



THE UNIVERSITY OF BRITISH COLUMBIA

UBC STAFF PENSION PLAN

Annual Report 2019

Table of Contents

1	Message from the Chair and Executive Director
2	Membership Highlights
3	Plan and Financial Highlights
5	Responsible Investing for a Sustainable Pension Plan
6	Investments
6	Highlights
8	Investment Overview and Strategy
9	Asset Mix
10	Responsible Investing
12	Learning about your Pension Benefits
14	Accessing your Pension Information Online
15	Who We Are



Message from the Chair and Executive Director

We are pleased to present the UBC Staff Pension Plan's (the "Plan" or the "SPP") Annual Report for 2019. It was another successful year for the Plan.

In the fall of 2019, the UBC Board of Governors on the recommendation of the SPP Board approved a change to the Plan's eligibility rules effective April 1, 2020. Eligible employees are automatically enrolled in the SPP, and can no longer delay their enrolment for up to three years. This change was made so staff do not miss out on valuable pensionable service.

Every three years we are required to do an actuarial valuation on the Plan. An actuarial valuation is under way as of December 31, 2019, and will be completed in 2020.

The purpose of the valuation is to assess the long-term sustainability of the SPP, and to determine the level of indexing (cost-of-living adjustment) the SPP can afford to pay on January 1, 2021.

At the end of 2019, there were no changes to the membership of the SPP Board. We are pleased Laura O'Neill was reappointed in December by the UBC Board of Governors to the SPP Board for another four-year term.

At the time of writing this report, the COVID-19 pandemic continues to unfold, and has caused a significant disruption to our communities and the investment markets. The SPP Board is committed to continue the smooth operation of the Plan and to ensure that monthly pensions are paid on time.

The SPP Board, in conjunction with the Plan's investment manager, UBC IMANT, is closely monitoring the Plan's overall financial condition throughout this crisis and the Plan continues to be well funded.

The Board's primary focus will continue to be benefit security and ensuring the Plan remains sustainable on a long-term basis.

We hope this annual report provides you with some comfort in knowing the Plan is well managed and that your pension is in good hands.

Please be safe and stay healthy.

Barry Gros
Independent Chair

Orla Cousineau
Executive Director

Membership Highlights



Average age of members

Active Members: 45

Retired Members: 72

Deferred Members: 48



8,639
Active members (62%)

2,857
Retired members (20%)

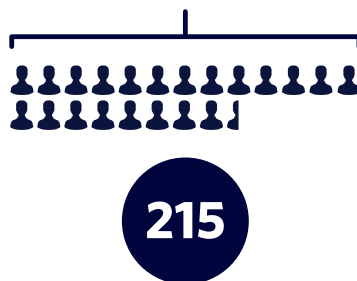
2,551
Deferred members (18%)



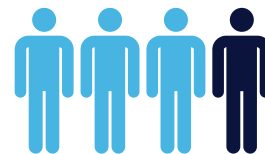
Number of enrolments in 2019



Number of retiring members in 2019



Ratio of active to retired members



3 active members to every **1** retired member

Average age of retiring members in 2019



17.7 Average years of service for retiring members in 2019

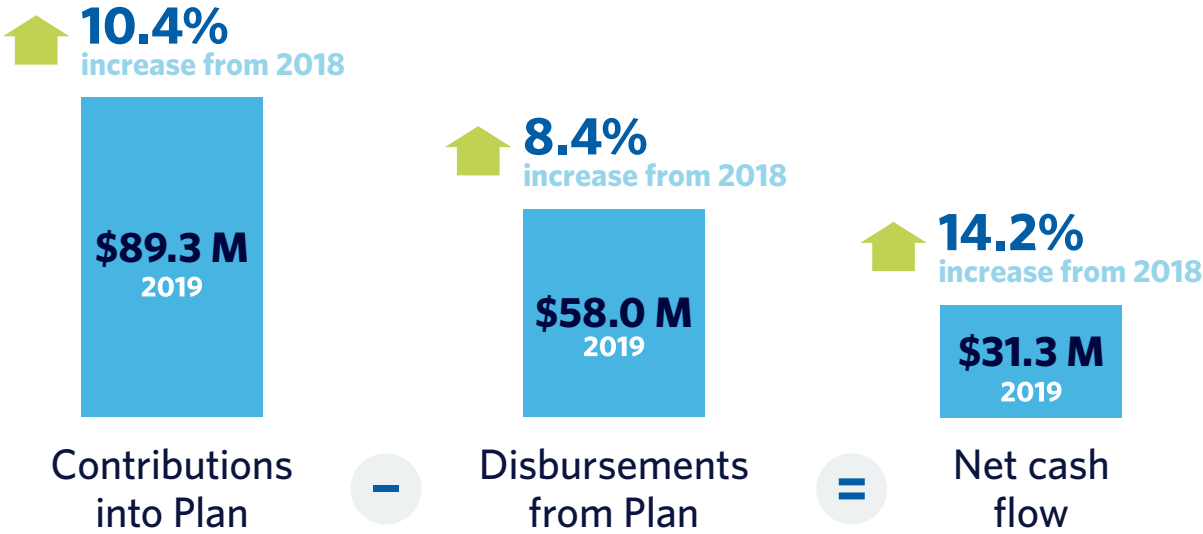
Plan and Financial Highlights

\$42 M
Total pensions
 paid in 2019

\$15,311
Average annual
 pension paid in 2019

\$1.96 B
 Unaudited market
 value of the assets
 at year-end

Contributions versus Disbursements from the Plan and Net Cash Flow:



Plan and Financial Highlights

(CONTINUED)

Funded status of the Plan



\$36.7 M

Total contributions by members in 2019



\$52.6 M

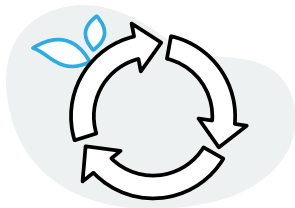
Total contributions by UBC and related employers in 2019

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 inflation adjustments (indexing) and the basic pension benefit are subject to the

Plan's ability to pay. Benefits are adjusted depending on whether the Plan is over- or underfunded. This helps to ensure the Plan is sustainable for the long term. The funded status of the Plan will be determined in the actuarial valuation as of December 31, 2019.

Responsible Investing for a Sustainable Pension Plan

In 2019, the SPP Board established an Environmental, Social and Governance Committee in recognition of the importance of responsible investing. Responsible investing is an approach that aims to incorporate environmental, social and governance (ESG) factors into the Plan's investments. This will be an area of priority for the SPP Board in 2020.



Environmental Factors



Social Factors



Governance Factors

The SPP's investment policy states that ESG factors are one of the many factors that may impact the Plan's investment performance. In selecting investment managers, consideration of ESG factors by the investment manager as part of their investment process is an important criterion. The SPP Board receives quarterly reports on the investment managers hired by UBC IMANT to manage the SPP assets, and UBC IMANT regularly reports on their ESG activities (see page 10 for further details). The SPP Board is working closely with UBC IMANT to understand best practices in this area.

In 2020, the SPP Board will consider how our website and our member communications can be enhanced to provide greater transparency about the Plan's responsible investing.

Investments

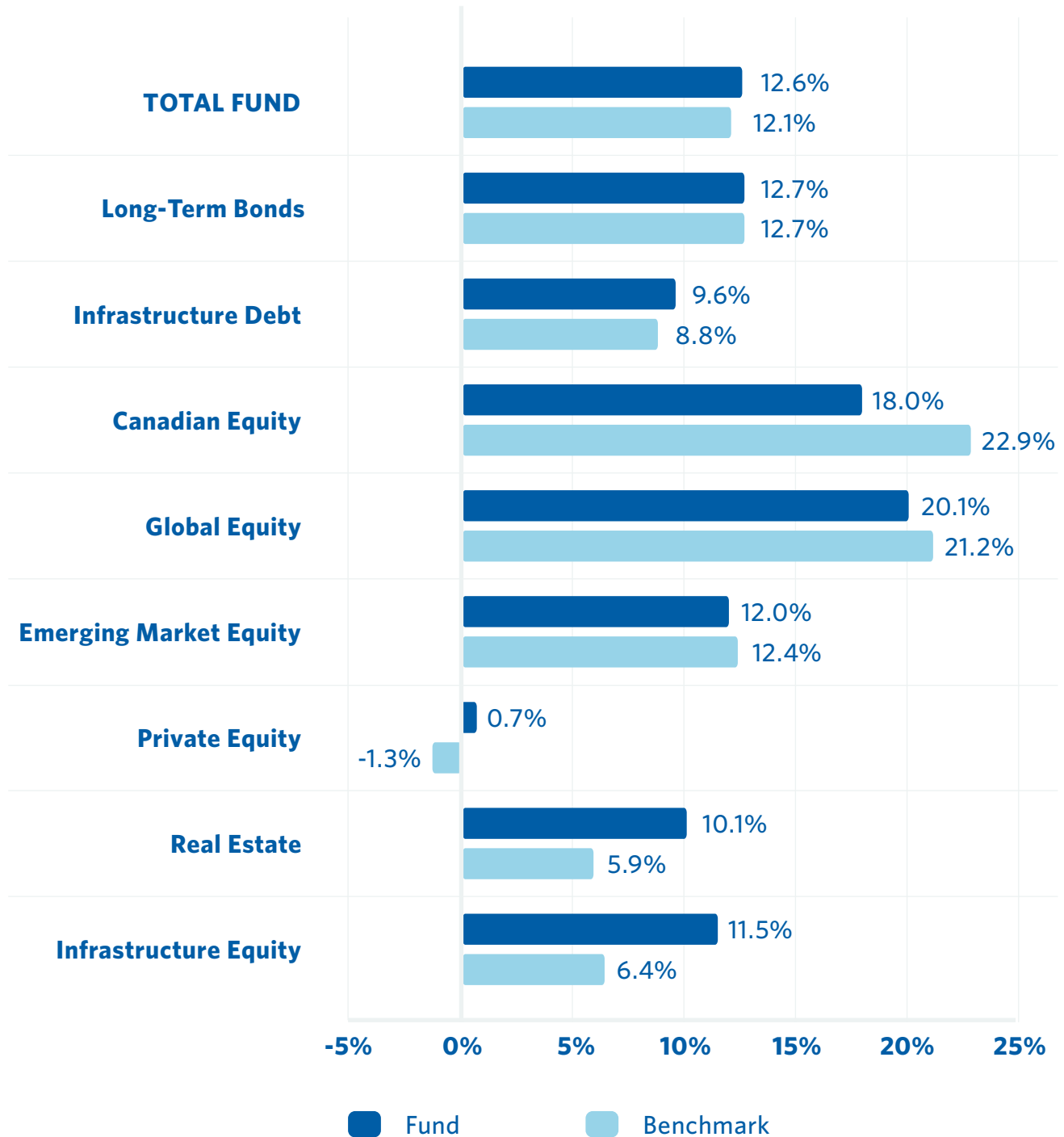
The investment report has been prepared by
UBC Investment Management Trust Inc. (IMANT).

Highlights

- The UBC Staff Pension Plan's investment portfolio earned 12.6% net of investment fees in 2019, exceeding its policy benchmark.
- The Plan's investment assets increased to \$1.96 billion as of December 31, 2019 from \$1.70 billion as of December 31, 2018. This growth in assets was mainly driven by the strong investment performance combined with cash inflows.
- Capital markets had a broad-based rally during 2019. Diversification across asset classes was key as investors concerns over trade tensions between the two largest global economies and monetary policy support by central banks took turns to influence the market sentiment. North American equity markets drove the recovery in asset prices with detailed returns being as follows:
 - The public equities portfolio gained 18%, lagging its benchmark return of 20.2% as defensive strategies did not keep pace with the risk-on market sentiment. Canadian equities rose by 18.0% while global and emerging market equities returned 20.2% and 12.0% respectively.
 - The fixed income portfolio which includes investments in long-term bonds, residual holdings of real return bonds, new allocation to mortgages and infrastructure debt returned 10.6%.
 - The Plan's alternative investments including real estate, infrastructure equity and private equity returned 9.6% in aggregate.

1-Year Returns

as of December 31, 2019



Investment Overview

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

The *Statement of Investment Policies and Procedures* 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 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.

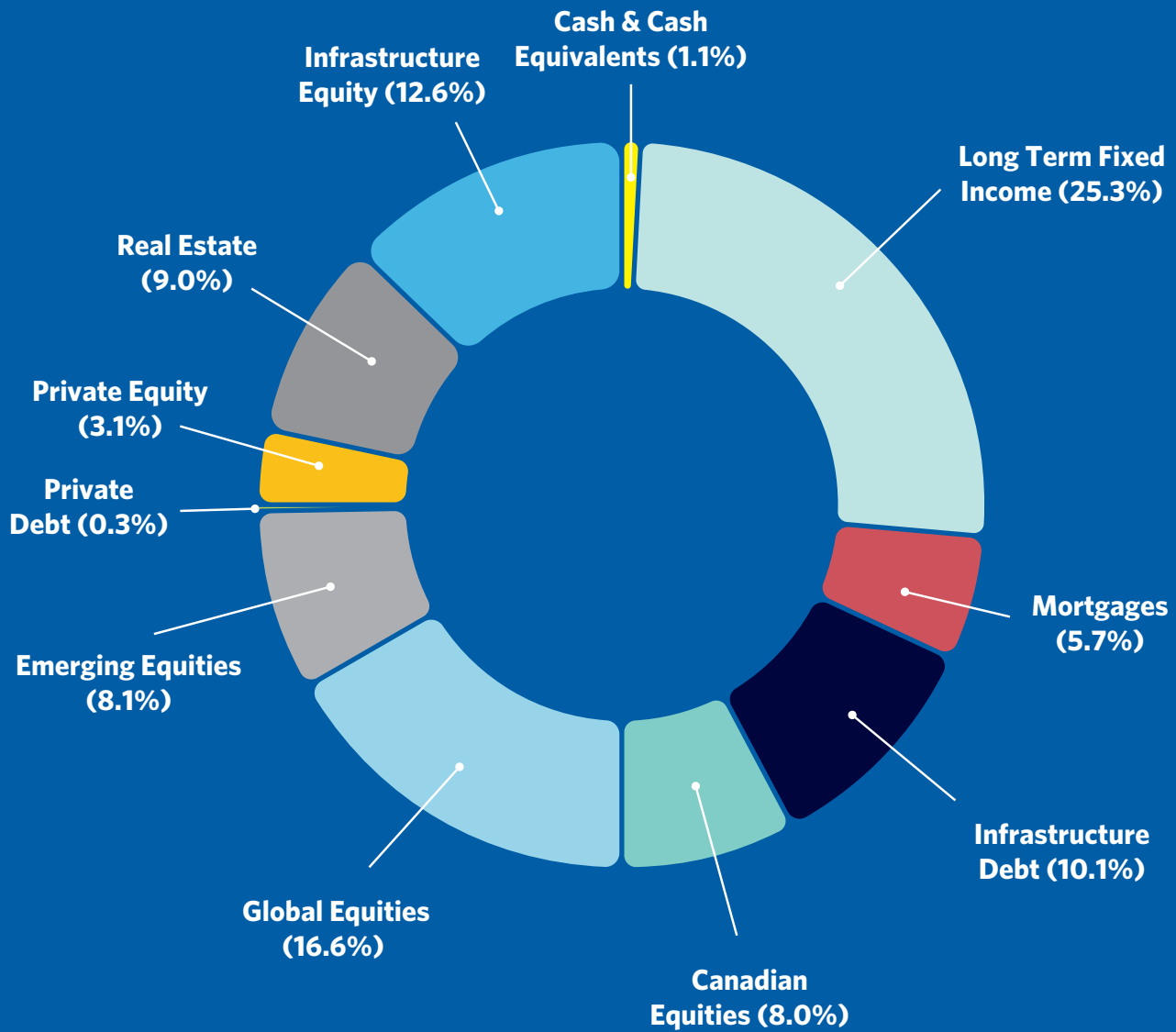
Investment Strategy

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 largest allocation is to long-term bonds, which provides a good 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.

During 2019, UBC IMANT transitioned the portfolio towards an updated asset mix effective January 2019. The change to the mix of public equities was executed, the 5% real return bonds allocation was eliminated, a new 5% mortgages allocation was invested, the allocation to real estate was reduced and an investment was made for the new global private debt allocation.

Staff Pension Plan Asset Mix

as of December 31, 2019



Responsible Investing

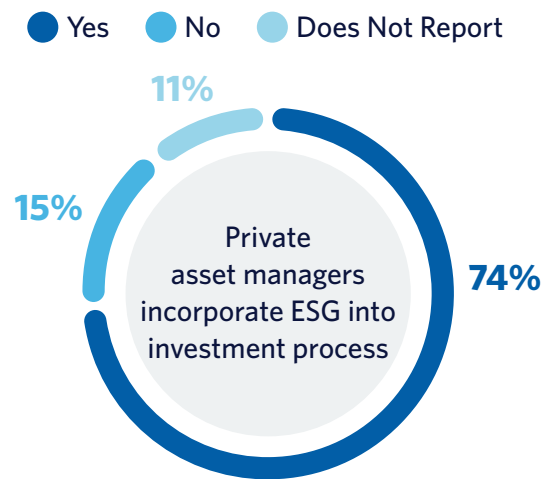
2019 was UBC IMANT’s fifth year of implementing a formalized approach to responsible investing. We view ESG considerations as part of our fiduciary duty to better understand all the risks that the SPP portfolio is exposed to.

As of the end of 2019, all public asset managers selected by UBC IMANT were signatories of the United Nations Principles of Responsible Investing (UN PRI). Among private asset managers, over three-quarters of our managers are UN PRI signatories.

As of the end of 2019, UBC IMANT has achieved nearly universal CO2 emissions transparency from the SPP’s public equity managers. This compares favourably to UBC IMANT’s first carbon footprint estimate in 2015 when, as early adopters of climate data transparency, we had to obtain the relevant data ourselves. Through this work we gained valuable insights on CO2 emissions data quality and coverage. Looking ahead, we will continue to work with our investment managers to harmonize reporting to better understand carbon exposure in the SPP’s investments.

Having made considerable progress in advancing ESG implementation in public equities, in 2019 we expanded our efforts to include fixed income and private assets such as real estate, infrastructure and private equity.

UBC IMANT’s manager engagement and selection process has resulted in nearly three quarters of the SPP’s private asset managers incorporating ESG into their investment decision making.



Responsible Investing (CONTINUED)

Meanwhile ESG transparency for private asset investing is on course to reach the level of ESG reporting by public equity managers. As of the end of 2019, two-thirds of UBC IMANT’s private asset managers provide responsible investing status updates. This is a considerable improvement as ESG adoption among private asset managers was not as prevalent in comparison to public assets.

Investing in infrastructure is rich with opportunities for ESG implementation. Through our external managers, the SPP is invested in fossil fuel free power generation ranging from solar and wind power generation through to biomass energy and hydro power. The SPP investments in renewable energy exceeded \$100 million by the end of 2019, considerably more than the Plan’s \$60 million exposure to oil and gas companies.

Active ownership and engagement are key components of responsible investing. Over the course of 2019, UBC IMANT’s managers were actively engaging with companies on a variety of ESG related issues. In Canada, these issues ranged from requiring companies to establish explicit policies with respect to unionization and collective bargaining to ensuring board and executive gender diversity. Internationally, managers worked to support the Task Force on Climate-Related Financial Disclosures to enhance disclosure of climate-related risks.



Learning about your Pension Benefits

There are many ways you can learn about your pension benefits, like reading our website, newsletter, and information sheets. Attending a workshop or a one-on-one meeting is another easy and effective way to learn about your pension benefits. Whether you are new to UBC, mid-career, or approaching retirement, we have a workshop that applies to you. The following are workshops and meetings offered to all UBC campuses by the Pension Administration Office:

Understanding your Staff Pension Plan

Understanding your Staff Pension Plan is an informative workshop that covers the Plan in detail as well as the retirement options available. All ages are welcome to attend. If you are close to retiring, you may want to consider booking a Retirement Information Session rather than attending the workshop, as we'll be able to review your specific situation including pension estimates.

Retirement Information Sessions (RIS)

One-on-one Retirement Information Sessions regarding your SPP benefits can be scheduled at any time with one of our senior administrators. It is recommended that you schedule a RIS if you are nearing retirement. You are encouraged to bring your spouse with you to the session so you both understand your options.

SPP Get Educated Seminars

Facilitated by a representative from the Pension Administration Office, Get Educated seminars are an opportunity for UBC staff to learn more about the SPP and ask pension-related questions in a group setting. Specific topics can be covered if requested in advance. We also may be able to accommodate a variety of group sizes and session times during the day.

To learn more or register for one of these sessions, please visit our website at staff.pensions.ubc.ca/workshops

Learning about your Pension Benefits

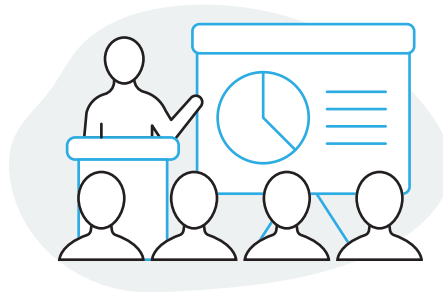
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In 2019, we held:

Understanding your Staff Pension Plan Workshops

25 in Vancouver **2** in the Okanagan **4** at hospital sites

67%
more sessions
in Vancouver
than 2018

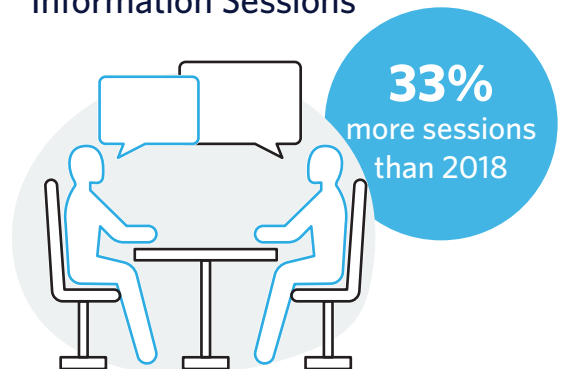


More off-site
sessions for your
convenience

4
Get Educated Seminars



277
One-on-one Retirement
Information Sessions



33%
more sessions
than 2018

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

Accessing your Pension Information Online

myPension is a secure website where you can view your personal pension information, beneficiaries, 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 consists 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
Laura O'Neill	BC Government and Service Employees' Union	January 1, 2020 to December 31, 2023
Mike Leslie	Director of Investments, UBC Faculty Pension Plan (Retired)	January 1, 2017 to December 31, 2020
Yale Loh	University Treasurer	March 4, 2019 to December 31, 2022

Elected Board Members		Current Term
Alan Marchant	UBC Advancement Services (Retired)	January 1, 2017 to December 31, 2020
Christie Stephenson	Executive Director, Dhillon Centre for Business Ethics, UBC Sauder Business School	January 1, 2019 to December 31, 2022
Michal Jaworski	Partner and Co-Chair, Higher Learning Practice Group, Clark Wilson LLP	January 1, 2017 to December 31, 2020
Shannon Dunn	Director, Business Operations, UBC Okanagan	January 1, 2019 to December 31, 2022

Who We Are (CONTINUED)

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
Shirley Lim	Project Coordinator