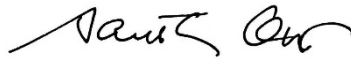


<b>SUBJECT</b>	<b>UBC STAFF PENSION PLAN ANNUAL GOVERNANCE REPORT</b>
<b>MEETING DATE</b>	<b>APRIL 19, 2018</b>

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

<b>FOR INFORMATION</b>	
<b>Report Date</b>	March 20, 2018
<b>Presented By</b>	Barbara Meens Thistle, Vice-President Human Resources Orla Cousineau, Executive Director, Pensions

**EXECUTIVE SUMMARY**

**1. Staff Pension Plan Annual Governance Report for the calendar year 2017**

On an annual basis, the UBC Staff Pension Plan Pension Board (the “Board”) provides a report to the UBC Board of Governors on the Plan’s compliance with applicable laws, the Plan’s internal policies, including the Board’s Terms of Reference, the Plan’s Governance Policy and the Statement of Investment Policies and Procedures.

The Board has reviewed and approved the 2017 Annual Report, and confirms the UBC Staff Pension Plan (the “Plan”) is compliant with legislation, internal governance policies, and regulatory guidelines.

Attached: Annual Report from the Staff Pension Plan Board for the calendar year 2017

**INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED**

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

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<b>DESCRIPTION &amp; RATIONALE</b>	The Annual Report confirms there is a robust governance structure in place, and that the Board of Governors is discharging its oversight responsibility for the UBC Staff Pension Plan.
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**The University of British Columbia**

**Staff Pension Plan**

**Annual Report from Staff Pension Board**

**for the calendar year**

**2017**

Approved by the UBC Staff Pension Plan Board  
on February 27, 2018

# The University of British Columbia Staff Pension Plan

## Annual Report

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### 1 PURPOSE OF THIS REPORT

The University of British Columbia (the “**University**”) sponsors the University of British Columbia Staff Pension Plan (the “**Plan**”). The Plan provides benefits to non-faculty staff of the University and several related employers and bargaining agents. The Plan is registered under the *Pension Benefits Standards Act* (British Columbia) (the “**PBSA**”) and the *Income Tax Act* (Canada) (the “**ITA**”). It is a target benefit plan design, which means that benefit levels are defined, and the Plan is funded by fixed contributions from the Plan members and the University, as defined in the Plan text. The University contribution rate is 9.13% of pensionable earnings, and increasing to 9.4% effective October 1, 2018. The employee contribution rate is 6.5% of pensionable earnings. A benefits funding test is used to enable the coordination of benefit levels and available funding.

The University of British Columbia Staff Pension Plan Pension Board (the “**Pension Board**”) has been established to perform administration duties related to the Plan and to oversee the Plan’s compliance with governing legislation and regulatory guidelines. The Pension Board meets at least four times per year to oversee the administration of the Plan, supervise agents, review and direct the investment of the Plan’s assets, receive reports and provide direction in respect of projects that the Pension Board has initiated. The Pension Board meetings are minuted.

As part of its regular duties the Pension Board completes this Annual Report to update the Board of Governors on key plan developments, including investment and funding matters.

### 2 OVERVIEW OF PLAN ADMINISTRATION

The UBC Board of Governors will receive the “Staff Pension Plan 2017 Annual Report” in May 2018. This is the Pension Board’s annual report to the members and Plan stakeholders. It will focus on the long term sustainability of the Plan, and provide an update on the Plan’s investments and the most recent actuarial valuation.

As of December 31, 2017, the Pension Board was comprised of the following individuals:

Name	Position	Term
Barry Gros	Independent Chair (non-voting)	February 15, 2016 – December 31, 2017
Mike Leslie	Appointed Board Member	January 1, 2017 – December 31, 2020
Alan Marchant	Elected Board Member	January 1, 2017 - December 31, 2020
Michal Jaworski	Elected Board Member	January 1, 2017 – December 31, 2020
Laura O’Neill	Appointed Board Member	February 15, 2016 – December 31, 2019
Peter Smailes	Appointed Board Member	January 1, 2015 – December 31, 2018
Brian Evans	Elected Board Member	January 1, 2015 – December 31, 2018
Karen Ranalletta	Elected Board Members	January 1, 2015 – December 31, 2018

## UBC Staff Pension Plan Pension Board Annual Report

Name	Position	Term
Jay Parker	Appointed Board Member	January 1, 2014 – December 31, 2017

### 2.1 Key Pension Administration Office Personnel

As of December 31, 2017, the Pension Administration Office was comprised of the following key individuals:

Name	Title
Orla Cousineau	Executive Director, Pensions; Secretary to the Board
Debbie Wilson	Director, Pensions
Kathy Pang	Communications Manager
Maricres De Leon	Pension Plan Accountant

### 2.2 Plan Service Providers

Service Provider	Duties
Aon Hewitt (Actuary)	Provides professional advice on Plan funding, funded status and related matters; performs actuarial valuations and other filings; annual review of pension administration system.
UBC Investment Management Trust Inc. (Investment Manager)	Implements investment directions in the Statement of Investment Policies and Procedures (SIPP), reviews investment performance and advises Pension Board on investment matters
PBI Actuarial Consultants Ltd. (Asset Consultant)	Provides independent investment advice on SIPP.
The Northern Trust Company, Canada  (Pension Fund Custodian)	Holds the pension fund in trust and pays all benefit payments.
Deloitte (Auditor)	Conducts annual independent audit of the financial statements of the Plan.
Pension Administration Office (Administrative Team)	Administers the Plan on a day-to-day basis
Lawson Lundell LLP (External Counsel)	Provides legal advice on Plan design, interpretation, contracts, legislation, governance and compliance tracking

## 3 KEY PLAN DEVELOPMENTS DURING 2017

- The most recent Actuarial Valuation was completed as at December 31, 2016. The Plan's Actuary determines if the Plan is adequately funded based on the Plan's funded status at the

date of the Actuarial Valuation and projections of funding adequacy for 25 years into the future. The Benefits/Funding Test that was performed as part of the Actuarial Valuation, as at December 31, 2016, revealed that the Plan is able to support full formula benefits (both accrued and future), expenses and indexing of all benefits at 50% of the Consumer Price Index (CPI), while maintaining a margin of 12.1%.

- The annual review of the Plan's Statement of Investment Policy & Procedures (SIPP) resulted in a number of changes recommended by UBC IMANT and the Plan's asset consultant. The revised SIPP, effective January 1, 2018, was adopted by the Pension Board in November 2017, and approved by the Board of Governors on January 16, 2018.
- The Plan is officially registered under the *BC Pension Benefits Standards Act* (PBSA) as having been a target benefit pension plan since its inception. As a target benefit plan, the UBC Staff Pension Plan is not required to fund benefits on a solvency basis.
- The University agreed to increase the fixed employer contribution rate to 9.13% of pay effective October 1, 2017, and to 9.4% of pay effective October 1, 2018. The valuation report as at December 31, 2016, included the projected contribution revenue from the University's additional contribution commitment, and the Plan meets the new contribution adequacy test for target benefit plans under the PBSA.

#### **4 REPORTING TO THE UBC BOARD OF GOVERNORS**

Under the Pension Board's Terms of Reference and Governance Policy, the SPP Pension Board regularly reports to the Finance Committee of the UBC Board of Governors. In 2017 the Pension Board reported to the UBC Board of Governors four times (February, April, September and December).

#### **5 RISK MANAGEMENT**

In 2017 the Plan's Actuary, using the 2016 valuation results, conducted a Sustainability Study to assess how the funding of the Plan is expected to evolve over the next 30 years, including the level of indexing, the likelihood of future service benefit reductions, how the demographic profile of the Plan will change, and the probability of meeting or failing the new PBSA funding tests at future valuations. The results showed that over the next 30 years, the Plan will mature and the liability for active members will decrease from 55% to 40% of the total liability. The Plan maturing will mean a subtle shift in the Benefits/Funding Test, and in 30 years' time, benefits earned will represent approximately 60% of the Benefits/Funding Test. The Plan is expected to continue to provide indexing at 50% of Consumer Price Index (CPI) with a gradual increase to 100% over the next 30 years.

Stage 2 of the Sustainability Study is currently underway, and the purpose is to review and determine the appropriate asset mix for the Plan, and whether any changes should be made to the Plan's current asset mix.

## **6 PENSION BOARD'S ASSESSMENT OF IMANT'S PERFORMANCE**

In 2017, the objective of the Pension Board was to develop a closer working relationship with IMANT. The Pension Board met with IMANT on a quarterly basis to review the investment performance of the fund. In addition, IMANT was invited to participate in the Pension Board's meetings with the Plan actuary, so IMANT could gain a better understanding of the Plan's liabilities and of the Pension Board's focus on the long term sustainability of the Plan. The Pension Board's primary objective in investing the fund is to provide the basic benefit with a high level of certainty, and the secondary objective is to maximize the level of indexing. IMANT has played an active role in the Sustainability Study, and will assist the Pension Board in determining what changes should be made to the Plan's target asset mix.

The relationship between the Pension Board and IMANT has greatly improved over the last 12 months, and the Pension Board has greater confidence in IMANT's ability to manage the fund.

The Pension Board will be having the Plan's Investment Consultant assess the investment performance of IMANT.

## **7 ANNUAL GOVERNANCE AND COMPLIANCE REPORTING**

In 2017 a Governance Review was completed by Murray Campbell of Lawson Lundell LLP. The recommendations contained in the UBC SPP Governance Report (2017) was that the existing governance structure for the Pension Board be maintained with some changes to be made to the Governance Policy and SPP Pension Board Terms of Reference. The Board of Governors approved the recommendations contained in the Governance Report, and a new Governance Policy was approved, effective December 31, 2017. The Board of Governors also approved the revised Pension Board Terms of Reference, effective December 31, 2017.

On an annual basis, the Pension Board is required to provide an annual report to the Board of Governors in a form consistent with Appendix D of the Terms of Reference.

The Pension Board has also reviewed and completed the Compliance Checklist Questionnaire for 2017, prepared by Lawson Lundell, and sought professional assistance where necessary.

The Pension Board is satisfied the UBC Staff Pension Plan is in compliance with governing legislation, the Plan's Governance Policy, and the Pension Board Terms of Reference.