



University of Saskatchewan and Federated Colleges Non-Academic Pension Plan Investment Review

AGM Presentation – November 20, 2015

Prepared by Aon Hewitt

Presentation to University of Saskatchewan

AON
Empower Results®

Agenda

- Investment Objectives
- Role of Pension Committee
- Role of Asset Mix
- Total Plan Performance
 - Year-to-date Change in Market Value
- Market Update
- Appendix - Asset Class Overview

Investment Objectives

Plan Objectives

"The purpose of the Non-Academic Pension Plan is to provide for the accumulation of pension assets on behalf of the Plan's participants and provide members of the Plan with retirement benefits prescribed under the terms thereof."

Guiding Risk Philosophy

*"Plan assets 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 Non Academic Pension and Benefits Committee."*

Dual Investment Objectives

Benchmark Portfolio(s)

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

Inflation Targeting

(CPI + 4.25% over 10+ years)

Role of Pension Committee

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

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 + 4.25%

Components

Bonds – provide stable and predictable income

- Low risk vehicle to help fund pension benefit payments
- But projected returns are well below the Plan's long term objective

Equities – provide potential for higher returns, but with greater risk

- Diversification by region helps reduce risk

Real Estate – provides diversification benefits and some inflation protection

Asset Mix – designed to balance the two competing objectives:

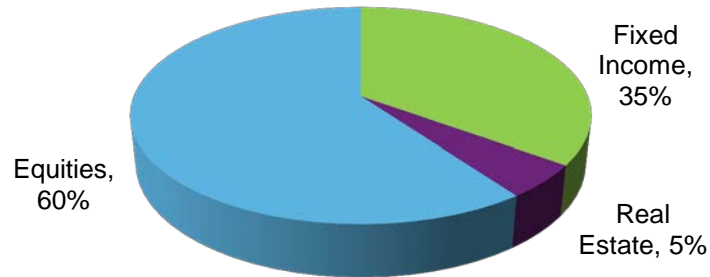
**** Safety of capital ** ** Adequate returns ****

Asset Mix

Target Asset Mix

Balancing Growth with Stability & Income

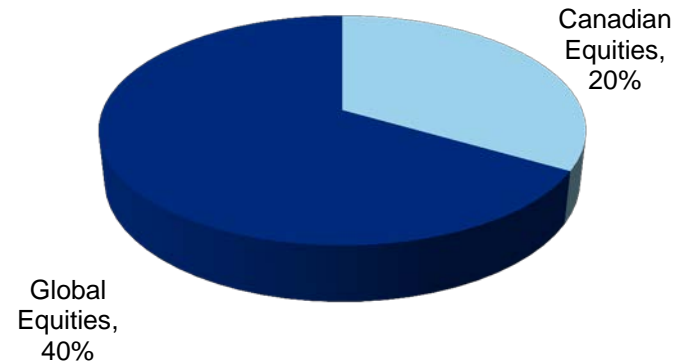
\$309 million as of Sep 30, 2015



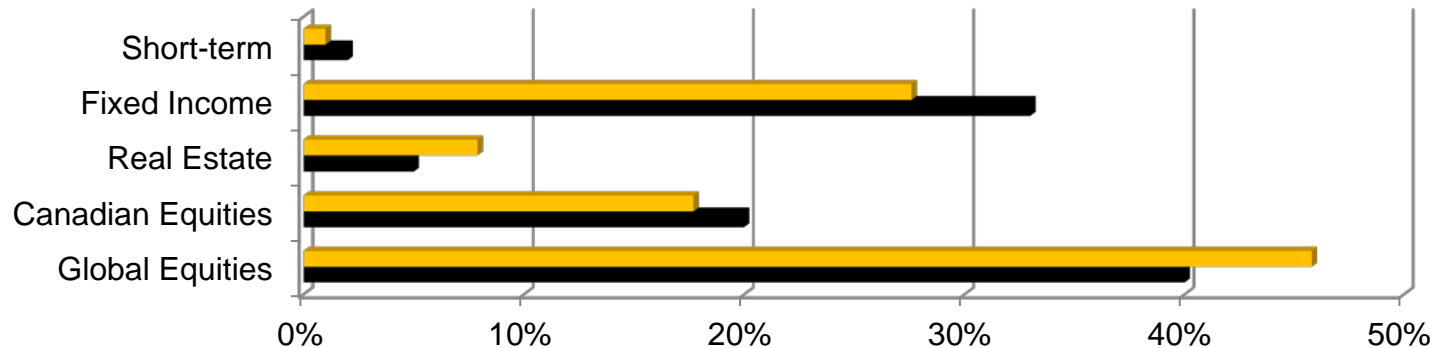
Bonds help hedge impact of interest rate changes on liabilities.

Target Asset Mix: Equities

Diversifying "Narrow" Canadian Market



■ 30-Sep-15 ■ Policy



Total Portfolio Performance

Strategy Summary

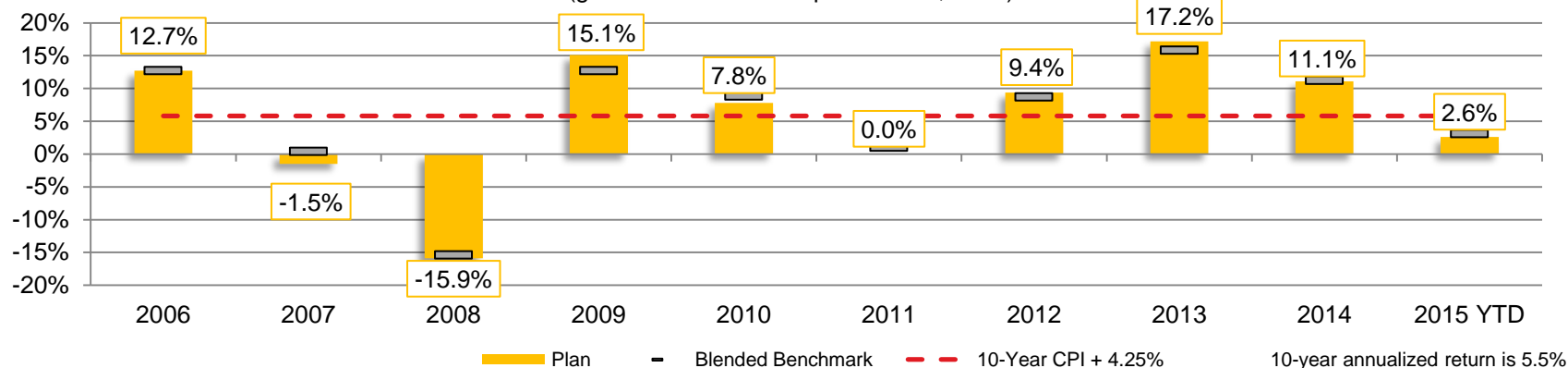
- Active management across all asset classes
- Fixed income and real estate mandates broadly diversified and with scope to include value-added strategies when appropriate
- Dual manager structures in Canadian and Global equities provide diversification by firm and investment approach

Performance Commentary

- Long-term return target of CPI + 4.25% (6.1%) has been matched on a post-fee basis over 10 years
- Performance versus the capital markets has been matched on a pre-fee basis
- Long-term performance has been broadly based across all major asset classes
- Annual fee is based on assets, currently about 0.52%

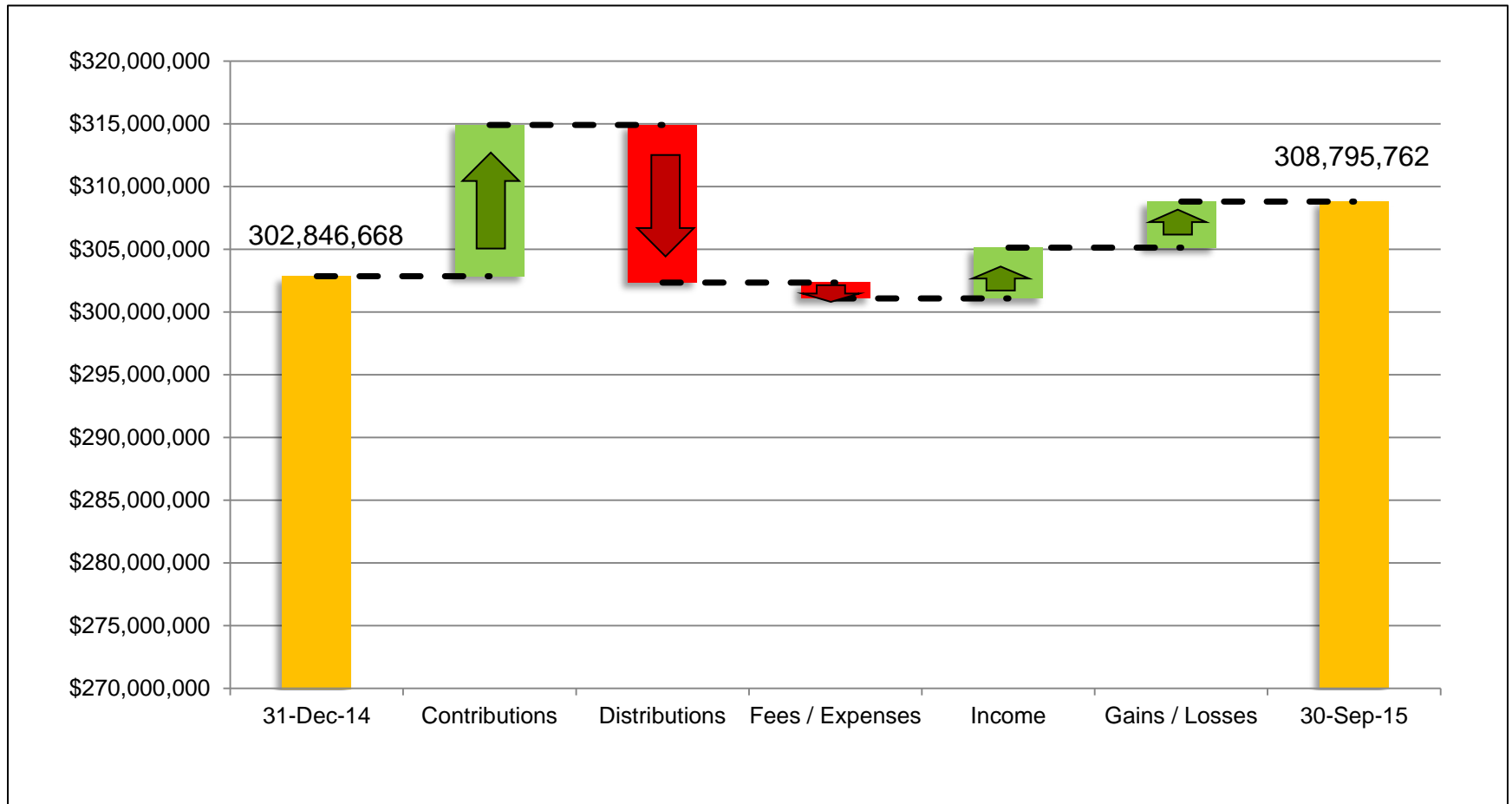
Performance

(gross of fees as of September 30, 2015)



* 2% 91-day FTSE TMX Canada T-Bill, 33% FTSE TMX Canada Universe Bond, 5% REALpac / IPD Canada Property Index, 20% S&P/TSX Composite, 40% MSCI World (net withholding tax) (CAD)

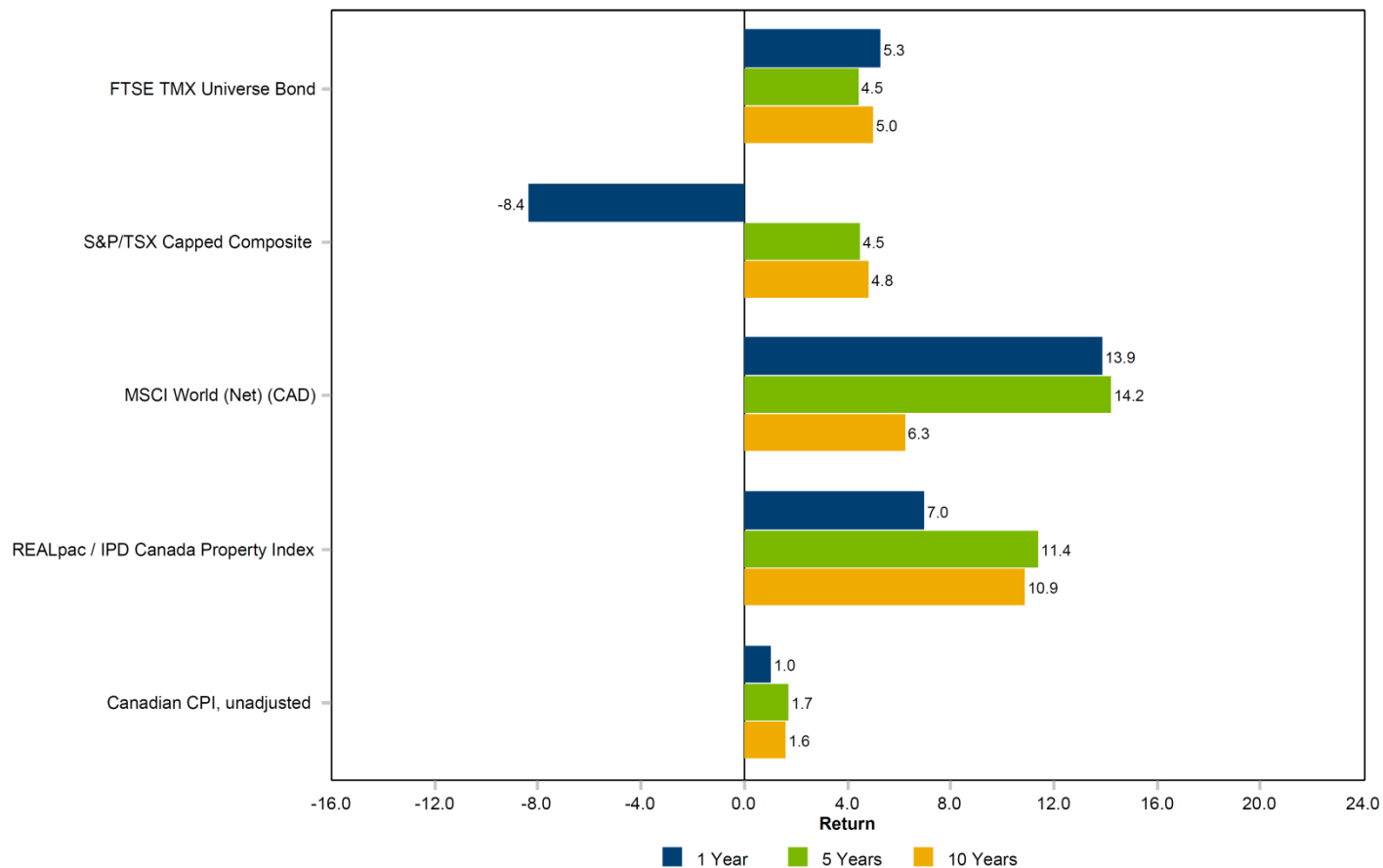
Total Portfolio – Change in Market Value (2015 YTD)



Market Update

Market Returns

As of 30 September 2015



Market Update (cont'd)

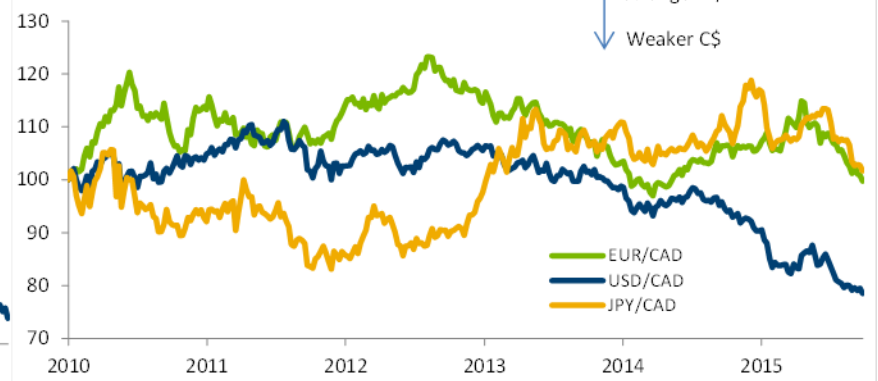
Canadian Dollar Weakness – Lower for Longer?

TRADE WEIGHTED CANADIAN DOLLAR INDEX
(1997 = 100)



Source: Bank of England

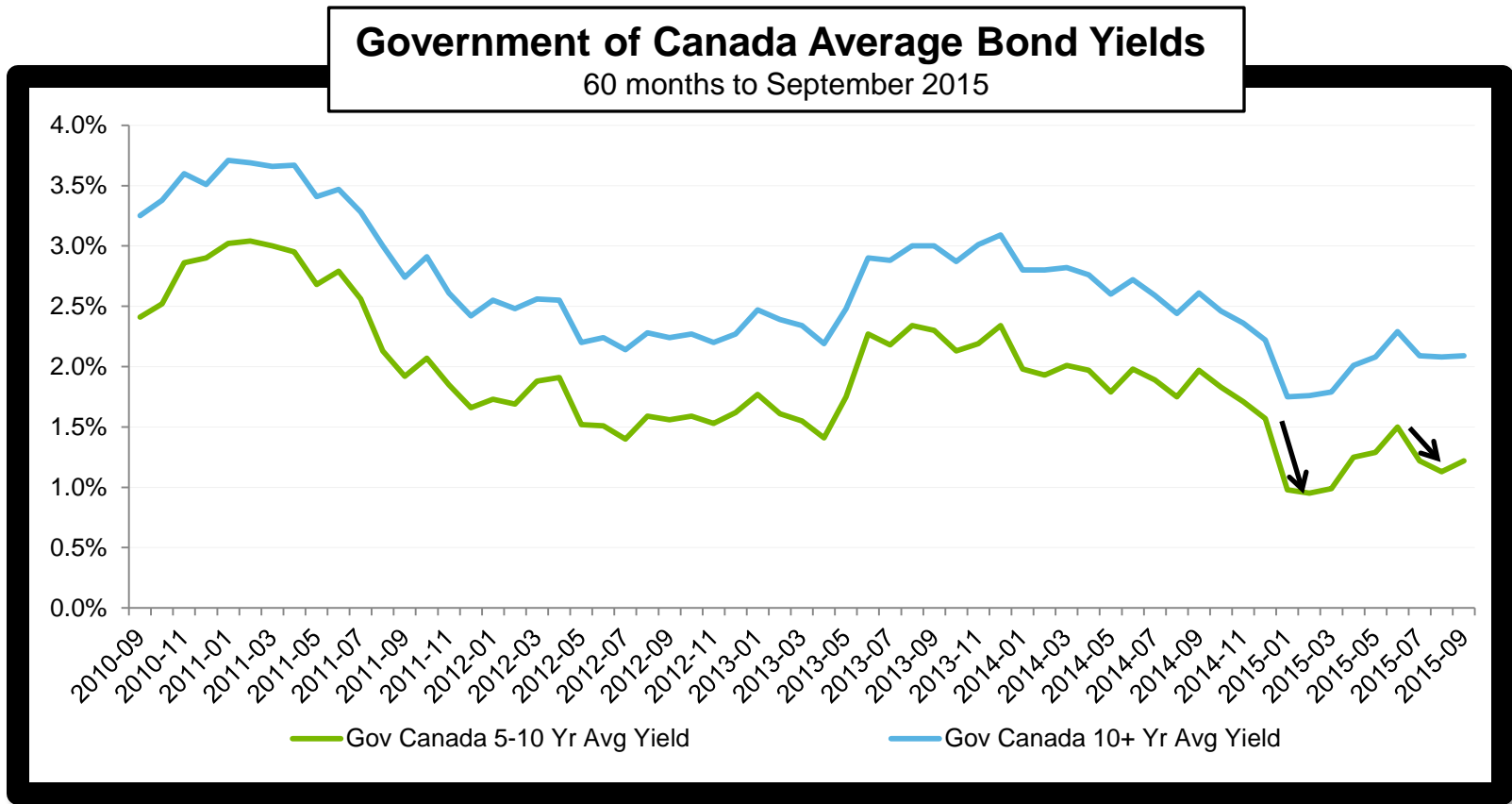
CANADIAN DOLLAR RELATIVE TO EUR, USD AND JPY
REBASED TO 100 AT 12/31/2009



Source: DataStream

Market Update

Bond Yields at Historical Lows



→ Bank of Canada rate cuts

Market Update (cont'd)

Economic Headwinds Persist

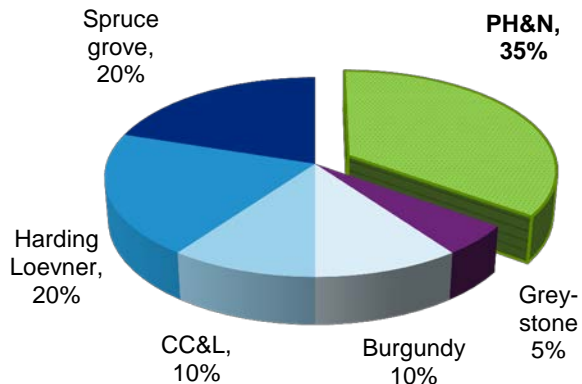
- China growth slowing
- U.S. raising interest rates?
- Global stimulus packages continue
- Commodity prices remain low



Appendix – Asset Class Overview

Canadian Fixed Income Allocation

Manager Structure

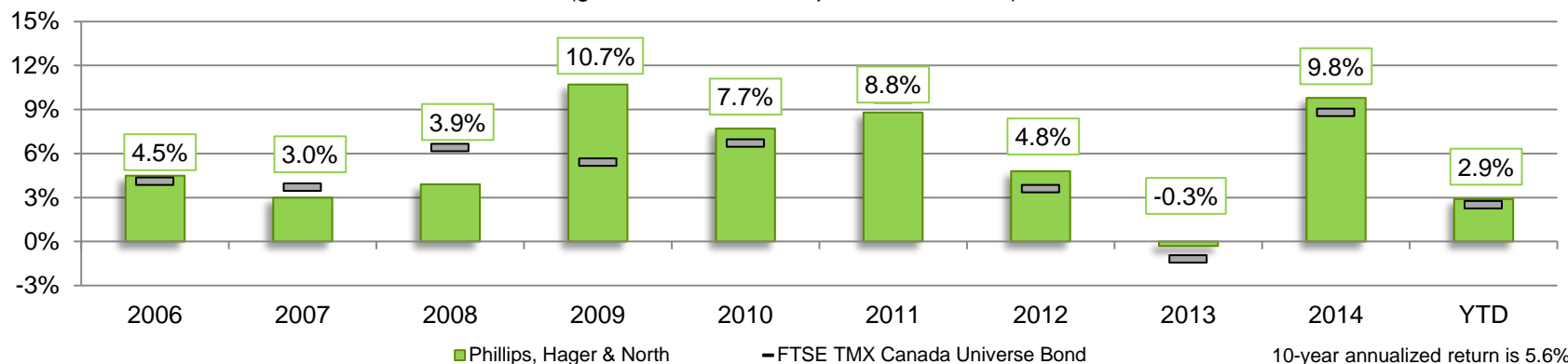


Phillips, Hager & North (PH&N) Strategy Summary

- An active strategy that aims to exceed a broad measure of the Canadian bond market
- PH&N has achieved this goal on a post-fee basis
- PH&N utilizes multiple strategies: security and sector selection, rate anticipation, mortgage investing
- PH&N is a large and well resourced manager
- Annual fee is based on assets, currently about 0.23%

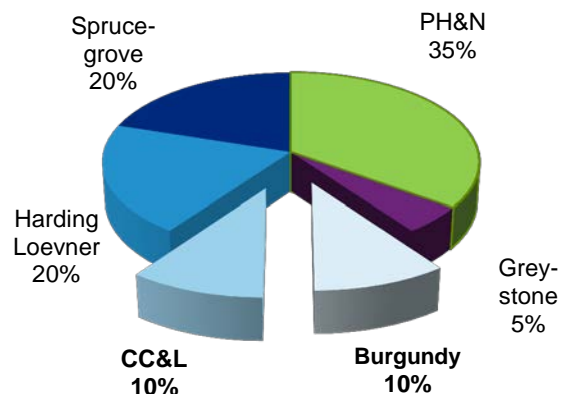
Performance

(gross of fees as of September 30, 2015)



Canadian Equity Allocation

Manager Structure



Burgundy Strategy Summary

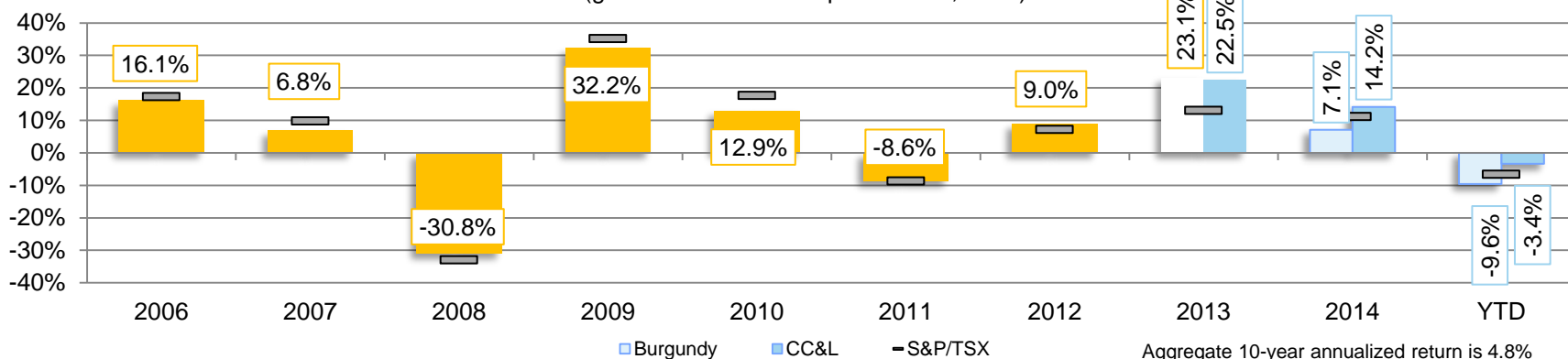
- An active, high conviction, buy-and-hold strategy that focuses on valuation and quality factors
- Hired in 2012; the three-year post-fee return has exceeded the benchmark
- Annual fee is based on assets, currently about 0.58%

Connor, Clark & Lunn (CC&L) Strategy Summary

- An active, broadly diversified strategy that aims to consistently exceed the market return in all environments
- Hired in 2012; the three-year post-fee return has exceeded the benchmark
- Annual fee is based on assets, currently about 0.40%

Performance

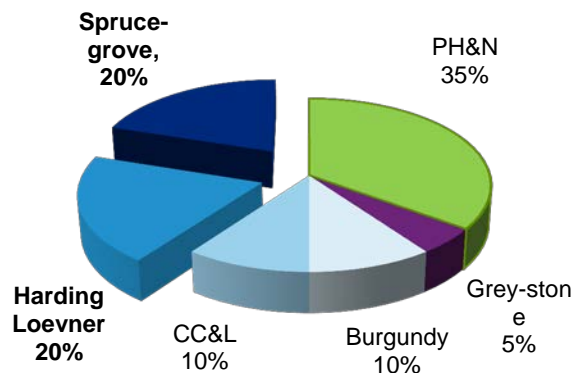
(gross of fees as of September 30, 2015)



Total Canadian Equity performance (in orange) shown prior to 2013.

Global Equity Allocation

Manager Structure



Harding Loevner Strategy Summary

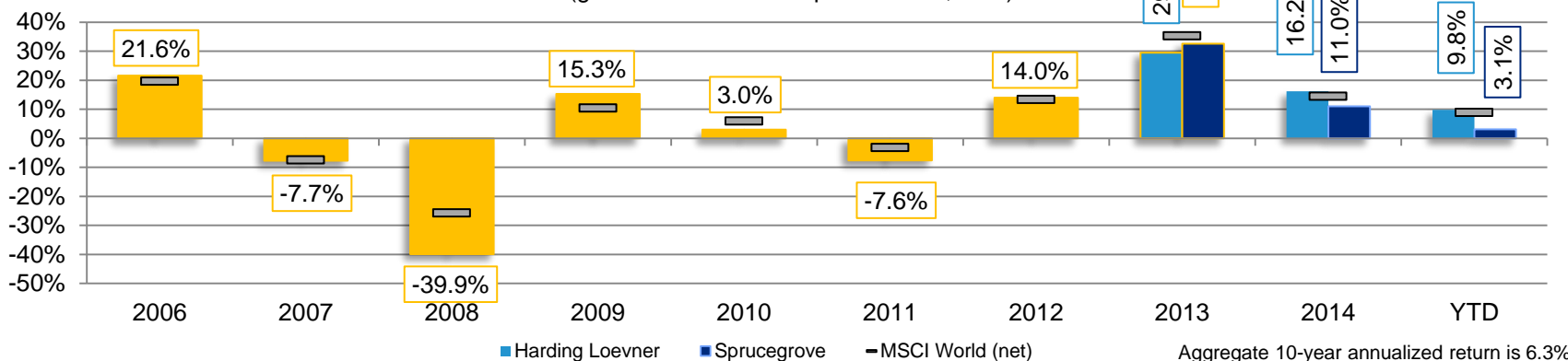
- An active strategy that invests in growing, high quality companies at reasonable prices
- Hired in 2012; the three-year pre-fee return is below the benchmark
- Annual fee is based on assets, currently about 0.64%

Sprucegrove Strategy Summary

- An active, high conviction, buy-and-hold strategy that focuses on valuation and quality factors
- Hired in 2012; the three-year pre-fee return is below the benchmark
- Annual fee is based on assets, currently about 0.56%

Performance

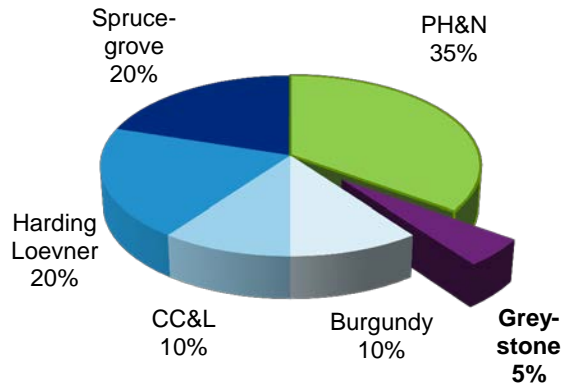
(gross of fees as of September 30, 2015)



Total Global Equity performance (in orange) shown prior to 2013.

Real Estate Allocation

Manager Structure

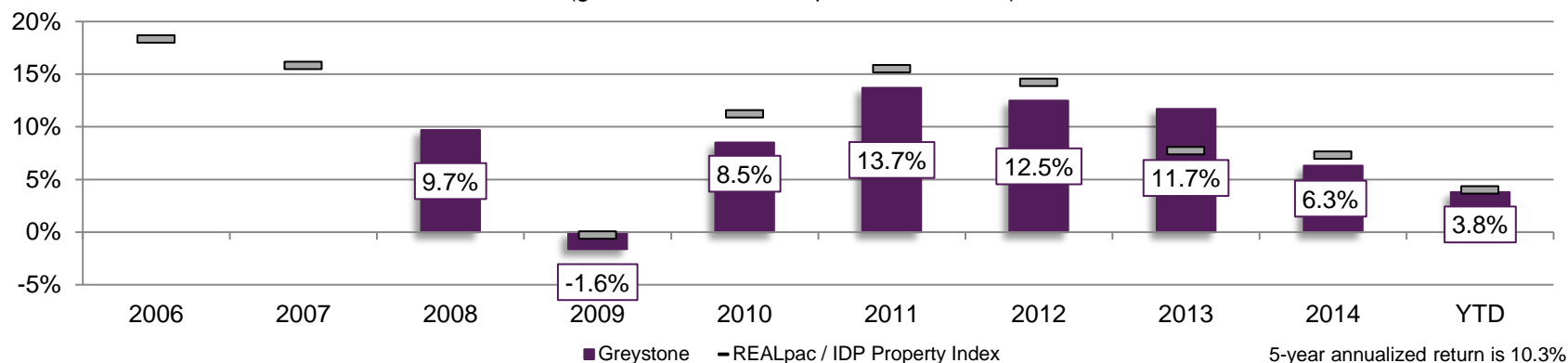


Greystone Strategy Summary

- An active strategy that aims to exceed a proxy for the Canadian real estate market
- Greystone has not achieved this goal on a pre- or post-fee basis, but the REALpac / IPD Property index is not ideal for pooled fund investors
- Greystone primarily invests in income-producing properties, but does have limited exposure to “value-add” and development properties
- The portfolio is well diversified by region and property type
- Annual fee is based on gross assets, currently about 1.13%, as a percentage of net assets.

Performance

(gross of fees as of September 30, 2015)



Biography



Raymond Aoki, Consultant

Position and Responsibilities

Ray is an Investment Consultant in Aon Hewitt's Vancouver office. He is responsible for all aspects of several client relationships, oversees performance monitoring of all Vancouver clients and provides leadership to the Associate team in Vancouver and across Canada.

Background

Ray has over 16 years of investment industry experience, primarily in client servicing, performance measurement, fund analysis and compliance and joined Aon Hewitt in October 2013. Prior to joining Aon Hewitt, Ray was employed as Chief Compliance Officer and Senior Fund Analyst for a commercial mortgage fund company in Vancouver that managed assets for institutional and private clients. Prior to this role, he was employed by a global wealth management firm in Vancouver in the role of Associate Director, Private Wealth Manager, overseeing the portfolios of the firm's high net worth clients.

Education and Professional Affiliations

Ray holds the Chartered Investment Manager (CIM®) designation and has a Bachelor of Science degree (Major in Statistics) from the University of British Columbia.

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