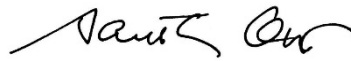


SUBJECT	UBC STAFF PENSION PLAN REPORT
MEETING DATE	APRIL 19, 2018

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	March 20, 2018
Presented By	Barbara Meens Thistle, Vice-President Human Resources Orla Cousineau, Executive Director, Pensions

EXECUTIVE SUMMARY

As part of its regular duties, the UBC Staff Pension Plan (“Plan”) Pension Board provides summary reports to the Board of Governors on key Plan developments. The last update was provided at the Board of Governors meeting in September 2017.

1. Sustainability Study

A Sustainability Study was conducted by the Plan Actuary during 2017 to analyze how the Plan is expected to evolve over the next 30 years.

Stage One of the Sustainability Study analyzed what the range of possible outcomes could be if the current investment strategy is maintained. It reviewed:

- the demographic profile and how the funding of the Plan is expected to evolve over the next 30 years
- considered the impact different margin levels have on the Plan’s long term financial position; and
- developed key metrics to determine the most appropriate margin to be held to meet the objectives of the Plan.

The key results were:

- over the next 30 years the Plan will mature and the liability for active members will decrease from 55% to 40% of the total accrued liability. Under the Benefits/Funding Test, accrued benefits will represent approximately 60% of the Benefits/Funding Test (up from the current 50%).
- the Plan is expected to continue to be able to provide indexing at 50% of Consumer Price Index (CPI), with a gradual and measured increase to 100% over the next 30 years.

- the 30 year projections highlight significant concerns with the *Pension Benefits Standards Act* (PBSA) funding tests and the need to seek a long-term solution.
- a margin of 10% creates a reasonable expectation of continued indexing at 50% of CPI, while limiting the chance of benefit reductions.
- a margin of 10% creates a reasonable expectation of continued indexing at 50% of CPI, while limiting the chance of benefit reductions.

The Board has agreed on and formally documented the Plan objectives are:

- limit downside in the Plan (i.e., the risk of benefits being reduced)
- maximize indexing that can be paid; and,
- maximize the opportunity to pass the new funding tests under the PBSA.

2. Investments

Stage Two of the Sustainability Study is an asset mix review. The purpose of the analysis is to determine what adjustments could be to the long term asset mix to better meet the Plan’s three objectives. The analysis is currently underway and Aon Hewitt is working closely with UBC IMANT.

The asset liability modeling results will be presented to the Pension Board at their April meeting. Any resulting changes to the asset mix will be incorporated into the Plan’s Statement of Investment Policy and Procedures, and presented to the Finance Committee of the UBC Board of Governors for approval.

3. Funded Position of the Plan

The Plan Actuary prepares quarterly monitoring reports for the Pension Board estimating the financial position of the Plan. The most recent monitoring report, as at December 31, 2017, confirms the Plan is well funded and the going concern funded ratio and Benefits/Funding Test margin have both increased since the last actuarial valuation at December 31, 2016.

4. Member Communications

The Staff Pension Plan newsletter issued in November 2017 provided the members with an update on the December 31, 2016 actuarial valuation results.

It confirmed the Plan is in a reasonably healthy funded position with a 20% safety margin. It also confirmed the Benefits/Funding Test shows the current benefits can be supported over the long term, and the Plan can afford to pay indexing at 50% of inflation for the next 3 years.

The newsletter also advised the members of the increases in the employer contribution rate, effective October 1, 2017, and October 1, 2018.

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

- Learning
 Research
 Innovation
 Engagement
 International
 (Internal / External)

or **Operational**

DESCRIPTION & RATIONALE The UBC Board of Governors has governance and fiduciary duties for the administration of the Plan. UBC acting through the Board of Governors and senior management, is the sponsor and administrator of the Plan.

The Governance Policy and the Pension Board Terms of Reference identify the roles and responsibilities of the University, the Board of Governors, and the Pension Board in the governance of the Plan.

The Board of Governors has oversight responsibility for the Plan and the Annual Report is the method by which the Pension Board carries out its reporting responsibilities to the Board of Governors.

The Governance Policy was prepared by Lawson Lundell LLP. They also prepared a questionnaire that is completed by the Pension Board each year as a governance assessment and checklist for the Plan.
