

SUBJECT	UBC STAFF PENSION PLAN REPORT
MEETING DATE	SEPTEMBER 21, 2017

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

**APPROVED FOR
SUBMISSION**



Santa J. Ono, President and Vice-Chancellor

	For Information
Report Date	August 4, 2017
Presented By	Lisa Castle, Vice-President Human Resources Orla Cousineau, Executive Director, Pensions

EXECUTIVE SUMMARY

As part of its regular duties, the UBC Staff Pension Plan (SPP) Pension Board provides summary reports to the Board of Governors on key Plan developments.

1. Actuarial Valuation

An actuarial valuation was completed as at December 31, 2016, to determine the funded position of the Plan, and its compliance with the new funding requirements under the *Pension Benefits Standards Act ("PBSA")* for target benefit plans.

The actuarial valuation as at December 31, 2016, determined the Plan's funded ratio on a going concern basis was 120%. The Benefits/Funding Test that is performed as part of the valuation, to assess the long-term sustainability of the Plan, determined the Plan has a Benefits/Funding test margin of 12.1%, which permits the Plan to continue to provide 50% indexing of pension benefits.

The actuarial valuation also assessed whether the Plan meets the new PBSA funding requirements:

- The required PBSA margin is 18.0% at December 31, 2016.
- There is a small shortfall of \$800,000 for 2017 in meeting the Contribution Adequacy Test for future service, which can be met by the proposed employer contribution increase.
- Under the Past Service Improvement Test the Plan has a going concern surplus of \$199 million, and is able to support 50% indexing on accrued benefits.

2. Plan Member Communications

The Plan's 2016 Year in Review Report for members was posted on the Plan's website in May 2017. A copy of the 2016 Year in Review Report produced for the UBC Staff Pension Plan Board members ("Pension Board"), UBC Board of Governors and University Administration is on file with the Board Secretary. The annual Pension Fair that occurred on June 21, 2017 was well attended.

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

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

DESCRIPTION & RATIONALE An actuarial valuation was completed as at December 31, 2016 to determine the funded position of the Plan, under the new funding requirements under the *Pension Benefits Standards Act* for target benefit plans.

The following is a summary of valuation results:

Funded Position of the Plan (\$M)	Dec 31 2013	Dec 31 2016
Discount Rate	6.20%	5.75%
Market Value of Assets	\$1,089.8	\$1,486.2
Going Concern Liabilities ¹	\$930.2	\$1,193.2
Funded Ratio (Going Concern)	116.1%	120.3%
B/F Test - Margin	12.9%	12.1%
PBSA Required Margin ² (Going Concern Plus)	n/a	18.0%

¹ Includes future indexing at 50% of CPI

² Does not include future indexing

New PBSA Funding Requirements

Contribution Adequacy (\$M)		Past Service Improvement (\$M)	
Contributions (A)	62.6	Assets (A) (market value)	1,486.2
- Benefit Accrual (B) (no indexing, no expenses)	53.7	- Liabilities (B) (0% indexing)	1,091.0
- Required Margin (C) (18.0% of Benefit Accrual)	9.7	- Required Margin (C) (18.0% of Liabilities)	196.4
Difference (A-B-C)	\$(-0.8)	Difference (A-B-C)	\$198.8

Note: Expenses not included in either past or future service tests.

Going Concern Surplus (\$198.8M) can be used to:

- meet future expenses over next 25 years (\$32.8M)
- provide 50% indexing (\$102.2M)

The 2016 valuation report must be filed with the pension regulator by September 27, 2017. It is important the Actuary be able to reflect the proposed increase to the employer contribution rate in the valuation report.

The Pension Board is focused on the long-term management of the Plan and has directed the Actuary to do a Sustainability Study, which will include an analysis of different asset mixes.

The results of the Sustainability Study will be considered by the Pension Board as part of their review of the Plan’s asset mix and investment strategy.

Any changes arising out of the Study to the Plan’s asset mix and investment strategy, will be presented for approval at the Board of Governors meeting in December 2017 or February 2018.

<p>FINANCIAL Funding Sources, Impact on Liquidity</p>	<p>UBC is responsible for making fixed employer contributions to the Plan as defined in the Plan text.</p>
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