



THE UNIVERSITY OF BRITISH COLUMBIA

UBC STAFF PENSION PLAN

Annual Report 2020





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The SPP is resilient, well-funded and focused on the long term.



We are pleased to present the 2020 Annual Report for the UBC Staff Pension Plan (“SPP” or “the Plan”). Throughout 2020, our primary focus has remained on enhancing benefit security and the long-term sustainability of the SPP.

At the end of 2019, we completed an actuarial valuation (our triennial financial check-up) and the results became available in 2020. The Plan is in a reasonably healthy funded position with a 22.6% safety margin. SPP basic benefits are currently well-funded and can be supported over the long term. These results are based on post-retirement indexing in the Plan being at a level of 50% of inflation, meaning that pensions paid by the Plan will receive an increase of 50% of inflation (cost-of-living adjustment) each year until the next valuation. It is the SPP Board’s ultimate goal to provide 100% indexing subject to the Plan’s ability to finance it in a stable and sustainable manner, making this area an ongoing priority for the SPP Board.

Although the pandemic has caused significant disruption and volatility in the investment markets, the SPP has been resilient and well-positioned in weathering this storm. The strength of the Plan’s benefit funding test is that it has always required us to hold a significant margin or reserve to keep the Plan sustainable over the long term. Furthermore, the Plan’s investments are broadly diversified, which helps to lessen the impact of market downturns.

In 2020, the Plan’s investment portfolio earned 7.4% net of operating and investment fees. Although this return was below the one-year policy benchmark return of 10.6%, it helped grow the Plan assets to \$2.16 billion in 2020. We will continue to closely monitor the Plan’s funded position and investment returns as the pandemic continues.

Another area of focus over the last year has been on responsible investing in the SPP. Responsible investing is one factor in making the Plan sustainable for the long term. In 2020, the SPP became a signatory of the United Nations Principles for Responsible Investment and the SPP Board approved a responsible investing policy for the Plan. In an effort to increase transparency around how the Plan’s investments are managed, enhancements have been made to the investments section on our website. Through our website and newsletters, we will continue to keep members informed on the progress in this area.

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In 2020, our Plan membership grew by 12%, the largest increase in growth since 1991. In April 2020, enrolment in the Plan became mandatory upon eligibility - a change that was made so that staff do not miss out on valuable pensionable service. This resulted in approximately 1,100 staff joining the SPP at the beginning of April. As enrolments significantly increased in 2020, we saw an increase in the ratio of active to retired members. This is a positive outcome as contributions made by active members, as well as UBC and its related employers, go toward funding the overall pension plan. These contributions, along with investment returns, provide pension benefits for members retiring from the SPP.

In the fall, an election was held for two Plan members to join the SPP Board. The Board welcomed Lia Cosco and Paul Kwon as elected members to serve four-year terms. In addition, Kamila Giesbrecht was appointed to the SPP Board for a four-year term. Alan Marchant, Michal Jarworski, and Mike Leslie's terms on the SPP Board ended on December 31, 2020. The SPP Board would like to thank Alan, Michal and Mike for their commitment and service.

Finally, we would like to extend our gratitude to our members for their patience and understanding as we continue to navigate these uncertain and ever-changing times. Although operations have been business as usual through virtual means, we will

continue to evolve, grow and enhance our member services. We are committed to providing the best service and member experience. We also want to particularly recognize and thank our team at the Pension Administration Office for their hard work, dedication and commitment throughout this last year. The seamless operation of the Plan would not have been possible without them.

Looking ahead, the end of 2021 will mark 50 years of operation for the SPP. We look forward to when we can connect in person again and celebrate this significant milestone with our members and with those who have been with us on this incredible journey over the last five decades.

Barry Gros
Independent Chair,
SPP Board

Orla Cousineau
Executive Director,
Pensions

Enhancing the Member Experience

At the Pension Administration Office, we are committed to providing the best service and experience throughout the member journey with the SPP. Over the course of 2020, we have evolved our member services to meet the needs of our members and to respond to the changing environment created by the pandemic.

We have enhanced and simplified the information on the new member section of our website, and we have created additional tools to make it easy for members to learn about the SPP. When staff join the SPP, they receive a welcome email with links to our new member webpage and a video about important things to know about the SPP. Within a year of their enrolment, staff are invited to attend an information session specifically designed for new members.

In 2020, we held **2 New Member Information Sessions** with **279 members** attending.



Videos and Webcasts

A new Video and Webcasts section has been added to our website. These videos and recordings are an easy and simple way to learn about the SPP.

Integration of Workday

With the launch of Workday, active members can now update their SPP beneficiary and personal information online through Workday.

Member Feedback Opportunities

We value feedback from our members, especially if we can make changes to make our member services and communications better. We now email feedback surveys to all members who attend workshops. We also included a survey about our annual member statements in the November 2020 issue of the SPP Update newsletter. We are making changes to our statements based on the feedback we received. Thank you to all the members who responded to this survey.

Online Meetings, Workshops and Presentations

We are currently hosting one-on-one meetings, workshops and presentations online using ZOOM Video Conferencing. Even after we return to work on campus, we will continue to offer online options for members who are not able to attend in-person events.

Cost-effective and Timely Communication

We made further progress in our electronic communications initiative. Both our Plan newsletters, the SPP Update and the SPP Pensioner, are offered electronically. Since 2018, the number of members opting out of paper annual statements has quintupled. By providing communications electronically, members receive the information sooner. Furthermore, when members opt out of paper communication, it not only helps reduce our carbon footprint but it also helps to reduce costs for the pension plan.

In 2020, we held:

Understanding your Staff Pension Plan Workshop



in person workshops (Vancouver)



online workshops over zoom

Get Educated Seminars



seminars

One-on-one Retirement Information Sessions



meetings

Register for a session at staff.pensions.ubc.ca/workshops 

Secure document retrieval through myPension

A new feature was added to myPension that allows members to securely download their pension packages. In 2020, we had approximately 500 members use this service.

Approximately **40%** of members accessed myPension in 2020

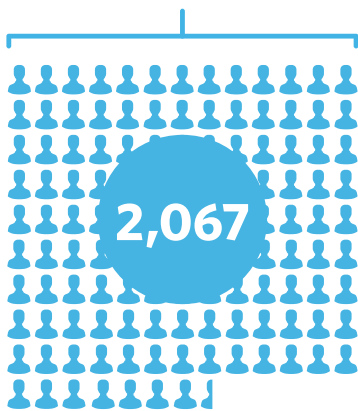
Membership Highlights



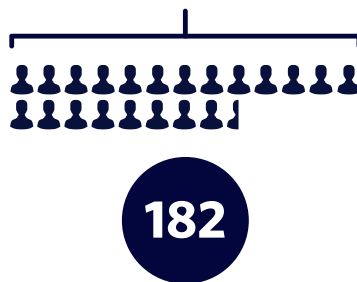
Average age of members

Active Members:	Retired Members:	Deferred Members:
44	72	48

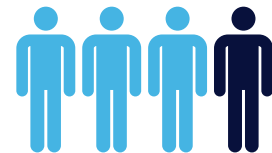
Number of enrolments in 2020



Number of retiring members in 2020

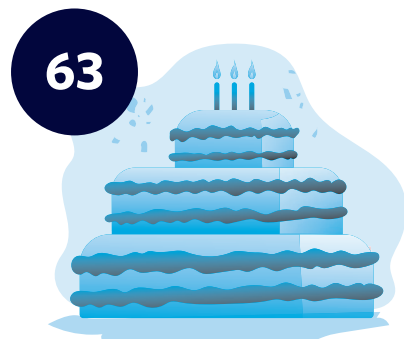


Ratio of active to retired members



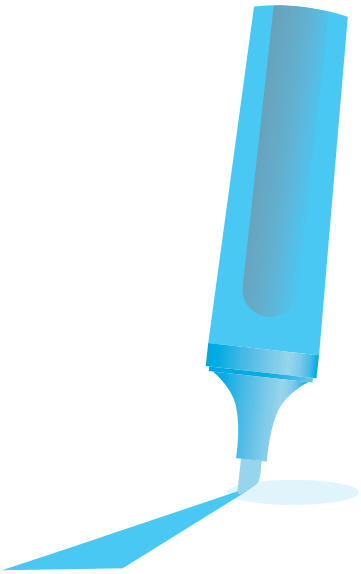
3 active members to every 1 retired member

Average age of retiring members in 2020



14.8 Average years of service for retiring members in 2020

Plan and Financial Highlights



\$45 Million

Total pensions paid in 2020

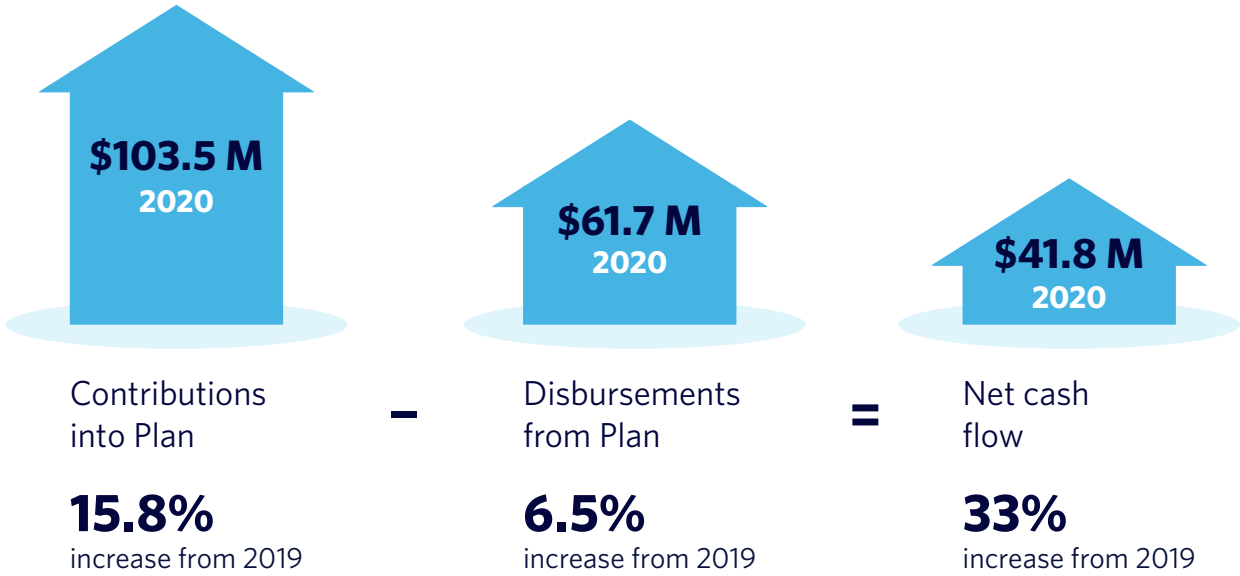
\$15,415

Average annual pension paid in 2020

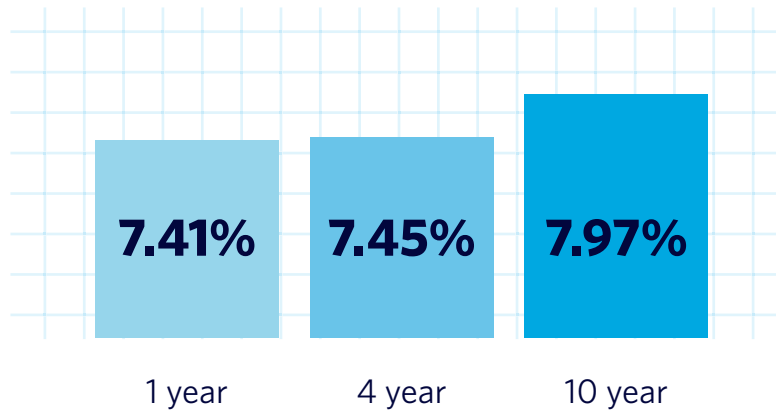
\$2.16 Billion

Unaudited Market value of the Funds at year end

Contributions versus Disbursements from the Plan and Net Cash Flow



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



\$42.5 Million

Total contributions by members in 2020



\$61 Million

Total contributions by UBC and related employers in 2020



Cost of living adjustment:
50% of inflation

The key features of the SPP design are its target benefit nature and its funding policy. As both employee and employer contributions to the Plan are fixed, the Plan's Funding Policy states that the basic pension benefit and inflation adjustments (post-retirement indexing) are subject to the SPP's ability to pay. It is a priority of the SPP Board to provide the basic pension benefit with a high degree of certainty, and to maximize post-retirement indexing. The SPP Funding Policy sets out how the level of indexing will be determined based on the results of a Benefits/Funding Test performed during the actuarial valuation.

The actuarial valuation at December 31, 2019 determined that when post-retirement indexing is at a level of 50% of inflation, the SPP is in a reasonably healthy funded position with a 22.6% safety margin. The SPP's Benefits/Funding Test Margin Policy requires that we hold a significant margin or reserve to protect the Plan if future outcomes differ negatively from our current expectations, which limit the chance of benefit reductions. Given the uncertainty around the impact of COVID-19, the SPP Board decided to make no change to the level of indexing at this time. SPP basic benefits are currently well funded and can be supported over the long term. Retirees will continue to receive an increase of 50% of inflation on their SPP basic pension benefit each year until the next valuation.

The next valuation is required in three years (i.e. as at December 31, 2022) and it will reflect the financial impact of COVID-19 on the Plan's investments, as well as other changes that have occurred in the interim.

**Sustainable
Pension Plan**

Well-Funded

**50% Indexing
Continues**

Investments

Investment Highlights

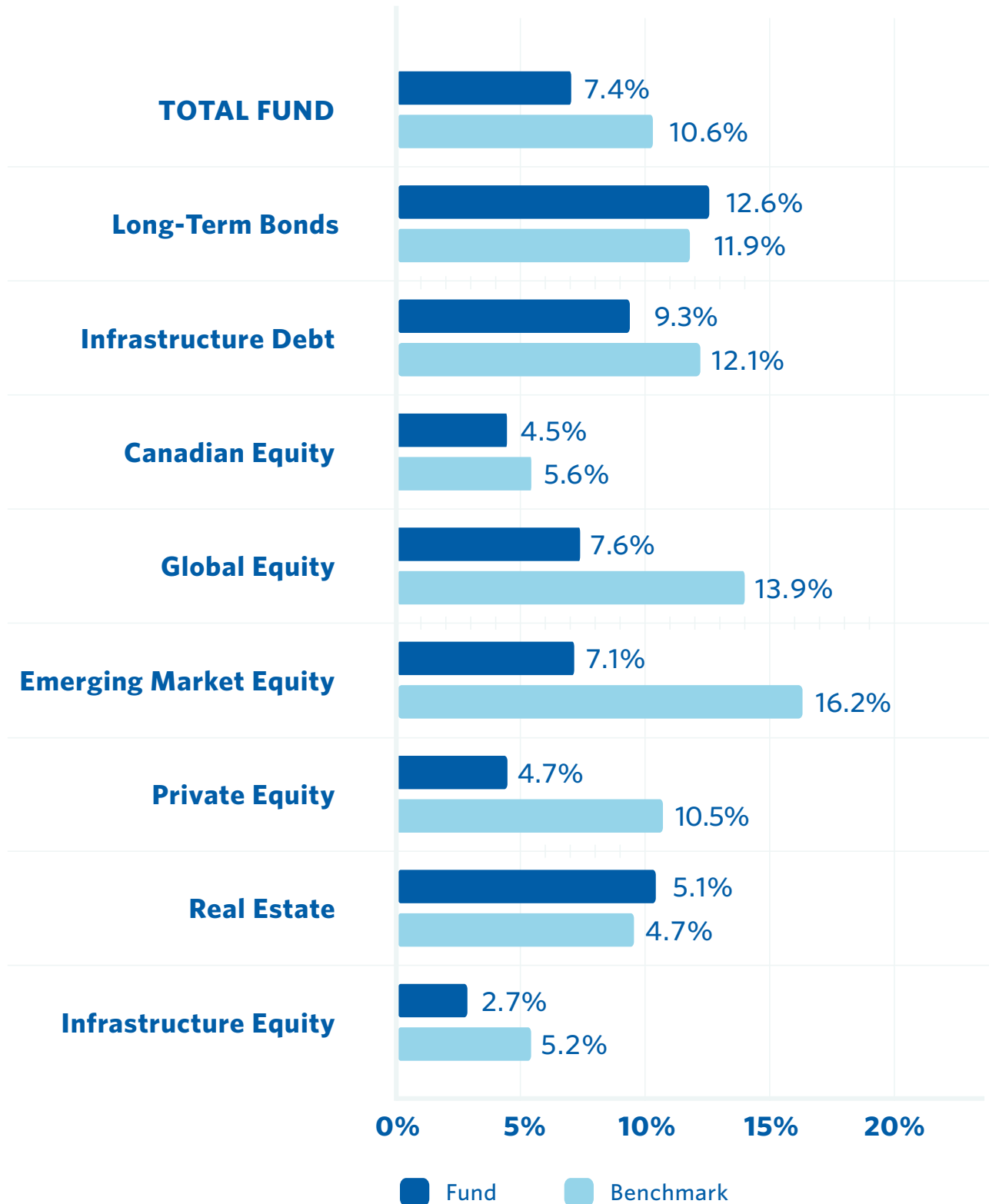
- The UBC Staff Pension Plan's investment portfolio earned **7.4%** net of operating and investment fees in 2020, which was below the one-year policy benchmark return of **10.6%**. The portfolio significantly underperformed the benchmark in 2020 but remained in line with benchmark performance in the longer term performance.
- The Plan's investment assets increased to **\$2.16 billion** as of December 31, 2020 from **\$1.96 billion** as of December 31, 2019. The growth in assets was driven by the solid positive return from investments as well as positive net cash flows.



- Capital markets experienced heightened volatility through 2020 due to the unanticipated shock of the COVID-19 pandemic. Diversification across asset classes and between public and private markets was key to muting the volatility of returns through the year, as public equity markets fell sharply in the first quarter before recovering later in 2020. The Plan's investment portfolio generated positive absolute returns across each of the major asset class categories in 2020 with detailed returns being as follows:
 - The public equity portfolio gained **6.7%**, lagging its benchmark return of **12.6%**, as the Plan's defensive equity strategies did not keep pace with the strong returns of growth-oriented stocks during the year. The Plan's Canadian equity portfolio rose by **4.5%** while global and emerging market equities returned **7.6%** and **7.1%** respectively.
 - The fixed income portfolio, which includes investments in long-term bonds, private debt, mortgages and infrastructure debt, generated strong returns of **10.5%**. Fixed income returns were helped by the global decrease in interest rates which came in response to the pandemic.
 - The plan's alternative investments including real estate, infrastructure equity and private equity returned **3.8%** in aggregate.

1-Year Returns

as of December 31, 2020



Investment Governance

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

The Plan's Statement of Investment Policies and Procedures (SIPP) outlines the investment strategy and overall framework for managing the Plan's assets, which UBC IMANT is responsible for implementing.

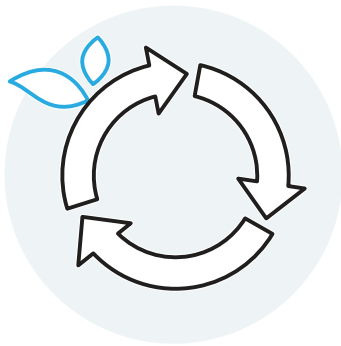
UBC IMANT follows a manager-of-managers approach in investing the assets of the Plan. IMANT selects the appropriate investment strategies and external investment managers for each asset class in accordance with the Plan's policy asset mix. The performance of each external investment manager is measured against a benchmark with the goal of meeting or exceeding those returns over time. In addition, the total Plan's investment performance is evaluated using the weighted average rate of return of the market indices from those asset classes.

Investment 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 allocation to long-term bonds provides a good match to the liabilities of the Plan's basic benefit payments to members. Allocations to public equities and alternative asset investments are expected to provide higher long term returns but may lead to higher volatility. Real assets such as infrastructure and real estate investments provide steady cash flows that are well suited to meet the long-term financial objectives of the Plan. These assets are also held to provide inflation protection and insulate the Plan from the volatility typically observed in public markets.

During 2020, UBC IMANT continued to transition the Plan's portfolio towards the new investment policy asset mix that became effective on January 1, 2019, including additional investments in private debt, private equity and infrastructure assets. These new asset types require significant analysis, which is why full investment takes some time to complete. UBC IMANT has focused on sourcing alternative asset investment opportunities for the Plan and has made additional commitments to private debt and infrastructure funds. The new asset mix is expected to not only improve the Plan's investment return, but to also result in better risk diversification.

Responsible Investing



Environmental Factors



Social Factors



Governance Factors

Responsible investing plays an important role in the management of the SPP funds as it is one factor in keeping the SPP sustainable for the long term. Climate change and other Environmental, Social and Governance (ESG) issues are key risk factors we consider as part of our investment decision making process, together with other financial analysis, to better manage financial risks and improve returns. As this area is an ongoing priority for the SPP Board, we have formed an ESG committee to advise the SPP Board on responsible investing and ESG investing related to the SPP's investment policy.

In July 2020, the SPP became a signatory of the United Nations Principles for Responsible Investment (PRI) through our investment manager, UBC IMANT. The PRI is a global community of signatories seeking to build a more sustainable financial system. UBC IMANT is actively engaged with the Plan's external investment managers to ensure the risks associated with ESG issues are identified and monitored. As of December 2020, over 90% of the Plan's investments are being managed by external investment managers that are PRI signatories.

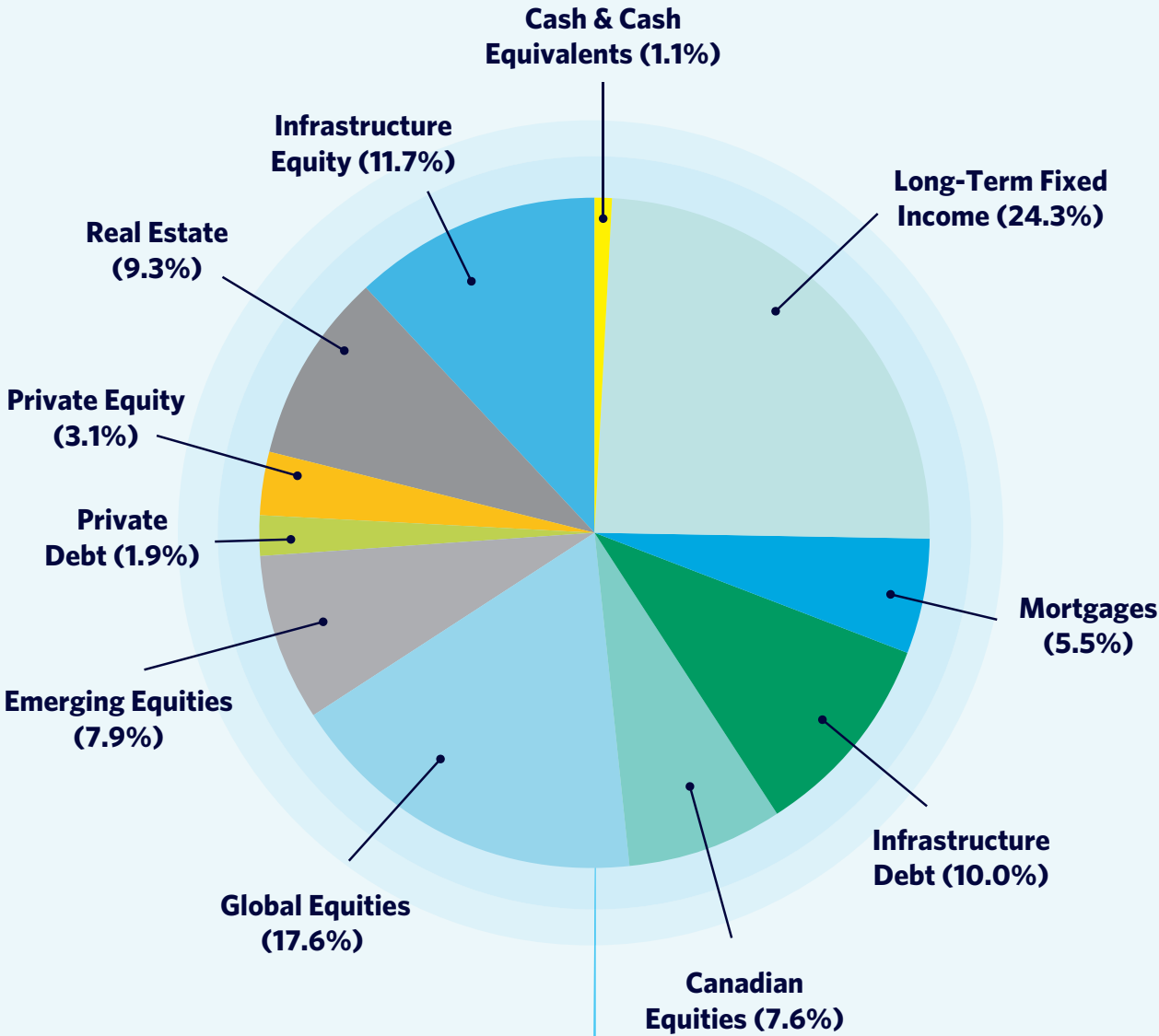
The SPP Board works closely with UBC IMANT on ESG activities that are relevant to the Plan and to support the Plan's long-term financial health. Through a manager-of-managers approach, UBC IMANT helps to implement our commitment to responsible investing and integrates ESG factors criteria within their investment processes. In addition to regular reports on their ESG activities, UBC IMANT also reports quarterly to the SPP Board on the external investment managers they have hired.

In December 2020, the SPP Board approved a Responsible Investing Policy for the Plan.

For further information about the Plan's investments, visit staff.pensions.ubc.ca/governance/investments

Staff Pension Plan Asset Mix

as of December 31, 2020



Accessing your Pension Information Online

myPension is a secure website 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 pension newsletter. myPension is available 24/7.

For details on how to access and use myPension, visit:

staff.pensions.ubc.ca/mypension

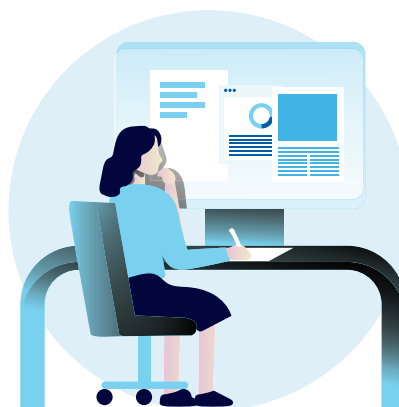


Did you know?

You can receive your annual member statement online.

Subscribing to an electronic annual statement is not only kinder to the environment, but it also reduces costs for the pension plan.

You can opt out of paper statements by signing into **myPension** at **staff.pensions.ubc.ca/mypension** and selecting the Communication Preferences tab within myPension to change your preference.



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.

Appointed Non-Voting Chair		Current Term
Barry Gros	Retired actuary	January 1, 2018 to December 31, 2021
Appointed Board Members		Current Term
Joanna Carson	Chief Financial Officer, TRIUMF	January 1, 2018 to December 31, 2021
Kamila Giesbrecht	Executive Director, Investments, UBC Faculty Pension Plan	January 1, 2021 - December 31, 2024
Yale Loh	University Treasurer, Vice-President, Finance & Operations	March 4, 2019 to December 31, 2022
Laura O'Neill	BC Government and Service Employees' Union	January 1, 2020 to December 31, 2023
Elected Board Members		Current Term
Lia Cosco	Director, HR and Operations, Peter A. Allard School of Law	January 1, 2021 to December 31, 2024
Shannon Dunn	Director, Business Operations, AVP Finance & Operations, UBC Okanagan	January 1, 2019 to December 31, 2022
Paul Kwon	Finance Manager, UBC Hiring Solutions	January 1, 2021 to December 31, 2024
Christie Stephenson	Executive Director, Peter P. Dhillon Centre for Business Ethics, UBC Sauder School of Business	January 1, 2019 to December 31, 2022

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.

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

