

UBC  
Staff Pension Plan  
**Annual Report**

**2017**



THE UNIVERSITY OF BRITISH COLUMBIA

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# Message from the Chair and Executive Director



We're proud of where the UBC Staff Pension Plan (the Plan) is today. We believe the Plan's success is based on its focus having always been on benefit security and ensuring the Plan is sustainable.

In this Annual Report we highlight the results of the actuarial valuation that was completed in 2017, the Plan's investment performance for 2017 and the sustainability study that is underway. The Plan is in a healthy financial position today, and the Pension Board wants to ensure the Plan remains sustainable on a long term basis.

Governance was also an area of focus in 2017.

The University and the Pension Board recognize that good pension governance is a critical element to ensuring the Plan is well managed in the best financial interests of all the members of the Plan, current and future. A governance review was completed in 2017 for the UBC Board of Governors, and it confirmed the existing governance structure for the Pension Board was appropriate, and should be maintained.

Looking ahead our focus for 2018 will be the review of the Plan's investment policy and long-term asset mix, to determine which types of investments provide the best balance of potential returns and long-term investment risk.

A handwritten signature in black ink, appearing to read 'O Cousineau'.

**Orla Cousineau**  
Executive Director


A handwritten signature in black ink, appearing to read 'Barry Gros'.

**Barry Gros**  
Independent Chair

# A sustainable pension plan for the long term

## **Valuation Results**

An actuarial valuation is required at least every three years, with the most recent valuation being completed in 2017. It showed as at December 31, 2016, the Plan is 120% funded on a going concern basis. This means the Plan is in a healthy funded position, with a 20% safety margin of assets over the actuary's best estimate of the Plan liabilities for benefits earned to date. As part of the valuation the actuary uses the Plan's Benefits/Funding Test to assess the long-term sustainability of the Plan, and it showed the current benefits can be supported over the long term.



**...the Plan is in a healthy funded position, with a 20% safety margin**

The Benefits/Funding Test also helps the Pension Board to determine how much indexing the Plan can afford. The Pension Board has determined that annual indexing at 50% of inflation can be applied to the pensions payable from the Plan for the next three years, while maintaining the minimum margin on the Benefit/Funding Test, in accordance with the Plan's Funding Policy.

## **Sustainability Study**

The Pension Board asked the Plan actuary to use the recent valuation results to carry out a sustainability study to analyze how the Plan is expected to

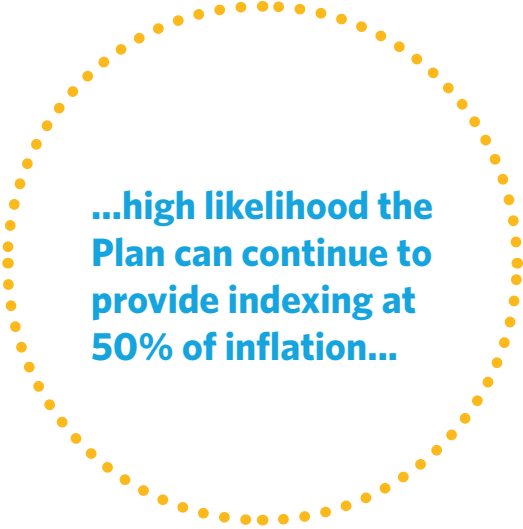
evolve over the next 30 years based on how the demographic profile of the Plan membership is expected to change. Over the next 30 years the Plan will mature, and the ratio of active to retired members is expected to decrease. There are currently three active members for every pensioner, and this is expected to change in 30 years to one active member for every pensioner.

The sustainability study results showed a high likelihood the Plan can continue to provide indexing at 50% of inflation, with a gradual and measured increase to 100% over the next 30 years.

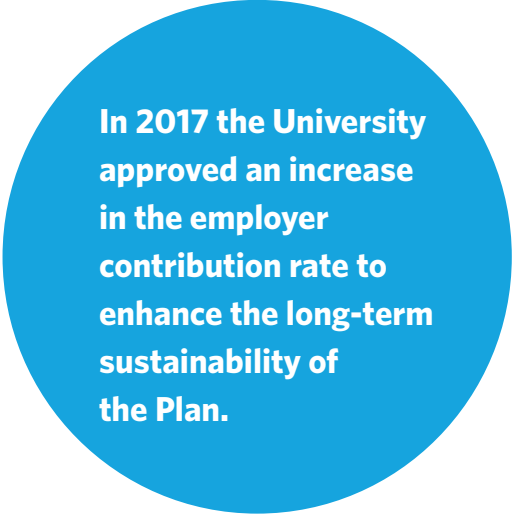
As part of the sustainability study, the Pension Board is also reviewing the long term asset mix of the Plan to determine what changes, if any, should be made.

### **Increase to Employer Contribution Rate**

The employer and member contribution rates to the Plan are fixed. In 2009 the member contribution rate was increased to 6.5% of pensionable earnings. In 2017 the University approved an increase in the employer contribution rate to enhance the long term sustainability of the Plan. The first increase to 9.13% of pensionable earnings was effective October 1, 2017, and it will increase to 9.40% effective October 1, 2018. This contribution increase improves the security of the pension benefits being provided by the Plan, and ensures the Plan has a sufficient contribution margin.



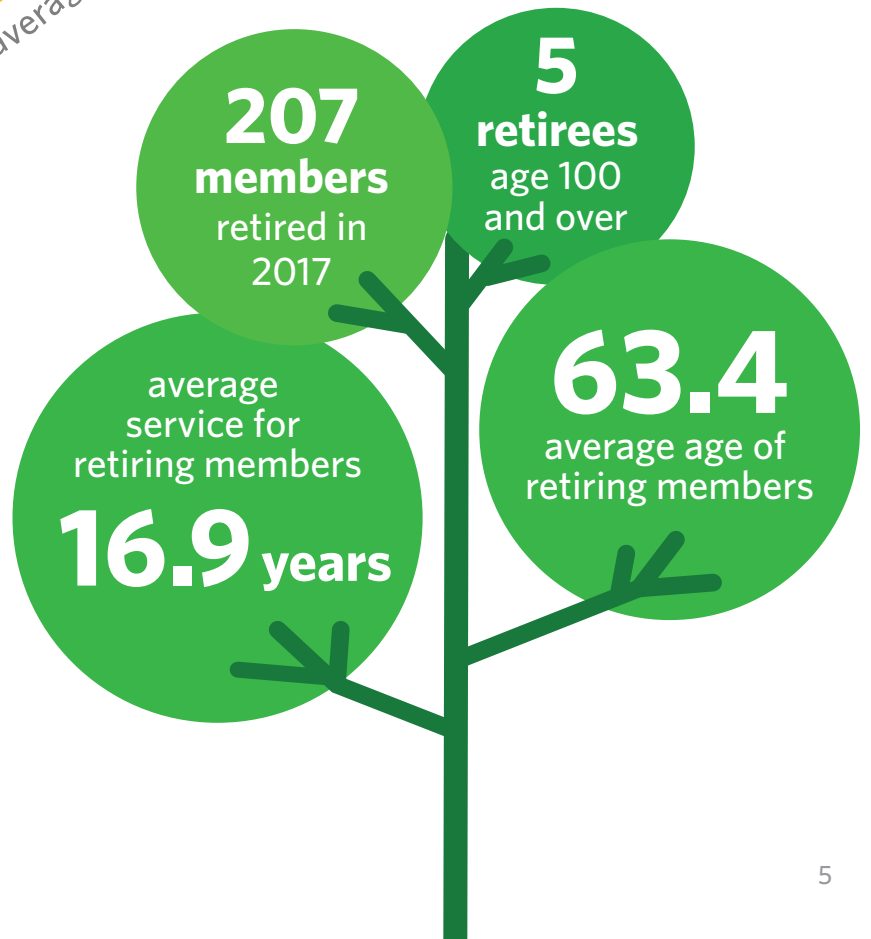
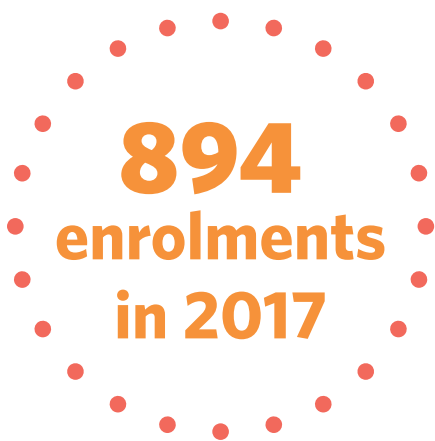
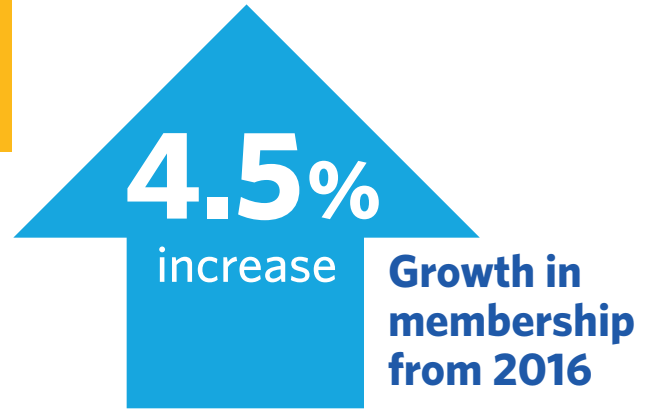
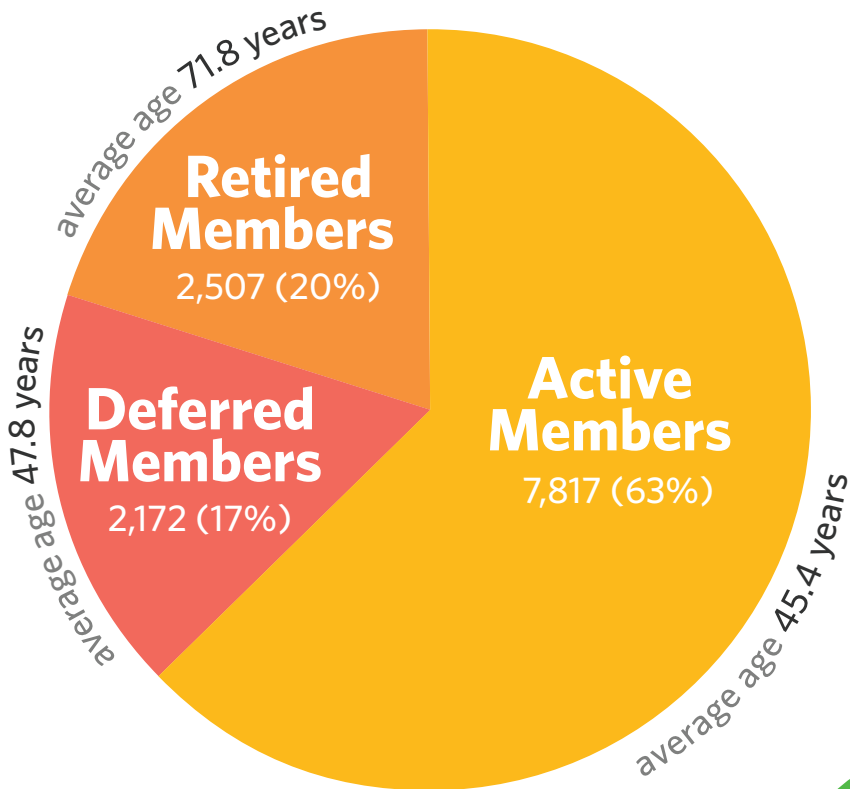
**...high likelihood the Plan can continue to provide indexing at 50% of inflation...**



**In 2017 the University approved an increase in the employer contribution rate to enhance the long-term sustainability of the Plan.**



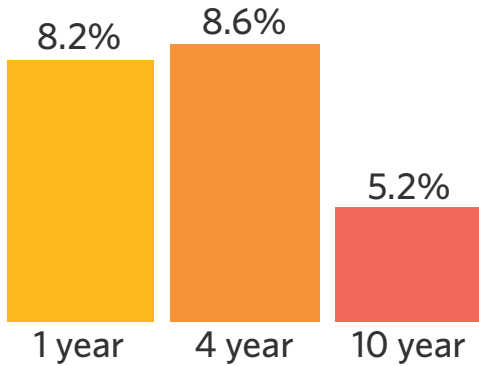
# Membership Highlights



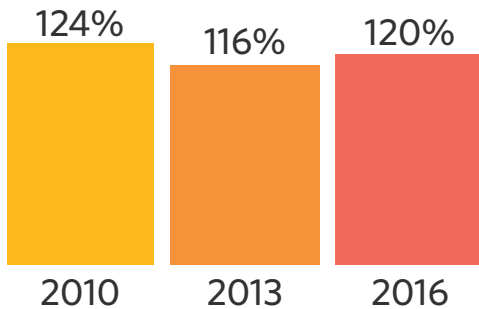
# Plan and Financial Highlights

**\$1,625.2 M**

Market value of the Fund at year end

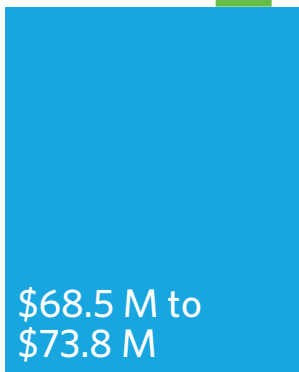


**Net rate of return**  
(net of investment and operating fees)



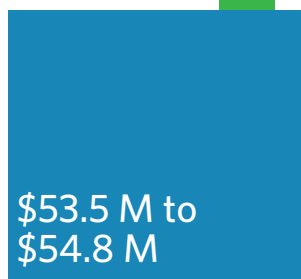
**Funded status of the Plan**

increase of **7.8%** from 2016



**Contributions into plan**

increase of **2.4%** from 2016



**Disbursements from plan**

**\$31.5M**  
in 2017

Total contributions by members

Total employer contributions

**\$42.3M**  
in 2017

Average Annual Pension Paid

**\$14,863**  
in 2017

**\$35.8M**  
in 2017

Total Pensions Paid

# Investments

The Plan's investment portfolio **earned 8.4%** net of investment fees for 2017 **exceeding its policy benchmark of 8.3%.**

Every three years, an actuarial valuation is performed to assess the Plan's assets and liabilities. The Pension Board and UBC Investment Management Trust (IMANT) Inc. are currently working with the Plan's actuary to complete the sustainability study and determine the appropriate asset mix for the portfolio. This work is expected to be completed by mid-2018.

The Plan's assets increased from \$1.48 billion as of December 31, 2016 **to \$1.62 billion** by December 31, 2017.

The Plan's positive cash flows and investment performance contributed to this **overall growth.**

All asset classes achieved positive returns in 2017 except for private equity.

fixed income portfolio **earned 6.1%**

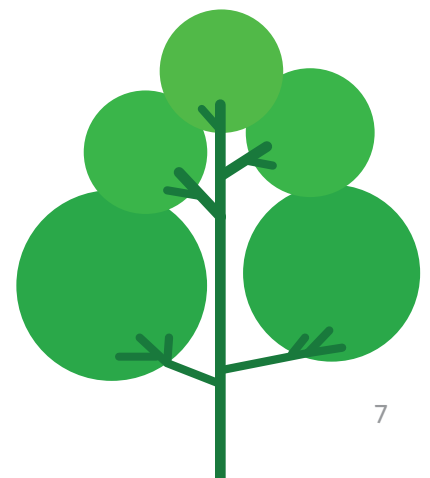
includes investments in long-term bonds, real return bonds and infrastructure debt.

public equities portfolio **returned 13.1%**

includes global (earned 13.7%), emerging market (earned 23.6%) and Canadian equities (earned 9.6%).

alternative investments **returned 6.2%**

includes real estate, infrastructure equity and private equity.





# Investments

## Overview

The University Board of Governors (BoG) is responsible for overall management of the Plan and has delegated to the Pension Board various responsibilities including day-to-day administration and recommending an investment policy for the BoG Finance Committee's approval.

The Plan is invested with the primary objective being to provide the basic benefit with a high degree of certainty and a secondary objective to maximize the level of inflation adjustment. The Plan assets are invested in accordance with the Statement of Policies and Procedures (SIPP) approved by the Pension Board and BoG Finance Committee. The SIPP outlines the investment strategy and overall framework for managing plan assets, which IMANT is responsible for implementing. IMANT is governed by its board of directors, who are appointed by the BoG.

IMANT follows a manager of managers approach by hiring top tier investment management talent from around the world to manage strategies in accordance with the Plan's long-term asset mix. The performance of each investment manager is measured against a benchmark with the goal of meeting or exceeding those returns over time. In addition, the total Plan's performance is evaluated using the weighted average rate of return of the market indices from those asset classes.

**The Plan is invested with the primary objective being to provide the basic benefit with a high degree of certainty**

## Investments

### Strategy

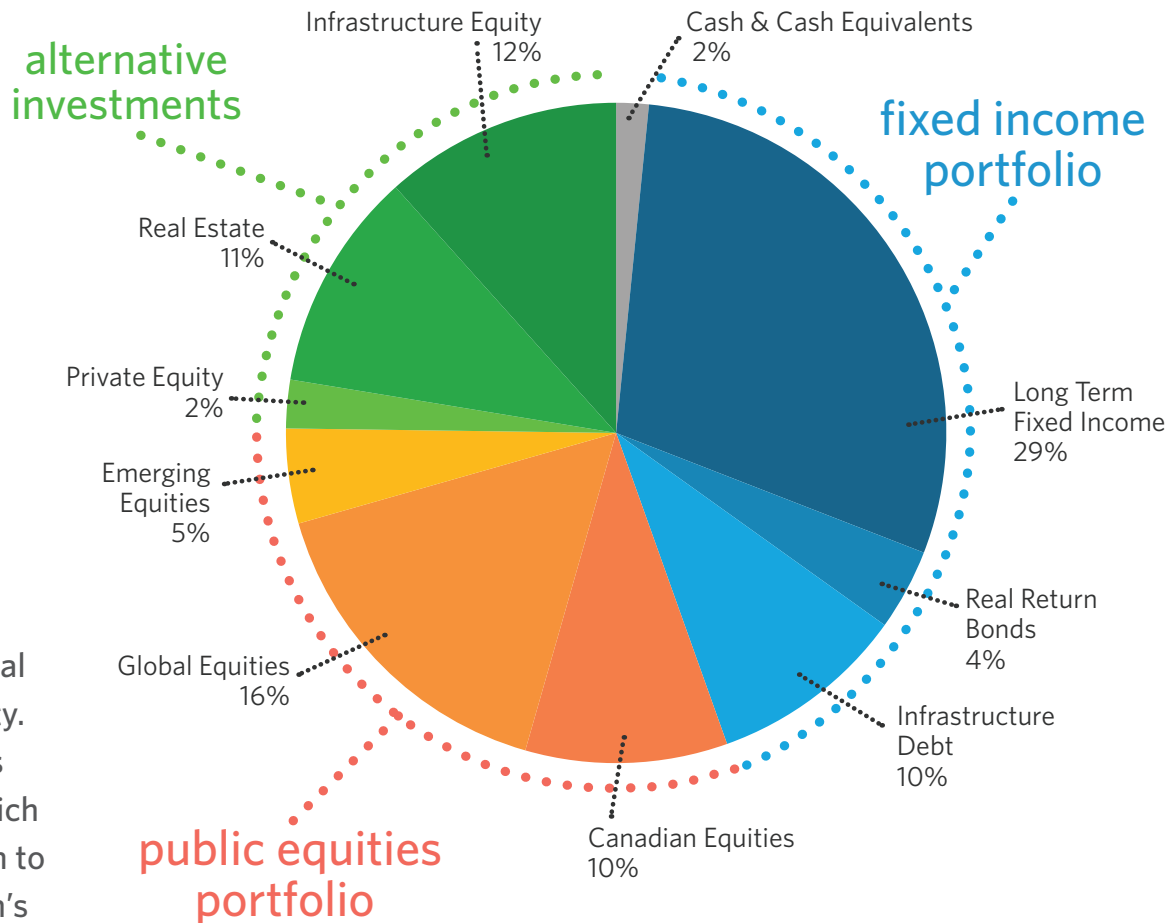
The Plan's long-term asset mix policy includes allocations to fixed income, public equities and alternative asset classes such as infrastructure equity, real estate and private equity. The largest allocation is to long-term bonds, which provides the best match to the liabilities of the Plan's basic benefit payments

to members. Allocations to public equities and alternatives are expected to provide higher long term returns but may lead to higher volatility. Real assets such as infrastructure and real estate provide steady cash flows that are well suited to meet the long-term financial objectives of the Plan. These assets also provide inflation protection and insulate the Plan from the volatility typically observed in public markets.

### Report on Investments

In 2017, the Plan returned 8.4% (net of investment fees) which was ahead of the investment policy benchmark of 8.3%. Over four-years, the annualized return of 8.8% was ahead of the benchmark of 8.3%.

The past year was strong for investment returns across most asset classes, particularly in equity markets. Total equities in the Plan which includes allocations to Canadian, global and emerging market equities returned 13.1% in 2017. Amid expectations of strong domestic economic growth last year, the Bank of Canada hiked its benchmark rate from 0.5% to 1.0%, its first set of



The Plan's Asset Mix as of December 31, 2017

## Investments

increases in nearly seven years. Over the year, the Plan's Canadian equity managers returned 9.6%, outperforming the S&P/TSX Composite Index's return of 9.1%. The US economy benefited from strong domestic demand and approval of a new tax bill drafted by the Trump Administration at the end of 2017. Meanwhile European markets continued to perform better than expected despite investors being cautious on UK Brexit negotiations and political uncertainties. The Plan's Global equities managers posted a return of 13.4% which lagged the MSCI World Index's gain of 14.4%. In emerging markets, stocks rallied and outperformed developed markets primarily due to a rise in commodity prices and weakness in the US dollar. The Plan's emerging market managers had a strong absolute return of 23.6% but due to their conservative approach underperformed the index return of 28.3%.

The combined fixed income portfolio, which includes investments in long-term bonds, real return bonds and infrastructure debt returned 6.1% for the year. Infrastructure debt was the strongest outperformer, gaining 6.8% versus its benchmark of 3.5%. Real estate and infrastructure investments earned 8.3% and 7.4% respectively, both exceeding their benchmarks. Returns in these asset classes were helped by Canadian core and value-add real estate as well as global infrastructure funds. In this space, competition for high quality real estate and infrastructure investments remains high amongst institutional investors, reflecting a desire for higher yields and stable cash flows. The Plan's private equity allocation is small — 2.4%. However, in 2017 this portion of the portfolio lagged its public market benchmark and declined 7.2%. The Plan's investments in private equity were adversely impacted by poorly performing energy holdings. Currently this asset class is underweight its policy weight of 5% due to the slow speed of capital called by managers. Private equity continues to be difficult for managers to deploy capital due to demand for portfolio companies and high purchase price multiples.



**The Plan's  
Canadian equity  
managers  
outperformed  
the S&P/TSX**

**Infrastructure debt  
was the strongest  
outperformer in  
the fixed income  
portfolio**

# Member Services and Communications

We are always looking for ways to improve our member services, communications and pension systems to better serve our members. In 2017, we continued working towards our green initiatives which included offering more communications online through our website at **staff.pensions.ubc.ca**, myPension, and by email.

## New Feature

Deferred members can run estimates online in myPension

**16,456 visits**

to our website in 2017

**1,512 members**

accessed myPension in the first quarter of 2018

**Retired members**

can confirm their annual retiree profile update information online through myPension

**146 retirees**

used this service in 2017

UBC Staff Pension Plan Update  
**2 newsletters sent in 2017**

**40% by paper**

**60% by email**

**40% open rate**

average for email version

**250 Deferred and  
469 Retired members**

opted to receive their newsletter by email

**Most read article in 2017**

Actuarial Valuation results



What's next?

**Opt out of a paper  
annual statement**

You can view your annual member statement online through **myPension**

Sign up to receive your newsletter by email at  
**staff.pensions.ubc.ca/mypension**

# Connecting with our members

Our members are at the heart of our business and our priority is to assist you throughout your career at UBC and beyond. Throughout the year we connect with members in various ways such as through our annual Pension Fair, workshops and one-on-one meetings.

## **Pension Fair**

We host a Pension Fair each year so that you can learn more about the Plan from our staff and our Pension Board members. We had approximately 430 members attend the Pension Fair in 2017. Here is what attendees told us they learned at the Pension Fair.



# Frequently asked questions

## ***How is my pension calculated?***

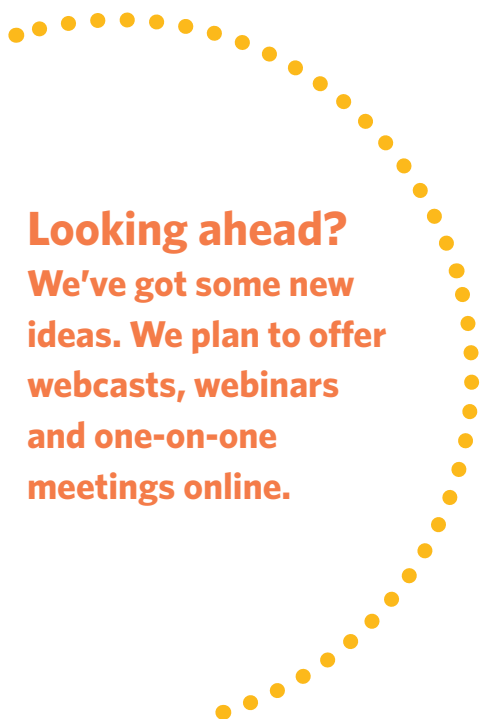
Your pension is calculated based on a formula that uses your Best Average Pensionable Earnings and your years of pensionable service. Best Average Pensionable Earnings means the average of your base salary over any three, non-overlapping periods of twelve consecutive months of pensionable service which produce the highest figure. The three years do not need to be consecutive, and may not necessarily be your last three years of pensionable service. If you have less than three years of service, then the average is calculated using all your pensionable service.

## ***What is the length of time over which my pension will be paid?***

All pension payments are paid over your lifetime and your spouse's lifetime (if you have a spouse). You will not outlive your pension. In the event of both your and your spouse's deaths, the balance of your monthly payments will continue to your designated beneficiary, if there is time remaining on the guarantee period selected as part of your pension option.

## ***What is a guarantee period?***

When you select your pension option from the Plan, you will be asked to choose a guarantee period during which the Plan will pay the remaining balance of pension payments to your designated beneficiary on your and your spouse's deaths. The guarantee period pertains to the payment of your pension benefits to a designated beneficiary in the event of your and your spouse's deaths (if you have a spouse). Further information including helpful examples can be found on our website at [staff.pensions.ubc.ca](http://staff.pensions.ubc.ca). Select **Forms & Resources > Plan Guides & Information Sheets > SPP Details: Retirement Options Information Sheet**.



**Looking ahead?**  
We've got some new ideas. We plan to offer webcasts, webinars and one-on-one meetings online.



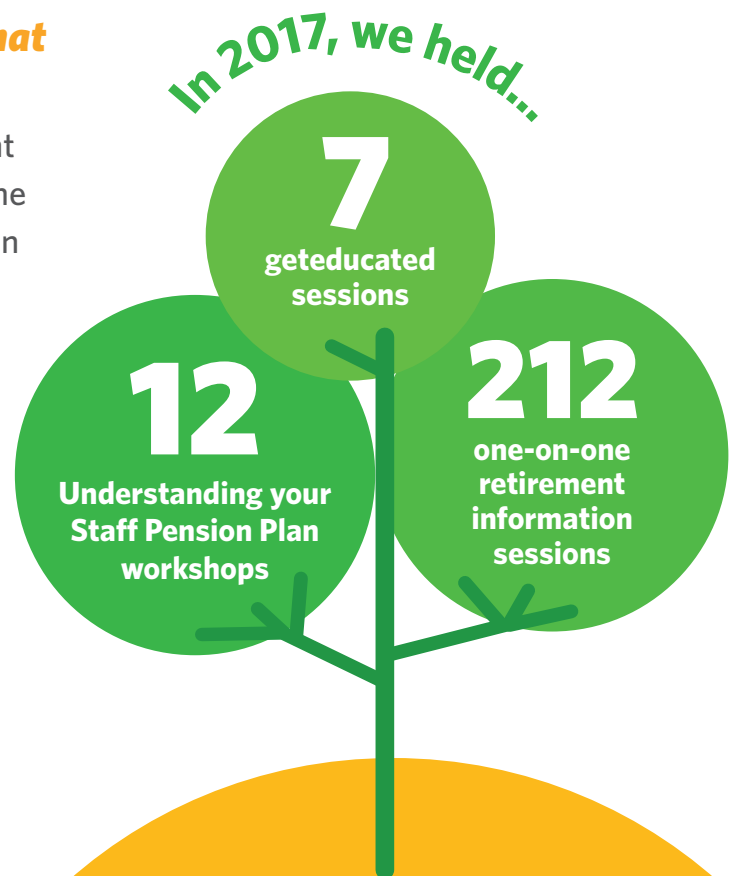
# Frequently asked questions

## **When should I let the Pension Administration Office know of my retirement?**

You are encouraged to notify the Pension Administration Office as soon as you know your retirement date. Our team would be happy to assist you with any questions you may have regarding time frames, paperwork, and your options for receiving your Plan benefit. If you are within a year of retirement, you can contact our office for an illustration of your benefits and/or schedule a retirement information session to review your retirement options in detail.

## **If I leave the University before age 55, the rules say that if I want to transfer the funds, it must be on a locked-in basis. What is locking-in?**

Locked-in means that funds are kept in a retirement vehicle, limiting the benefit to only be paid out in the form of a stream of income for life. It does not mean that funds must stay in the Plan.



**Register for a session at**  
[staff.pensions.ubc.ca/news/workshops](http://staff.pensions.ubc.ca/news/workshops)

# Who We Are

## **Pension Board**

The Pension Board is comprised of eight board members (four elected by the membership and four appointed by the UBC Board of Governors) and one independent non-voting chair.

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### **Appointed Non-Voting Chair**

*Barry Gros*

Current Term: January 1, 2018 to December 31, 2021

### **Appointed Board Members**

*Joanna Carson*

Finance Director, Development and Alumni Engagement

Current Term: January 1, 2018 to December 31, 2021

*Laura O'Neill*

BC Government and Service Employees' Union

Current Term: February 15, 2016 to December 31, 2019

*Mike Leslie*

Director of Investments, UBC Faculty Pension Plan

Current Term: January 1, 2017 - December 31, 2020

*Peter Smailes*

Interim VP, Finance and Operations

Current Term: January 1, 2015 to December 31, 2018

### **Elected Board Members**

*Alan Marchant*

UBC Advancement Services (retired)

Current Term: January 1, 2017 to December 31, 2020

*Brian Evans*

TRIUMF (retired)

Current Term: January 1, 2015 to December 31, 2018

*Karen Ranalletta*

CUPE 2950

Current Term: January 1, 2015 to December 31, 2018

*Michal Jaworski*

UBC Legal Counsel/Office of the University Counsel

Current Term: January 1, 2017 to December 31, 2020

## **UBC Pension Administration Office Management and Staff**

The UBC Pension Administration Office provides day-to-day administration of the SPP including member services and communications.

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Orla Cousineau	Executive Director, Pensions	Maricres De Leon	Pension Plan Accountant
Debbie Wilson	Director, Pensions	GV Fragante	Systems Analyst
Margaret Leathley	Pension Administrator	Helena Huynh	Systems Analyst
Anna Ha	Pension Analyst	Kathy Pang	Communications Manager
Betty Jay	Pension Clerk	Chelsey Maher	Communications Assistant
Monita Law	Pension Clerk	Sarah Halvorson	Office Administrator
Carol Brodie	Pension Clerk	Shirley Lim	Project Coordinator
Jill Fayant	Pension Clerk		



# Accessing your pension information online

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**myPension** is a customized online tool where you can view your personal pension information, beneficiaries, annual pension adjustment and service accruals as well as run your own pension estimates to better understand pension income for retirement planning. You can also update your communication preferences for your annual member statement and Staff Pension Plan Update newsletter. myPension is available 24/7.

For details on how to access and use

**myPension**

visit [staff.pensions.ubc.ca/mypension](http://staff.pensions.ubc.ca/mypension)