



THE UNIVERSITY OF BRITISH COLUMBIA

20 22 | STAFF PENSION PLAN ANNUAL REPORT





Table of Contents

01	Message from the Chair and Executive Director	07	Plan & Financial Highlights	14	Staff Pension Plan Asset Mix
03	Our Pension Promise	08	Governance and Risk Management	16	Responsible Investing
04	Membership Highlights	10	Investment Performance	18	Accessing your Pension Information Online
05	Connecting with Members	12	1-Year Returns	19	Who We Are

Message from the Chair and Executive Director

Remaining resilient and protecting stable lifetime pensions

We are pleased to present our 2022 Annual Report for the UBC Staff Pension Plan (also known as “SPP” or “the Plan”). As we enter into our sixth decade of operation, the SPP continues to be a well-funded and sustainable Target Benefit Plan, and it is one of the most valued benefits offered by UBC. The SPP Board’s strategic focus remains on the long-term sustainability of the Plan through protecting the valuable benefit that members have earned in the SPP and to provide stable lifetime pensions at retirement.

Enhancing member services and communication to deliver best member experience

Plan membership continues to grow at a steady pace. There was a notable increase in both the number of employees joining the Plan and members starting their pension in 2022. With a growing membership, along with adapting to changing times, we continue to evolve our member services and communication so that we can deliver the best experience to meet the needs of members. We are excited to offer more ways for members to connect with us and to learn about their pension from wherever they may be, online or in person. Our Member Services team at the UBC Pension Administration Office (PAO) has grown to expand our capacity to best serve members.

Focusing on the long-term sustainability of the Plan

Over the last year, the SPP Board continued to work on various priorities. Preparations began in 2022 for the Plan’s triennial actuarial valuation and the results will be available in the fall of 2023. The actuarial valuation will evaluate the financial health of the SPP and determine the Plan’s ability to pay both current and future benefits. The level of post-retirement indexing (otherwise known as a Cost-of-Living Adjustment) that the Plan can afford to pay on pensions for the next three years, from 2024 to 2026, is also determined during the valuation. The Plan uses inflation protection as a lever to keep the Plan sustainable and to protect the lifetime pension that pensioners receive from the SPP.

Responsible investing also continued to be a key area of focus for the SPP. A collaborative effort continues to be given by the SPP Board, UBC Investment Management, and the PAO staff and management to uphold our commitment to responsible investing. Our establishment of the SPP’s *Responsible Investing Policy* and becoming a signatory of the *United Nations Principles for Responsible Investing* are two key milestones on our responsible investing journey.

A resilient investment portfolio focused on providing stable lifetime pensions

In 2022, the global economy and markets experienced some unprecedented events. Inflation stayed stubbornly high, resulting in a series of interest rate increases. Military conflict continued in Europe and supply chain issues persisted throughout the year. These events created a unique environment where there were historic declines in both equity and bond markets, which have not been seen in over 40 years.

These challenges were reflected in the SPP portfolio with the fund earning a negative return of 6.0%, net of operating and investment fees. The SPP has not seen a negative return since the global market crisis in 2008. Despite the negative one-year return, our investment portfolio continues to perform in line with the policy benchmark over longer time horizons. While negative returns are not desirable, we continue to use a long-term approach to balance investment risk and return in order to provide stable lifetime pensions for our members. The SPP portfolio is broadly diversified and built to be resilient during times of uncertainty.



Pension board and leadership updates

An election was held in the fall of 2022, which saw Joanna Carson and Shannon Dunn elected to the SPP Board for four-year terms, and Michael Guimond elected for a two-year term. Christie Stephenson and Lia Cosco terms ended on December 31, 2022. Yale Loh was re-appointed to the SPP Board for another four-year term. We would like to thank both Christie and Lia for their time and contributions to the SPP and its members.

In 2022, we saw a leadership change at the PAO with Orla Cousineau, Executive Director, Pensions, retiring. Orla made many significant contributions during her time with the SPP, and the SPP Board and the PAO management and staff are extremely grateful to have been able to work with her over the last seven years. Derrick Johnstone was hired as the new Executive Director, Pensions. Having previously worked at the PAO, we were pleased to welcome Derrick back and we look forward to the comprehensive expertise and knowledge he will bring to the SPP Board and PAO team.

The SPP Board and management would also like to recognize and thank our PAO team for their continued hard work and dedication to the SPP. 2022 marked our first full year of a hybrid work model at the PAO. Our office is open regular business hours from Monday to Thursday for members to meet with our Member Services team, or to drop off forms. On Fridays, our team works remotely and is available by phone and email.

Lastly, our annual SPP Update presentation will be held online on Wednesday, June 14, 2023. We encourage all members to join us to hear the latest news and updates on their pension plan, and to ask questions of the PAO management.



Barry Gros

INDEPENDENT CHAIR,
SPP BOARD



Derrick Johnstone

EXECUTIVE DIRECTOR,
PENSIONS



Our Pension Promise

The UBC Staff Pension Plan is a Target Benefit Plan. A key feature of the Plan's design is the pension promise 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 Cost-of-Living Adjustments are subject to the Plan's ability to pay. Benefits are adjusted depending on whether the Plan is over-or underfunded.

Membership Highlights

MEMBERSHIP NUMBERS

Active members

10,740 62%

Pensioners

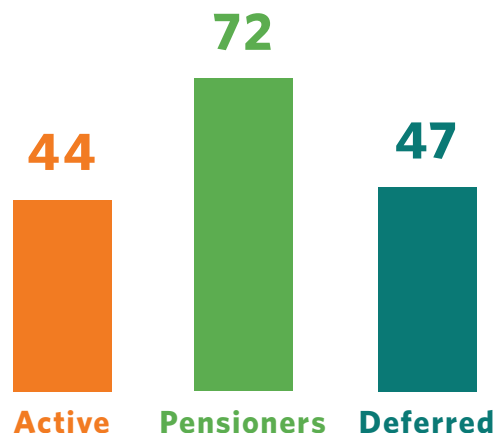
3,384 19%

Deferred members

3,387 19%



AVERAGE AGE OF MEMBERS



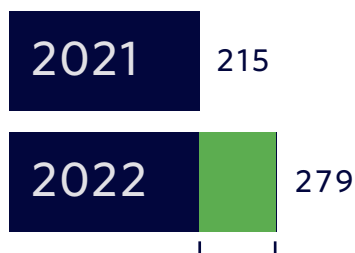
RATIO OF ACTIVE MEMBERS TO PENSIONERS

3 ● ● ● **1** ●
Active members FOR EVERY Pensioner

64 AVERAGE AGE OF MEMBERS
STARTING A PENSION IN 2022

279

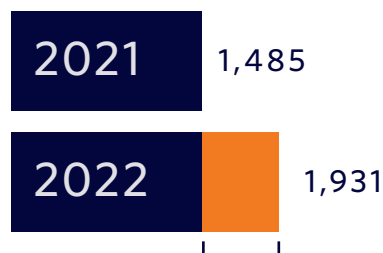
MEMBERS STARTED
A PENSION IN 2022



Increase of **30%**
from previous year

1,931

ENROLMENTS IN
2022



Increase of **30%**
from previous year

LONGEST PAID PENSION

44 YEARS

105 PENSIONERS OVER
THE AGE OF 90

16.4

AVERAGE YEARS OF
SERVICE FOR MEMBERS
STARTING A PENSION
IN 2022

Connecting with Members

Member experience is important to us and we want to help members learn about and understand how their pension plan works. As part of our commitment to delivering the best member experience, we are always creating new ways for members to connect and engage with us from wherever they may be, online or in person.

In 2022, here's how members connected with us:



Retiring soon? Attend a Retirement Information Session online or in person

If you are within a year of retirement, you are encouraged to attend a one-on-one retirement information session with one of our senior administrators. During this session, you will learn in detail about the specific pension options available to you.

Get Educated is back! Gather your colleagues for an informative, in-person seminar about the SPP.

A representative from the Pension Administration Office will come to your office to provide you an opportunity to learn about the SPP and ask pension-related questions in a group setting. Specific topics can be covered if requested in advance.

Register for a workshop or a retirement information session at ***staff.pensions.ubc.ca/workshops***

New in 2022



Pension Airwaves Podcast


Listen and learn from anywhere



Designating a Beneficiary Video


Learn why it's important to designate a beneficiary for the SPP.

What's next in 2023



myPension Redesign

Improvements and new features are coming to your secure member website.



New Videos

Our video library is growing with short and easy to watch educational videos.



Plan & Financial Highlights

TOTAL PENSIONS
PAID IN 2022

\$52M

AVERAGE
ANNUAL PENSION
PAID IN 2022

\$16,869

UNAUDITED
MARKET VALUE
OF THE PLAN
AT YEAR END

\$2.3B

CONTRIBUTIONS VERSUS DISBURSEMENTS
FROM THE PLAN AND NET CASH FLOW

\$119.6M
2022



Contributions
into Plan

8.9%
Increase
from 2021

\$78.3M
2022



Disbursements
from Plan

13.7%
Increase
from 2021

\$41.4M
2022



Net cash
flow

1.0%
Increase
from 2021

TOTAL
CONTRIBUTIONS
BY MEMBERS
IN 2022

\$49.1M

TOTAL
CONTRIBUTIONS BY
UBC AND RELATED
EMPLOYERS IN 2022

\$70.5M

Governance and Risk Management

Governance and risk management are important elements to ensure we are able to deliver our pension promise and to provide our members with secure and stable lifetime retirement pensions.

Strong Governance Model

The UBC Staff Pension Plan follows a governance model outlined in the Plan's *Terms of Reference and Governance Policy*. These policies outline the various duties and responsibilities delegated to the SPP Board by the UBC Board of Governors. The SPP Board meets several times a year to review and discuss topics such as the Plan administration, operations, governance and investments, and works closely with the University and the Plan's advisors to ensure the Plan is sustainable for the long term. Part of our governance model includes completing a Governance Report under the Terms of Reference, which is presented to the UBC Board of Governors on an annual basis.

The Plan is invested to provide stable lifetime retirement pensions in accordance with the *Statement of Policies and Procedures (SIPP)* approved by the SPP Board and the UBC Board of Governors Finance Committee. The *SIPP* outlines the investment strategy and overall framework for managing plan assets, which UBC Investment Management is responsible for implementing. UBC Investment Management is a professional investment management company that provides comprehensive portfolio management and advisory services to UBC. The SPP is one of the funds that they manage. UBC Investment Management employs a manager-of-managers approach, hiring top tier investment managers from around the world to manage strategies in accordance with the Plan's long-term strategic asset mix.

The SPP Board is also responsible for monitoring the Plan's compliance with the terms of the Plan in areas such as administration and funding, and as well as with the various regulatory bodies. One of the ways the Plan is evaluated is through an actuarial valuation, which occurs every three years. An actuarial valuation is currently underway and the results will be shared with members later in 2023.

Proactive Risk Management

The SPP Board is focused on proactive risk management through regular monitoring. Every quarter, each risk is categorized as either high, medium or low, with a rating of high triggering a discussion by the SPP Board. In 2022, there were no risks with a high rating.

Risks are monitored through various means such as:

- ▶ The Risk Dashboard and Register
- ▶ The Benefits/Funding Test
- ▶ Longevity Analysis
- ▶ Asset Liability Studies
- ▶ Annual Governance Report to the UBC Board of Governors

The SPP Board monitors seven risk categories:



Investment

The investment returns on the Plan's assets are regularly monitored through quarterly reports from UBC Investment Management.



Legal/Regulatory

A compliance checklist is used to complete a comprehensive annual review to ensure all regulatory requirements are satisfied.



Funding

Quarterly reports from the Plan's actuary help the SPP Board to stay on top of the Plan's funding status in between actuarial valuations. Actuarial valuations are performed every three years. A longevity analysis is completed on an annual basis to monitor changes in life expectancy for the membership.



Governance

The SPP Board reports annually to the UBC Board of Governors in accordance with the documented governance framework.



Member Communication

It is important to the SPP Board that all Plan members know the benefits that they are entitled to from the SPP and understand how the Plan works as a Target Benefit Plan. All communications and education are focused on this messaging.



Operational

Privacy and security of plan member data is a high priority for the SPP Board. The PAO works closely with UBC IT to monitor and minimize this risk. Internal processes and people resources are also monitored.



Strategic

The sustainability of the SPP requires that the Board take a long term strategic focus.

Investment Performance

Investment Highlights

- ▶ The SPP's investment portfolio generated a return of -6.0% net of operating and investment fees in 2022. This return was above the policy benchmark return of -14.3% over the same period. Our investment portfolio continues to perform in line with the policy benchmark over longer time horizons.
- ▶ The Plan's assets decreased to \$2.3 billion as of December 31, 2022, down from \$2.4 billion on December 31, 2021. The decrease in assets was driven by negative investment returns, partially offset by positive net cash inflows into the Plan.
- ▶ Capital markets experienced a turbulent year in 2022, as interest rates rose sharply amid high levels of inflation and elevated geopolitical risk reverberated throughout the global economy. As a result of this "risk-off" investment environment, global equity markets suffered a strong drawdown while the increase in market interest rates resulted in negative returns to traditional fixed income strategies. Despite investor concerns about the impact of higher interest rates and inflation, underlying economic activity was solid through 2022, which continued to benefit real assets investments such as real estate and infrastructure.
- ▶ The Plan holds a diversified portfolio of public and private market investments that are designed to grow with the Plan's liabilities over the long term. Amid volatile market conditions, UBC Investment Management continues to monitor investment markets carefully and maintains regular communications with the Plan's investment managers.

The SPP's investment portfolio return net of operating and investment fees in 2022

SPP	-6.0%
Benchmark	-14.3%

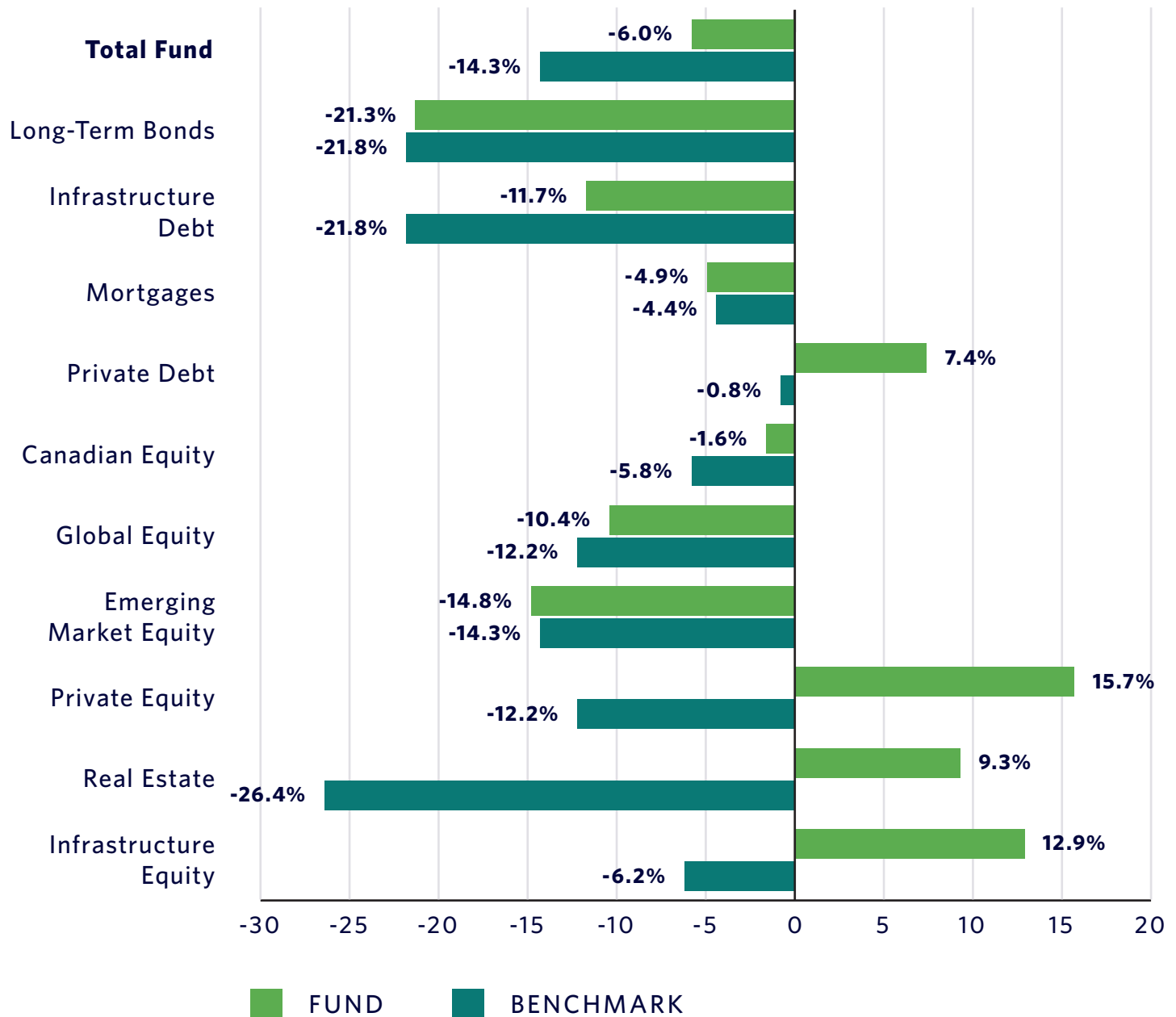


- ▶ The SPP portfolio generated a negative overall return in 2022, reflecting volatile conditions in capital markets, with detailed returns across asset classes as follows:
 - ◆ The Plan's overall equity portfolio generated a return of -7.2% in 2022, outperforming its benchmark return of -11.1%. In public equity strategies, which includes Canadian, Global and Emerging Markets allocations, the equity portfolio returned -9.8% in 2022 compared to the benchmark return of -10.9%. Partially offsetting the negative return in public equity markets, the Plan's private equity portfolio continued to generate strong positive returns in 2022.
 - ◆ The Plan's fixed income portfolio, which includes investments in long-term bonds, infrastructure debt, mortgages and private debt suffered a loss of -13.4% in 2022. The negative return reflects the sharp increase in global interest rates in response to high inflation. The fixed income portfolio return outperformed the overall fixed income benchmark return of -16.7%.
 - ◆ The Plan's allocation to real asset investments, which include real estate and infrastructure equity, generated a strong overall return of 11.3% in 2022.



1-Year Returns

DECEMBER 31, 2022



The performance of each investment manager is measured against a benchmark with the goal of meeting or exceeding those returns, after fees, 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 strategic asset mix policy includes allocations to fixed income, equities and real assets, such as infrastructure equity and real estate. Within the fixed income asset class, the largest allocation is to long-term bonds, which are held to provide diversification benefits to the portfolio. Fixed income investments also include private debt and mortgages, which offer a higher yield than long-term bonds and are less sensitive to changes in market interest rates. Allocations to public equities and real asset investments are expected to generate higher long-term returns than fixed income investments but may lead to higher volatility. Real assets 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.

Changes to the Plan's portfolio to enhance diversification and improve future expected returns

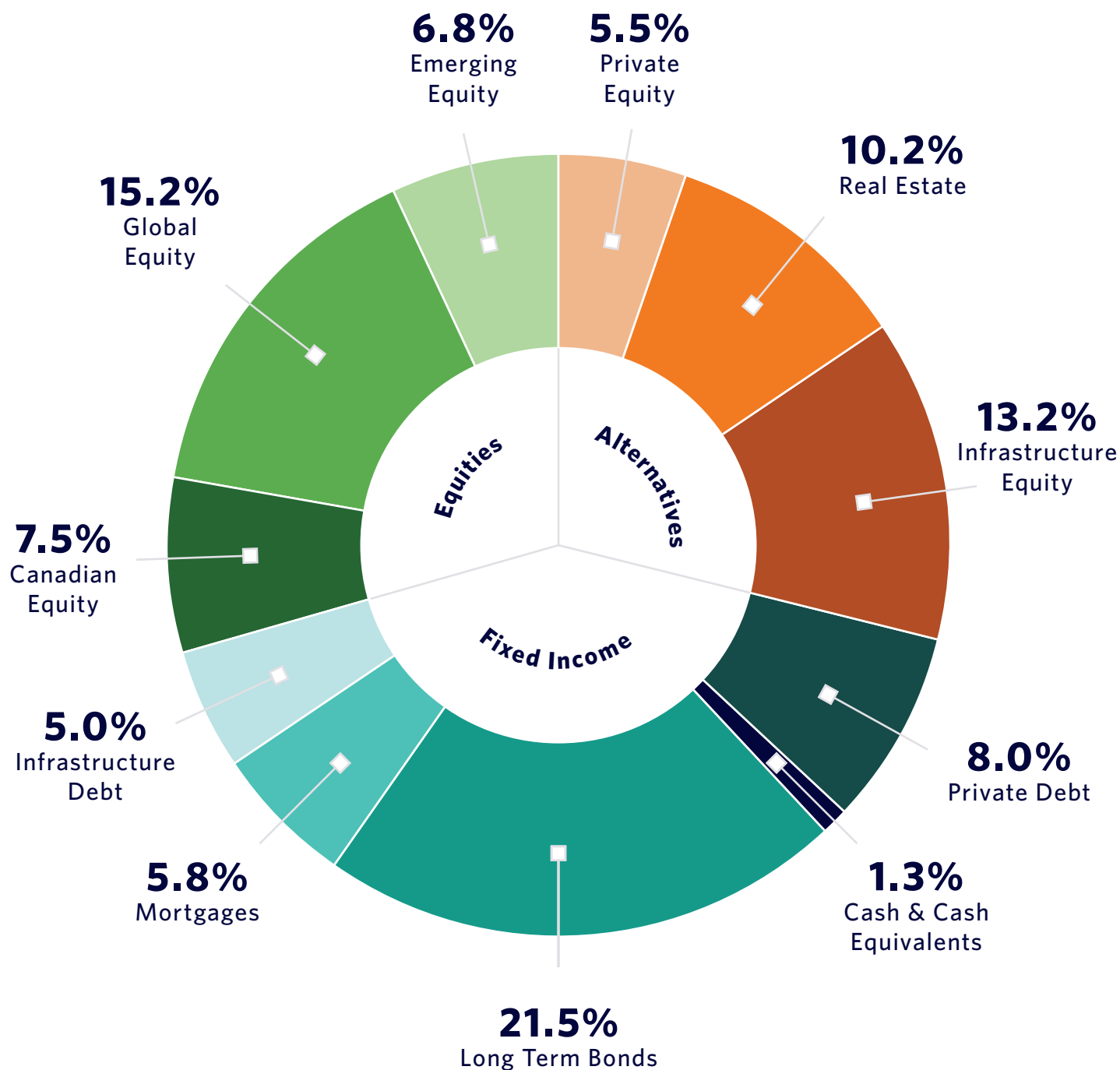
In 2022, UBC Investment Management continued to invest the Plan's portfolio in accordance with the strategic asset mix, reaching the Plan's target portfolio weights that were established by the SPP Board in 2019. Additional commitments were made to private debt, private equity, real estate and infrastructure funds in 2022 with a focus on enhancing diversification within the Plan's private market investments. UBC Investment Management undertook a restructuring of the Plan's equity portfolio construction in 2021 and continued to allocate funds to new investment managers through the first half of 2022. The new investment manager line up is expected to generate stronger performance compared to the equity portfolio benchmarks.



Staff Pension Plan

Asset Mix

AS OF DECEMBER 31, 2022



Investing for the long term

The purpose of the SPP is to provide stable retirement pensions for the lifetime of our members. Although we evaluate our investment performance on an annual basis, our approach is to focus on long-term performance.

Net Rate of Return

5.3%

4 YEAR

6.7%

10 YEAR

5.6%

25 YEAR

The net rate of return is the rate of return earned by the SPP Pension Fund after accounting for gains, losses and all operating and investment expenses.



Responsible Investing

Responsible investing plays an important role in the management of the SPP pension fund and in keeping the Plan sustainable for the long term. This is an ongoing area of focus for the SPP Board and we are committed to communicating our progress as we continue on this journey.

Key Milestones on our Journey so far



Establishing a Responsible Investing Policy

Our *Responsible Investing Policy* is part of the Plan's *SIPP*. It confirms the SPP Board's commitment to integrating Environmental, Social and Governance (ESG) factors into the Plan's investment decision making process.



Signatory of the United Nations Principles for Responsible Investment (UNPRI)

We're part of a globally recognized community seeking to build a more sustainable financial system. As a signatory, the SPP is committed to the six principles of responsible investing outlined by the UNPRI.



In 2022, the SPP Board, UBC Investment Management, and the UBC Pension Administration Office management and staff continued to work on various initiatives to support responsible investing. These initiatives included:

- ▶ **Maintaining status with the UNPRI.** In order to maintain our signatory status with the UNPRI, we are required to report annually to them on our responsible investing activities.
- ▶ **Leveraging best practices.** The responsible investing landscape is constantly evolving and changing. The Board continued to meet with peer leaders and industry experts to gain further responsible investing knowledge and insights.
- ▶ **Regular monitoring and assessment of the SPP Investment Funds.** UBC Investment Management reports quarterly to the SPP Board on key areas such as climate change risk (carbon footprint and intensity), and the responsible investing activities of the external investment managers, who invest the SPP funds. UBC Investment Management also reviews and evaluates each external investment manager annually, based on their level of ESG integration and residual risk of ESG and climate change. In 2022, slight improvements were noted overall in the SPP portfolio.
- ▶ **Member communication and transparency.** The SPP Board is committed to communicating openly and transparently about our responsible investing activities. We continue to communicate and provide updates on our responsible investing activities through our annual SPP update presentation, newsletters, annual report, workshops, and website.



Accessing your Pension Information Online

myPension is a secure website where members can view their personal pension information, beneficiaries, annual pension adjustment and service accruals as well as run their own pension estimates to better understand pension income for retirement planning. They can also update their communication preferences for their annual member statement. myPension is available 24/7.

For details on how to access and use myPension, visit **staff.pensions.ubc.ca/mypension**



Did you know?

Subscribing to an electronic annual statement is not only kinder to the environment, but it also keeps more money in the SPP as it reduces costs.

Members can opt out of paper statements by signing into myPension and selecting the Communication Preferences tab to change their preference.



Who We Are

Pension Board

The SPP Board comprises eight board members (four elected by the membership and four appointed by the UBC Board of Governors) and an independent non-voting chair.

Appointed Independent Non-Voting Chair		Current Term
Barry Gros	Retired Actuary	January 1, 2022 to December 31, 2023

Appointed Board Members		Current Term
Jerry Chen	Associate Vice-President, Human Resources, UBC	January 1, 2022 to December 31, 2025
Kamila Giesbrecht	Executive Director, Investments, UBC Faculty Pension Plan	January 1, 2021 to December 31, 2024
Yale Loh	Treasurer, UBC	January 1, 2023 to December 31, 2026
Laura O'Neil	B.C. General Employees' Union	January 1, 2020 to December 31, 2023

Elected Board Members		Current Term
Joanna Carson	Chief Financial Officer, TRIUMF	January 1, 2023 to December 31, 2026
Shannon Dunn	Director, Business Operations, AVP Finance & Operations Portfolio, UBC Okanagan	January 1, 2023 to December 31, 2026
Michael Guimond	Director of Finance, Faculty of Pharmaceutical Sciences, Dean's Office, UBC	January 1, 2023 to December 31, 2024
Paul Kwon	Finance Manager, UBC Hiring Solutions	January 1, 2021 to December 31, 2024

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.

Derrick Johnstone	Executive Director, Pensions
Debbie Wilson	Director, Pensions
Margaret Leathley	Pension Administrator
Betty Jay	Member Services
Carol Brodie	Member Services
Carol Liao	Member Services
Pravin Khan	Member Services
Selma D'Silva	Member Services
Louise Mah	Pension Clerk
Anna Ha	Pension Analyst
GV Fragante	Systems Analyst
Helena Huynh	Systems Analyst
Kathy Pang	Communications Manager, Pensions
Chelsey Maher	Communications Coordinator, Pensions
Maricres De Leon	Pension Plan Accountant
Megha Gupta	Administrative Assistant
Nishtha Sharma	Administrative Assistant

Photos courtesy of: Paul H. Joseph, UBC Brand & Marketing | Margo Yachesyn, University Relations | UBC Pension Administration Office