review

Annual General Meeting Presentation – March 9, 2018

Prepared by Aon



# Agenda

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- Plan Objectives & Guiding Risk Philosophy
- Investment Objectives
- Role of the Pension Committee
- Expected Risk/Return Spectrum of Investment Options
- Academic Money Purchase Pension Plan Utilization
- Prescribed Retirement Income Fund Utilization
- Market Update
- Appendix – Investment Options Overviews

# Plan Objectives & Guiding Risk Philosophy

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## Plan Objectives

*"It is recognized that the long-term objective of Members is to maximize the value of benefits derived from the Plan contributions, subject to an acceptable degree of risk."*

## Guiding Risk Philosophy

*"As members have differing risk preferences, several investment options are available to allow members to customize a portfolio to meet their investment needs.*

*To achieve appropriate long-term investment goals, members should invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds.*

*However, the overall level of risk can be reduced by diversifying the asset classes within the Life Cycle funds and, where appropriate, further diversifying within each individual asset class by Investment Manager."*

# Investment Objectives

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## Life Cycle Funds

*To earn a rate of return that exceeds the rate of return earned on a benchmark portfolio.*

## Active Managers

1. *To generate a return in excess of a benchmark index, with a level of volatility consistent with the investment mandate provided to the Investment Manager.*
2. *To deliver above median returns over four year periods relative to an active manager peer universe.*

## Passive Managers

*To deliver a total return with a permissible tracking error of +/-0.1% per year to the relevant benchmark.*

# Role of the Pension Committee

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## **Establish and maintain investment policy**

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

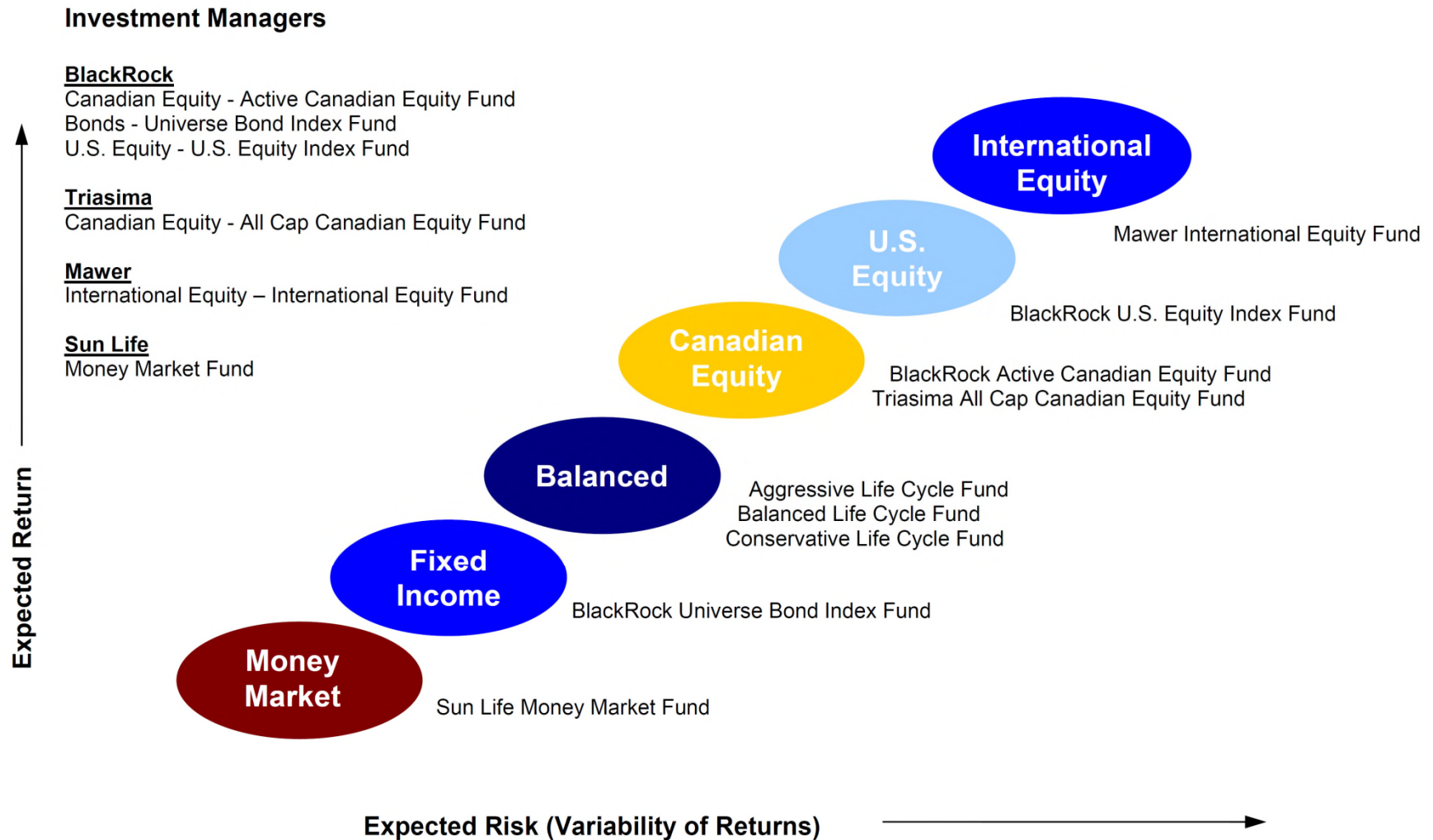
## **Monitor investment performance versus Plan objectives**

- Overall fund
- Individual managers
- Compliance with investment policy

## **Replace investment managers as required**

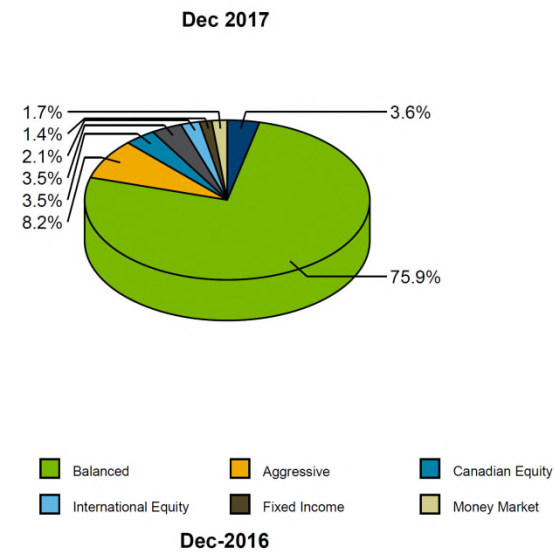
***Members are reminded of their responsibility to periodically review the portfolio structure of their participation in the Plan and to revise it as appropriate given their needs.***

# Expected Risk/Return Spectrum of Investment Options



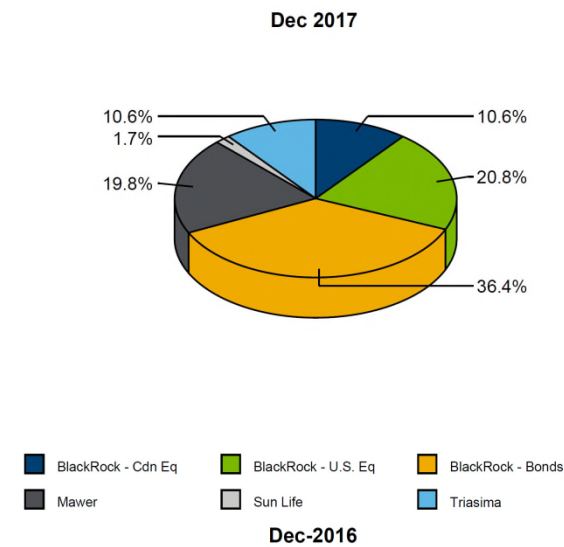
# Academic Money Purchase Pension Plan - Utilization by Fund

|                             | Dec 2017    |       | Dec-2016    |       |
|-----------------------------|-------------|-------|-------------|-------|
|                             | (\$)        | %     | (\$)        | %     |
| <b>Life Cycle Funds</b>     |             |       |             |       |
| Conservative                | 23,350,138  | 3.6   | 22,948,222  | 3.9   |
| Balanced                    | 486,341,542 | 75.9  | 441,779,787 | 75.5  |
| Aggressive                  | 52,331,181  | 8.2   | 42,394,536  | 7.2   |
| <b>Canadian Equity</b>      |             |       |             |       |
| Canadian Equity             | 22,617,953  | 3.5   | 20,804,594  | 3.6   |
| <b>U.S. Equity</b>          |             |       |             |       |
| BlackRock                   | 22,209,213  | 3.5   | 21,590,563  | 3.7   |
| <b>International Equity</b> |             |       |             |       |
| Mawer                       | 13,670,853  | 2.1   | 10,341,386  | 1.8   |
| <b>Fixed Income</b>         |             |       |             |       |
| BlackRock                   | 8,965,723   | 1.4   | 13,221,274  | 2.3   |
| <b>Money Market</b>         |             |       |             |       |
| SunLife                     | 11,204,694  | 1.7   | 12,179,622  | 2.1   |
| <b>Total Fund</b>           |             |       |             |       |
| Total Fund                  | 640,691,299 | 100.0 | 585,259,983 | 100.0 |



# Academic Money Purchase Pension Plan - Utilization by Manager

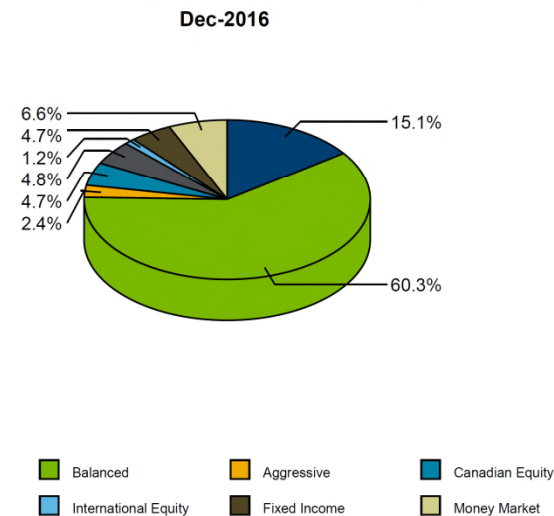
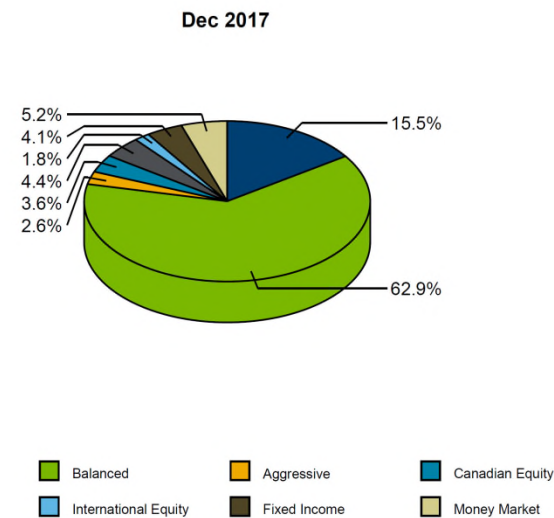
|                      | Dec 2017    |       | Dec-2016    |       |
|----------------------|-------------|-------|-------------|-------|
|                      | (\$)        | %     | (\$)        | %     |
| <b>BlackRock</b>     |             |       |             |       |
| Canadian Equity      | 68,061,201  | 10.6  | 60,700,981  | 10.4  |
| U.S. Equity          | 133,208,872 | 20.8  | 121,355,500 | 20.7  |
| Universe Bonds       | 233,382,540 | 36.4  | 217,265,521 | 37.1  |
| <b>Mawer</b>         |             |       |             |       |
| International Equity | 126,872,196 | 19.8  | 112,613,581 | 19.2  |
| <b>Sun Life</b>      |             |       |             |       |
| Money Market         | 11,204,694  | 1.7   | 12,179,622  | 2.1   |
| <b>Triasima</b>      |             |       |             |       |
| Canadian Equity      | 67,961,796  | 10.6  | 61,144,778  | 10.4  |
| <b>Total Fund</b>    |             |       |             |       |
| Total Fund           | 640,691,299 | 100.0 | 585,259,983 | 100.0 |





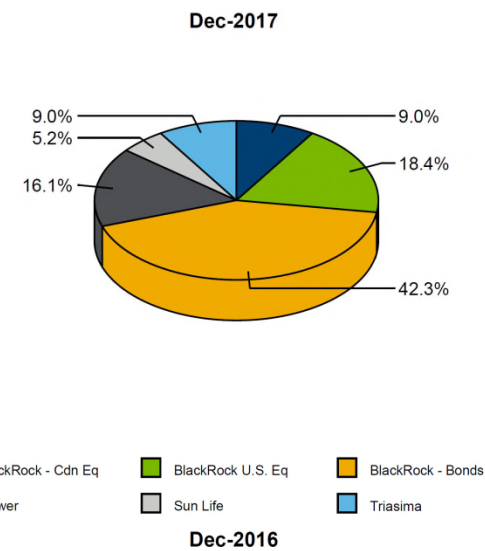
# Prescribed Retirement Income Fund - Utilization by Fund

|                             | Dec 2017    |       | Dec-2016   |       |
|-----------------------------|-------------|-------|------------|-------|
|                             | (\$)        | %     | (\$)       | %     |
| <b>Life Cycle Funds</b>     |             |       |            |       |
| Conservative                | 16,696,923  | 15.5  | 14,257,030 | 15.1  |
| Balanced                    | 67,767,603  | 62.9  | 56,805,897 | 60.3  |
| Aggressive                  | 2,781,003   | 2.6   | 2,305,345  | 2.4   |
| <b>Canadian Equity</b>      |             |       |            |       |
| Canadian Equity             | 3,849,676   | 3.6   | 4,473,784  | 4.7   |
| <b>U.S. Equity</b>          |             |       |            |       |
| BlackRock                   | 4,689,880   | 4.4   | 4,561,724  | 4.8   |
| <b>International Equity</b> |             |       |            |       |
| Mawer                       | 1,891,500   | 1.8   | 1,110,072  | 1.2   |
| <b>Fixed Income</b>         |             |       |            |       |
| BlackRock                   | 4,415,562   | 4.1   | 4,468,000  | 4.7   |
| <b>Money Market</b>         |             |       |            |       |
| Sun Life                    | 5,595,627   | 5.2   | 6,249,496  | 6.6   |
| <b>Total Fund</b>           |             |       |            |       |
| Total Fund                  | 107,687,773 | 100.0 | 94,231,349 | 100.0 |



# Prescribed Retirement Income Fund - Utilization by Manager

|                      | Dec-2017    |       | Dec-2016   |       |
|----------------------|-------------|-------|------------|-------|
|                      | (\$)        | %     | (\$)       | %     |
| <b>BlackRock</b>     |             |       |            |       |
| Canadian Equity      | 9,676,719   | 9.0   | 8,657,637  | 9.2   |
| U.S. Equity          | 19,850,723  | 18.4  | 17,303,561 | 18.4  |
| Universe Bonds       | 45,546,949  | 42.3  | 39,125,952 | 41.5  |
| <b>Mawer</b>         |             |       |            |       |
| International Equity | 17,354,286  | 16.1  | 14,172,978 | 15.0  |
| <b>Sun Life</b>      |             |       |            |       |
| Money Market         | 5,595,627   | 5.2   | 6,249,496  | 6.6   |
| <b>Triasima</b>      |             |       |            |       |
| Canadian Equity      | 9,663,470   | 9.0   | 8,721,725  | 9.3   |
| <b>Total Fund</b>    |             |       |            |       |
| Total Fund           | 107,687,773 | 100.0 | 94,231,349 | 100.0 |



# Market Update

## Fund Performance up to December 31, 2017

|   | 1 Year      | 2 Years     | 3 Years     | 4 Years     | 10 Years    |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Life Cycle Funds</b>                                 |             |             |             |             |             |
| Conservative Life Cycle Fund                            | 5.0         | 3.8         | 4.4         | 5.7         | 5.4         |
| Conservative Benchmark*                                 | 4.7         | 3.9         | 4.2         | 5.5         | 5.2         |
| <b>Value Added</b>                                      | <b>0.3</b>  | <b>-0.1</b> | <b>0.2</b>  | <b>0.2</b>  | <b>0.2</b>  |
| Balanced Life Cycle Fund                                | 10.0        | 7.3         | 8.0         | 8.8         | 6.6         |
| Balanced Benchmark*                                     | 9.3         | 7.6         | 7.6         | 8.4         | 6.2         |
| <b>Value Added</b>                                      | <b>0.7</b>  | <b>-0.3</b> | <b>0.4</b>  | <b>0.4</b>  | <b>0.4</b>  |
| Aggressive Life Cycle Fund                              | 12.6        | 9.1         | 9.8         | 10.3        | 7.2         |
| Aggressive Benchmark*                                   | 11.6        | 9.4         | 9.2         | 9.9         | 6.6         |
| <b>Value Added</b>                                      | <b>1.0</b>  | <b>-0.3</b> | <b>0.6</b>  | <b>0.4</b>  | <b>0.6</b>  |
| <b>Canadian Equity Fund - BlackRock &amp; Triasima*</b> |             |             |             |             |             |
| S&P/TSX Capped Composite                                | 9.1         | 14.9        | 6.6         | 7.6         | 4.6         |
| <b>Value Added</b>                                      | <b>-1.4</b> | <b>-3.9</b> | <b>-0.5</b> | <b>-0.8</b> | <b>1.0</b>  |
| <b>U.S. Equity Fund - BlackRock</b>                     |             |             |             |             |             |
| S&P 500   | 13.8        | 10.9        | 14.3        | 16.6        | 11.1        |
| <b>Value Added</b>                                      | <b>0.0</b>  | <b>0.0</b>  | <b>-0.1</b> | <b>-0.1</b> | <b>0.0</b>  |
| <b>International Equity Fund - Mawer**</b>              |             |             |             |             |             |
| MSCI EAFE (Net) (CAD)                                   | 16.8        | 6.7         | 10.7        | 8.9         | 4.4         |
| <b>Value Added</b>                                      | <b>7.3</b>  | <b>3.6</b>  | <b>3.3</b>  | <b>3.1</b>  | <b>1.4</b>  |
| <b>Fixed Income Fund - BlackRock</b>                    |             |             |             |             |             |
| FTSE TMX Universe Bond                                  | 2.5         | 2.1         | 2.6         | 4.1         | 4.7         |
| <b>Value Added</b>                                      | <b>0.0</b>  | <b>0.0</b>  | <b>-0.1</b> | <b>0.0</b>  | <b>-0.1</b> |
| <b>Money Market Fund - Sun Life</b>                     |             |             |             |             |             |
| FTSE TMX 91-Day T-Bill                                  | 0.6         | 0.5         | 0.6         | 0.7         | 1.0         |
| <b>Value Added</b>                                      | <b>0.2</b>  | <b>0.2</b>  | <b>0.1</b>  | <b>0.1</b>  | <b>0.1</b>  |

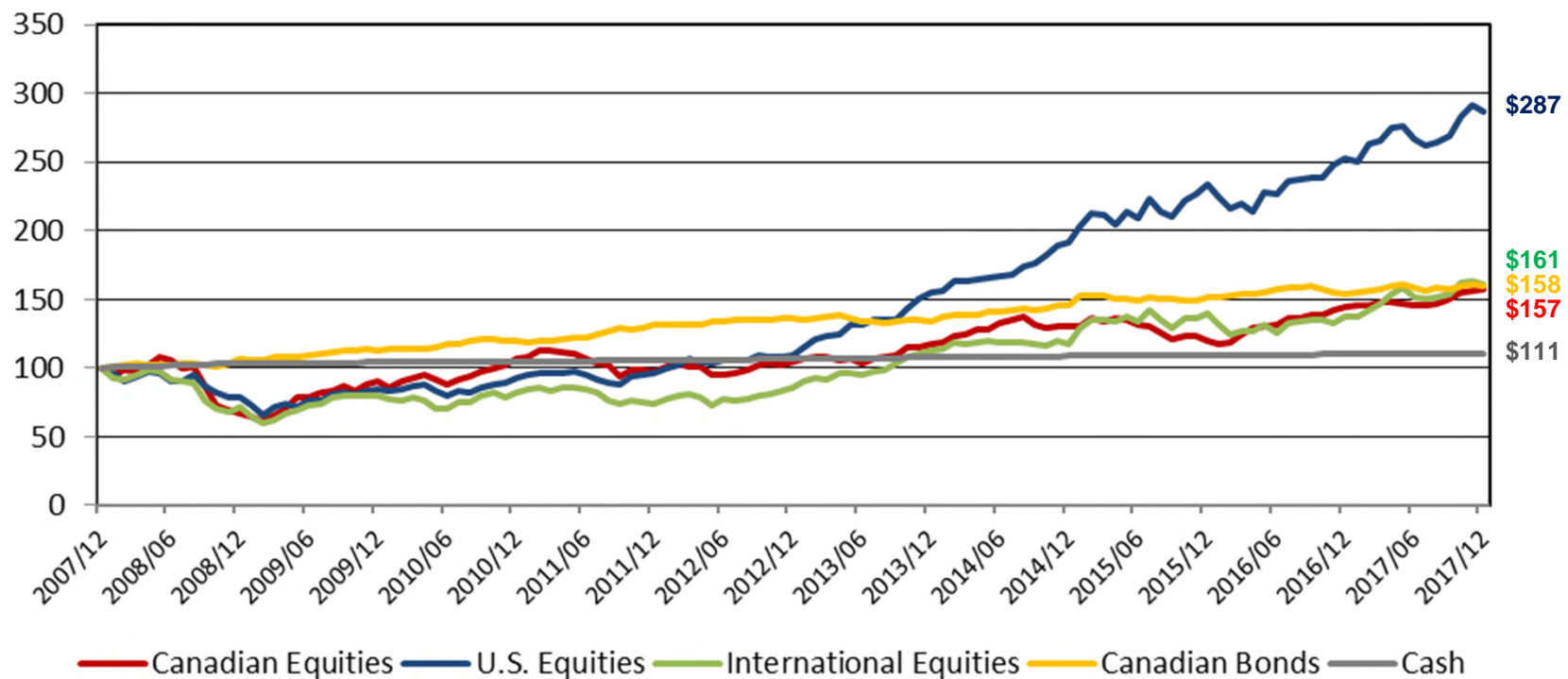
Returns are reported gross of fees and are annualized for periods greater than one year.

\*BlackRock and Triasima became the Canadian Equity Fund managers in December 2013.

\*\*Mawer became the International Equity Fund manager in August 2014.

## Market Update (continued)

### Growth of \$100 CAD over the past 10 years



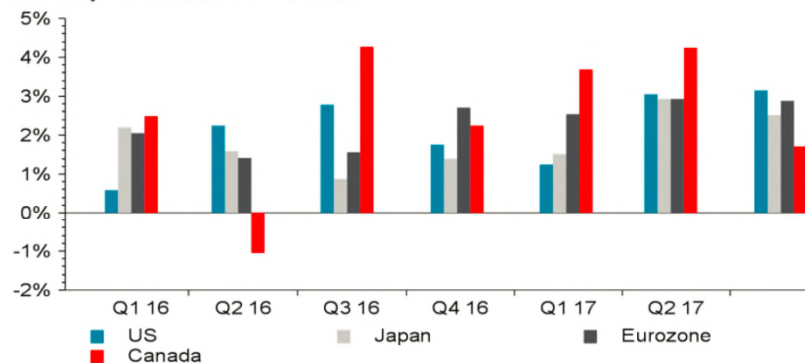
Canadian Equities represented by the performance of the S&P/TSX Capped Composite Index.  
U.S. Equities represented by the performance of the S&P 500 Total Return Index in Canadian dollars.  
International Equities represented by the performance of the MSCI EAFE Total Return Index in Canadian dollars.  
Canadian Bonds represented by the performance of the FTSE TMX Canada Universe Bond Index.  
Cash represented by the performance of the FTSE TMX Canada 91-Day T-Bill Index.

Sources: Standard & Poor's, MSCI, FTSE TMX Global Debt Capital Markets

# Market Update (continued)

## Canadian growth loses some momentum in Q3

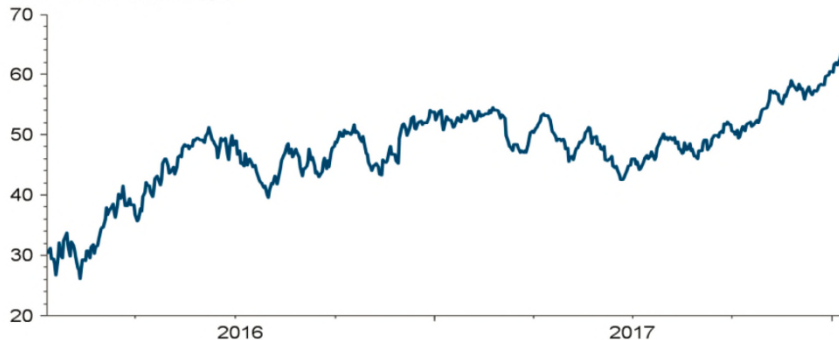
Quarterly Annualized GDP Growth



Source: Thomson Reuters Datastream

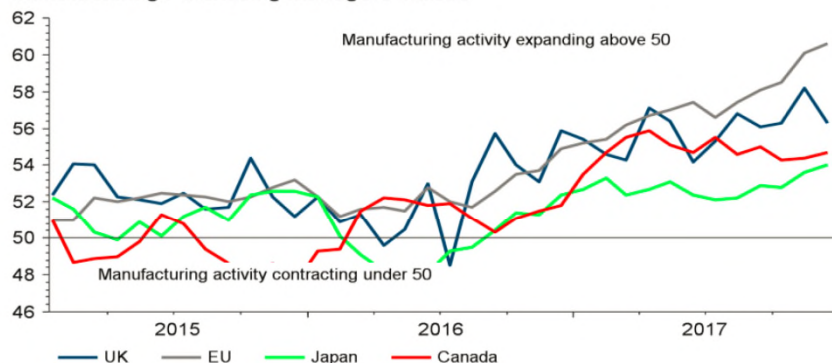
## Oil prices rise a further 17% over Q4

WTI Crude Oil, US\$pb



## The global economic upswing remains intact

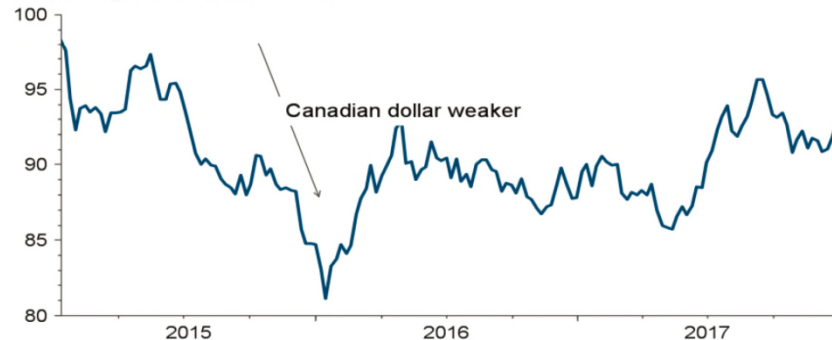
Manufacturing Purchasing Managers Indices



Source: Thomson Reuters Datastream

## Canadian dollar remains near strongest in 2 years

Trade weighted Canadian Dollar



## Market Update (continued)

### Growth momentum weaker but unemployment kept falling

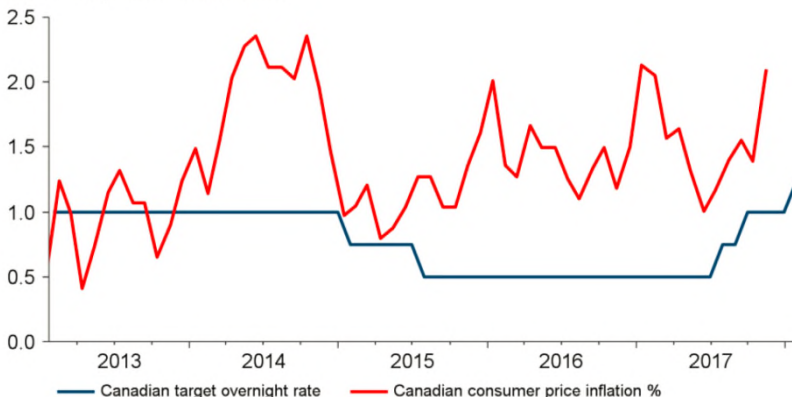
Canadian Monthly GDP and Unemployment



Source: Thomson Reuters Datastream

### Inflation starting to respond to higher oil prices and activity

BoC Policy Rate and Inflation

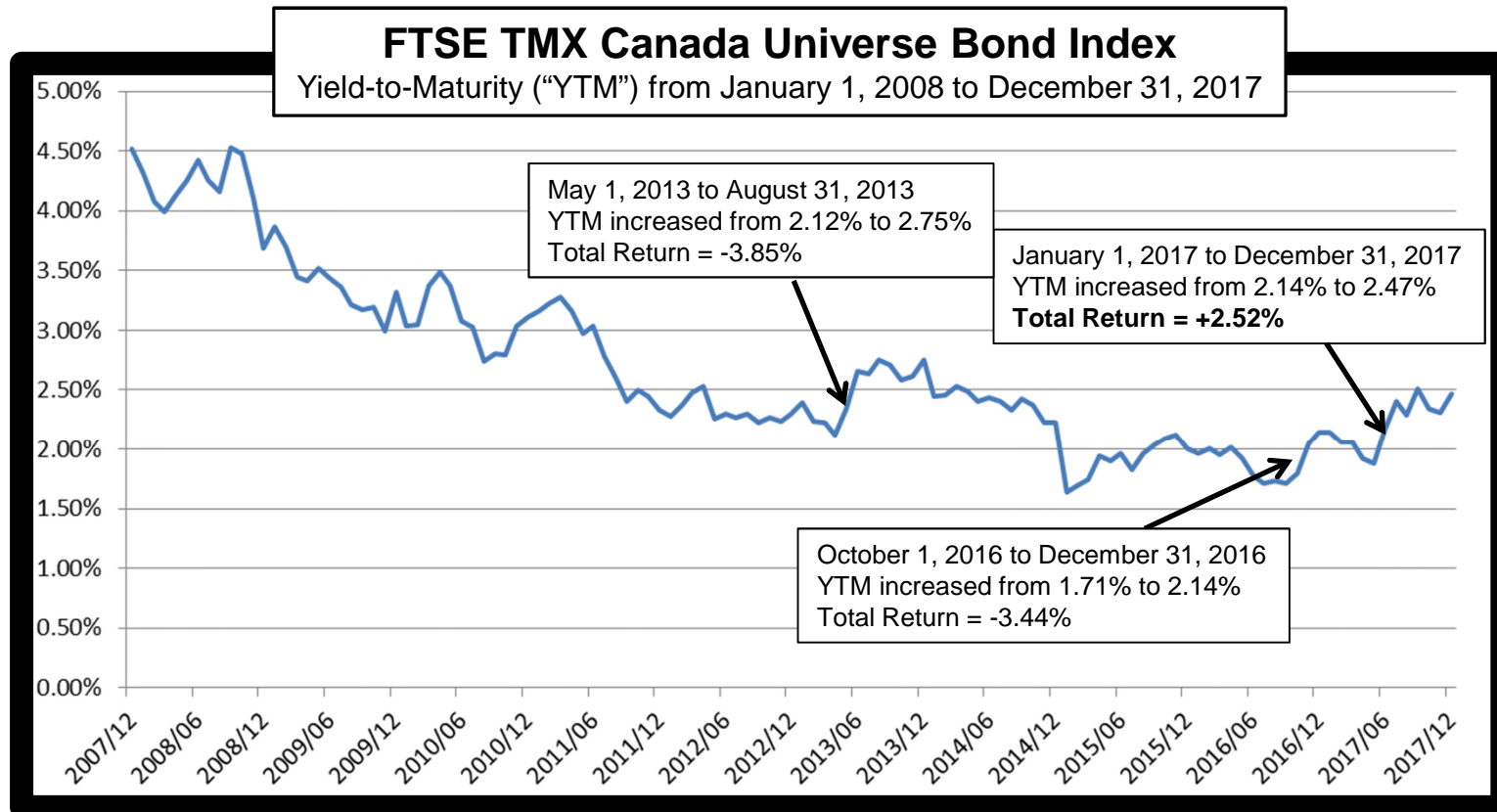


***The slowdown in the growth rate of the Canadian economy continued into Q4. The Bank of Canada declined to raise policy rates any further in Q4 but hiked again in January – this is expected to be one of 3 rate hikes in 2018. The rebound in the oil price is supportive but key risks remain, including the fate of NAFTA and the strength of the currency. We expect moderation in the pace of growth but no great slowdown.***



## Market Update (continued)

**Canadian Bonds: Rising yields = negative returns? Not necessarily.**

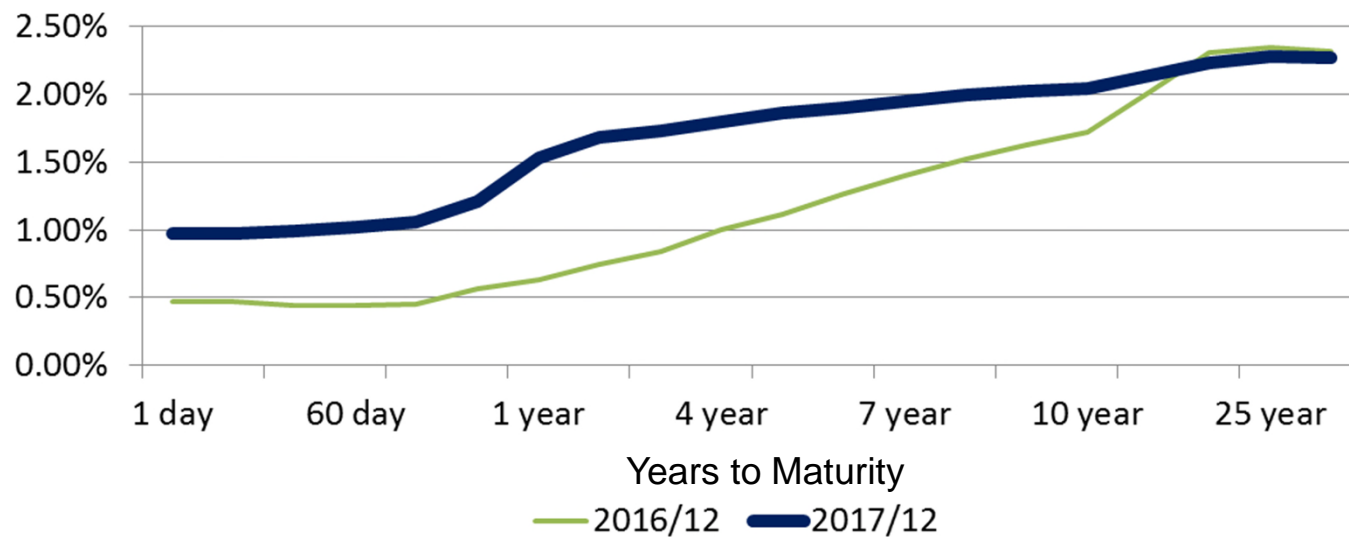


Source: FTSE TMX Global Debt Capital Markets

## Market Update (continued)

### Canadian Bonds: Flattening Yield Curve

Government of Canada Bond Yield Curves

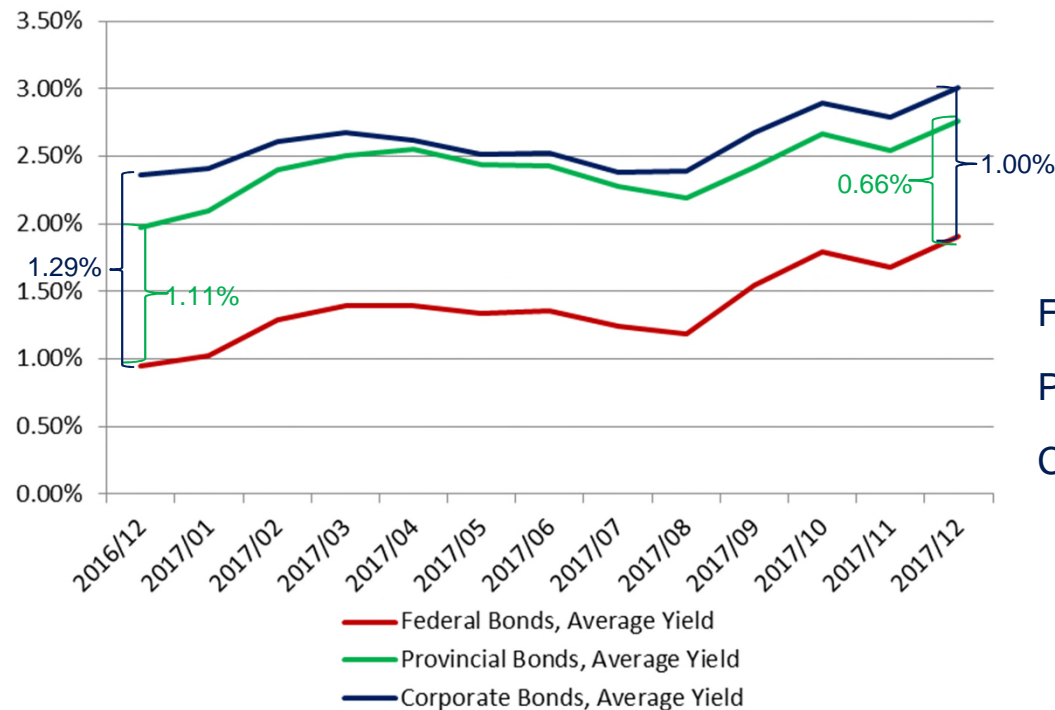


Source: FTSE TMX Global Debt Capital Markets



## Market Update (continued)

### Canadian Bonds: Credit Spread Compression



#### 2017 Returns

|                  |        |
|------------------|--------|
| Federal Bonds    | +0.13% |
| Provincial Bonds | +4.33% |
| Corporate Bonds  | +3.38% |

Source: FTSE TMX Global Debt Capital Markets

## Market Update (continued)

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*“Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.”*

**Ayn Rand**

*“Money, if it does not bring you happiness, will at least help you be miserable in comfort.”*

**Helen Gurley Brown**

*“Being rich is having money; being wealthy is having time.”*

**Margaret Bonnano**

*“Recognizing work-life balance isn’t a woman thing, it’s a human thing.”*

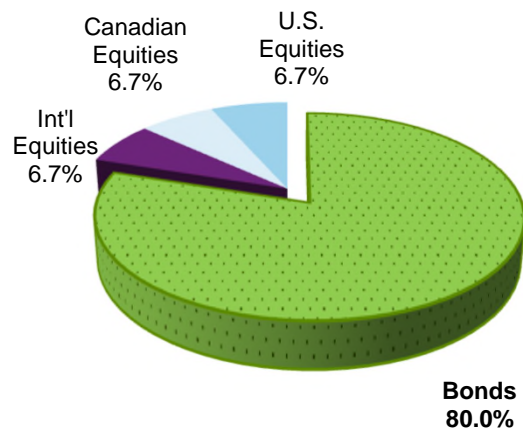
**Meredith Jones**



## Appendix –Investment Options Overviews

# Investment Options Overview - Conservative Life Cycle Fund

## Fund Structure

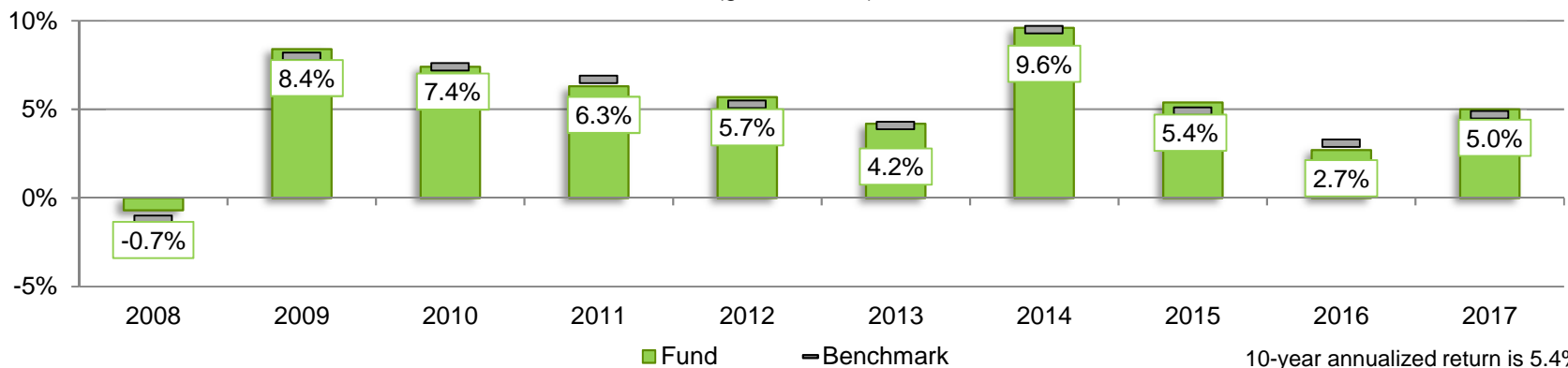


## Conservative Life Cycle Strategy Summary

- Most conservative balanced fund option offered.
- Bonds and U.S. equities are passively managed by BlackRock.
- Canadian equities are co-managed actively by BlackRock and Triasima.
- International equities are managed actively by Mawer.
- Performance over the past ten years has exceeded the return of the blended benchmark of indices.
- All strategies within the Fund are rated "Buy" by Aon.

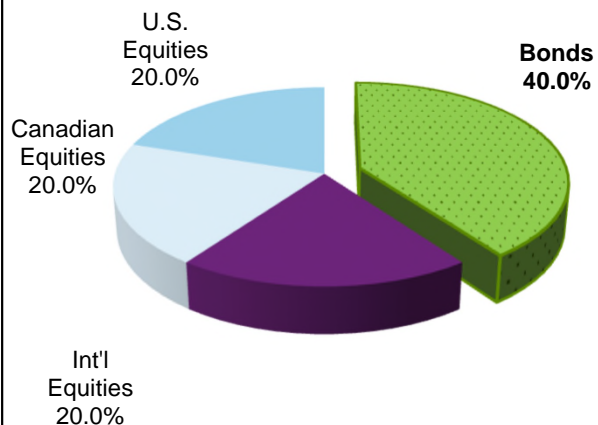
## Performance

(gross of fees)



# Investment Options Overview - Balanced Life Cycle Fund

## Fund Structure

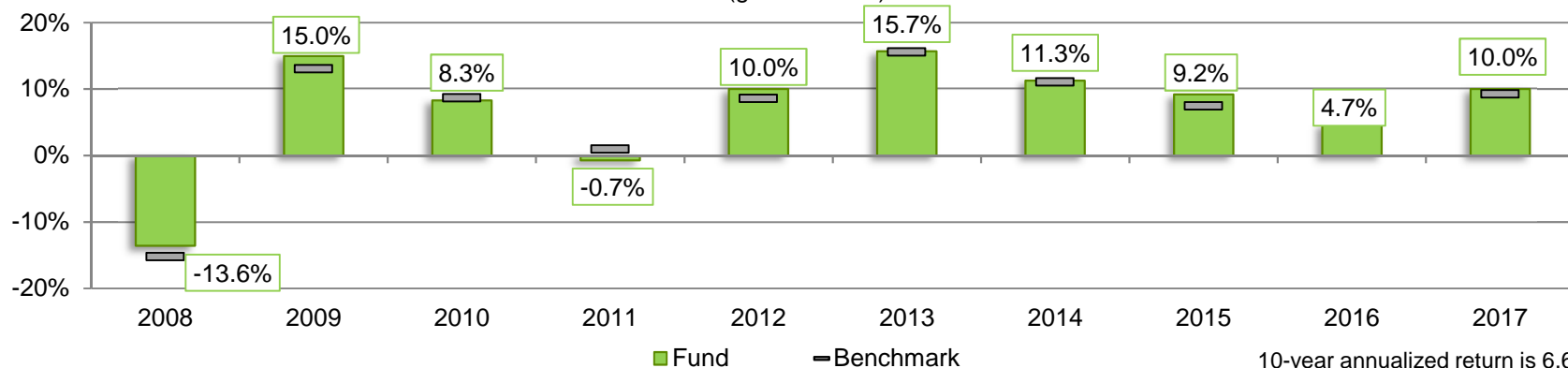


## Balanced Life Cycle Strategy Summary

- Default balanced fund option.
- Bonds and U.S. equities are passively managed by BlackRock.
- Canadian equities are co-managed actively by BlackRock and Triasima.
- International equities are managed actively by Mawer.
- Performance over the past ten years has exceeded the return of the blended benchmark of indices.
- All strategies within the Fund are rated "Buy" by Aon.

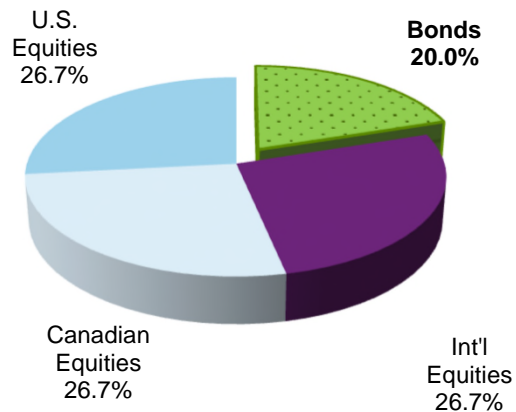
## Performance

(gross of fees)



# Investment Options Overview - Aggressive Life Cycle Fund

## Fund Structure

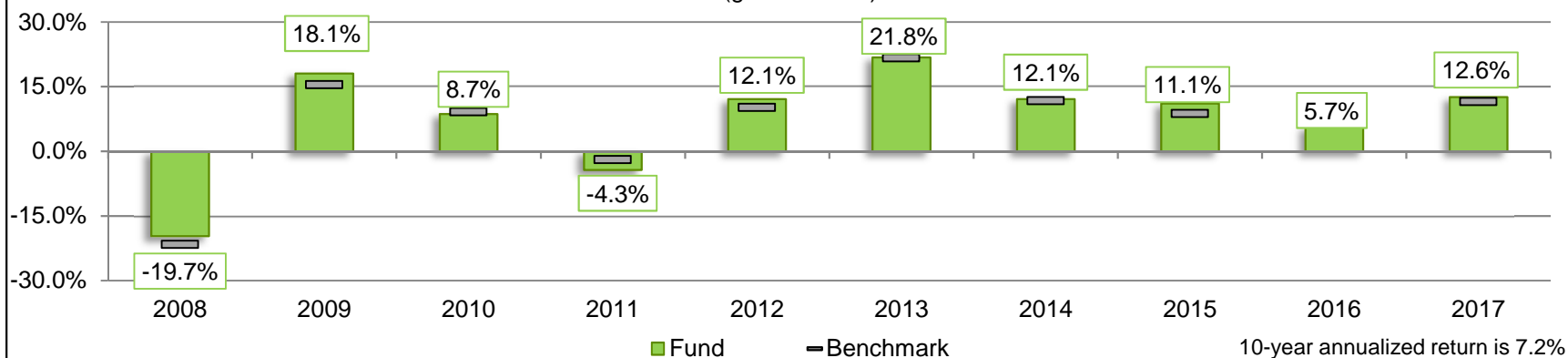


## Aggressive Life Cycle Strategy Summary

- Most aggressive balanced fund option.
- Bonds and U.S. equities are passively managed by BlackRock.
- Canadian equities are co-managed actively by BlackRock and Triasima.
- International equities are managed actively by Mawer.
- Performance over the past ten years has exceeded the return of the blended benchmark of indices.
- All strategies within the Fund are rated "Buy" by Aon.

## Performance

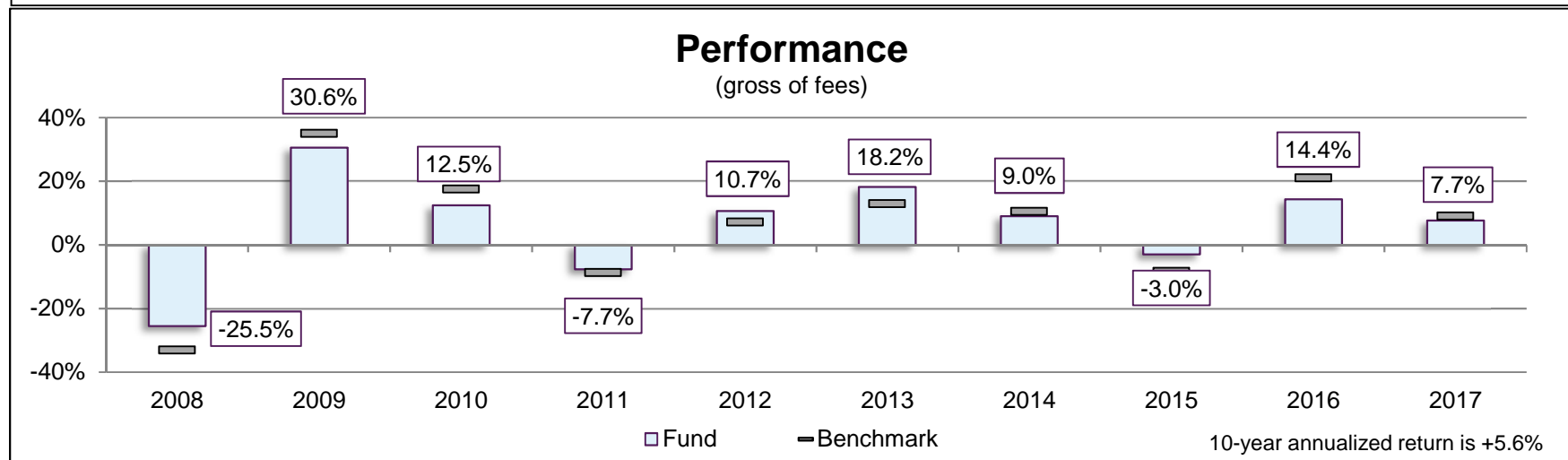
(gross of fees)



## Market Update (continued)

### Investment Options Overview - Canadian Equity Strategy

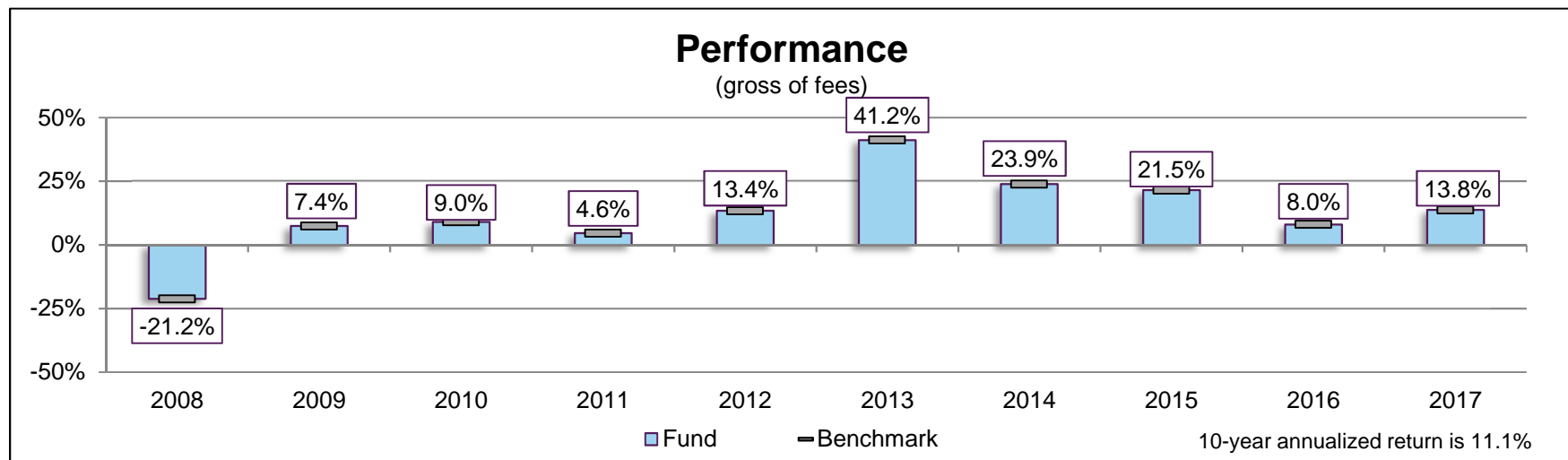
- Actively co-managed by BlackRock and Triasima since December 2013.
- The BlackRock Active Canadian Equity Fund has a quantitative core style investment approach that seeks to outperform the benchmark in small amounts in all market conditions.
- The Triasima All Cap Canadian Equity Fund utilizes a core investment style that blends quantitative, fundamental and thematic approaches in order to outperform the benchmark.
- The performance of the combined strategies of the Fund underperformed the return of the S&P/TSX Capped Composite Index in 2016 & 2017. However, the 10-year annualized returns of the Fund, as well as both BlackRock and Triasima, have exceeded the performance of the Index.
- Both strategies are rated “Buy” by Aon.



# Investment Options Overview - U.S. Equity Fund

## U.S. Equity Strategy Summary

- Passively managed by BlackRock.
- Seeks to replicate the performance of the S&P500 Index in Canadian dollar terms.
- Invests in the 500 largest U.S. public companies by market capitalization.
- Has delivered a total return within the permissible tracking error of +/- 0.1% per year to the benchmark in nine of the past ten years.
- The strategy is rated “Buy” by Aon.

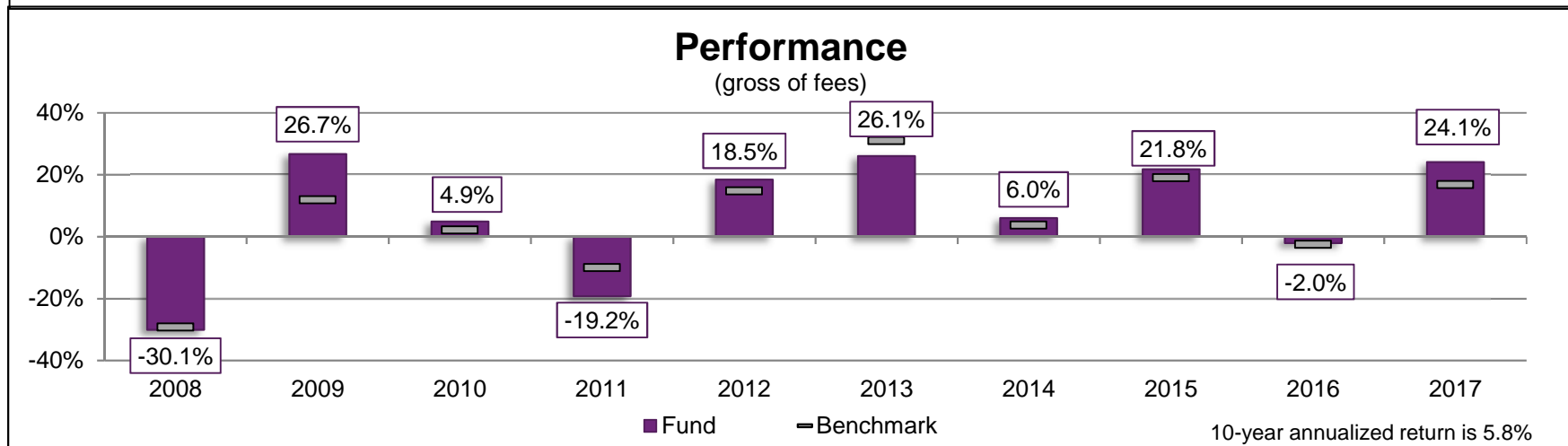




# Investment Options Overview - International Equity Fund

## International Equity Strategy Summary

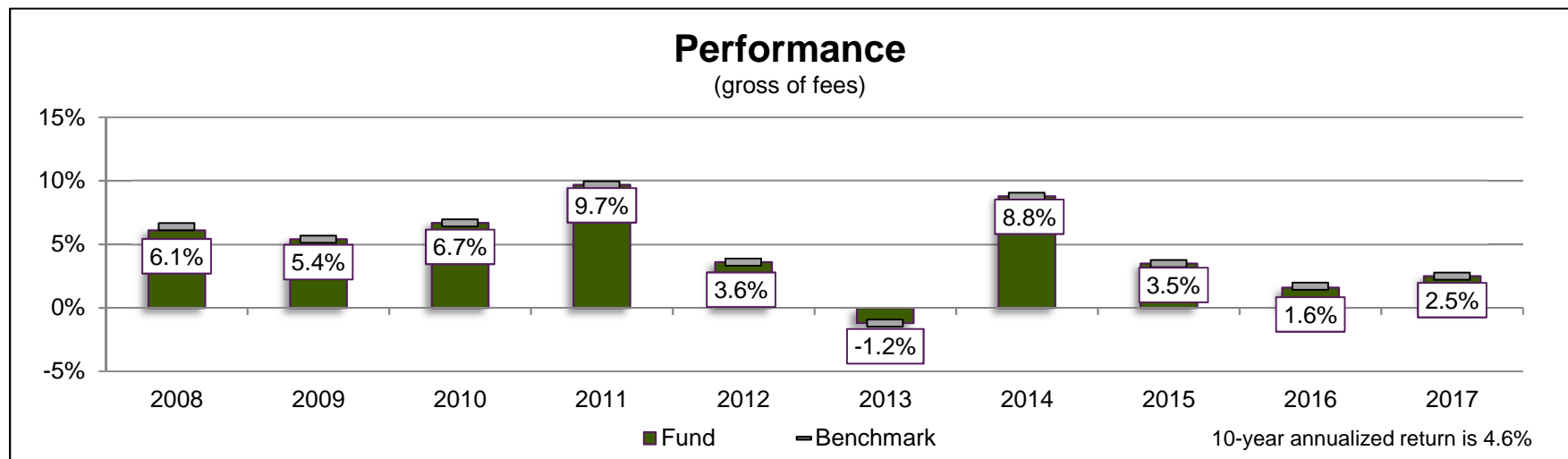
- Actively managed by Mawer since August 2014.
- The Mawer International Equity Fund's investment style is defined as "Quality at the Right Price". Mawer focuses on wealth-creating companies which are defined as companies that have a return on invested capital greater than their cost of capital. It is this difference between return on capital and cost of capital that Mawer believes allows companies to provide growing economic returns to shareholders. Mawer purchases these companies at what they believe to be a discount to the companies' intrinsic value.
- Mawer's performance has exceeded its benchmark, the MSCI ACWI ex-USA Total Return Index in Canadian dollars, since being added to the fund lineup. The 10-year annualized returns of the Fund, as well as Mawer, have exceeded the performance of the Index.
- The strategy is rated "Buy" by Aon.



# Investment Options Overview - Canadian Bond Fund

## Canadian Bond Strategy Summary

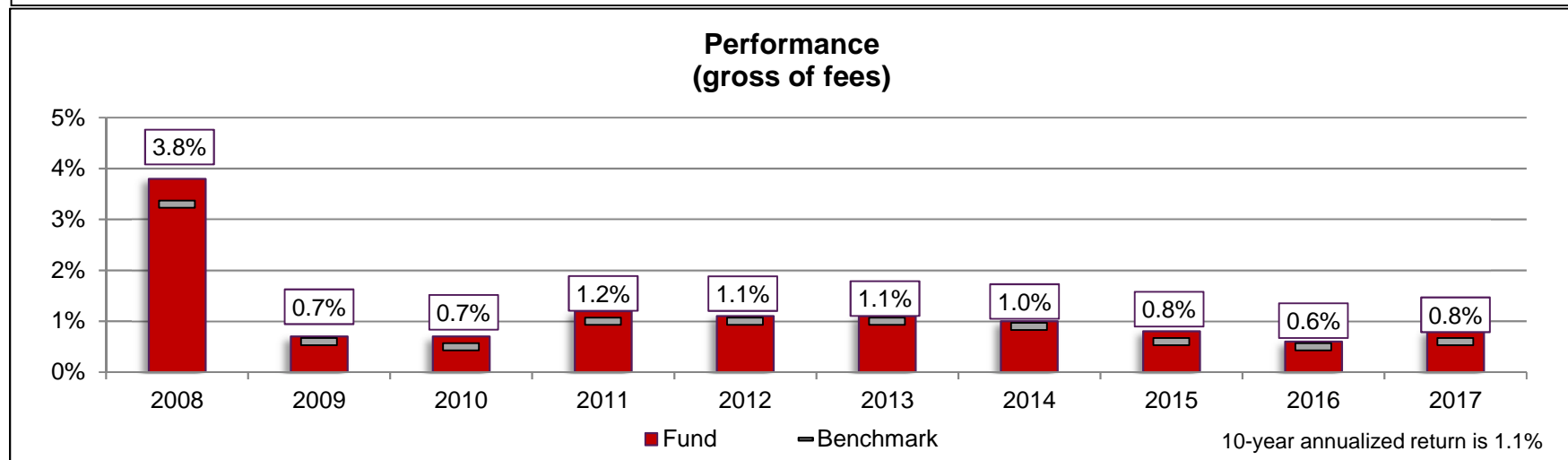
- Passively managed by BlackRock.
- Seeks to replicate the performance of the FTSE TMX Canada Universe Bond Index.
- Invests in Government of Canada, provincial, corporate and municipal bonds.
- Invests only in bonds that are rated investment grade (i.e. BBB or higher).
- Invests only in bonds denominated in Canadian dollars.
- Has delivered a total return within the permissible tracking error of +/- 0.1% per year to the benchmark over the past ten years.
- The strategy is rated “Buy” by Aon.



# Investment Options Overview - Canadian Money Market Fund

## Canadian Money Market Strategy Summary

- Actively managed by Sun Life and sub-advised by MFS Investment Management
- Seeks to exceed the performance of the FTSE TMX Canada 91-Day T-Bill Index.
- The Fund's strategy is to protect capital and to maintain liquidity by investing primarily in Canadian dollar-denominated money market instruments.
- Performance has exceeded the Index in nine of the past ten years.
- The Fund represents the only money market option on the Sun Life platform.
- The strategy is not rated by Aon.



## Contact List

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