

McMaster's Pension Plan

A Performance Review

Last year several members asked the Association to provide information regarding the performance of the McMaster Pension Plan. We complied and are pleased to be able to do so again this year.

Actuarial Valuation of the Pension Plan as at July 1, 1996

Excerpts from Report to the Pension Trust Committee Prepared by William M. Mercer Ltd.

The purpose of the report is to inform the University regarding the funded status of the Pension Plan and the contribution requirements for the year following the valuation date and to provide the documentation prescribed by the Pension Commission of Ontario and Revenue Canada.

FINANCIAL POSITION

The results of the valuation as at July 1, 1996 in comparison with those of the previous valuation as at July 1, 1995, are summarized as follows:

Going-Concern Basis (\$000's)

	JULY 1, 1996	JULY 1, 1995
Actuarial Value of Assets		
(adjusted for in-transit amounts)	\$678,594	\$613,754
Actuarial Liability		
present value of accrued benefits for:		
Active Members	\$296,302	\$346,221
Pensioners & Survivors	\$210,519	\$154,203
Deferred Pensioners	\$ 856	\$ 977
Additional Voluntary Contributions	\$ 357	\$ 333
Inactive - Status Undecided	\$ 9,957	\$ 6,688
Total Liability	\$517,991	\$508,422
FUNDING EXCESS	\$160,603	\$105,332

CURRENT SERVICE COST The estimated value of the benefits that will accrue on behalf of the active members during 1996/97, in comparison with the corresponding value determined in the previous valuation as at July 1, 1995, is summarized below:

Employer's Current Service Cost (\$000's)

	JULY 1, 1996	JULY 1, 1995
Total Current Service Cost	\$20,452	\$23,803
Estimated members' required contributions	\$ 5,880	\$ 5,728
Estimated employer's current service cost	\$14,572	\$18,075
Employer's current service cost expressed as a % of members' contributions	248%	316%

MEMBERSHIP DATA

Plan membership data is summarized below.

Plan Membership

	JULY 1, 1996	JULY 1, 1995
Active Members	2,819	3,011
Pensioners and Beneficiaries	900	786
Deferred Pensioners	49	50
Inactive-Status Undecided	254	237
TOTAL MEMBERSHIP	4,022	4,084

Measurement of Investment Management Performance for the Quarter ending June 30, 1996

Time Weighted Rates of Return

UNIVERSITY	QUARTERS ENDING				ANNUAL RATES			LONGER PERIODS			
	Sep 1995	Dec 1995	Mar 1996	June 1996	Year Ending June 96	Jun92- Jun93	Jun93 - Jun94	Jun94- Jun95	Jun94- Jun96	Jun93- Jun96	Jun92- Jun96
									2 yrs	3 yrs	4yrs
Queen's	2.2	4.5	3.8	3.3	14.5	11.7	5.1	12.8	13.7	10.7	11.0
York	2.1	4.6	3.9	2.1	13.3	14.9	4.2	13.2	13.2	10.1	11.3
McMASTER	2.4	5.5	2.4	3.2	14.2	13.7	2.9	16.2	15.2	10.9	11.6
Carleton	1.6	4.9	4.1	2.0	13.2	15.7	3.6	14.3	13.7	10.2	11.6
Brock	1.6	4.8	2.3	3.0	12.2	18.5	2.6	12.5	12.3	9.0	11.3
Waterloo	2.2	4.9	4.5	2.2	14.5	17.6	2.2	12.6	13.5	9.6	11.6
TSE	0.6	4.7	6.0	2.1	14.0	20.8	4.0	15.3	14.6	11.0	13.4
S&P500	5.6	7.9	4.9	4.7	25.1	21.6	9.4	24.1	24.6	19.3	19.9
Long TermBonds	3.6	7.5	(2.6)	2.4	11.1	16.6	(3.4)	21.3	16.1	9.2	11.0
Mid TermBonds	3.1	5.7	(0.5)	2.1	10.7	13.5	(1.5)	17.9	14.2	8.7	9.9

Returns include interest income, dividends, currency gains/losses, capital gains and are net of investment expenses.

Prepared by William M. Mercer Limited.

Combined Managers: Asset Commitment Comparables

	MARKET		VALUE			POLICY	ASSET	MIX
	Jun95	Sept95	Dec95	Mar96	Jun96	Min	Bench	Max
	%	%	%	%	%	%	%	%
EQUITIES								
Canadian (Seg)	20.2	18.8	18.5	17.7	16.8			
Canadian (Pool)	11.9	10.7	10.7	11.2	11.3			
TOTAL Canadian	32.1	29.5*	29.2	28.9	28.1	25	35	60
U.S. (Seg)	10.6	9.5	10.1	10.5	10.7		10	
U.S. (Derivative)***	5.1	5.5	5.5	5.7	5.8			
Non-N.A.	9.1	9.3	9.3	9.5	9.6		10	
TOTAL Foreign	24.8	24.3	24.9	25.7	26.1	10		25**
TOTAL Equities	56.9*	53.8*	54.1	54.6	54.2	35	55	75
REAL ESTATE	-	-	-	-	-	0	0	10
FIXED INCOME								
Bonds (Seg)	25.0	27.5*	26.7	26.6	26.5			
Bonds (Pool)	14.7	14.9	15.0	14.6	14.6			
TOTAL Bonds	39.7	42.4*	41.7	41.2	41.1	25	42	50
Cash	3.4	3.8	4.2	4.2	4.7	0	3	15
TOTAL Fixed Income	43.1	46.1*	45.9	45.4	45.8			
TOTAL FUND	100.0	100.0	100.0	100.0	100.0			
Foreign Content (by Book Value)	17.5%	16.4%	16.6%	17.1%	17.0%			

* change in weighting of +/- 2% since previous quarter

** 20% maximum foreign equities allowed at book value

*** deemed to be Canadian content

COMMENTS

The above table summarizes the asset mix of the McMaster Pension Fund by market value in percentage terms as at the previous five calendar quarter ends.

There was no major change in the asset mix during the latest quarter. The overall equity content was 54.2% at the end of June 1996 which was just below the policy benchmark level of 55%. However, because of the asset mix strategies of Jarislowsky and Lincluden, Canadian equities were underweighted (28.1% vs 35.0%), and U.S. equities overweighted (16.5% vs 10.0%). Finally, the Fund's cash reserve position of 4.7% was above the policy benchmark of 3.0%.

Prepared by James P. Marshall, Inc.