

UBC STAFF PENSION PLAN LUNCH & LEARN

ACTUARIAL VALUATION RESULTS 101



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Who We Are



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708
members
registered



Thank you for being here today!



Poll: Do you know what an actuarial valuation is?

What is an Actuarial Valuation?

- A financial check-up of the SPP that occurs every three years and is conducted by the Plan's actuary.
- Information from the actuarial valuation helps the SPP Board manage financial risks in the Plan as well as keep the Plan sustainable.
- The valuation assesses how much money is needed today in order to pay pensions in the future.



Why is an Actuarial Valuation important?



There are four main purposes of the valuation:

1. Evaluate the present financial status of the SPP;
2. Assess the ability of the SPP to pay pension benefits over the long term;
3. Determine the level of indexing (also known as cost-of-living adjustments, or COLA) the SPP can pay for the next three years; and
4. Comply with regulatory requirements for actuarial valuation and filings with pension regulators.



Poll: What type of pension plan is the UBC Staff Pension Plan?

Key Considerations

The SPP is a Target Benefit Plan



- Since both employer and employee contributions are fixed, the SPP Board needs to ensure benefits provided are kept in balance with the capacity of the Plan's funding level to support them.
- Benefits may be adjusted up or down depending on the Plan's ability to pay them.
- If the Plan is over- or underfunded, the SPP Board must take specific steps to restore the balance, which are outlined in the Plan's Funding Policy.

Key Considerations

The **Plan's Funding Policy** is the framework used by the SPP Board to manage the risks inherent in the SPP.



- The first priority is to provide **stable lifetime retirement pensions** for all members, followed by the second priority of providing cost-of-living-adjustments.
- One of the SPP Board's main responsibilities is to establish balance within the Plan on how benefits are distributed.
- The **Benefits/Funding Test** is one of the tools used by the SPP Board to maintain balance.

Benefits/Funding Test

- Benefits/Funding Test checks whether benefits are “affordable”
 - Long-term sustainability test (25-year view)
 - Compares long-term **funds available** to long-term **funds required**
- Safety margin provides a buffer to account for unforeseeable future events that might affect plan funding.
- Determines the level of cost-of-living adjustment the SPP can provide to deferred members and pensioners (for the next three years, or until the next valuation).



Understanding the Benefits/Funding Test



Assets

Contributions
over next
25 years

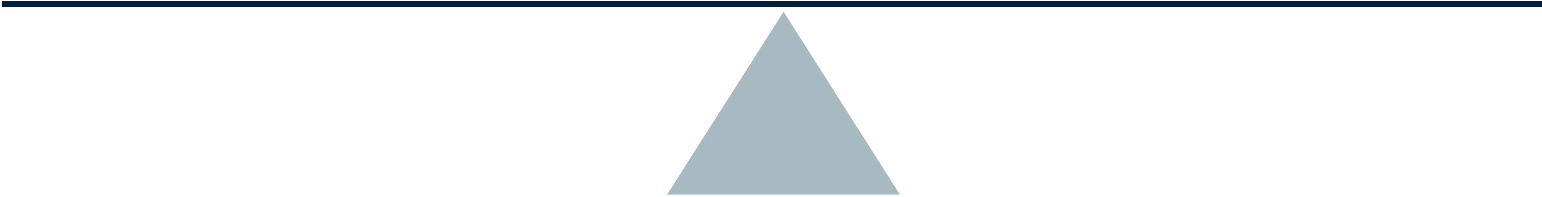
Plan Assets

Liabilities and Margin

Indexing

Future Service Benefits
over next
25 years

Accrued Liabilities



Cost-of-Living Adjustments



- When plan funding allows, cost-of-living adjustments are provided to help your basic pension benefit keep pace with increases to costs of living.
- Every COLA that you receive becomes part of your lifetime pension benefit.
- Since 2011, an increase to SPP pensions has been provided at 50% of inflation (Consumer Price Index, or CPI) each year.
 - January 1, 2023: 3.25%
 - January 1, 2022: 1.35%
 - January 1, 2021: 0.50%
- The SPP uses inflation protection as a lever to keep the Plan sustainable and to protect the lifetime pension that you receive from the SPP.

Key Results at a Glance



**Well-funded
Pension plan**

**Sustainable
benefits with
a healthy
margin**

**Cost-of-living
adjustments
at 70% of
inflation**

What is your Basic Pension Benefit?

Based on
a formula

1.8% of
Best Average Earnings
X
Years of
Pensionable Service

Immediately
Vested

Paid for
your
lifetime

Subject to
COLA
when Plan
funding
allows

And
your
spouse's
lifetime



Key Takeaways for Active Members



The basic pension benefit you have earned, and will continue to earn, can be paid by the SPP.



Creating financial security through a stable lifetime pension at retirement.



Opportunity to benefit from cost-of-living adjustments before and after you retire, subject to Plan funding.

Key Takeaways for Deferred Members



Your SPP basic pension benefit will be available for you when you need it, before or at retirement.



Creating financial security through a stable lifetime pension at retirement.



Your SPP basic pension benefit will have a cost-of-living adjustment applied of 70% of inflation on Jan 1st for the next three years.

Key Takeaways for Pensioners



Your monthly SPP pension continues to be stable and will be paid for your lifetime.



You will not outlive your pension.



On Jan 1st for the next three years, you will receive a cost-of-living adjustment of 70% of inflation that will become part of your pension each year.

Next Valuation Planned for 2026



- The valuation will be based on a snapshot of data from December 31, 2025.
- The level of cost-of-living adjustment that can be provided will be evaluated again in 2026.
- The level of cost-of-living adjustment that the Plan can afford to pay may **stay the same, decrease, or increase.**

Learn more about the Actuarial Valuation

- *Pension Airwaves* Podcast
staff.pensions.ubc.ca/podcast
- *SPP Update* Newsletter –
October 2023 Issue
staff.pensions.ubc.ca/news/newsletters



Questions?



To ask questions:

- » Click on the **Q&A icon** at the bottom of your screen in Zoom
- » Type in your question
- » Please do not use the **Chat** feature for questions

Thank you for attending the SPP Lunch & Learn: Actuarial Valuation Results 101



Please help us evaluate this member education session by participating in our post-event feedback survey.