



SUBJECT	UBC Faculty Pension Plan Report and 2021 Audited Financial Statements
SUBMITTED TO	Finance Committee
MEETING DATE	June 15, 2022
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	For information only - No action requested
LEAD EXECUTIVE	Marcia Buchholz, Vice-President Human Resources
SUPPORTED BY	Karamjeet Heer, Interim, Vice-President Finance Orla Cousineau, Executive Director, Pensions

PRIOR SUBMISSIONS

The UBC Faculty Pension Plan Board of Trustees provides Audited Financial Statements annually to the Board of Governors as required under the terms of the Trust Agreement and Plan, and was last received on [June 8, 2021](#).

EXECUTIVE SUMMARY

Annual Report

The UBC Faculty Pension Plan (“Faculty Plan”) is a defined contribution pension plan for the members of the academic and administrative executive staff of the University. The Faculty Plan is co-administered by the UBC Pension Administration Office, and the record keeper, Sun Life Financial. The University has no oversight responsibility in respect of the Faculty Pension Plan.

The Board of Trustees is responsible for the oversight of the administration, financial reporting and investment activities of the Faculty Plan. The Board of Trustees selects and monitors the investment options available under the Faculty Plan, and selects and monitors the investment performance of each of the external investment managers.

The market value of the assets of the Faculty Plan was \$3.0 billion at December 31, 2021. The total members at December 31, 2021, was 6,894 (3,715 active members, 1,703 deferred members, and 1,476 retired members).

There are seven investment options available that provide the members with a variety of asset classes enabling them to create their own portfolio from a list of specially constructed funds. The default investment option is the Faculty Plan Balanced Fund which is a multi-manager segregated fund that consists of 11 underlying managers, and the fund management fee was .45% at December 31, 2021. Approximately 77% of the Plan assets are invested in the Balanced Fund.

In 2021 a change was made to the asset mix of the Balanced Fund option to improve the expected risk/return metrics of the Balanced Fund, by increasing real assets (i.e., real estate and infrastructure). The Board of Trustees decided to complement the current real estate allocations with an 8% allocation to direct global infrastructure. The new allocation to infrastructure was added by reducing the Balanced Fund’s Canadian Equity exposure from 15% to 10%, as well as slightly reducing its allocation to real estate from 15% to 12%.

A manager search has been completed for two global infrastructure managers. Brookfield and CBRE have been appointed.

The Fossil Fuel Free Equity and Bond Fund option, which was established on April 1, 2020, has attracted almost \$79 million in assets, and it continues to grow. The investment manager is Jarislowsky Fraser and the fund management fee was .34% at December 31, 2021. The new fund excludes investments in fossil fuel companies, and its carbon footprint is actively managed to deliver a materially reduced emission intensity in comparison to its benchmark.

The UBC Faculty Pension Plan 2021 Annual Report was posted on the Plan's website <https://faculty.pensions.ubc.ca/> in April 2022.

Financial Statements

The Board of Trustees is required, under the terms of the Trust Agreement and Plan text, to arrange for an independent audit of the Plan's Financial Statements, and to provide a copy to the Board of Governors.

The Plan's audited Financial Statements for 2021 have been provided to the Board Secretary and have been filed with the Superintendent of Pensions for British Columbia.

SUPPLEMENTAL MATERIALS

1. UBC Faculty Pension Plan Audited Financial Statements for 2021
2. UBC Faculty Pension Plan 2021 Annual Report

Financial statements of
The University of British Columbia
Faculty Pension Plan

December 31, 2021

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Independent Auditor's Report

To the Board of Trustees of
The University of British Columbia Faculty Pension Plan

Opinion

We have audited the financial statements of The University of British Columbia Faculty Pension Plan (the "Plan"), which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets available for benefits for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2021, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans ("ASPP").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the fund financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The University of British Columbia either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
March 30, 2022
Vancouver, British Columbia

The University of British Columbia Faculty Pension Plan

Statement of financial position

As at December 31, 2021

(Expressed in thousands of dollars)

	Notes	2021 \$	2020 \$
Assets			
Investments	3		
Balanced Fund		2,333,031	2,072,084
Bond Fund		64,327	75,372
Canadian Equity Fund		227,023	173,290
Foreign Equity Fund		257,095	203,428
Fossil Fuel Free Fund		78,614	54,609
Guaranteed investment certificates		20,179	27,862
Short-Term Investment Fund		37,774	48,573
		3,018,043	2,655,218
Cash and cash equivalents		2,603	42,715
Investment income receivable		2,598	1,004
		3,023,244	2,698,937
Accounts and other receivable		2,475	2,225
		3,025,719	2,701,162
Commitments	10		
Liabilities			
Accounts payable and accrued liabilities		4,614	4,109
Net assets available for benefits	4	3,021,105	2,697,053

The accompanying notes are an integral part of the financial statements.



Chair



Vice-Chair

The University of British Columbia Faculty Pension Plan
Statement of changes in net assets available for benefits

Year ended December 31, 2021
(Expressed in thousands of dollars)

	Notes	2021 \$	2020 \$
Increase in assets			
University's required contributions		49,733	47,317
Members' required contributions		25,441	24,426
Members' additional voluntary contributions		1,165	905
Transfers from other plans		9,174	5,921
		85,513	78,569
Investment income	5	255,994	108,900
Change in fair value of investments	6	101,730	85,658
		443,237	273,127
Decrease in net assets			
Payments to or on behalf of members			
Retirement benefits to members and beneficiaries		69,074	62,859
Death benefits		5,401	3,582
Members' accounts transferred and refunded		35,380	35,127
		109,855	101,568
Operations			
Administrative expenses	7	3,052	2,783
Investment			
Management fees		6,278	5,527
		119,185	109,878
Net change in net assets available for benefits		324,052	163,249
Net assets available for benefits, beginning of year		2,697,053	2,533,804
Net assets available for benefits, end of year		3,021,105	2,697,053

The accompanying notes are an integral part of the financial statements.

The University of British Columbia Faculty Pension Plan

Notes to the financial statements

December 31, 2021

(Expressed in thousands of dollars)

1. Description of Plan

The following description of The University of British Columbia Faculty Pension Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan text.

(a) General

The Plan is a defined contribution pension plan sponsored by The University of British Columbia (the "University") and covers all eligible academic and administrative executive staff as defined in the Plan text. The Plan is registered under the Pension Benefits Standards Act of British Columbia (registration no. 85435). As a registered pension plan under the Income Tax Act of Canada, the Plan is exempt from taxation.

(b) Funding policy

The Plan text requires members and the University to make contributions of 5.0% and 10%, respectively, of basic salary up to the YBE, 3.2% and 8.2%, respectively, of basic salary between the YBE and the YMPE, and 5.0% and 10.0%, respectively, of basic salary in excess of the YMPE. YBE is the "year's basic exemption" and YMPE is the "year's maximum pensionable earnings", both as defined in the Canada Pension Plan.

The Trustees are authorized to receive as contributions only such amounts as are authorized by the Income Tax Act, and in the event excess funds are received, these are refunded to whoever made the contribution.

(c) Investment options

Members in the Money Purchase, Registered Retirement Income Fund ("RRIF"), or Life Income Fund ("LIF") type payment accounts can choose to invest their individual account balances in a Balanced Fund, Bond Fund, Canadian Equity Fund, Foreign Equity Fund, Fossil Fuel Free Fund, Guaranteed Investment Certificates or a Short-Term Investment Fund.

(d) Retirement benefits

Normal retirement is the first day of July or January following the member's 65th birthday, whichever comes first. However, a member may retire any time after attaining the age of 55 or may postpone retirement benefits until December 1 of the calendar year of the member's 71st birthday.

(e) Forms of retirement benefit

Upon retirement, the balance in a member's account may be:

- transferred to the Variable Payment Life Annuity account to provide a variable annuity administered by the Plan;
- transferred to the LIF type payment account (maximum withdrawal, which is based on the member's age, changes each year based on rates for long-term Government of Canada bonds) or RRIF type payment account (no maximum withdrawal) administered by the Plan;
- transferred to an approved LIF, Registered Retirement Savings Plan or RRIF administered externally;

The University of British Columbia Faculty Pension Plan

Notes to the financial statements

December 31, 2021

(Expressed in thousands of dollars)

1. Description of Plan (continued)

(e) Forms of retirement benefit (continued)

- used to purchase an annuity from a financial institution authorized to issue such products;
- withdrawn as cash from non-locked-in balances;
- deferred until December 1 in the year the member turns 71; or
- used for a combination of options.

(f) Termination and death benefits

Benefits are also paid on termination of employment or in the event of death of the member prior to retirement. Termination benefits are recorded on the statement of changes in net asset available for benefits when members' accounts are transferred or refunded.

Benefits on death subsequent to retirement are paid in accordance with the form of retirement benefit payment originally selected by the retired member.

2. Significant accounting policies

The accounting policies adopted in the preparation of these financial statements have been prepared on the basis of Part IV of the CPA Canada Handbook - Accounting, Canadian Accounting Standards for Pension Plans ("ASPP").

The Plan has adopted Canadian Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook - Accounting in connection with any balances or transactions outside of the scope of ASPP.

(a) Basis of presentation

The financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the University and Plan members. The financial statements are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal year. The statement of financial position shows the assets under control of the Trustees of the Plan.

(b) Use of estimates

The preparation of financial statements in accordance with ASPP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of increases and decreases in net assets available for benefits for the reporting period. Actual results could differ from those estimates.

(c) Investments

The Plan's investment structure comprises six segregated funds, which in turn hold pooled funds. The Plan also holds guaranteed investment certificates.

The University of British Columbia Faculty Pension Plan

Notes to the financial statements

December 31, 2021

(Expressed in thousands of dollars)

2. Significant accounting policies (continued)

(c) Investments (continued)

Investments are recorded on a settlement date basis at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of investments are determined as follows:

- (i) Segregated funds are valued using the net asset value per unit.
- (ii) Guaranteed investments certificates ("GICs") are valued using published market closing price quotations.
- (iii) The units in the real estate funds are valued based on the estimated fair values of the underlying real estate assets. The net assets mainly include direct real estate investments, which are valued quarterly by the real estate investment managers using a combination of internal and external appraisals to estimate current market values.

Adjustments to investments due to the fluctuation of fair values are reflected as part of the change in fair value of investments in the statement of changes in net assets available for benefits. Realized gains and losses are calculated based on the average cost of the investment sold. Investment income is recognized on an accrual basis. Transaction costs are included in the statement of changes in net assets available for benefits in the period incurred.

(d) Translation of foreign currency

Transactions denominated in foreign currencies are translated at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Unrealized exchange gains or losses on foreign currencies are included in the change in fair value of investments (Note 6).

(e) Allocation of net assets

In the allocation of net assets available for benefits to the accounts (Note 4), investment income, change in fair value of investments and operational and investment expenses are allocated monthly based on the opening account balances.

(f) Members' accounts transferred or refunded

Members' accounts transferred or refunded are recognized as a decrease in net assets on the accrual basis.

The University of British Columbia Faculty Pension Plan

Notes to the financial statements

December 31, 2021

(Expressed in thousands of dollars)

3. Investments

Information about the Plan's investments is as follows:

(a) *Short-term notes*

The short-term notes held in the Short-Term Investment Fund are primarily securities issued by the federal government, Canadian chartered banks, or corporations and mature at various dates within the next fiscal year, as well as investments in pooled money market funds and GICs.

(b) *Bonds*

Investments in bonds held in the Bond Fund, the Fossil Fuel Free Fund and the Balanced Fund consist of units held in Canadian pooled bond funds.

(c) *Equities*

The fair value of the equity investments held in the Balanced Fund, Fossil Fuel Free Fund, Canadian Equity Fund and Foreign Equity Fund are summarized as follows:

	2021 \$	2020 \$
Canadian Pooled equity funds	666,710	558,687
Foreign Pooled equity funds	1,099,388	913,867
	1,766,098	1,472,554

(d) *Real estate*

All real estate investments held by funds in which the Plan has invested are in Canadian as well as global properties.

(e) *Fair value measurements – Hierarchy disclosure*

ASPP establishes a three-tier hierarchy as a framework for disclosing fair values based on inputs used to value the Plan's investments. The hierarchy of inputs is summarized below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and;
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The University of British Columbia Faculty Pension Plan

Notes to the financial statements

December 31, 2021

(Expressed in thousands of dollars)

3. Investments (continued)

(e) Fair value measurements – Hierarchy disclosure (continued)

The following is a summary of the identified hierarchy of inputs used as of December 31, 2021 in valuing the Plan's investments carried at fair values:

	Quoted prices in Active markets for identical assets (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	Total \$
Balanced Fund	—	2,333,031	—	2,333,031
Bond Fund	—	64,327	—	64,327
Canadian Equity Fund	—	227,023	—	227,023
Foreign Equity Fund	—	257,095	—	257,095
Fossil Fuel Free Fund	—	78,614	—	78,614
GICs	—	20,179	—	20,179
Short Term Investment Fund	—	37,774	—	37,774
Total Investments	—	3,018,043	—	3,018,043

During the year, the Plan sold the Level 3 Real estate fund shown below. The following is a summary of the identified hierarchy of inputs used as of December 31, 2020 in valuing the Plan's investments carried at fair values:

	Quoted prices in Active markets for identical assets (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	Total \$
Balanced Fund				
Segregated fund	—	1,984,027	—	1,984,027
Real estate fund	—	162	87,895	88,057
Bond Fund	—	75,372	—	75,372
Canadian Equity Fund	—	173,290	—	173,290
Foreign Equity Fund	—	203,428	—	203,428
Fossil Fuel Free Fund	—	54,609	—	54,609
GICs	—	27,862	—	27,862
Short Term Investment Fund	—	48,573	—	48,573
Total Investments	—	2,567,323	87,895	2,655,218

The University of British Columbia Faculty Pension Plan

Notes to the financial statements

December 31, 2021

(Expressed in thousands of dollars)

3. Investments (continued)

(e) Fair value measurements – Hierarchy disclosure (continued)

The following table provides information for financial instruments recognized at fair value as at December 31, 2021 and for which Level 3 inputs were used in determining fair value:

	Balance as at December 31, 2020 \$	Reinvested income included in statement of changes in net assets available for benefits \$	Net realized and unrealized gains/ (losses) included in statement of changes in net assets available for benefits \$	Purchases \$	Sales \$	Balance as at December 31, 2021 \$
Real estate fund	87,895	1,982	(2,546)	287	(87,618)	—

The key assumptions used in determining the fair values of the Level 3 investments included discount rates used to present value future cash flows from properties and income multiples.

4. Net assets available for benefits

The net assets available for benefits as at December 31 has been allocated as follows:

	2021 \$	2020 \$
Money Purchase account	1,890,859	1,698,693
RRIF type payment account	534,097	484,652
LIF type payment account	426,337	356,065
Variable Payment Life Annuity account	169,812	157,643
	3,021,105	2,697,053

The Money Purchase account represents assets held by the Plan for the individual accounts of all active and deferred members prior to their retirement.

The RRIF type payment account represents assets held by the Plan for the individual accounts of retired members receiving Registered Retirement Income Fund type payments administered by the Plan.

The LIF type payment account represents assets held by the Plan for the individual accounts of retired members receiving Life Income Fund type payments administered by the Plan.

The Variable Payment Life Annuity account represents assets held by the Plan for the individual accounts of retired members receiving a variable annuity administered by the Plan.

The University of British Columbia Faculty Pension Plan

Notes to the financial statements

December 31, 2021

(Expressed in thousands of dollars)

5. Investment income

Investment income earned from GICs, real estate investments and investments held in the segregated funds are as follows:

	2021 \$	2020 \$
Interest income	31,523	38,059
Pooled fund distributions	217,400	64,009
Real estate income	7,071	6,832
	255,994	108,900

6. Change in fair value of investments

	2021 \$	2020 \$
Realized gains on investments	18,168	14,776
Change in unrealized gains on investments	83,562	70,882
	101,730	85,658

7. Administrative expenses

	2021 \$	2020 \$
Custodian	1,533	1,364
Office and administrative costs	1,251	1,264
Other	128	80
Other professional services	69	8
Audit	39	38
Actuarial services	32	29
	3,052	2,783

8. Financial risk management

As a pension plan, the Plan is fundamentally concerned with the management of financial risk. This note summarizes and quantifies these risks and the way the Plan manages them.

The Plan employs a Statement of Investment Policies and Goals (the "Policy") to identify, assess, manage and monitor the risks. The Policy provides asset mix ranges and limitations the Plan is to follow. The Policy is overseen by the Board of Trustees (the "Board").

The Board oversees management of the Plan with a view to promoting effective plan design, governance, investment policy, financing, administration and legal compliance. The Board monitors the investment performance of the Plan, including total fund, asset class, and manager performance against specified benchmarks.

The University of British Columbia Faculty Pension Plan

Notes to the financial statements

December 31, 2021

(Expressed in thousands of dollars)

8. Financial risk management (continued)

The Plan's assets are invested in segregated funds. The pooled fund investments held in the segregated funds provide a more cost-effective means of achieving diversification within selected asset classes, given the size of the mandates granted to the investment managers. The managers of the investment funds held in the segregated funds are governed by the managers' own investment policy for the pooled fund. The Board is responsible for ensuring that the detailed investment policy statement setting out the investment constraints for the managers of such funds are prepared and agreed to by the managers.

(a) Credit risk

Credit risk is the risk of financial loss to the Plan if a counterparty to a financial instrument fails to meet its contractual obligations. The Plan has no specific concentration of credit risk as no significant portion of the investments are invested in securities with similar characteristics or subject to similar economic, political or other conditions. The fair value of the Plan's assets represents the Plan's maximum exposure to credit risk.

The investment policies of the various bond managers provide limits to the credit exposure and/or sets a minimum overall average portfolio quality allowed by each manager.

The overall credit ratings of fixed income securities held in the Plan's segregated funds are as follows:

	2021 %	2020 %
AAA	31.7	32.4
AA	35.6	34.4
A	14.5	13.8
BBB	15.3	15.2
BB and below	2.9	4.2
	100.0	100.0

(b) Liquidity risk

Liquidity risk refers to the likelihood of a potential loss arising from a large percentage of requests for redemptions by Plan members. This risk is mitigated as active members and those in the Variable Payment Life Annuity ("VPLA") program cannot withdraw their funds from the Plan. The percentage of the Plan's assets with deferred, retired and LIF/RRIF members that could withdraw their funds on short notice is approximately 45% (44% in 2020).

All of the Plan's liabilities are due within one year.

The Plan's segregated funds are invested in large pooled funds, of which, the respective segregated fund is just one of many parties invested in these pooled funds, which provides a high degree of liquidity. The investment managers typically invest in equities and bonds that are very marketable and that have a high degree of liquidity should they need to be sold in a relatively short timeframe.

The University of British Columbia Faculty Pension Plan

Notes to the financial statements

December 31, 2021

(Expressed in thousands of dollars)

8. Financial risk management (continued)

(c) Interest rate risk

The Plan is subject to interest rate risk. Interest rate risk is the risk that fixed-income securities held by the segregated funds will decline in value because of increases in market interest rates as that causes a decrease in bond prices. Duration is the most common measure of this risk and quantifies the effect of changes in bond prices due to a change in interest rates. The bond portfolio has an average duration of approximately 8 years (8 years in 2020).

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of foreign investments, measured in Canadian dollars, will decrease because of changes in currency exchange rates. Two of the Plan's three bond managers may invest a portion of their portfolio outside of Canada, but they only hold a small exposure to unhedged foreign currencies as they mostly hedge their currency exposure. Otherwise, the Plan's segregated funds' investments in U.S. and non-North American equities are generally unhedged in terms of their currency exposure. These foreign securities as of December 31, 2021 represent approximately 37% (34% in 2020) of the Plan's segregated funds' assets which consist of 37% (34% in 2020) in foreign currencies.

(e) Other price risk

The investments are exposed to other price risk due to changing market conditions. Investment managers manage the portfolio's other price risk by establishing and monitoring asset allocation strategies and by diversifying investments within the various asset classes to control overall price risk.

9. Capital management

The Plan's objectives when managing capital are to safeguard the ability to continue as a going concern, so that the Fund can provide sufficient benefits to the Plan members.

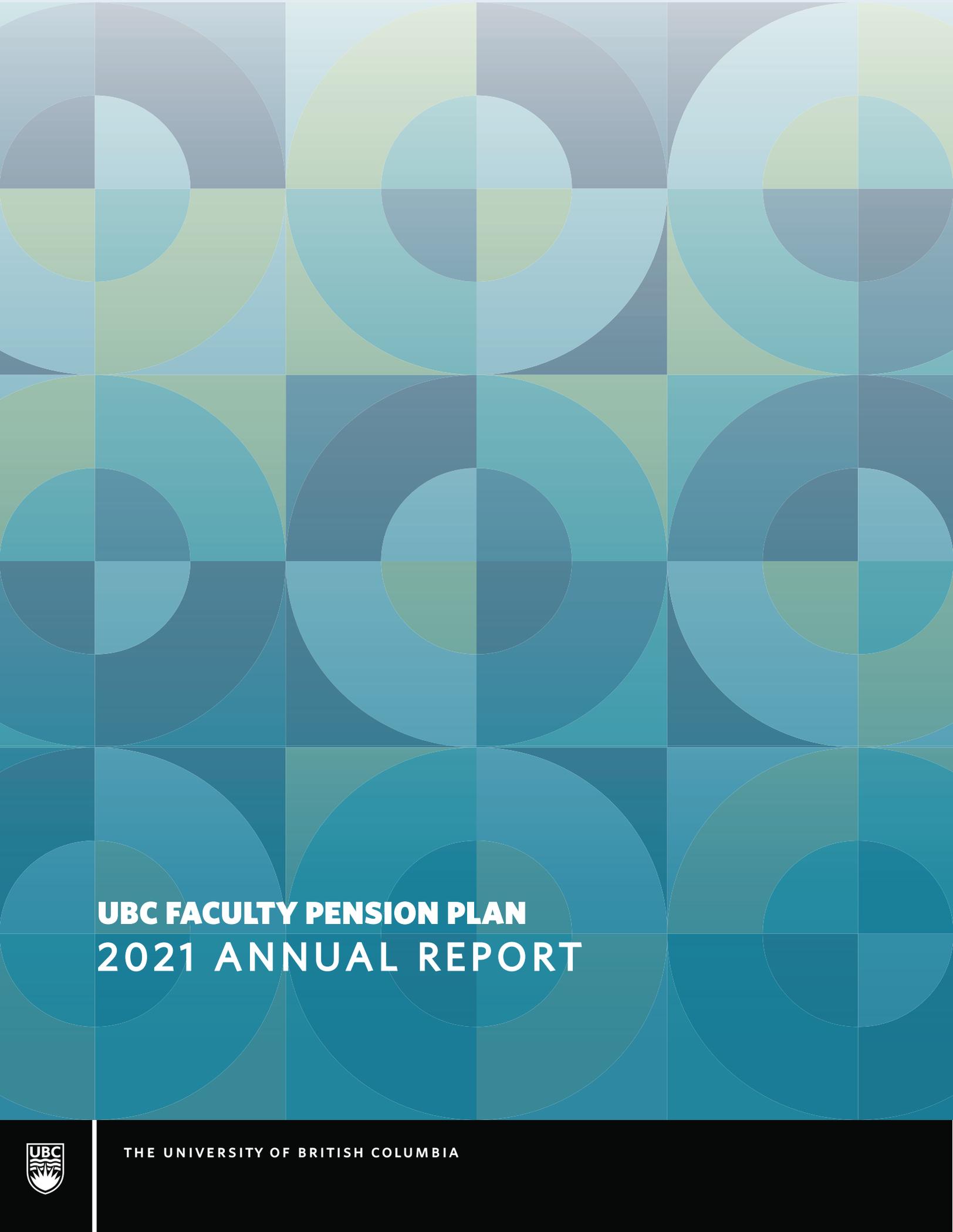
The Plan manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust the capital structure, the Plan may sell assets to meet immediate obligations where appropriate. The Plan is not subject to externally imposed capital requirements.

The Board is responsible for monitoring and evaluating the Plan's performance on a regular basis, as set out in the Policy.

10. Commitments

The Plan has entered into an operating lease for office premises with an expiry date of October 31, 2022. As of December 31, 2021, the future minimum lease payments are due as follows:

	\$
2022	62



**UBC FACULTY PENSION PLAN
2021 ANNUAL REPORT**



THE UNIVERSITY OF BRITISH COLUMBIA

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MESSAGE FROM THE CHAIR AND EXECUTIVE

We are pleased to present the UBC Faculty Pension Plan's ("FPP" or "the Plan") Annual Report for 2021. The FPP Board's priorities continue to be to provide a well-managed and cost-effective pension plan and to keep members informed about the Plan.

It was another extraordinary year for us all. In the fall, the UBC Pension Administration Office, after a 19-month closure due to the COVID-19 pandemic, reopened to members who wished to drop off forms or meet in person with our Member Services team.

We held two online member presentations, which were well-attended. As our members have embraced the virtual platforms during the pandemic, we will continue to offer one-on-one meetings and our pension plan seminars online via Zoom video-conferencing. We invite members to connect with us in the way that best suits them.

Again, it was a very tumultuous year for the global financial markets. The impact of COVID-19 on the markets continued to dominate commentaries from investment managers. Fiscal and monetary responses to the crisis pushed global equity markets to record highs, but also turned investors' attention to inflationary pressures towards the end of the year.

The broad measure of global equities was up 22% for the year. Real estate, particularly industrial properties, also performed exceptionally well. However, investors in the Canadian bond market were not so fortunate. Bonds, dropping over 5% in the first quarter, eventually ended the year down just over 2.5%.

Against this back drop, the FPP Board remains focused on the long term. During 2021, the FPP Board undertook an in-depth review of the current asset mix of the FPP Balanced Fund to determine what changes, if any, should be made to the investment strategy and the underlying investment managers. The FPP Board is focused on the resiliency of the Plan's portfolio structure under different economic scenarios, and to ensuring we continue to provide Plan members with well-diversified, cost-effective investment fund choices under the Plan.

A new strategic asset mix was approved for the Balanced Fund, with increased flexibility in the bond component of the portfolio, and an increased allocation to alternatives (see page 8 for further details). It will take some time to make these changes and we will post updates on the Plan website.

The FPP Fossil Fuel Free Equity and Bond Fund, which opened for contributions on April 1, 2020, continued to attract more assets in 2021 and now has grown to just over \$78 million. It has provided very satisfactory investment returns to the end of the year, but the returns started to weaken towards the end of the year, and turned negative in 2022. The FPP Board plans to review the asset mix of this Fund and determine if other managers or strategies can be added to further diversify it.

The FPP Board and the Pension Administration Office team are committed to providing excellent member service, and to ensuring members continue to be confident about their retirement savings in the UBC FPP.



DR. R. KENNETH CARTY
BOARD CHAIR

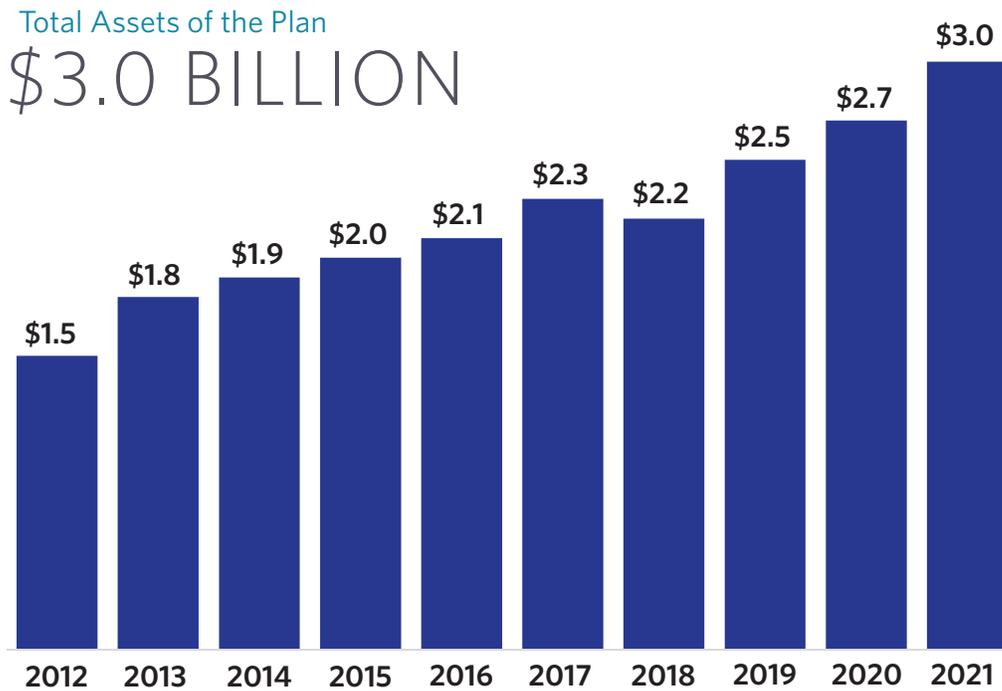


ORLA COUSINEAU
EXECUTIVE DIRECTOR,
PENSIONS

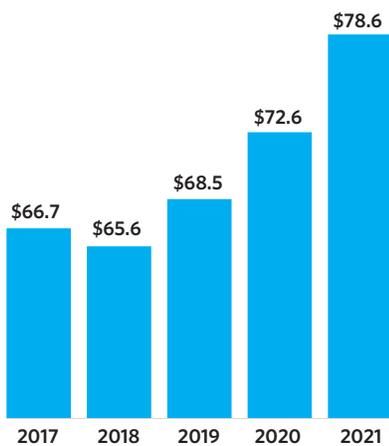


KAMILA GIESBRECHT
EXECUTIVE DIRECTOR,
INVESTMENTS

FINANCIAL HIGHLIGHTS



Total Contributions to the Plan
\$78.6 MILLION



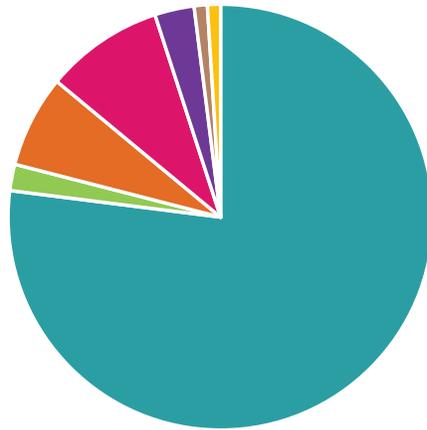
Total Transfers into the Plan
\$9.2 MILLION



Total Retirement Benefits Paid
\$69.1 MILLION

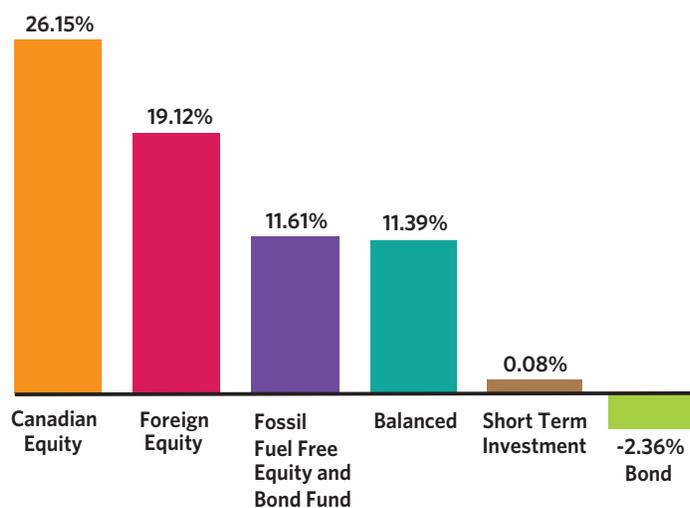


MARKET VALUE OF THE FUNDS as at December 31, 2021

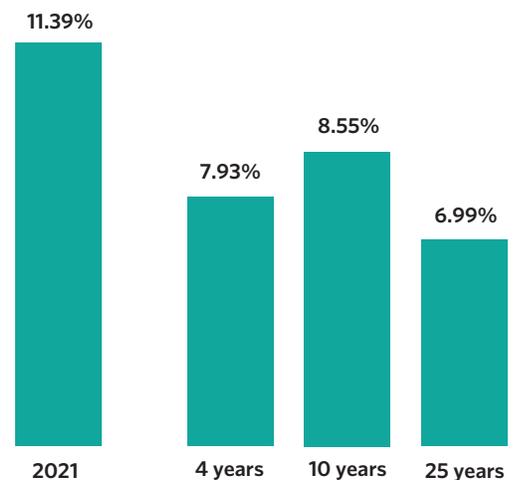


- **Balanced \$2,317 M**
77% of Total Funds
- **Bond \$64.3 M**
2% of Total Funds
- **Canadian Equity \$227.0 M**
7% of Total Funds
- **Foreign Equity \$257.1 M**
9% of Total Funds
- **Fossil Fuel Free Equity and Bond \$78.6 M**
3% of Total Funds
- **Short Term Investment \$37.9 M**
1% of Total Funds
- **Guaranteed Investment Certificates and Cash \$30.5 M**
1% of Total Funds

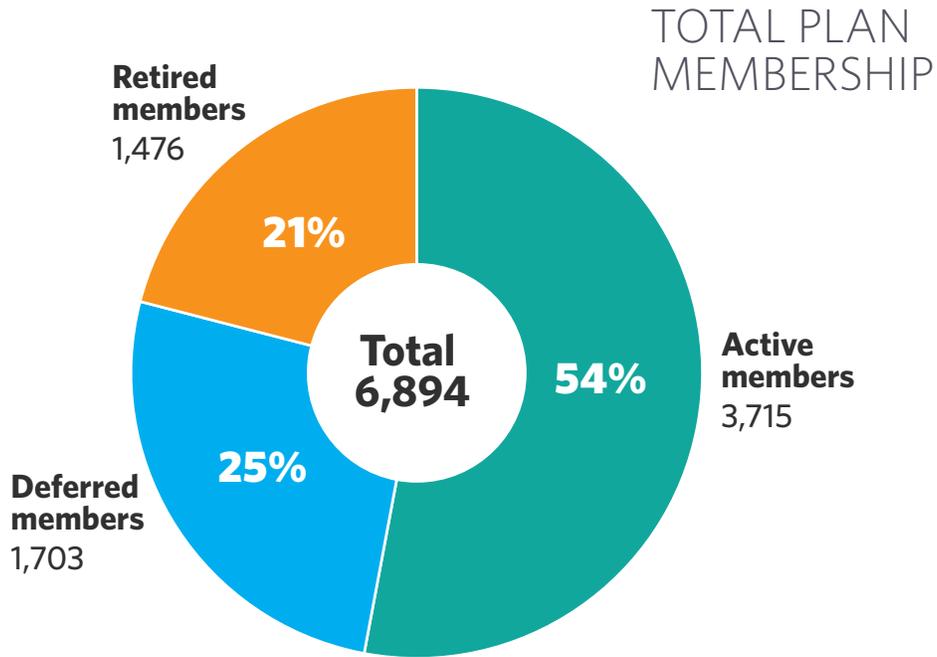
2021 FUND NET RATES OF RETURN



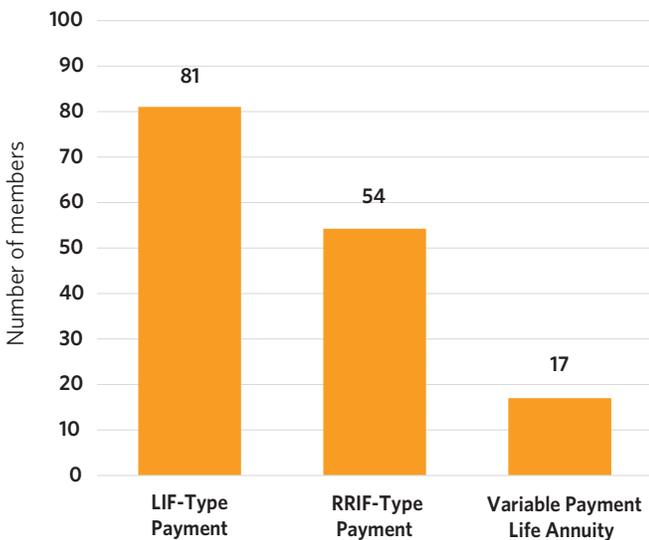
BALANCED FUND ANNUALIZED NET RATE OF RETURN



MEMBERSHIP HIGHLIGHTS



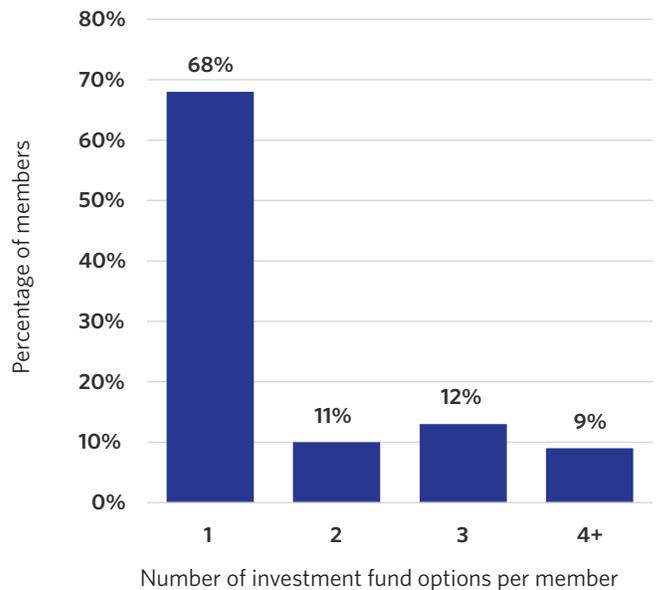
RETIREMENT INCOMES STARTED IN 2021



Total assets transferred to retirement income within the Plan: **\$94.3 M**

80% of retiring members' assets stayed in the Plan

FUND OPTIONS USAGE



INVESTMENT PHILOSOPHY

The FPP is an integral part of saving for retirement for our members. The Plan's objective is to grow each member's funds over time such that at retirement there is sufficient capital accumulated to help fund their retirement years.

The FPP provides a number of different fund options so that members can design an asset mix strategy that meets their unique needs and risk profile. The Balanced Fund option is also provided for those members who prefer a pre-established diverse mix of the various asset classes. It seeks to provide satisfactory long-term growth with moderate year-to-year volatility through a broadly diversified number of asset classes and investment managers.

The FPP hires external investment management firms to invest in each asset class. These are large professional firms that are market leaders in their field. Due to the large asset size of the FPP, we can attract world-class firms to work with us at attractively low fees, and provide a wide range of both asset class and investment manager style diversification.

The FPP employs both active and passive investment strategies within the fund options as some capital markets or asset classes are more efficient than others. Active managers are used where there is a high probability of adding value and/or providing some downside protection in a cost-effective manner over a passive strategy.

We understand that with any investing there are numerous risks involved such as currency risk, interest rate risk, credit risk, inflation risk and high volatility risk. The FPP seeks to mitigate these risks by providing broad diversification across asset classes, manager styles, regional exposures and asset classes that provide some inflation protection. However, we also realize that these risks must be assumed to some degree to be able to earn a meaningful return over time in excess of the inflation rate.

A large number of our members choose to leave their accumulated assets in the Plan after they retire. The FPP provides a number of retirement options to assist members and allow them to continue to invest in our highly diversified, cost-effective funds.

INVESTMENT UPDATES

MARKETS

2021 was an extraordinary year for global equity markets. The fear and uncertainty stemming from COVID-19 in early 2020 gave way to a flood of Central Bank liquidity and government support programs that drove equity markets, and risk assets in general, to record high after record high. The broad measure of global equities was up 22% for the year. Real estate, particularly industrial properties, also performed exceptionally well.

Investors in the Canadian bond market were not so fortunate. Bonds dropped by over 5% in the first quarter, and would eventually end the year down just over 2.5%. That three-month drop to start the year was rare; not since the first quarter of 1994 did the bond market perform so poorly. In fact, only four quarters in the past 160 can claim a loss of 5% or greater. Investors wondered if this was the end of the 40-year bull market for bonds that began all the way back in 1982.

It was also a year in which inflationary pressures finally surfaced, and indeed accelerated. Central Banks and many economists would tout these price pressures as “transitory,” and there was resistance to hiking interest rates amidst ongoing COVID-19 uncertainty.

Ultimately, 2021 may be remembered as the year in which the bond market threw up a large warning sign. At the time of writing, inflationary pressures have skyrocketed. Central Banks are trapped into fighting inflation with tighter monetary policy at a time when a spike in energy prices will be a significant headwind for global economic growth. The early returns are in, and thus far in 2022, both the equity and bond markets are showing that these concerns are warranted.

CHANGES TO UBC FPP BALANCED FUND

There were some interesting developments within the FPP itself, and with the benefit of hindsight, these were well-timed initiatives. The FPP Board concluded a strategic asset mix review, which aimed to boost the robustness of the FPP Balanced Fund across different economic scenarios.

The FPP Board analyzed a number of potential asset mixes but only the ones offering an increased expected return without an increase in expected risk were considered. In fact, the new asset mix provides a slight reduction in the overall risk level while increasing the potential expected return. A new strategic asset mix was approved by the FPP Board, which increases the flexibility in the bond portfolio and increases the allocation to non-public market assets (alternatives). See Figure 1.

It will take time to implement all these changes, and it involves the movement of approximately \$650 million in assets. In 2021 and early 2022, assets were deployed to the UBS Global Core Real Estate Fund. The FPP Board completed a search for two global infrastructure managers, and has negotiated contracts with the Brookfield Super Core Infrastructure Fund and CBRE Infrastructure Fund. Assets are expected to be deployed into these funds in 2022.

The FPP Board has also finalized changes to the Plan’s Fixed Income mandates in the first quarter of 2022. However, due to ongoing negotiations, details relating to these changes will be communicated at a later date.

Figure 1: Balanced Fund Asset Mix - Current Versus New

	CURRENT	NEW
Universe Bonds	20%	-
Core Plus Bonds	20%	26%
Fixed Income Enhancement Strategies	-	11%
Total Fixed Income	40%	37%
Canadian Large Cap Equities	15%	10%
Global All Cap Equities	30%	33%
Total Equities	45%	43%
Canadian Real Estate	5%	4%
U.S. Real Estate	5%	4%
Global Real Estate	5%	4%
Global Infrastructure	-	8%
Total Alternatives	15%	20%

INVESTMENT FUND PERFORMANCE

BALANCED FUND

The positive results in 2021 (11.80%) were primarily driven by strong stock returns. Globally, equity markets capped off a very robust year – the MSCI All Country World Index rose over 22%. Our passive managers tracked their target benchmarks, and despite our active managers producing mixed results versus their respective benchmarks, both delivered solid double digit returns. Overall, the global equity component of the Fund was ahead of its benchmark by 0.95%.

The Canadian stock market rose 25.1%, as measured by the S&P/TSX Composite Index. The Fund’s Canadian equity portfolio delivered strong relative returns, 1.47% ahead of the benchmark. The second quarter index gain of 8.5%, when it broke through the 20,000 level for the first time, helped the TSX lead global markets in 2021. Oil prices, which increased 24.4% in the second quarter, underpinned the strength in the stocks of Canadian energy companies.

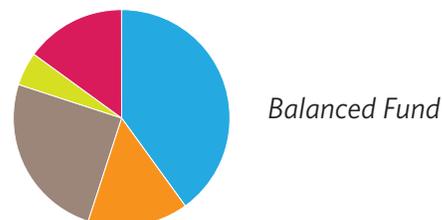
The Canadian bond market was the only part of the public markets in the red most of the year. Bonds dropped by over 5% in the first quarter, and would eventually end the year down just over 2.5%. The Fund’s bond component declined 2.13% in 2021, but managed to exceed its benchmark.

The Real Estate component, now 15% of the Fund’s assets, contributed positively to overall return. Industrial properties performed exceptionally well. Increases to real estate helped offset the negative results from the bond market, and more generally highlighted the benefit of the broadening diversification of our portfolios.

BOND FUND

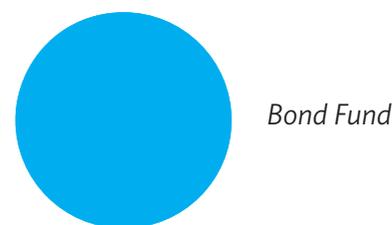
The Bond Fund consists mostly of Canadian bonds. It is managed by three different managers – two who employ an active management strategy, and one who employs a passive strategy. Over the long term, the fund is expected to earn a return between the Short Term Investment Fund and the Balanced Fund.

The Fund posted a return of -2.13%, 0.41% above the benchmark. The positive relative return was largely attributable to our two active bond managers. These managers implement ‘core plus’ strategies, which focus on the Canadian bond market but allows for tactical allocations to foreign bonds, mortgages, high yield bonds, and currencies.



ANNUAL GROSS RATE OF RETURN (%)

	1 year	4 years
Actual	11.80	8.34
Benchmark return	10.07	7.98
Value added	1.73	0.36



ANNUAL GROSS RATE OF RETURN (%)

	1 year	4 years
Actual	-2.13	3.82
Benchmark return	-2.54	3.56
Value added	0.41	0.26

BOND FUND CONTINUED...

At the time of writing, inflationary pressures have accelerated from the previous multi-decade highs seen in late last year and early in 2022. Market participants are now expecting multiple interest rate hikes into slowing economies. It appears that the weakness in the bond market once again foreshadowed volatility in other areas of the capital markets.

CANADIAN EQUITY FUND

Equities are expected to earn the highest long-term average rates of return of the major asset classes with the highest level of risk or volatility. Excess volatility is reduced by diversifying across different investment styles and different active investment managers.

The Canadian stock market index posted a return of 25.1%, a result greatly supported by the energy sector, which in turn was driven by an increasing oil price. Two of our managers provided returns well above the benchmark, with one lagging. Diversification of strategies helped us to finish the year with a great result, 1.47% ahead of the benchmark.



Canadian Equities 100%

ANNUAL GROSS RATE OF RETURN (%)

	1 year	4 years
Actual	26.56	10.39
Benchmark return	25.09	10.28
Value added	1.47	0.11

FOREIGN EQUITY FUND

The Foreign Equity Fund is a diversified portfolio of global equities. The returns are affected by changes in currency exchange rates and excess volatility is reduced by diversifying across different investment styles, different countries and different investment managers. It is managed by two active managers and one passive manager who has two different mandates.

The Fund had strong performance in 2021, posting a return of 19.64%, ahead of its benchmark by 0.95%. Of our two active global managers, one significantly outperformed the global stock index while the other manager underperformed. The two passive strategies performed close to the benchmark.

Globally, markets capped off a very positive year. However, it was noted that the global economic recovery of 2021 started to slow its pace towards the end of the year, and with emerging distinctions between industries. Notably, energy prices continued to push higher, extending the energy sector's winning streak and putting those in the "inflation is transitory" camp — not to mention managers of fossil fuel free funds — in uncomfortable positions.



Global Equities 83%
Global Low Volatility Equities 17%

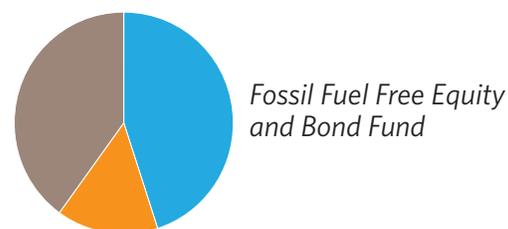
ANNUAL GROSS RATE OF RETURN (%)

	1 year	4 years
Actual	19.64	12.78
Benchmark return	18.69	12.32
Value added	0.95	0.46

FOSSIL FUEL FREE EQUITY AND BOND FUND

This Fund is designed to enable investors to exclude investments in fossil fuels such as thermal coal, oil and natural gas used for energy purposes, while investing in a diversified, actively managed, quality-focused portfolio of bonds and stocks. The portfolio carbon footprint is actively managed to deliver a materially reduced emission intensity.

The Fund delivered strong results in 2021, with contributions coming primarily from industrials. The Fund finished the year up 11.95%, ahead of its benchmark by 1.59%. Both absolute and index-relative returns started to weaken toward the end of the year, and both turned negative in 2022 as the energy sector was an uncommon bright spot in volatile equity markets. This illustrates the risk which members need to consider when investing in any portfolio which eliminates exposure to one or more key sectors of an economy.



ANNUAL GROSS RATE OF RETURN (%)

	1 year	4 years
Actual	11.95	n/a
Benchmark return	10.36	n/a
Value added	1.59	n/a

SHORT TERM INVESTMENT FUND

The Short Term Investment Fund (STIF) is the Plan's lowest risk/lowest return option. It typically produces a return similar to prevailing short-term interest rates in Canada.

As expected, returns were low in absolute terms and in line with the benchmark.



ANNUAL GROSS RATE OF RETURN (%)

	1 year	4 years
Actual	0.20	1.10
Benchmark return	0.17	1.01
Value added	0.03	0.09

INVESTMENT MANAGER PERFORMANCE

Asset Class Manager Index-based Benchmark	Gross Rates of Return (%) For periods ending December 31, 2021	
	1 year	4 years
Canadian Equity		
Connor, Clark & Lunn Q-Growth Fund (active)	26.69	11.58
Guardian Capital LP (active)	23.46	9.25
Jarislowsky Fraser (active)	24.56	n/a
Leith Wheeler Investment Counsel (active)	29.47	10.36
S&P/TSX Composite TR	25.09	10.28
Non-Canadian Equity		
Arrowstreet Capital (active)	24.93	14.80
MSCI World Investable Market Index	20.01	13.05
BlackRock MSCI ACWI ex Canada Index (passive)	17.49	12.11
MSCI ACWI ex Canada Index	17.32	12.45
BlackRock MSCI World ex Canada Minimum Volatility Index (passive)	13.84	8.35
MSCI World ex Canada Minimum Volatility (CAD) Index	13.71	8.13
Jarislowsky Fraser (active)	21.36	n/a
MSCI World Index, Net (CAD) Index	20.79	n/a
MFS (active)	17.65	13.10
MSCI World ex Canada Net (CAD) Index	20.65	13.65
Fixed Income		
AllianceBernstein (active)	-1.52	3.56
BlackRock Universe Bond Index (passive)	-2.57	n/a
Jarislowsky Fraser (active)	-2.35	n/a
PIMCO Canada Corp. (active)	-1.95	4.62
FTSE TMX Canada Universe Bond	-2.54	3.51
Real Estate		
BentallGreenOak (active)	15.68	7.95
Consumer Price Index + 4%	8.80	6.43
CBRE U.S. Core Partners (active)	32.66	n/a
NFI-ODCE	21.17	n/a
Money Market		
Sun Life Financial Money Market (active)	0.21	1.11
FTSE TMX Canada Cdn 91-Day Treasury Bill	0.17	1.01

* net of all fees

TOTAL FUND MANAGEMENT FEES*

Balanced Fund	0.45%
Bond Fund	0.26%
Canadian Equity Fund	0.38%
Foreign Equity Fund	0.49%
Fossil Fuel Free Equity and Bond Fund	0.34%
Short Term Investment Fund	0.13%

* effective December 31, 2021 and include all the operating expenses and investment management fees.

BOARD OF TRUSTEES

The UBC Faculty Pension Plan is administered by a Board of Trustees comprising eight trustees. Four trustees are elected by and from the members of the Plan and four are appointed by the University. The responsibilities of the Board are outlined in detail in the Plan's Governance Policy, available on the Plan's website.

APPOINTED BY THE UBC BOARD OF GOVERNORS

DR. R. KENNETH CARTY, CHAIR

Professor Emeritus, Political Science
Term expires December 31, 2022

DR. JOYCE BOON

Associate Professor Emerita, Biology, UBC Okanagan
Term expires December 31, 2024

DR. MURRAY CARLSON

Professor, Sauder School of Business
Term expires December 31, 2022

DR. PAM RATNER

Professor, School of Nursing
Term expires December 31, 2024

ELECTED BY PLAN MEMBERS

DR. ROBERT L. HEINKEL, VICE-CHAIR

Professor, Sauder School of Business
Term expires December 31, 2023

DR. JOY BEGLEY

Associate Professor, Sauder School of Business
Term expires December 31, 2025

DR. MARTIN COMYN

Retired TRIUMF Research Scientist
Term expires December 31, 2023

DR. LORENZO GARLAPPI

Professor, Sauder School of Business
Term expires December 31, 2025

MANAGEMENT AND STAFF

ORLA COUSINEAU

Executive Director, Pensions

LILY LEE

Member Services Associate

KATHY PANG

Communications Manager

KAMILA GIESBRECHT

Executive Director, Investments

LOUISE MAH

Pension Clerk

CHELSEY MAHER

Communications Coordinator

DEBBIE WILSON

Director, Pensions

MARICRES DE LEON

Pension Plan Accountant

SARAH HALVORSON

Office Administrator

DIANA IAMPIETRO

Manager, Faculty Pension Plan

HELENA HUYNH

Systems Analyst

MEGHA GUPTA

Administrative Assistant

LORRAINE HESELTINE

Member Services Specialist

VISIT FACULTY.PENSIONS.UBC.CA

The FPP website contains a wealth of information, such as:

Overview: General information about the FPP including eligibility and enrolment, contributions, and benefits of being an FPP member.

Investments: Detailed information about the FPP investment options as well as investment education and performance and a quarterly market commentary.

Life Events: Information about various life events including designating a beneficiary, leaving UBC before retirement, retirement income options available within and outside of the FPP, marital status changes, leaves of absences and more.

Plan Governance: Learn about how the FPP is governed and view annual reports and financial statements.

Forms & Resources: A comprehensive library of guides and information sheets, presentations, videos and webcasts about the FPP as well as a repository of forms.

News & Events: Read Plan newsletters or sign up for an in-depth New Member or Retirement Income Options Seminar.

Contact Us: Our Member Services teams at the UBC Pension Administration Office and at Sun Life are happy to assist members with their questions.

NAVIGATING MYSUNLIFE.CA/UBCFPP

The following are some of the key things that members can do when they log into their account at mysunlife.ca/ubcfpp:

Learn more about your investments through Morningstar®

Select **Investment performance** from the menu on the right-hand side of the **Home** page. Click on each fund name to see information about the fund from **Morningstar®**.

Change your investment selections

Select **Requests** > **Change investments** and follow the prompts.

Use the tools and calculators, including the Retirement Income Estimator, Contribution Estimator and Asset Allocation tool

Tools and estimators for different scenarios are available at mysunlife.ca/ubcfpp. Sign in and select **my money tools** from the menu on the right-hand side of the **Home** page. Then select the specific tool or estimator that you wish to use and follow the prompts.

To access the **Contribution Estimator** select **my financial centre** > **Requests** > **Contribute**.

Access your statements

Select **Statements** from the menu on the right-hand side of the **Home** page.

See your Personal Rates of Return

Select **my financial centre** > **Accounts** > **Personal rates of return**.

Access fee information

Select **my financial centre** > **Accounts** > **Account fees**.