



may 2012

staff pension plan update

2011 Year in Summary

The year 2011 was a busy year for the Staff Pension Plan (SPP) Board and the Pension Administration Office (PAO) staff. Not only was it an Actuarial Valuation year, but several changes occurred in areas such as Plan design, investments, governance, and membership of both the SPP Board and the PAO. Below is a summary of major events that occurred over the course of 2011:

An Actuarial Valuation Year

Every three years the SPP is required to undergo a financial check-up on the Plan called an Actuarial Valuation. Aon Hewitt, our Plan's actuary, conducted this valuation in 2011 using the Plan's financial position on December 31, 2010. The key result from the Actuarial Valuation as at December 31, 2010 is that the Plan is reasonably healthy. The basic benefit is well funded; however, in order to ensure that the Plan can afford to pay Plan benefits for current and future members, indexing must be adjusted to a level of 50% of inflation for the next three years.

The Executive Summary of Aon Hewitt's *Actuarial Valuation Report as at December 31, 2010 for the UBC Staff Pension Plan* is available on the Library page at the SPP website.

Approval of Amendment No. 4 (Plan Design Changes)

In the review of the valuation results, the Plan's advisors and the SPP Board looked for ways to further improve the Plan and reduce costs. On December 1, 2011, the UBC Board of Governors approved three Plan design changes recommended by the SPP Board, known as Amendment No. 4, which will help to:

- Increase equity between members
- Reduce cost of pensions to enhance the security of the basic pension benefit
- Increase the ability of the Plan to support indexing of pension benefits

A guide to the January 1, 2012 Plan Design Changes can be found in the February 2012 *SPP Update* newsletter, which is available on the SPP website.

New Governance Policy

A review of the Plan's governance was completed in 2011 and a new Governance Policy was approved by the UBC Board of Governors on February 2, 2012. The UBC Board of Governors continues to be ultimately responsible for the Plan; however, under the new governance policy many of the responsibilities have been delegated to the SPP Board. One of these delegations includes the role of the SPP Board in the Plan's investments and funding. The SPP Board will now formulate the Plan's Policy Asset Mix (see sidebar) and the terms in the Statement of Investment Policies and Procedures document, which it recommends to the UBC Board of Governors for

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COMING SOON:

SPP Pension Fair

Tuesday, May 29, 2012

See invitation in this issue

Financial Statements

The SPP's 2011 Audited Financial Statements will be available on the SPP website in July 2012.

What's a Policy Asset Mix?

The SPP Policy Asset Mix defines how the Plan's assets should be invested. It provides a framework for how much should be invested in various types of investments. It sets out how much of the Plan's assets should be invested in bonds, stocks or alternative investments such as real estate. The SPP's assets include your contributions, the University's contributions, and investment earnings. How well the Plan's investment funds perform relies a great deal on the Plan's asset mix and how it performs against the financial markets.

approval. Once approved by the UBC Board of Governors, UBC Investment Management Trust (IMANT) implements the SPP Policy Asset Mix.

Please visit the Plan Governance section on the SPP website for further information on the Plan's governance.

Changes within the SPP Board and the PAO

In 2011, three changes occurred within the SPP Board. Tim Lawler resigned from the SPP Board on October 17, 2011 to pursue opportunities outside of UBC. Dave Lance's appointed term expired on December 31, 2011. He was appointed by the SPP Board to fulfill the remainder of Mr. Lawler's term, which ends on December 31, 2012. Peter Smailes of UBC Treasury was appointed by the UBC Board of Governors as a new director on December 1, 2011.

Within the PAO, Derrick Johnstone was hired as the new Senior Operations Manager; Helena Huynh was hired as a Systems Analyst; Colleen Mahoney joined the SPP administration team; and Claudia Chan was hired as the PAO receptionist.

Membership Statistics & Trends

Plan membership has increased by 3.3% from 2010, bringing the total membership to 9,862 as at December 31, 2011. Membership includes members who are currently contributing to the Plan (Active), members who are not

contributing and have not received a pension benefit yet (Deferred), and members who are receiving a pension (Retirees).

The average age of Active members is 44.4 years and the median age is 45.1 years. As of December 31, 2011, there were 6,484 Active members, which is an increase of 2.2% from the previous year.

In 2011, there was a 3.9% increase in Deferred members (1,728), representing approximately 17.5% of the total membership. These are members who left the University or transferred to a position that is no longer eligible for the SPP, and have deferred their decision to start their pension.

The number of Retired members (1,650) increased by 6.9% in 2011. The majority of retirements occurred between the ages of 60 and 65, with the greatest number at age 65.

Plan Advisors

Actuary	Aon Hewitt Inc.
Auditors	Deloitte & Touche LLP
Communications	Simons Solutions
Custodian	RBC Dexia Investor Services
Legal Counsel	Lawson Lundell LLP
Investment Consultant	PBI Actuarial Consultants Ltd.
Pension Consultant	Satanove & Flood Consulting Ltd. ■

Reading your SPP Annual Statement: For Active and Deferred Members

Active and Deferred members of the SPP will receive their 2011 Annual Statement with this issue of the *Staff Pension Plan Update*. The Plan is required by pension regulations to produce an annual statement for members, which provides a summary of information such as your contributions, benefits and personal data. The following is additional information to help you read your annual statement:

Personal Information

Please review your statement for any errors in beneficiary information, birth date, contributions, and pensionable service. If any personal information needs to be revised or updated, simply fax a copy of your statement with your comments to the PAO at 604-822-9471, or mail a copy to the address provided. We will respond to member inquiries as quickly as possible.

Your Early Retirement Date is the first of the month following your 55th birthday and your Normal Retirement Date is the first of the month following your 65th birthday.

Deferred Members Age 55 and Over

Deferred members age 55 and over will receive a retirement application package instead of an annual statement as they are eligible to start their pension immediately. If you are approaching retirement and have not received a retirement package, please send us an e-mail at spp@hr.ubc.ca and include your current address, phone number, and e-mail address with your request for a retirement package.

Did you join the Plan in 2012?

Members who joined the Plan in 2012 will receive their first statement in 2013 since statements are calculated as of December 31 of the prior year.

Contributions and Pensionable Service

If you are an Active member, this section will show the contributions that you made to the Plan and the months of pensionable service that you accrued in 2011 and as of December 31, 2011. Your total required contribution as of December 31, 2011 includes interest.

Your years of pensionable service are important as they are used to calculate your SPP basic benefit at the time of your retirement.

If you are a Deferred member, this section will show your accrued years of pensionable service and your total required contributions with interest as of December 31, 2011. As you are no longer a contributing member of the Plan, you will no longer accrue pensionable service; however, interest will be applied to your contributions.

Pension Benefits

If you are under age 55 and leave UBC, move to an ineligible position within UBC, or are no longer a contributing member of the Plan, you are entitled to one of three options:

1. A **monthly lifetime pension** that you may start as early as age 55 and as late as age 71.
2. A **lump sum amount**, which is the contribution refund or the commuted value of your accrued pension, whichever amount is greater at the time of calculation. Please note: Once you turn age 55, this option is only available if you have a small pension.
3. Defer making a decision on your pension benefits or continue to defer your pension benefits.

If you are age 55 or over and leave UBC, retire, or move to an ineligible position within UBC, you are entitled to one of two options:

1. An immediate **monthly lifetime pension** that you may start as early as age 55 and as late as age 71.
2. Defer making a decision on your pension benefits.

Important Information

- The lump sum option is not available once you turn age 55, unless you have a small pension at the time of retirement as per the B.C. Pension Benefits Standards Act (PBSA).
- If you elect a lump sum amount, all or part of your pension benefit may be locked-in and eligible for tax-free transfer to a locked-in RRSP. You must transfer this part of your benefit to an approved locked-in RRSP.
- If you are eligible for special early retirement (SER), your statement will include a section with SER information. For details on SER, please visit: www.pensions.ubc.ca/staff/early_retirement.html

For more information, please visit the Leaving UBC page on the SPP website.

Beneficiary

Under the B.C. PBSA, your spouse, if you have one, must be named as your primary beneficiary, unless he or she signs a waiver of their survivor benefits.

Definition of Spouse

"Spouse" means a person, regardless of gender, who, at the Pension Commencement Date or, if earlier, at the Member's date of death,

(a) is legally married to the Member and has not lived separate and apart from the Member for more than 2 years immediately prior to the relevant date, or

(b) is not legally married to the Member and has been living and co-habiting with the Member in a marriage-like relationship for more than 2 years immediately prior to the relevant date;

If you do not have a spouse (or if your spouse has waived his or her entitlement), you can elect one or more beneficiaries to receive your pension benefits from the SPP. As your beneficiary, you can name an individual(s), a charity(ies), or your estate. If you do not name a beneficiary, your estate automatically becomes your beneficiary.

What is a contingent/alternate beneficiary?

A contingent beneficiary receives your pre-retirement death benefit, should both you and your spouse die, or if you are single, both you and your primary beneficiary die, before your pension commencement.

Where can I view my beneficiaries?

All your beneficiaries can be viewed on myPension, which can be accessed using your Campus-Wide Login (CWL) ID from the front page of the SPP website. If you are a Deferred member, you may contact the Pension Administration Office by e-mail at spp@hr.ubc.ca to confirm your beneficiary.

myPension

Your annual statement is only a snapshot of your SPP information as of December 31, 2011. For up-to-date information, please visit myPension, which is a customized tool for Active members of the Plan to access their personal pension information, review their beneficiary(ies), see their contributions and service accruals, and have the ability to calculate pension estimates to better understand pension income for retirement planning. Members can access this tool by logging into www.msp.ubc.ca, or from the front page of the SPP website, using their CWL ID. See the November 2009 issue of the *SPP Update* newsletter, for a detailed article on using the myPension estimator. ■

Correspondence should be addressed to:

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2011 Investment Review

It was a tough year for Canadian pension plans and investors alike. The combination of decreasing interest rates and flat equity markets through 2011 had a significant impact on pension plans across the country. The Staff Pension Plan (SPP) was able to achieve a net investment return of 5.0% in this environment. This was a strong result compared to what typical Canadian pension plans earned, which was between -1.0% and +1.0%. While the SPP had a strong result versus peer pension plans, the value of the pension plan liabilities will have gone up faster than the increase in plan assets through 2011. Plan liabilities are simply the benefits that have been promised to be paid to Plan members and beneficiaries. To put it another way, liabilities are what the Plan owes.

The world economy saw a number of obstacles, with government debt levels having a major impact on numerous investment classes. The net result of this is an unstable, low investment return environment. Since the expected investment returns for pension plans are lower today than they were one year ago (or 5 or 10 years ago), the cost to provide pension benefits has increased.

De-risking Approach and Transition

The SPP is implementing an approach to help reduce risk in the Plan investments. The approach will provide stability for Plan members and help the SPP Board manage the Plan with more certainty.

A large shift in the asset mix occurred through 2011. The transition to the new Plan asset mix (see table below) continues today as the Plan invests in other alternative assets such as infrastructure funds. As previously reported, the complete transition process could take a few years to implement. However, the Plan is well underway in creating a more secure portfolio for Plan beneficiaries today and for the future. ■

Asset Mix and Performance as at December 31, 2011

Assets	Market Value (\$M)	% of Total Portfolio	One Year Return ¹	Four year Return ¹
Fixed Income	357.3	40.9%		
Bonds	301.9	34.6%	15.2%	8.8%
Mortgages ²	43.1	4.9%	n/a	n/a
Cash	12.3	1.4%	0.0%	0.0%
Public Equities	327.6	37.5%		
Canadian Equities	131.5	15.1%	(5.2)%	0.3%
US Equities	105.4	12.1%	3.5%	(7.7)%
International Equities	87.5	10.0%	(13.7)%	(5.3)%
Emerging Markets	3.2	0.3%	(12.8)%	(15.6)%
Alternatives	188.3	21.6%		
Real Estate	60.2	6.9%	17.0%	(0.8)%
Infrastructure	34.0	3.9%	10.9%	n/a
Hedge Funds	31.0	3.6%	2.3%	1.6%
Private Equities	62.4	7.1%	10.8%	3.7%
Other	0.7	0.1%	n/a	n/a
Total	873.2	100.0%	5.0%	0.4%

¹ Returns are net of investment manager fees.

² The mortgage mandate was implemented in the 3rd quarter of 2011.

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This material has been compiled by the Staff and Pension Board Members of the University of British Columbia Staff Pension Plan from information provided to them. If there is any inconsistency between the contents of this newsletter and the pension plan trust or legislation, the trust and legislation will prevail.

Staff Pension Plan 2012 Pension Fair

You're invited!



Tuesday, May 29, 2012
11:30 am to 1:15 pm
Arbutus Room, Ponderosa Centre
2071 West Mall
(at University Boulevard)

**RSVP is not required -
just join us on the day
of the event!**

The annual Staff Pension Plan (SPP) Fair is a great opportunity for you to learn more about your pension plan and gain some pension knowledge. Please join us for refreshments and mingle with the SPP Board Directors and Pension Administration Office (PAO) staff. We look forward to meeting you and answering your questions.

Off-campus members will be reimbursed for parking or bus expenses. Don't forget to also enter for your chance to win a door prize.



a place of mind
THE UNIVERSITY OF BRITISH COLUMBIA

SPP Pension Fair: Here's your opportunity to learn more about your pension plan.

Are you a new UBC staff employee or a new SPP member?

Visit the **General Information table** to learn more about the SPP, or sign up for an information session or workshop. Don't know what to ask? Ask one of our staff or a director.



Working past age 65 or thinking about it?

Visit the **UBC HR Retirement and Survivor Benefits table** to learn about the program and what choices you'll need to make about your pension if you decide to work past age 65. Did you know that your medical, dental, and extended health benefits may change?



Have you used myPension?

Visit our **myPension table** to learn how to use this customized online tool to generate your own pension estimates for retirement income planning.



Approaching Retirement?

Visit the **Retirement table** and ask us about your retirement options. Speak with the **Service Canada** representative and ask them about government administered pension plans such as the Canada Pension Plan (CPP) and Old Age Security (OAS). Representatives from the **Canada Revenue Agency (CRA)** will also be on hand to answer tax-related questions.



Interested in how and where your pension funds are invested?

Representatives from **UBC Investment Management Trust (IMANT)** will be available to answer questions regarding the SPP funds and other UBC investment related topics.

