

# McMaster's Pension Plan

## A Performance Review

### Actuarial Valuation of the Pension Plan as at July 1, 1998

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.

When conducting a valuation on a going-concern basis, the relationship is determined between the respective values of assets and accumulated benefits, assuming the Plan will be maintained indefinitely.

#### **FINANCIAL POSITION**

The results of the valuation as at July 1, 1998, in comparison with those of the previous valuation as at July 1, 1997, are summarized as follows:

<b>Financial Position -- Going-Concern Basis (\$000's)</b>		
	<b>JULY 1, 1998</b>	<b>JULY 1, 1997</b>
Actuarial Value of Assets		
(adjusted for in-transit amounts)	\$836,931	\$732,280
Actuarial Liability		
present value of accrued benefits for:		
Active Members	\$321,504	\$307,506
Pensioners & Survivors	\$244,203	\$234,265
Deferred Pensioners	\$1,701	\$1,264
Additional Voluntary Contributions	\$90	\$100
Inactive - Status Undecided	\$10,832	\$8,540
Total Liability	\$578,330	\$551,675
FUNDING EXCESS	\$258,601	\$180,605

### ***CURRENT SERVICE COST***

The estimated value of the benefits that will accrue on behalf of the active members during 1998/99, in comparison with the corresponding value determined in the previous valuation as at July 1, 1997, is summarized on the next page.

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

	JULY 1, 1998	JULY 1, 1997
Total Current Service Cost	\$20,988	\$20,647
Estimated members' required contributions	\$5,570	\$ 5,605
Estimated employer's current service cost	\$15,418	\$15,042
Employer's current service cost expressed as a % of members' contributions	277%	268%

\*Members will contribute 50% of this amount during the 1997/1998 and 1998/1999 Plan years. The remainder will be funded through surplus assets in the Plan.

***MEMBERSHIP DATA:*** Plan membership data is summarized below.

#### **Plan Membership**

	JULY 1, 1998	JULY 1, 1997
Active Members	2,736	2,731
Pensioners and Beneficiaries	994	970
Deferred Pensioners	60	54
Inactive-Status Undecided	279	251
<b>TOTAL MEMBERSHIP</b>	<b>4,069</b>	<b>4,006</b>

## Measurement of Investment Management Performance for the Quarter ending June 30, 1998

### Time Weighted Rates of Return

UNIVERSITY	QUARTERS ENDING					ANNUAL RATES			LONGER PERIODS		
	Sep 199 7	Dec 199 7	Mar199 8	June 199 8	Year Endin g June 98	Jun94 - Jun95	Jun9 5 - Jun9 6	Jun96 - Jun97	Jun96 - Jun98	Jun95 - Jun98	Jun94 - Jun98
									2 yrs	3 yrs	4yrs
Queen's	6.4	(2.4)	7.7	0.9	12.8	12.8	13.7	22.1	17.4	16.1	15.3
York	5.7	(2.2)	8.4	(0.0)	12.0	13.2	13.3	19.2	15.6	14.8	14.4
McMASTE R	5.6	0.1	8.0	1.1	15.4	16.2	14.2	21.7	18.5	17.1	16.8
Carleton	6.3	(2.6)	7.7	0.6	12.1	14.3	13.2	20.9	16.4	15.3	15.1
Brock	5.3	(0.4)	8.3	0.8	14.4	12.5	12.2	18.6	16.5	15.1	14.4
Waterloo	6.4	(2.1)	7.9	0.4	12.9	12.6	14.5	22.3	17.5	16.5	15.5
Windsor	4.7	(2.4)	7.1	(0.4)	9.0	13.3	13.2	19.9	14.3	14.0	13.8
TSE	9.8	(4.4)	13.3	(2.2)	16.3	15.3	14.0	30.2	23.1	20.0	18.8
S&P500	7.5	6.5	13.1	6.8	38.3	24.1	25.1	36.5	37.4	33.2	30.8
Long TermBonds	7.6	4.2	4.1	3.2	20.5	21.3	11.1	21.0	20.7	17.4	18.4
Mid TermBonds	4.7	1.2	2.9	1.1	10.2	17.9	10.7	14.8	12.5	11.9	13.4

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
	Jun97	Sept97	Dec97	Mar98	Jun98	Min	Bench	Max
	%	%	%	%	%	%	%	%
<b>EQUITIES</b>								
Canadian (JF/Linc)	17.4	17.2	16.2	16.5	16.7			
Canadian (Index)	12.3	12.9	11.7	12.4	12.1			
<b>TOTAL Canadian</b>	<b>29.7</b>	<b>30.1</b>	<b>27.9*</b>	<b>28.9</b>	<b>28.8</b>	<b>25</b>	<b>35</b>	<b>60</b>
U.S. (JF/Linc)	10.6	10.5	11.3	11.7	11.4		10	
U.S. (Derivative)***	6.4	6.6	5.1	5.4	5.5			
Non-N.A.	9.8	9.6	9.3	9.8	10.1		10	
<b>TOTAL Foreign</b>	<b>26.8</b>	<b>26.7</b>	<b>25.7</b>	<b>26.9</b>	<b>27.0</b>	<b>10</b>	<b>20</b>	<b>25**</b>
<b>TOTAL Equities</b>	<b>56.5</b>	<b>56.8</b>	<b>53.6*</b>	<b>56.8*</b>	<b>55.8</b>	<b>35</b>	<b>55</b>	<b>75</b>
<b>FIXED INCOME</b>								
Bonds (JF/Linc)	24.6	25.6	25.2	25.7	25.1			
Bonds (Index)	14.2	14.1	14.5	13.9	14.1			
<b>TOTAL Bonds</b>	<b>38.8*</b>	<b>39.7</b>	<b>39.7</b>	<b>39.6</b>	<b>39.2</b>	<b>25</b>	<b>42</b>	<b>50</b>
Cash	4.7	3.5	6.7*	4.6*	5.0	0	3	15
<b>TOTAL Fixed Income</b>	<b>43.5</b>	<b>43.2</b>	<b>46.4*</b>	<b>44.2*</b>	<b>44.2</b>	<b>25</b>	<b>45</b>	<b>65</b>
<b>TOTAL FUND</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>			

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

\*\* Maximum of 20% by book value

\*\*\* deemed to be Canadian content

## COMMENTS

The market value of the Fund increased from \$895.3 million on March 31 to \$898.8 million on June 30, 1998 after accounting for net cash withdrawals of \$6.6 million. Lincluden's portfolio declined as a percentage of the Fund in the second quarter, while Jarislowsky's portfolio increased, primarily because Jarislowsky had better performance than Lincluden.

The above table provides the breakdown of the Fund by asset class. The foreign content, at 27.0%, remains above the Policy maximum of 25.0%, due mostly to the superior performance of US and non-North American equities last quarter compared to Canadian stocks and bonds.

*Prepared by James P. Marshall, Inc.*