



# Pension Airwaves

## Episode 12 - Annual Plan Updates (*Transcript*)

Today we're going to touch on a couple of important items that we aim to provide members annually. The first is the **SPP Annual Report**, which is a document that comes out every spring, usually in May or June of every year. The second is the **SPP Update** presentation, and that's a real-time online presentation from the Staff Pension Plan, and it usually takes place shortly after the Annual Report comes out.

Today I have Derrick Johnstone, our Executive Director, Pensions, to discuss these items a little bit more, including what kinds of annual info we provide for members and why we think it's important. So thank you very much Derrick for joining me today to discuss!

**Derrick:** Thank you very much, Chelsey, it's always nice to be here.

**Chelsey:** Tell us a little bit about the SPP Annual Report.

**Derrick:** The Annual Report is basically the highlight reel for the Plan year. It reports on many issues and statistics from the Plan, and it presents them all in a pretty easy-to-read manner for Plan members.

**Chelsey:** Do other pension plans tend to release annual reports, or is type of thing unique to us?

**Derrick:** It's not unique to us, but we have been doing it for a long time. In fact, the Annual Report started as a report to the Pension Board of the Staff Pension Plan, and it was realized that it was such a good and valuable report that we released it to members as well. So, although other Plans have started doing it in recent years, we've been at it quite a while.

**Chelsey:** What type of information is typically included in an annual report like ours?

**Derrick:** Sure, that's a great question. Members will find, first of all, an overview of the Plan, and highlights that will have happened over the past year. So, we'll have statistics on membership, financial information, fund performance, we'll talk a bit about governance and risk of the Plan and how it's managed, certainly any Plan changes, we'll talk about current Board members, and as well, the members of the Pension Administration Office.

**Chelsey:** Why would you say that this information is important to the Plan, or to the Pension Office?

**Derrick:** I think it's important because it's a quick snapshot for members [to] take a few minutes, take a look at it, and help them understand what their Plan is, and also what it isn't. Of course, the Staff Pension Plan is a very large piece of overall staff compensation at the University, and for many members it will form a very big piece of their retirement income when they finally retire. So it's important to understand that this Plan is governed well, is professionally managed, and the report just gives members a bit of an insight as to what's happening for their Plan.

**Chelsey:** You know, we just had an episode with Debbie Wilson (Director, Pensions) regarding another annual piece of information that we give to members, the SPP Annual Statement. Something I brought up to her about the statement touched on the fact that much of this information does seem to be applicable to members who are already thinking about their retirement, or who might already be financially literate, but what about younger members who are still far from retirement or who aren't really thinking about their future savings goals yet... you know, why do we want them to regularly look at their annual statement as well?

And Debbie brought up a great point in that members, regardless of age, regardless of where they are in their career, are really encouraged to treat the statement kind of like a nudge — once a year, think about it like an annual task, and just get in the habit of expecting it and reviewing it annually, so that when you're at a point in your career where your retirement plan *is* your focus, you'll already be equipped with a healthy understanding of how the SPP fits in with that, and what your figures might look like.

So, perhaps the Annual Report could fall into a similar category in that it's a great annual nudge to encourage all members to stay updated on how their Plan is doing, even if they're still mid-career, or even near the beginning of their career.

**Derrick:** I think looking at it as a nudge is a great way to think about it. Annual Statements — that's a regulatory requirement of all pension plans, and it reads a lot like something that lawyers designed: it gives you the information you need, and it checks a bunch of boxes. But, our Annual Report is written so that all of our members can quickly read & understand it, it has good charts in it, it has updates from what has happened in the Plan, that a two-page Annual Statement simply can't provide. So it really is, as you say, it's a nudge, a reminder for members, whether they're starting their careers with UBC, or finishing their careers at UBC, that this Plan is there, and it tells you just a little bit about what's happening in the background.

**Chelsey:** Would you like to touch on some of the highlights of the 2022 Annual Report that we produced this year?

**Derrick:** One of the things I think we should point out is that the Plan is cash-positive, and that means there are more contributions coming into the Plan than there are benefits being paid out. And that's fairly unusual for pension plans that have been around [for] over 50 years like the SPP has been. In fact, we have three active members for every retiree, and that's a very healthy ratio. Many [pension] plans will have the opposite of that, which means that if they ever were to move into a deficit type of situation, there's really so little room for them to move.

Another item I think is interesting, is that there has been significant growth in Plan memberships over the years. That's indicative of what's happening at the University more broadly, but it reflects itself in our Plan membership. And I think we should probably mention that 2022 was a poor year for investments across the board in capital markets. The SPP was no different, and that's okay - we manage the Plan for the long term. We did, in fact, beat our benchmarks for the year, but one year of poor returns is expected. That's simply part of investing in the markets, and we do expect this to happen from time to time.

**Chelsey:** I think looking back at challenging times, we can often see that there are sometimes blips on the map, so to speak -- like in 2008 or previous -- but would you say there often seems to be a rebound effect after difficult years like that?

**Derrick:** Often there are. Of course, 2008 was the great financial crisis, so hopefully we won't have another repeat of that any time soon. But in 2022, people just have to remember that there was a war started in Europe, there were massive supply chain issues, the world was coming out of the COVID-19 pandemic... there were a lot of headwinds to strong investments. As well, we saw interest rates in Canada, and most of the industrialized world, start to ratchet up very quickly, and markets had to adjust to that. So that's what we saw and experienced in 2022.

**Chelsey:** So, I think one of the main takeaways we can get from the Annual Report is that the Plan is well-managed, and strong enough to move through some of these events with a certain amount of stability and foresight.

**Derrick:** Oh, absolutely. People should remember that pension plans are not only reviewed in terms of, not year by year, but decade by decade. This Plan has to forecast out cash flows and benefit payments out for 20 years or more, and that's what the [SPP] Board does, alongside the Plan's actuaries, the Plan's investment manager (UBCIM), so... one year, it's a blip that happens from time to time, and as you point out, often following that, markets rebound and start to move positively again.

**Chelsey:** So, if members would like to check out the Annual Report, where should they go?

**Derrick:** Members should definitely go check it out on our website. They'll get an [email] notice when it's been posted, and they can find the 2022 Annual Report there along with previous years' annual reports, if they need a little extra reading on the Plan.

**Chelsey:** Yes. And speaking of email notifications, we usually tell members about the SPP Update presentation around the same time as the Annual Report, because they do tend to coincide timing-wise.

**Derrick:** That's right. This year, the SPP Update will be on June 14. Now, some of you who have been around a little longer might remember that we used to have a Pension Fair. That's how this started... in fact, I think even prior to that, it started as a little open house in a tiny little office somewhere on campus that was the Pension Office back in the day. But then as we grew, we found a large room, we welcomed members and Board members and Plan staff in.

The pandemic moved us online, and when we went online for the [SPP] Update, we found that we could reach many more of our members. Of course not everyone is based on the Point Grey campus, we have members in the Okanagan and members at other sites in the lower mainland and around BC. And even then, people just aren't necessarily able to leave their place of work to come to a big meeting room and hear from staff, so the ability to join in online has been a great advantage, so that's where we're going to stay, at least for the time being.

**Chelsey:** That makes a lot of sense. We've had member feedback expressing their support for our online workshops, info sessions and other events, in that it seems to be quite inclusive, easy to join, and accessible from all campuses and locations.

**Derrick:** That's right, and even in addition to that, we have the session recorded, and people can come back to it when they have time.

**Chelsey:** Yes -- we encourage you to register for the SPP Update when you're invited to, or you can look on the website for a news posting about it. Even if you can't attend in real time, we do send registrants an email once the video has been posted, so you can check it out when you have time.

I think that's a good place to wrap up regarding these two important sources of annual update information for SPP members -- the Annual Report, and the SPP Update presentation. Thanks again Derrick for your time and for chatting to us today about both of these really valuable resources.

**Derrick:** Thanks Chelsey! I hope members will take a moment or two to read the Annual Report, and on June 14, join us for the live SPP Update.

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