



SUBJECT	UBC STAFF PENSION PLAN REPORT
MEETING DATE	SEPTEMBER 13, 2018

Forwarded on the Recommendation of the President

**APPROVED FOR
SUBMISSION**

Santa J. Ono, President and Vice-Chancellor

FOR INFORMATION

Report Date	July 26, 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 (the “Plan”) Pension Board provides summary reports to update the Board of Governors on key Plan developments. The last update was provided at the Board of Governors meeting in April 2018.

1. Investments

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 based on the current investment strategy. The Study showed the Plan is expected to be able to maintain a margin of 10% and provide indexing at 50% of the Consumer Price Index (CPI), with a gradual and measured increase to 100% over the next 30 years, while limiting the chance of any benefit reductions.

Stage Two of the Sustainability Study was an asset mix review and this was completed in 2018. The purpose of the analysis was to determine what adjustments could be made to the long term asset mix to better meet the Pension Board’s three objectives:

- Limit the downside in the Plan (i.e. the risk of benefits being reduced)
- Maximize the indexing that can be paid out
- Maximize the opportunity of passing the new funding tests under the *Pension Benefits Standard Act* (PBSA).

The Plan Actuary Aon Hewitt worked closely with UBC IMANT in completing the asset liability modeling results.

The Staff Pension Plan Board (SPP Board) has approved in principle a new long term asset mix which could result in a meaningful improvement to achieving the Board’s three Plan objectives described above.

UBC IMANT is developing recommendations for the SPP Board’s approval on how to best implement the proposed new asset mix.

DESCRIPTION & RATIONALE The SPP Board has approved in principle the following long term asset mix:

	New Policy	Current Policy
Fixed Income		
Long Bonds	19%	29%
Infrastructure Debt	10%	10%
Mortgages	5%	0%
Real Return Bonds	0%	5%
Cash	1%	1%
Equities		
Canadian	7.5%	10%
Global	15%	10%
Emerging Markets	7.5%	5%
Alternative Investments		
Real Estate	10%	12.5%
Infrastructure Equity	12.5%	12.5%
Private Equity	5%	5%
Private Debt	7.5%	0%

The updated illustrative actuarial valuation results as at December 31, 2016, show the impact if the new proposed asset mix had been implemented:

- The going concern discount rate would increase from 5.75% to 6.1%
- The going concern funded position would have improved from 120.2% to 125.9%
- The Benefits/Funding Test margin would increase from 12.1% to 20.8%, under the Plan’s Benefits/Funding Test
- Under the Plan’s Benefits/Funding Text a level of indexing of between 75% and 100% of CPI would have been able to be provided
- The Plan would comfortably pass the PBSA funding tests, and be able to grant indexing of 75% of CPI.

The details of how to best implement the new proposed asset mix are currently being developed by UBC IMANT. The Plan’s SIPP will need to be revised to reflect the new asset mix.

A revised SIPP will be presented to the Finance Committee of the Board of Governors for approval in November 2018 before the new asset mix is implemented in January 2019.

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