

<b>SUBJECT</b>	<b>UBC FACULTY PENSION PLAN AUDITED FINANCIAL STATEMENTS 2016</b>
<b>MEETING DATE</b>	<b>SEPTEMBER 21, 2017</b>

Forwarded to the Board of Governors on the Recommendation of the President

**APPROVED FOR  
SUBMISSION**



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 Santa J. Ono, President and Vice-Chancellor

**For Information**

<b>Report Date</b>	July 19, 2017
<b>Presented By</b>	Lisa Castle, Vice-President, Human Resources Orla Cousineau, Executive Director, Pensions

**EXECUTIVE SUMMARY**

UBC Faculty Pension Plan Financial Statements for the year ending December 31, 2016 received an unqualified audit opinion from Deloitte LLP.

The Balanced Fund, which holds 82% of the Plan’s assets, had a return of 6.1% in 2016 and ranked in the fourth quartile relative to other similar balanced funds. The Fund often underperforms other balanced funds when stock returns are high given the more conservative asset mix of the Balanced Fund. (i.e. less equity weighting at 50% on average than its peers). The higher percentage weighting to non-Canadian equity than many of its peers also explained some of this relative underperformance. The foreign equity component returned 3.2% in 2016 after returning almost 20% in 2015. The real estate component performed reasonably well at 5.7% for the year.

In 2016, there were a number of changes made to the Plan’s investment structure. These included:

- removing one of the Canadian Equity managers (PCJ) due to underperformance & reallocating its assets to the remaining three managers; and
- adding two new Foreign Equity mandates, a Global Equity & Global Low Volatility Equity Fund, both managed on a passive basis (BlackRock). The mandate for US Equity only (also BlackRock) was terminated.

These changes affected the Balanced Fund, Canadian Equity Fund, and Foreign Equity Fund options.

Sun Life Financial became the recordkeeper and custodian for the Faculty Pension Plan effective June 1, 2015. The Plan is co-administered by the UBC Pension Administration Office and Sun Life.

The Financial Statements are filed with the Board Secretary.

**INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED**

- Learning     
  Research     
  Innovation     
  Engagement  
 (Internal / External)     
  International
- or  Operational

**DESCRIPTION & RATIONALE** The Board of Trustees of the UBC Faculty Pension Plan has governance and fiduciary responsibilities for the administration of the Plan. Pursuant to the terms of the Trust Agreement and the Plan Text the Trustees are required to arrange for an independent annual audit of the Plan’s Financial Statements and to provide a copy to the Board of Governors.

**FINANCIAL** The Plan’s audited Financial Statements for 2016 have also been filed with the Superintendent of Pensions.

**Appendix: UBC Faculty Pension Plan - Plan Summary**

- The Faculty Pension Plan, established April 1, 1967, is a money purchase trusteed pension plan for members of the academic and administrative executive staff of the University.
- The administration of the Pension Plan is the responsibility of the Board of Trustees of the Faculty Pension Plan, as stated in the Trust Agreement made between the University and the Trustees.
- The University has no liabilities with respect to the Plan, except for the ongoing remittance of monthly contributions, as per the fixed contribution formula (approximately 9.4% of earnings).
- Effective June 2015 Sun Life became the recordkeeper and custodian for the Plan. The Plan is now co-administered by the Pension Administration Office in Human Resources and Sun Life.

**Facts at a Glance (as at December 31, 2016)**

(\$ Figures in millions)	2016	2015	2014	2013	2012
Total Membership	5,990	5,868	5,772	5,660	5,570
Active Members	3,412	3,427	3,391	3,419	3,422
Deferred Members	1,527	1,480	1,506	1,462	1,457
Retired Members	1,051	961	875	779	691
Total Fund Value	\$2,139	\$2,009.2	\$1,927.3	\$1,748.1	\$1,543.7
Total Contributions + Transfers-in	\$70.9	\$63.8	\$64.5	\$66.3	\$57.7
Retirement Benefits Paid	\$49.1	\$45.7	\$37.7	\$29.0	\$23.0
Refunds and Transfers Out	\$27.4	\$45.6	\$34.6	\$37.0	\$26.1

Annual Gross Rates of Return to December 31, 2016 (%)	2016	2015	2014	2013	2012
<b>Balanced Fund</b> <i>(10-year gross rate of return: 6.10%)</i>	6.05	6.56	11.44	13.77	10.14
<b>Bond Fund</b> <i>(10-year gross rate of return: 5.09%)</i>	1.75	3.54	9.62	-3.58	4.37
<b>Canadian Equity Fund</b> <i>(10-year gross rate of return: 6.30%)</i>	21.25	-6.75	10.72	20.33	11.52
<b>Foreign Equity Fund</b> <i>(10-year gross rate of return: 5.71%)</i>	3.18	19.55	16.23	36.81	16.46
<b>Short Term Investment Fund</b> <i>(10-year gross rate of return: 1.53%)</i>	0.67	0.96	1.27	1.36	1.26
Operating Expenses as a % of the fund	0.11	0.11%	0.11%	0.11%	0.11%
Investment Expenses as a % of the	0.39	0.39%	0.40%	0.39%	0.46%