



SUBJECT	UBC Staff Pension Plan Audited Financial Statements and Annual Report 2022
SUBMITTED TO	Finance Committee
MEETING DATE	September 14, 2023
SESSION	Recommended session criteria from Board Meetings Policy:
CLASSIFICATION	OPEN
REQUEST	For information only - No action requested
LEAD EXECUTIVE	Marcia Buchholz, Vice-President Human Resources
SUPPORTED BY	Frank Laezza, Vice-President Finance & Operations Derrick Johnstone, Executive Director, Pensions

PRIOR SUBMISSIONS

The UBC Staff Pension Plan Board provides Audited Financial Statements annually to the Finance Committee, most recently in [September 2022](#).

EXECUTIVE SUMMARY

Annual Report:

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

Funded Position of the Plan

An actuarial valuation was completed as at December 31, 2022 to assess the Plan’s indexing level and its compliance with the funding requirements under the Pension Benefits Standards Act (“PBSA”) for target benefit plans. The Benefits/Funding Test that is performed as part of the valuation (to assess the long-term sustainability of the Plan’s benefit levels) determined that the indexing level may be improved to 70% from 50% and, after such improvement, continues to include a total margin higher than the 10% required under the Plan’s Funding Policy (total resulting margin of 18.2%). The Pension Board, supported by the Actuary’s report, has approved indexing of all benefits at 70% of CPI effective January 1, 2024, until the next actuarial valuation. The new level of indexing will be communicated to members in early October.

The actuarial valuation also assessed whether the Plan meets the PBSA’s funding requirements. The valuation revealed that the Plan’s funded ratio on a going concern basis was 122% (reflecting the increase 70% indexing perpetually). Further, the minimum required PBSA margin of 7.5% has been satisfied on both past and future service.

Member Communications

The Annual SPP Update was held virtually in mid June and hosted over 600 members for the virtual session. The presentation slides and recorded session were posted on the Plan’s website:

<https://staff.pensions.ubc.ca/files/2023/06/SPP2023Update.pdf>

The Staff Pension Plan’s 2022 Annual Report was posted on the Plan’s website:

<https://staff.pensions.ubc.ca/files/2023/05/2022AnnualReport.pdf>

Audited Financial Statements 2022

UBC, acting through the Board of Governors and senior management, is the sponsor and administrator of the UBC Staff Pension Plan. Each year under the Pension Benefits Standards Act BC, audited financial statements must be filed with the BC Financial Services Authority.

The Financial Statements of the UBC Staff Pension Plan (circulated as Supplemental Materials #3) for the year ending December 31, 2022 received an unqualified audit opinion from Deloitte LLP. The Financial Statements were provided to the Board Secretary and filed with the Superintendent of Pensions for British Columbia in June 2023.

SUPPLEMENTAL MATERIALS

1. UBC Staff Pension Plan Annual Report 2022
2. Virtual Presentation Slides: 2023 Update for the UBC Staff Pension Plan
3. UBC Staff Pension Plan Financial Statements for the year ending December 31, 2022



THE UNIVERSITY OF BRITISH COLUMBIA

20
22

STAFF PENSION PLAN

ANNUAL REPORT





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Message from the Chair and Executive Director

Remaining resilient and protecting stable lifetime pensions

We are pleased to present our 2022 Annual Report for the UBC Staff Pension Plan (also known as “SPP” or “the Plan”). As we enter into our sixth decade of operation, the SPP continues to be a well-funded and sustainable Target Benefit Plan, and it is one of the most valued benefits offered by UBC. The SPP Board’s strategic focus remains on the long-term sustainability of the Plan through protecting the valuable benefit that members have earned in the SPP and to provide stable lifetime pensions at retirement.

Enhancing member services and communication to deliver best member experience

Plan membership continues to grow at a steady pace. There was a notable increase in both the number of employees joining the Plan and members starting their pension in 2022. With a growing membership, along with adapting to changing times, we continue to evolve our member services and communication so that we can deliver the best experience to meet the needs of members. We are excited to offer more ways for members to connect with us and to learn about their pension from wherever they may be, online or in person. Our Member Services team at the UBC Pension Administration Office (PAO) has grown to expand our capacity to best serve members.

Focusing on the long-term sustainability of the Plan

Over the last year, the SPP Board continued to work on various priorities. Preparations began in 2022 for the Plan’s triennial actuarial valuation and the results will be available in the fall of 2023. The actuarial valuation will evaluate the financial health of the SPP and determine the Plan’s ability to pay both current and future benefits. The level of post-retirement indexing (otherwise known as a Cost-of-Living Adjustment) that the Plan can afford to pay on pensions for the next three years, from 2024 to 2026, is also determined during the valuation. The Plan uses inflation protection as a lever to keep the Plan sustainable and to protect the lifetime pension that pensioners receive from the SPP.

Responsible investing also continued to be a key area of focus for the SPP. A collaborative effort continues to be given by the SPP Board, UBC Investment Management, and the PAO staff and management to uphold our commitment to responsible investing. Our establishment of the SPP’s *Responsible Investing Policy* and becoming a signatory of the *United Nations Principles for Responsible Investing* are two key milestones on our responsible investing journey.

A resilient investment portfolio focused on providing stable lifetime pensions

In 2022, the global economy and markets experienced some unprecedented events. Inflation stayed stubbornly high, resulting in a series of interest rate increases. Military conflict continued in Europe and supply chain issues persisted throughout the year. These events created a unique environment where there were historic declines in both equity and bond markets, which have not been seen in over 40 years.

These challenges were reflected in the SPP portfolio with the fund earning a negative return of 6.0%, net of operating and investment fees. The SPP has not seen a negative return since the global market crisis in 2008. Despite the negative one-year return, our investment portfolio continues to perform in line with the policy benchmark over longer time horizons. While negative returns are not desirable, we continue to use a long-term approach to balance investment risk and return in order to provide stable lifetime pensions for our members. The SPP portfolio is broadly diversified and built to be resilient during times of uncertainty.



Pension board and leadership updates

An election was held in the fall of 2022, which saw Joanna Carson and Shannon Dunn elected to the SPP Board for four-year terms, and Michael Guimond elected for a two-year term. Christie Stephenson and Lia Cosco terms ended on December 31, 2022. Yale Loh was re-appointed to the SPP Board for another four-year term. We would like to thank both Christie and Lia for their time and contributions to the SPP and its members.

In 2022, we saw a leadership change at the PAO with Orla Cousineau, Executive Director, Pensions, retiring. Orla made many significant contributions during her time with the SPP, and the SPP Board and the PAO management and staff are extremely grateful to have been able to work with her over the last seven years. Derrick Johnstone was hired as the new Executive Director, Pensions. Having previously worked at the PAO, we were pleased to welcome Derrick back and we look forward to the comprehensive expertise and knowledge he will bring to the SPP Board and PAO team.

The SPP Board and management would also like to recognize and thank our PAO team for their continued hard work and dedication to the SPP. 2022 marked our first full year of a hybrid work model at the PAO. Our office is open regular business hours from Monday to Thursday for members to meet with our Member Services team, or to drop off forms. On Fridays, our team works remotely and is available by phone and email.

Lastly, our annual SPP Update presentation will be held online on Wednesday, June 14, 2023. We encourage all members to join us to hear the latest news and updates on their pension plan, and to ask questions of the PAO management.



Barry Gros
INDEPENDENT CHAIR,
SPP BOARD



Derrick Johnstone
EXECUTIVE DIRECTOR,
PENSIONS

Our Pension Promise

The UBC Staff Pension Plan is a Target Benefit Plan. A key feature of the Plan's design is the pension promise and its funding policy. As both employee and employer contributions to the Plan are fixed, the Plan's funding policy states that the basic pension benefit and Cost-of-Living Adjustments are subject to the Plan's ability to pay. Benefits are adjusted depending on whether the Plan is over- or underfunded.



Membership Highlights

MEMBERSHIP NUMBERS

Active members

10,740 62%

Pensioners

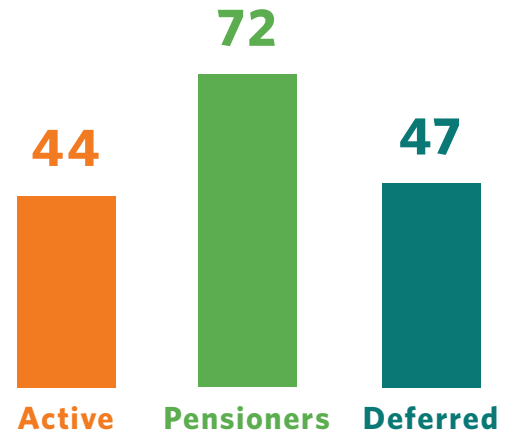
3,384 19%

Deferred members

3,387 19%



AVERAGE AGE OF MEMBERS

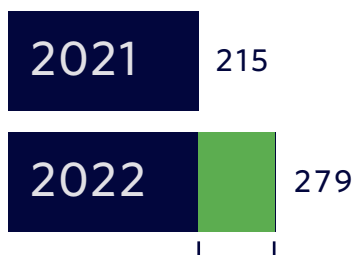


RATIO OF ACTIVE MEMBERS TO PENSIONERS

3 ● ● ● **1** ●
Active members FOR EVERY Pensioner

64 AVERAGE AGE OF MEMBERS STARTING A PENSION IN 2022

279
MEMBERS STARTED A PENSION IN 2022



Increase of **30%** from previous year

1,931
ENROLMENTS IN 2022



Increase of **30%** from previous year

LONGEST PAID PENSION
44 YEARS

105 PENSIONERS OVER THE AGE OF 90

16.4
AVERAGE YEARS OF SERVICE FOR MEMBERS STARTING A PENSION IN 2022

Connecting with Members

Member experience is important to us and we want to help members learn about and understand how their pension plan works. As part of our commitment to delivering the best member experience, we are always creating new ways for members to connect and engage with us from wherever they may be, online or in person.

In 2022, here's how members connected with us:



Retiring soon? Attend a Retirement Information Session online or in person

If you are within a year of retirement, you are encouraged to attend a one-on-one retirement information session with one of our senior administrators. During this session, you will learn in detail about the specific pension options available to you.

Get Educated is back! Gather your colleagues for an informative, in-person seminar about the SPP.

A representative from the Pension Administration Office will come to your office to provide you an opportunity to learn about the SPP and ask pension-related questions in a group setting. Specific topics can be covered if requested in advance.

Register for a workshop or a retirement information session at staff.pensions.ubc.ca/workshops

New in 2022



Pension Airwaves Podcast

Listen and learn from anywhere



Designating a Beneficiary Video

Learn why it's important to designate a beneficiary for the SPP.

What's next in 2023



myPension Redesign

Improvements and new features are coming to your secure member website.



New Videos

Our video library is growing with short and easy to watch educational videos.



Plan & Financial Highlights

TOTAL PENSIONS
PAID IN 2022

\$52M

AVERAGE
ANNUAL PENSION
PAID IN 2022

\$16,869

UNAUDITED
MARKET VALUE
OF THE PLAN
AT YEAR END

\$2.3B

CONTRIBUTIONS VERSUS DISBURSEMENTS
FROM THE PLAN AND NET CASH FLOW

\$119.6M

2022



Contributions
into Plan

8.9%

Increase
from 2021

\$78.3M

2022



Disbursements
from Plan

13.7%

Increase
from 2021

\$41.4M

2022



Net cash
flow

1.0%

Increase
from 2021

TOTAL
CONTRIBUTIONS
BY MEMBERS
IN 2022

\$49.1M

TOTAL
CONTRIBUTIONS BY
UBC AND RELATED
EMPLOYERS IN 2022

\$70.5M

Governance and Risk Management

Governance and risk management are important elements to ensure we are able to deliver our pension promise and to provide our members with secure and stable lifetime retirement pensions.

Strong Governance Model

The UBC Staff Pension Plan follows a governance model outlined in the Plan's *Terms of Reference and Governance Policy*. These policies outline the various duties and responsibilities delegated to the SPP Board by the UBC Board of Governors. The SPP Board meets several times a year to review and discuss topics such as the Plan administration, operations, governance and investments, and works closely with the University and the Plan's advisors to ensure the Plan is sustainable for the long term. Part of our governance model includes completing a Governance Report under the Terms of Reference, which is presented to the UBC Board of Governors on an annual basis.

The Plan is invested to provide stable lifetime retirement pensions in accordance with the *Statement of Policies and Procedures (SIPP)* approved by the SPP Board and the UBC Board of Governors Finance Committee. The *SIPP* outlines the investment strategy and overall framework for managing plan assets, which UBC Investment Management is responsible for implementing. UBC Investment Management is a professional investment management company that provides comprehensive portfolio management and advisory services to UBC. The SPP is one of the funds that they manage. UBC Investment Management employs a manager-of-managers approach, hiring top tier investment managers from around the world to manage strategies in accordance with the Plan's long-term strategic asset mix.

The SPP Board is also responsible for monitoring the Plan's compliance with the terms of the Plan in areas such as administration and funding, and as well as with the various regulatory bodies. One of the ways the Plan is evaluated is through an actuarial valuation, which occurs every three years. An actuarial valuation is currently underway and the results will be shared with members later in 2023.

Proactive Risk Management

The SPP Board is focused on proactive risk management through regular monitoring. Every quarter, each risk is categorized as either high, medium or low, with a rating of high triggering a discussion by the SPP Board. In 2022, there were no risks with a high rating.

Risks are monitored through various means such as:

- ▶ The Risk Dashboard and Register
- ▶ The Benefits/Funding Test
- ▶ Longevity Analysis
- ▶ Asset Liability Studies
- ▶ Annual Governance Report to the UBC Board of Governors

The SPP Board monitors seven risk categories:



Investment

The investment returns on the Plan’s assets are regularly monitored through quarterly reports from UBC Investment Management.



Legal/Regulatory

A compliance checklist is used to complete a comprehensive annual review to ensure all regulatory requirements are satisfied.



Funding

Quarterly reports from the Plan’s actuary help the SPP Board to stay on top of the Plan’s funding status in between actuarial valuations. Actuarial valuations are performed every three years. A longevity analysis is completed on an annual basis to monitor changes in life expectancy for the membership.



Governance

The SPP Board reports annually to the UBC Board of Governors in accordance with the documented governance framework.



Member Communication

It is important to the SPP Board that all Plan members know the benefits that they are entitled to from the SPP and understand how the Plan works as a Target Benefit Plan. All communications and education are focused on this messaging.



Operational

Privacy and security of plan member data is a high priority for the SPP Board. The PAO works closely with UBC IT to monitor and minimize this risk. Internal processes and people resources are also monitored.



Strategic

The sustainability of the SPP requires that the Board take a long term strategic focus.

Investment Performance

Investment Highlights

- ▶ The SPP's investment portfolio generated a return of -6.0% net of operating and investment fees in 2022. This return was above the policy benchmark return of -14.3% over the same period. Our investment portfolio continues to perform in line with the policy benchmark over longer time horizons.
- ▶ The Plan's assets decreased to \$2.3 billion as of December 31, 2022, down from \$2.4 billion on December 31, 2021. The decrease in assets was driven by negative investment returns, partially offset by positive net cash inflows into the Plan.
- ▶ Capital markets experienced a turbulent year in 2022, as interest rates rose sharply amid high levels of inflation and elevated geopolitical risk reverberated throughout the global economy. As a result of this "risk-off" investment environment, global equity markets suffered a strong drawdown while the increase in market interest rates resulted in negative returns to traditional fixed income strategies. Despite investor concerns about the impact of higher interest rates and inflation, underlying economic activity was solid through 2022, which continued to benefit real assets investments such as real estate and infrastructure.
- ▶ The Plan holds a diversified portfolio of public and private market investments that are designed to grow with the Plan's liabilities over the long term. Amid volatile market conditions, UBC Investment Management continues to monitor investment markets carefully and maintains regular communications with the Plan's investment managers.

The SPP's investment portfolio return net of operating and investment fees in 2022

SPP	-6.0%
Benchmark	-14.3%

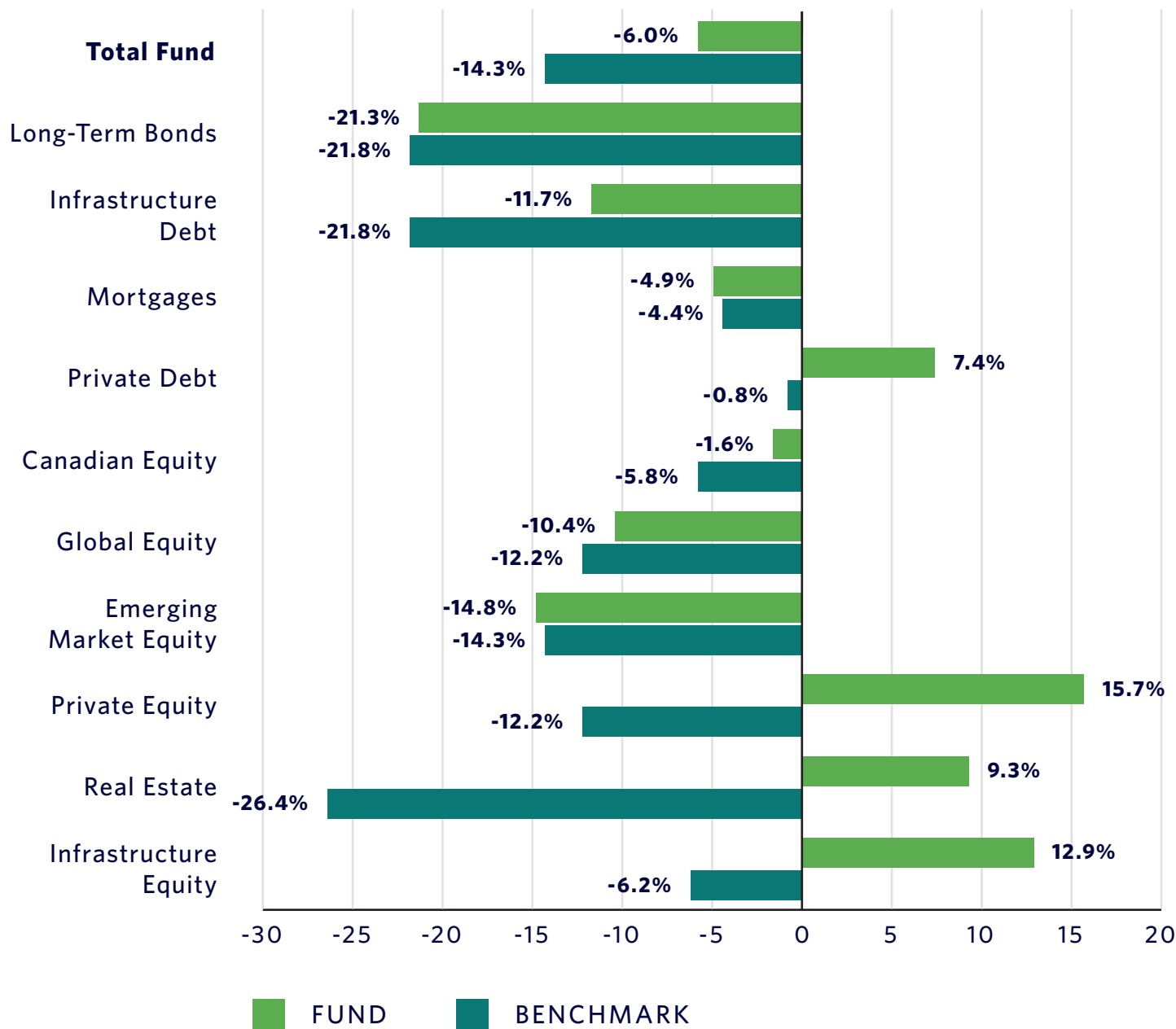


- ▶ The SPP portfolio generated a negative overall return in 2022, reflecting volatile conditions in capital markets, with detailed returns across asset classes as follows:
 - ◆ The Plan's overall equity portfolio generated a return of -7.2% in 2022, outperforming its benchmark return of -11.1%. In public equity strategies, which includes Canadian, Global and Emerging Markets allocations, the equity portfolio returned -9.8% in 2022 compared to the benchmark return of -10.9%. Partially offsetting the negative return in public equity markets, the Plan's private equity portfolio continued to generate strong positive returns in 2022.
 - ◆ The Plan's fixed income portfolio, which includes investments in long-term bonds, infrastructure debt, mortgages and private debt suffered a loss of -13.4% in 2022. The negative return reflects the sharp increase in global interest rates in response to high inflation. The fixed income portfolio return outperformed the overall fixed income benchmark return of -16.7%.
 - ◆ The Plan's allocation to real asset investments, which include real estate and infrastructure equity, generated a strong overall return of 11.3% in 2022.



1-Year Returns

DECEMBER 31, 2022



The performance of each investment manager is measured against a benchmark with the goal of meeting or exceeding those returns, after fees, over time. In addition, the total Plan's investment performance is evaluated using the weighted average rate of return of the market indices from those asset classes.

Investment Strategy

The Plan's long-term strategic asset mix policy includes allocations to fixed income, equities and real assets, such as infrastructure equity and real estate. Within the fixed income asset class, the largest allocation is to long-term bonds, which are held to provide diversification benefits to the portfolio. Fixed income investments also include private debt and mortgages, which offer a higher yield than long-term bonds and are less sensitive to changes in market interest rates. Allocations to public equities and real asset investments are expected to generate higher long-term returns than fixed income investments but may lead to higher volatility. Real assets investments provide steady cash flows that are well suited to meet the long-term financial objectives of the Plan. These assets are also held to provide inflation protection and insulate the Plan from the volatility typically observed in public markets.

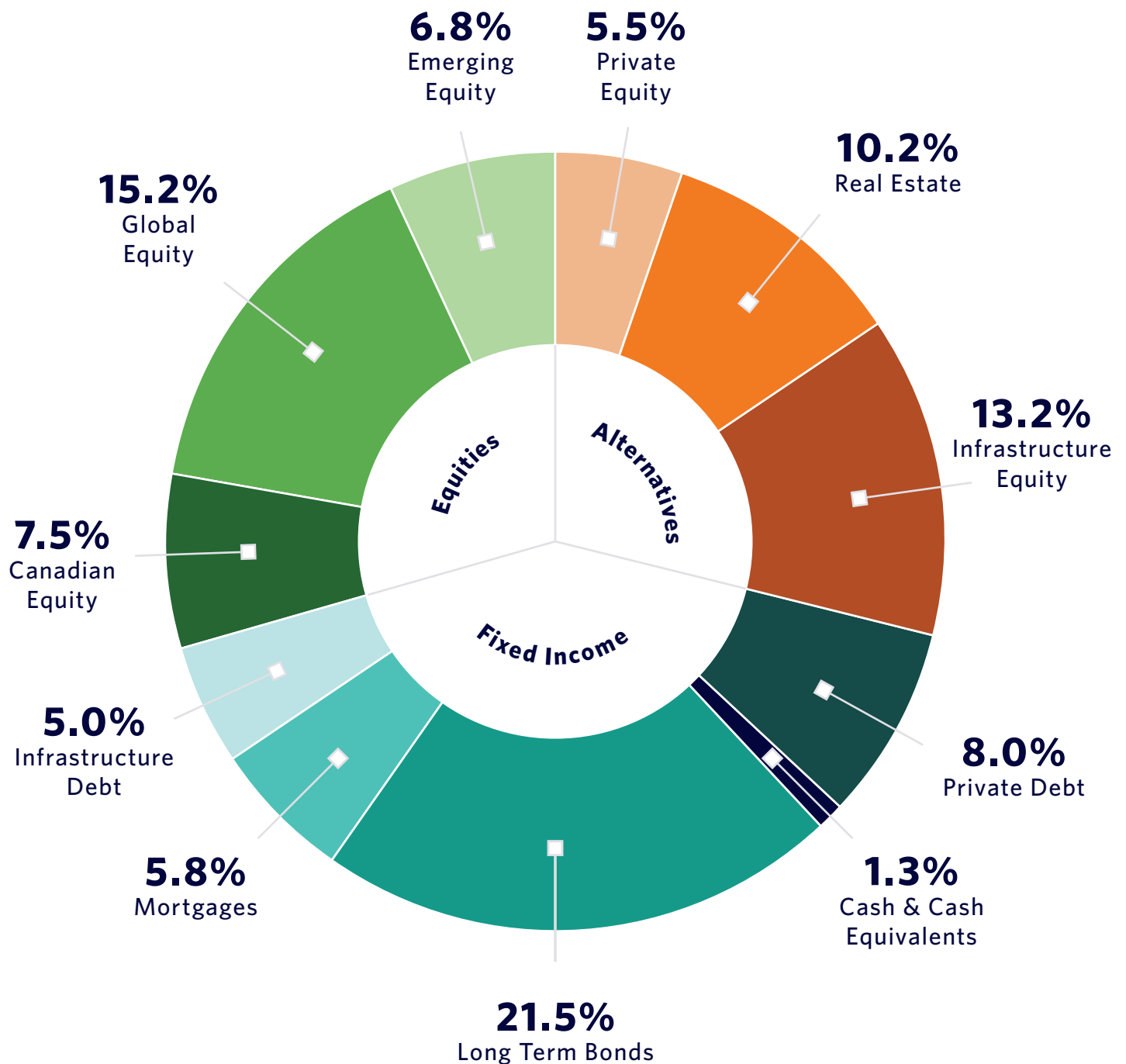
Changes to the Plan's portfolio to enhance diversification and improve future expected returns

In 2022, UBC Investment Management continued to invest the Plan's portfolio in accordance with the strategic asset mix, reaching the Plan's target portfolio weights that were established by the SPP Board in 2019. Additional commitments were made to private debt, private equity, real estate and infrastructure funds in 2022 with a focus on enhancing diversification within the Plan's private market investments. UBC Investment Management undertook a restructuring of the Plan's equity portfolio construction in 2021 and continued to allocate funds to new investment managers through the first half of 2022. The new investment manager line up is expected to generate stronger performance compared to the equity portfolio benchmarks.



Staff Pension Plan

Asset Mix AS OF DECEMBER 31, 2022



Investing for the long term

The purpose of the SPP is to provide stable retirement pensions for the lifetime of our members. Although we evaluate our investment performance on an annual basis, our approach is to focus on long-term performance.

Net Rate of Return

5.3%

4 YEAR

6.7%

10 YEAR

5.6%

25 YEAR

The net rate of return is the rate of return earned by the SPP Pension Fund after accounting for gains, losses and all operating and investment expenses.



Responsible Investing

Responsible investing plays an important role in the management of the SPP pension fund and in keeping the Plan sustainable for the long term. This is an ongoing area of focus for the SPP Board and we are committed to communicating our progress as we continue on this journey.

Key Milestones on our Journey so far



Establishing a Responsible Investing Policy

Our *Responsible Investing Policy* is part of the Plan's *SIPP*. It confirms the SPP Board's commitment to integrating Environmental, Social and Governance (ESG) factors into the Plan's investment decision making process.



Signatory of the United Nations Principles for Responsible Investment (UNPRI)

We're part of a globally recognized community seeking to build a more sustainable financial system. As a signatory, the SPP is committed to the six principles of responsible investing outlined by the UNPRI.



In 2022, the SPP Board, UBC Investment Management, and the UBC Pension Administration Office management and staff continued to work on various initiatives to support responsible investing. These initiatives included:

- ▶ **Maintaining status with the UNPRI.** In order to maintain our signatory status with the UNPRI, we are required to report annually to them on our responsible investing activities.
- ▶ **Leveraging best practices.** The responsible investing landscape is constantly evolving and changing. The Board continued to meet with peer leaders and industry experts to gain further responsible investing knowledge and insights.
- ▶ **Regular monitoring and assessment of the SPP Investment Funds.** UBC Investment Management reports quarterly to the SPP Board on key areas such as climate change risk (carbon footprint and intensity), and the responsible investing activities of the external investment managers, who invest the SPP funds. UBC Investment Management also reviews and evaluates each external investment manager annually, based on their level of ESG integration and residual risk of ESG and climate change. In 2022, slight improvements were noted overall in the SPP portfolio.
- ▶ **Member communication and transparency.** The SPP Board is committed to communicating openly and transparently about our responsible investing activities. We continue to communicate and provide updates on our responsible investing activities through our annual SPP update presentation, newsletters, annual report, workshops, and website.



Accessing your Pension Information Online

myPension is a secure website where members can view their personal pension information, beneficiaries, annual pension adjustment and service accruals as well as run their own pension estimates to better understand pension income for retirement planning. They can also update their communication preferences for their annual member statement. myPension is available 24/7.

For details on how to access and use myPension, visit staff.pensions.ubc.ca/my pension



Did you know?

Subscribing to an electronic annual statement is not only kinder to the environment, but it also keeps more money in the SPP as it reduces costs.

Members can opt out of paper statements by signing into myPension and selecting the Communication Preferences tab to change their preference.



Who We Are

Pension Board

The SPP Board comprises eight board members (four elected by the membership and four appointed by the UBC Board of Governors) and an independent non-voting chair.

Appointed Independent Non-Voting Chair		Current Term
Barry Gros	Retired Actuary	January 1, 2022 to December 31, 2023
Appointed Board Members		Current Term
Jerry Chen	Associate Vice-President, Human Resources, UBC	January 1, 2022 to December 31, 2025
Kamila Giesbrecht	Executive Director, Investments, UBC Faculty Pension Plan	January 1, 2021 to December 31, 2024
Yale Loh	Treasurer, UBC	January 1, 2023 to December 31, 2026
Laura O'Neil	B.C. General Employees' Union	January 1, 2020 to December 31, 2023
Elected Board Members		Current Term
Joanna Carson	Chief Financial Officer, TRIUMF	January 1, 2023 to December 31, 2026
Shannon Dunn	Director, Business Operations, AVP Finance & Operations Portfolio, UBC Okanagan	January 1, 2023 to December 31, 2026
Michael Guimond	Director of Finance, Faculty of Pharmaceutical Sciences, Dean's Office, UBC	January 1, 2023 to December 31, 2024
Paul Kwon	Finance Manager, UBC Hiring Solutions	January 1, 2021 to December 31, 2024

UBC Pension Administration Office Management and Staff

The UBC Pension Administration Office provides day-to-day administration of the SPP including member services and communications.

Derrick Johnstone	Executive Director, Pensions
Debbie Wilson	Director, Pensions
Margaret Leathley	Pension Administrator
Betty Jay	Member Services
Carol Brodie	Member Services
Carol Liao	Member Services
Pravin Khan	Member Services
Selma D’Silva	Member Services
Louise Mah	Pension Clerk
Anna Ha	Pension Analyst
GV Fragante	Systems Analyst
Helena Huynh	Systems Analyst
Kathy Pang	Communications Manager, Pensions
Chelsey Maher	Communications Coordinator, Pensions
Maricres De Leon	Pension Plan Accountant
Megha Gupta	Administrative Assistant
Nishtha Sharma	Administrative Assistant

Photos courtesy of: Paul H. Joseph, UBC Brand & Marketing | Margo Yachesyn, University Relations | UBC Pension Administration Office



2023 UPDATE

For the UBC Staff Pension Plan

DERRICK JOHNSTONE, EXECUTIVE DIRECTOR, PENSIONS
JUNE 2023



Your Questions

- Over 1100 registered SPP members
- Around 120 questions were asked in advance
- Question topics included:
 - Pension Benefit (*ie. retirement income estimates, lump sum vs. monthly pension*)
 - Leaving the Plan before retirement (*ie. leaving UBC before age 55*)
 - Beneficiaries (*ie. spouse, death benefits, guarantee period*)
 - Retirement options & ages (*ie. retiring at age 55 vs. 71*)
 - Contributions (*ie. contributing more or less than 6.5%*)
 - Changing jobs (*ie. moving from part-time to full-time, or from CUPE 2950 to AAPS*)
 - Other benefits in retirement (*ie. health, dental, life insurance*)



Membership Highlights



Active members

10,740 62%

Pensioners

3,384 19%

Deferred members

3,387 19%



6.3%
increase
from 2021

1,931

ENROLMENTS IN
2022

2021 1,485

2022 1,931

Increase of **30%**
from previous year

RATIO OF ACTIVE MEMBERS TO PENSIONERS

3 ● ● ● **1** ●
Active members FOR EVERY **Pensioner**

Financial Highlights



Total Plan Assets
\$2.3 B

Total Pensions Paid in 2022
\$52 M

Contributions into the Plan
\$120 M

\$49 M Employee Contributions

\$71 M Employer Contributions



9%

Increase from 2021

Key Areas of Focus

- Focus on long term sustainability of the Plan
 - Actuarial valuation in progress with results available in the fall of 2023
- Maintain a resilient investment portfolio focused on providing stable lifetime pensions
 - Use long term approach to balancing investment risk and return
 - Ongoing commitment to responsible investing
- Enhance member services and communication to deliver best member experience
 - Serving growing membership
 - Connecting with members in different ways



Plan Funding



Sustainable Pension Plan

Target Benefit Plan

- Contribution rates are fixed
- Basic pension and indexing subject to Plan's ability to pay



100% Target Benefit Funded Ratio

- Plan is fully funded as of last valuation at December 31, 2019
- Current valuation in progress



Well-Funded



50% Indexing

Plan's Benefits / Funding Test

22.6% Safety Margin

Cost-of-Living Adjustments



- The SPP uses inflation protection as a lever to keep the Plan sustainable and to protect the lifetime pension that you receive from the SPP.
- Every COLA that you receive becomes part of your lifetime pension benefit.
- Since 2011, an increase to SPP pensions has been provided at 50% of inflation (CPI) each year.
 - January 1, 2023: 3.25%
 - January 1, 2022: 1.35%
 - January 1, 2021: 0.50%
- The COLA increase for the next three years (2024 to 2026) will be determined this year and will be announced with the actuarial valuation results available this fall.

Investment Approach: Focused on the long term

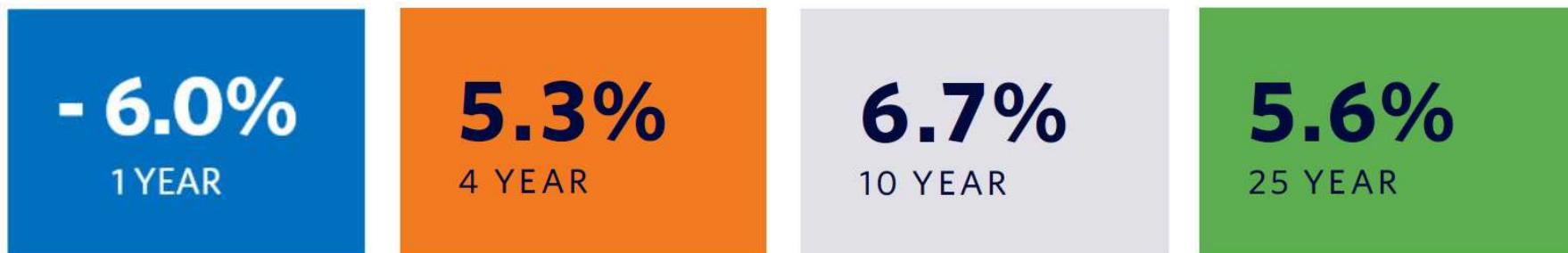
- The *Statement of Investment Policies and Procedures* (SIPP) developed by SPP Pension Board and approved by Board of Governors outlines the investment strategy.
- UBC Investment Management uses a manager-of-managers approach to invest the SPP fund.
 - Selects the appropriate strategies and external managers to implement the asset mix in the SIPP
- Invested for the long term to generate sufficient returns to maintain pensions and indexing – balance of risk and return



Investment Performance – Net Rate of Return



- The SPP's investment portfolio continues to perform in line with the policy benchmark over longer time horizons.
- Focused on long-term performance as the purpose of the SPP is to provide stable retirement pensions for the lifetime of our members.



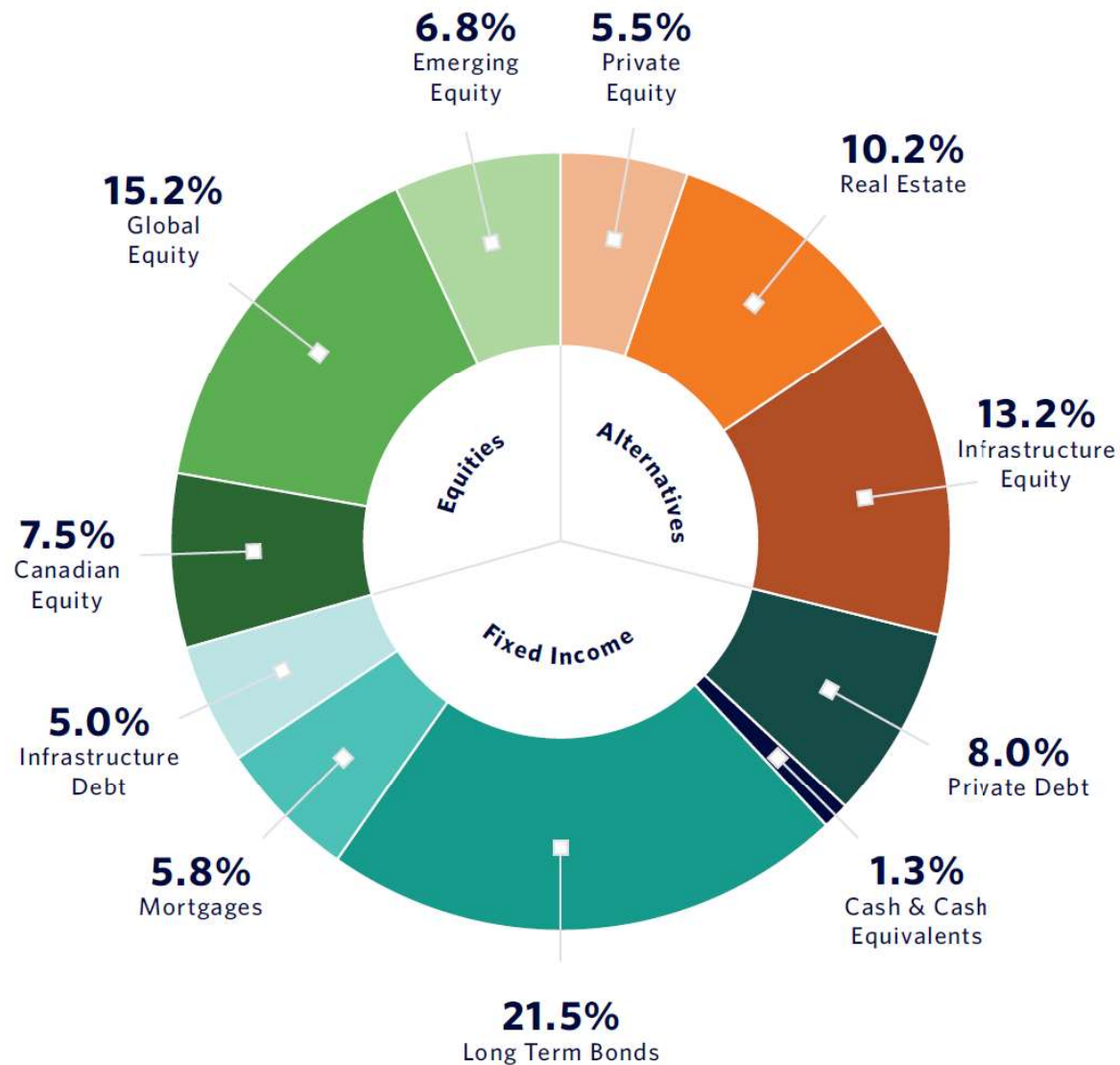
(Returns are net of operating and investment fees)

Investments

- The SPP continues to be well-funded.
- Our broadly diversified portfolio is designed to reduce investment risk during times of market volatility and to keep the Plan sustainable.
- The SPP Portfolio is a mix of public and private investments.
- There were changes in 2022 to the Plan's portfolio to enhance diversification and improve future expected returns.



SPP Asset Mix as at December 31, 2022



Responsible Investing

- Responsible investing is:
 - An important factor in keeping the Plan sustainable for the long term.
 - An ongoing area of focus for the SPP Board.
- The objective is to manage financial risks and improve returns.
- Climate change and other Environmental, Social and Governance (ESG) factors are part of UBC Investment Management's investment process.
- SPP Board monitors UBC Investment Management's investment performance and ESG activities.



Responsible Investing

- Key milestones on our journey so far:
 - Establishing a Responsible Investing Policy
 - Signatory of the United Nations Principles for Responsible Investment (UN PRI)
- In 2022, we continued working on the following initiatives:
 - Maintaining status with the UN PRI
 - Leveraging best practices from peer leaders and industry experts
 - Regular monitoring and assessment of the SPP investment funds
 - Member communication and transparency



Connecting with Members

- Member services are offered in person and online



New in 2022

Two vertical panels under the 'New in 2022' header. The left panel is orange and features a radio wave icon, the title 'Pension Airwaves Podcast', and the text 'Listen and learn from anywhere'. The right panel is grey and features a play button icon, the title 'Designating a Beneficiary Video', and the text 'Learn why it's important to designate a beneficiary for the SPP.'

Item	Description
Pension Airwaves Podcast	Listen and learn from anywhere
Designating a Beneficiary Video	Learn why it's important to designate a beneficiary for the SPP.

What's next in 2023

Two vertical panels under the 'What's next in 2023' header. The left panel is green and features a computer monitor icon, the title 'myPension Redesign', and the text 'Improvements and new features are coming to your secure member website'. The right panel is orange and features a play button icon, the title 'New Videos', and the text 'Our video library is growing with short and easy to watch educational videos.'

Item	Description
myPension Redesign	Improvements and new features are coming to your secure member website.
New Videos	Our video library is growing with short and easy to watch educational videos.

Annual Pension Statement

- Statements were posted to myPension at the end of April.
- If you opted for a paper statement, it was mailed in May.
- Learn more about your annual statement on our website:
 - Read the **annual statement guide**
 - Listen to the **new podcast episode** on annual statements



Lifetime Pensions

- Your pension is paid for your lifetime. If you have a spouse at the time of your retirement, your pension is also paid for their lifetime.
- A guarantee period only applies to the payment of your pension benefit to a designated beneficiary in the event of your death, and in the event of your spouse's death.



myPension

- Secure website where you can view your personal pension information.
- For retirement planning, use myPension to run your own pension estimate. The estimate will include pensionable service after December 31, 2022 to the date you choose as your retirement date.
- Access myPension at **my.pensions.ubc.ca**



Keeping Informed

- SPP website: staff.pensions.ubc.ca
- *SPP Update* and *SPP Pensioner* newsletters
- Annual Report
- *Understanding your Staff Pension Plan* workshops
- Retirement Information Sessions
- Get Educated Sessions
- myPension - my.pensions.ubc.ca



Keeping Informed

- Pension Airwaves Podcast
staff.pensions.ubc.ca/podcast



Some topics we've covered:

- Benefits of being in the SPP
- Target Benefit Plans
- Contributions
- Leaving the Plan before Retirement
- Your Annual Statement

...and more!

February 22, 2023

Pension Airwaves Episode 10: Leaving the Plan before Retirement



Not all UBC staff members stay at the same job for their entire career. So what happens to our pension plan if we change jobs or move to different employers? In this episode, we discuss what kind of benefits and options we could expect when we leave the Plan before retirement, and the importance of staying in contact with the SPP.

Host: Chelsey Maher
Guest: Margaret Leathley, SPP Pension Administrator

Running time: 10:28

[PDF Transcript](#) [Download audio file](#)

[Go back to Pension Airwaves main page](#)

Member Services



- Member Services team is available Monday to Friday, 8:30 am to 4:30 pm. Our physical office is closed on Fridays and we are available remotely through phone and email.
- Dedicated Member Services representative to assist you.
- Contact information at **staff.pensions.ubc.ca** under **Contact Us > Contact Member Services.**

Key Takeaways

- Plan is well-funded and remains resilient.
- Our commitment to you:
 - To manage the Plan for long term
 - To protect the basic pension benefit and provide a level of indexing the Plan can afford
- Peace of mind that your pension is in good hands.
- Pension Administration Office is here to support you throughout your pension journey, before and after retirement.



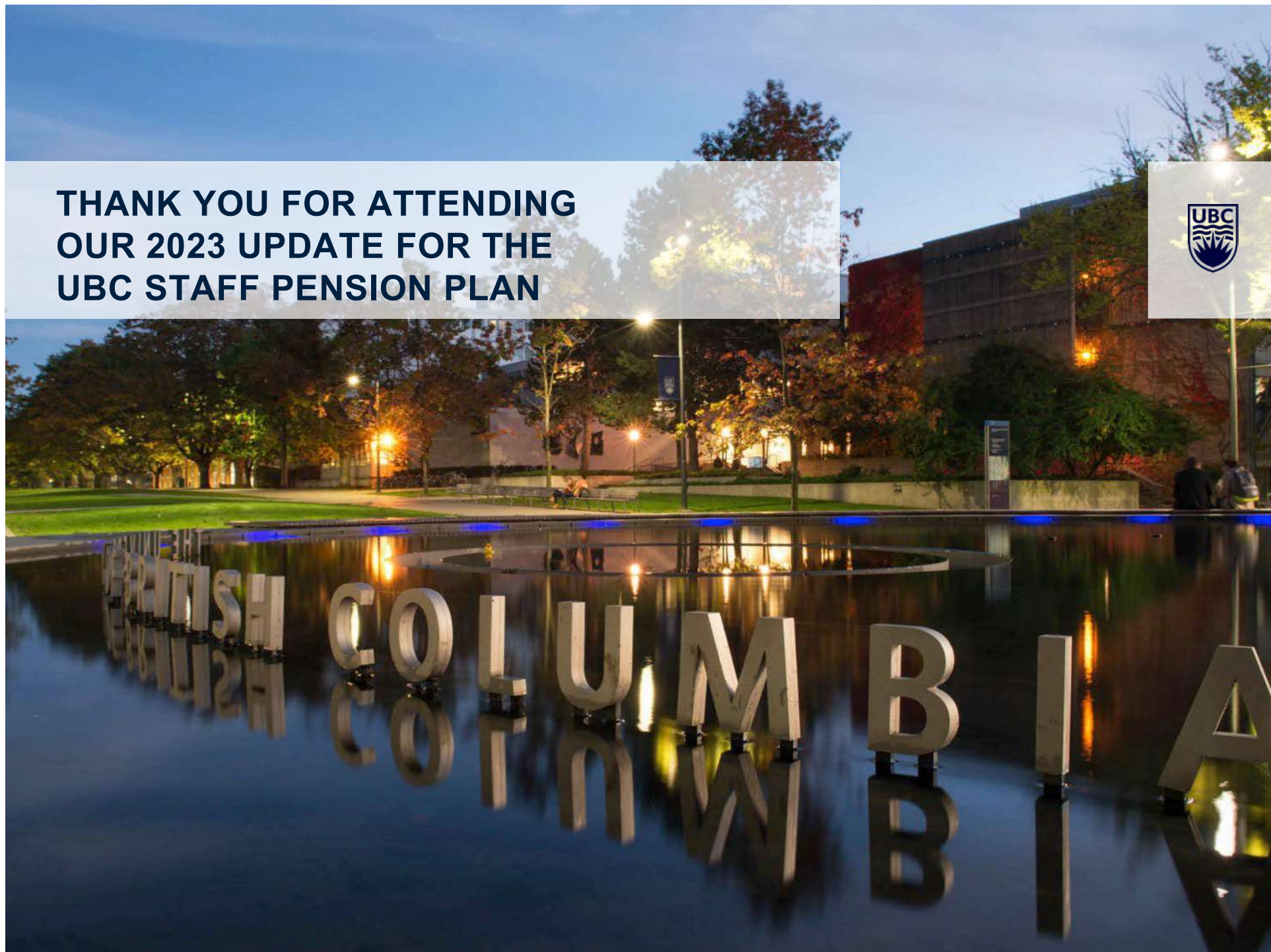
Questions?

To ask questions:

- » Click on the Q&A icon at the bottom of your screen in Zoom
- » Type in your question



**THANK YOU FOR ATTENDING
OUR 2023 UPDATE FOR THE
UBC STAFF PENSION PLAN**



Fund financial statements of
The University of British Columbia
Staff Pension Plan

December 31, 2022

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Statement of financial position	3
Statement of changes in net assets available for benefits	4
Notes to the fund financial statements	5-18

Independent Auditor's Report

To the Pension Board of
The University of British Columbia Staff Pension Plan

Opinion

We have audited the fund financial statements of the University of British Columbia Staff Pension Plan (the "Plan"), which comprise the statement of financial position as at December 31, 2022, and the statement of changes in net assets available for benefits for the year then ended, and notes to the fund financial statements, including a summary of significant accounting policies (collectively referred to as the "fund financial statements").

In our opinion, the accompanying fund financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2022, and the changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 38(i)(c) of the regulations to the Pension Benefits Standards Act S.B.C. 2012 and Bulletin PENS 18-003 issued by the BC Financial Services Authority ("BCFSA") in April 2018 (the "Financial Reporting Framework").

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 Fund 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 fund 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.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the fund financial statements, which describes the basis of accounting. The fund financial statements are prepared to assist the Pension Board of the Plan to meet regulations of Section 38(i)(c) of the Pension Benefit Standards Act S.B.C 2012 and Bulletin PENS 18-003 issued by BCFSA in April 2018. As a result, the fund financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and those Charged with Governance for the Fund Financial Statements

Management is responsible for the preparation and fair presentation of the fund financial statements in accordance with the Financial Reporting Framework, and for such internal control as management determines is necessary to enable the preparation of the fund 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 Fund Financial Statements

Our objectives are to obtain reasonable assurance about whether the fund 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 fund 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 fund 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 fund 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 fund financial statements, including the disclosures, and whether the fund 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
June 28, 2023

The University of British Columbia Staff Pension Plan

Statement of financial position

As at December 31, 2022

(Expressed in thousands of dollars)

	Notes	2022 \$	2021 \$
Assets			
Investments	4		
Fixed income			
Cash and cash equivalents		5,220	7,749
Derivative assets, net		—	2,419
Long term fixed income		495,790	512,030
Private debt		184,940	94,041
Infrastructure debt		112,417	216,974
Mortgages		135,055	120,294
Equities			
Canadian equities		170,558	177,782
Foreign equities		351,584	444,252
Emerging market equities		157,280	174,211
Alternative investments			
Private equities		127,556	93,193
Infrastructure equities		314,794	276,921
Real estate		234,992	279,412
Hedge funds		—	153
		2,290,186	2,399,431
Cash	4	25,163	26,095
		2,315,349	2,425,526
Contributions receivable			
University of British Columbia		503	547
Members		426	365
		929	912
		2,316,278	2,426,438
Liabilities			
Benefits payable		124	187
Accounts payable and accrued liabilities		4,961	3,663
Derivative liabilities, net		3,629	—
		8,714	3,850
Net assets available for benefits		2,307,564	2,422,588

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

Approved on behalf of the Pension Board



_____, Chair - Barry Gros



_____, Board Member - Joanna Carson

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

Year ended December 31, 2022

(Expressed in thousands of dollars)

	Notes	2022 \$	2021 \$
Increase in net assets			
University's required contributions		70,460	64,794
Members' required contributions		49,072	44,981
Transfers from other plans for buyback		74	35
		119,606	109,810
Investment income	5	75,652	68,073
Change in fair value of investments	6	(230,732)	154,327
		(35,474)	332,210
Decrease in net assets			
Payments to or on behalf of members			
Retirement benefits to members and beneficiaries		51,744	47,293
Members' accounts transferred or refunded		10,290	7,259
Death benefits		1,009	1,647
		63,043	56,199
Operations			
Administrative expenses	7	1,959	1,837
Investment			
Consulting fees		126	107
Management fees	8	14,422	11,690
		79,550	69,833
Change in net assets available for benefits		(115,024)	262,377
Net assets available for benefits, beginning of year		2,422,588	2,160,211
Net assets available for benefits, end of year		2,307,564	2,422,588

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

The University of British Columbia Staff Pension Plan

Notes to the fund financial statements

December 31, 2022

(Expressed in thousands of dollars)

1. Description of plan

The following description of the University of British Columbia Staff Pension Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan text, which is available from the University of British Columbia's Pension Administration Office (the "University" or the "Sponsor"). The Plan is registered under the Pension Benefits Standards Act of British Columbia (registration no. 85439). As a registered pension plan under the Income Tax Act of Canada, the Plan is exempt from taxation.

(a) General

The Plan is a target benefit pension plan with fixed member and employer contributions. The Plan provides that benefits may be adjusted depending on the Plan's funded status. The Plan is open to eligible full-time, part-time monthly-paid and certain hourly-paid staff.

(b) Funding policy

The Plan text requires members to make contributions of 6.5% of basic salary and the University to make contributions of 9.4% of basic salary.

(c) Benefits

Pension benefits are calculated using the following formula:

For service earned to June 30, 2009, 2% times the average of the member's three best years of pensionable earnings multiplied by such pensionable service less a Canada Pension Plan benefit offset equal to 0.7% of the lesser of best average pensionable earnings and average YMPE multiplied by such pensionable service. For service earned beginning July 1, 2009 onwards, the benefit is a flat 1.8% of the best average pensionable earnings multiplied by such pensionable service. Calculated benefits in excess of Canada Revenue Agency's allowable eligible maximum benefit are paid in accordance with a Supplemental Retirement Arrangement ("SRA"), if the member is eligible. The SRA is a separate non-registered pension plan. Cost of living increases are calculated each year based on the Consumer Price Index for Canada and added to pension benefits, subject to the Plan's ability to pay.

Termination benefits are payable on termination of employment and death benefits are paid in the event of death prior to retirement.

2. Basis of accounting

These financial statements present the aggregate financial position of the Plan as a separate financial reporting entity independent of the Sponsor and Plan members. The financial statements have been prepared in accordance with the accounting policies set out in note 3 to comply with the financial reporting provisions of Section 38(i)(c) of the regulations to the Pension Benefits Standards Act S.B.C. 2012 and Bulletin PENS 18-003 issued by the BC Financial Services Authority ("BCFSA") in April 2018 (the "Financial Reporting Framework").

The University of British Columbia Staff Pension Plan

Notes to the fund financial statements

December 31, 2022

(Expressed in thousands of dollars)

2. Basis of accounting (continued)

The basis of accounting used in these financial statements differs materially from Canadian accounting standards for pension plans because it excludes the pension obligation of the Plan. The bulletin issued by BCFSFA confirms that the BCFSFA permits audited financial statements to be prepared without disclosing the pension obligation. Consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet the Plan's pension obligations.

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, Canadian accounting standards for pension plans (the "Handbook"), except for the exclusion of the pension obligation as noted above.

The Plan has adopted Canadian accounting standards for private enterprises in connection with any balances or transactions outside of the scope of Part IV of the Handbook.

3. Significant accounting policies

(a) Use of estimates

The preparation of fund financial statements 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. The most significant estimates relate to the estimated fair values of level 3 investments, as described in note 3(b). Actual results could differ from those estimates.

(b) Investments

Investments are recorded on a settlement date basis and 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 for investments are determined using the following methods:

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash or money market securities issued by government or government-guaranteed entities, high-grade corporates and asset backed commercial paper that mature within the next 12 months.

(ii) Derivative investments

Derivative investments consist of foreign currency forward contracts and are based on the quoted market closing forward rates.

(iii) Bonds and equities

Publicly traded bond and equity investments are held through pooled funds and separately managed accounts. Pooled fund net asset values are reported in their respective financial statements and are generally based on the quoted market price of the underlying investments. Publicly traded bonds and equity securities held in separately managed accounts are valued based on quoted market prices.

The University of British Columbia Staff Pension Plan

Notes to the fund financial statements

December 31, 2022

(Expressed in thousands of dollars)

3. Significant accounting policies (continued)

(b) Investments (continued)

(iv) Private debt

Private debt instruments are held through investment trusts and limited partnerships consisting primarily of assets that are senior in the capital structure. The fair value of private debt funds is generally based on the net asset values reported in their respective financial statements. Managers adopt either a discounted cash flow methodology that discounts projected interest payments and principal repayments by an appropriate discount rate that includes a market risk premium or a held-to-maturity approach which values investments at par and/or amortized cost, adjusted for the amortization or accretion of purchase discounts or premiums over time.

(v) Infrastructure debt

Private infrastructure debt investments are held through limited partnerships. The fair values of private infrastructure debt funds are based on the net asset values reported on their respective financial statements. Fair values of underlying private debt instruments are based on discounting future cash flows using a discount rate equal to the risk-free rate plus an appropriate risk premium. Publicly traded infrastructure bonds are held through a separately managed account and valuations are based on quoted market prices.

(vi) Infrastructure equity

Infrastructure equity investments are held in trust or through limited partnerships and in a pooled fund investing in publicly traded infrastructure equities. The fair values of infrastructure equity funds are based on the net asset values reported in their respective financial statements and/or valuation report. Fair values of the underlying assets are based on external managers or external appraiser valuations of the underlying infrastructure assets. Valuation methodologies include but are not limited to the discounted cash flow approach, the income approach or recent market transactions.

(vii) Mortgages

Mortgage investments are held in pooled mortgage funds consisting primarily of first mortgages of commercial properties across Canada. Pooled fund net asset values are reported in their respective financial statements. Fair values of the underlying mortgages are based on discounting future cash flows using a discount rate equal to the risk-free rate plus an appropriate risk premium.

(viii) Private equities

Private equity investments are held through limited partnership units investing in private equity assets. The fair value of limited partnership units are based on net asset values reported in their respective financial statements. Fair values of the underlying assets are based on valuation methods which include, but are not limited to, the market approach (i.e., observable valuation measures for comparable companies) and the income approach (i.e., discounted cash flow model) with consideration for factors such as expected liquidation value, leverage, and economic conditions.

The University of British Columbia Staff Pension Plan

Notes to the fund financial statements

December 31, 2022

(Expressed in thousands of dollars)

3. Significant accounting policies (continued)

(b) Investments (continued)

(ix) Real estate

Real estate investments are held through limited partnerships and publicly traded real estate investment trusts (REITs). The fair values of real estate funds are based on the net asset values reported in their respective financial statements. Fair values of the underlying real estate assets are based on the external manager or third-party appraisals of the real estate properties. Publicly traded REITs are valued based on quoted market prices.

(c) Revenue recognition

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 investments. Investment income is recognized as follows:

- Interest income is recognized in the period earned.
- Dividend income is recognized on the ex-dividend date.
- Income from investments in trusts and limited partnerships is recognized on an accrual basis when earned.
- Pooled fund income is recognized on the date of distribution by the funds.

(d) Members' benefits transferred or refunded

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

(e) Foreign currency translation

Transactions denominated in foreign currencies are translated at the rates of exchange at the date of the transaction. Assets and liabilities denominated in foreign currency 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 currency are included in the change in fair value of investments.

4. Investments

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash or securities primarily issued by either Canadian chartered banks or the Bank of Canada and mature at various dates in the next fiscal year.

The University of British Columbia Staff Pension Plan

Notes to the fund financial statements

December 31, 2022

(Expressed in thousands of dollars)

4. Investments

(b) Fair value measurements – Hierarchy disclosure

Part IV of the Handbook 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 asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following is a summary of the inputs used as of December 31, 2022 in valuing the Plan's cash and investments:

	Quoted prices in active markets for identical assets (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	Total \$
Cash and cash equivalents	25,163	5,220	—	30,383
Long term fixed income	—	495,790	—	495,790
Private debt	—	—	184,940	184,940
Infrastructure debt	—	—	112,417	112,417
Mortgages	—	—	135,055	135,055
Canadian equities	76,741	93,817	—	170,558
Foreign equities	—	351,584	—	351,584
Emerging market equities	—	157,077	203	157,280
Private equities	—	—	127,556	127,556
Infrastructure equity	—	23,283	291,511	314,794
Real estate	—	—	234,992	234,992
	101,904	1,126,771	1,086,674	2,315,349

The University of British Columbia Staff Pension Plan

Notes to the fund financial statements

December 31, 2022

(Expressed in thousands of dollars)

4. Investments (continued)

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

The following is a summary of the inputs used as of December 31, 2021 in valuing the Plan's cash, investments, and derivative financial instruments:

	Quoted prices in active markets for identical assets (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	Total \$
Cash and cash equivalents	26 095	7 749	—	33 844
Derivative investments, net	—	2 419	—	2 419
Long term fixed income	—	512 030	—	512 030
Private debt	—	—	94 041	94 041
Infrastructure debt	—	80 413	136 561	216 974
Mortgages	—	—	120 294	120 294
Canadian equities	83 998	93 784	—	177 782
Foreign equities	—	444 252	—	444 252
Emerging market equities	—	173 993	218	174 211
Private equities	—	—	93 193	93 193
Infrastructure equity	—	73 847	203 074	276 921
Real estate	66 855	—	212 557	279 412
Hedge funds	—	—	153	153
	<u>176 948</u>	<u>1 388 487</u>	<u>860 091</u>	<u>2 425 526</u>

The University of British Columbia Staff Pension Plan

Notes to the fund financial statements

December 31, 2022

(Expressed in thousands of dollars)

4. Investments (continued)

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

The following table provides the changes during the year ended December 31, 2022 for financial instruments for which Level 3 inputs were used in determining fair value:

	Private debt \$	Infrastructure debt \$	Mortgages \$	Emerging market equities \$	Private equities \$	Infrastructure equity \$	Real estate \$	Hedge funds \$	Total \$
Balance, January 1, 2022	94 041	136 561	120 294	218	93 193	203 074	212 557	153	860 091
Purchases	94 444	—	20 703	—	36 852	76 017	64 978	—	292 994
Sales	(12 721)	(11 469)	—	(40)	(12 402)	(24 611)	(48 795)	(154)	(110 192)
Realized gains/(losses)	(34)	(350)	3 948	4	2 201	17 296	17 631	(4)	40 692
Net transfers into and/or out of Level 3	—	—	—	—	—	—	—	—	—
Expenses	(745)	(432)	(218)	—	(1 249)	(1 488)	(2 188)	—	(6 320)
Change in unrealized appreciation/depreciation	9 955	(11 893)	(9 672)	21	8 961	21 223	(9 191)	5	9 409
Balance, December 31, 2022	184 940	112 417	135 055	203	127 556	291 511	234 992	—	1 086 674

The following table provides the changes during the year ended December 31, 2021 for financial instruments for which Level 3 inputs were used in determining fair value:

	Private debt \$	Infrastructure debt \$	Mortgages \$	Emerging market equities \$	Private equities \$	Infrastructure equity \$	Real estate \$	Hedge funds \$	Total \$
Balance, January 1, 2021	37,718	147,537	101,674	224	73,238	175,818	192,138	155	728,502
Purchases	111,560	1,266	199	—	19,731	109,764	56,102	—	298,622
Sales	(63,963)	(9,974)	(67)	(3)	(21,479)	(173,171)	(71,447)	—	(340,104)
Realized gains/(losses)	756	6,304	3,635	—	8,558	11,831	14,832	—	45,916
Net transfers into and/or out of Level 3	—	—	—	—	—	—	—	—	—
Expenses	(11)	(454)	(199)	—	(827)	(1,273)	(1,285)	—	(4,049)
Change in unrealized appreciation/depreciation	7,981	(8,118)	15,052	(3)	13,972	80,105	22,217	(2)	131,204
Balance, December 31, 2021	94,041	136,561	120,294	218	93,193	203,074	212,557	153	860,091

The University of British Columbia Staff Pension Plan

Notes to the fund financial statements

December 31, 2022

(Expressed in thousands of dollars)

4. Investments (continued)

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

The total Level 3 investment unrealized and realized gains (losses) recognized during the year was \$50,101 (\$177,120 in 2021). There were no transfers between Level 1 and Level 2 during the years ended December 31, 2022 or 2021.

(c) Geographical allocation

The composition of the entire portfolio of investments, by country or region, is summarized as follows:

	2022 %	2021 %
Canada	51	55
United States	23	20
United Kingdom	3	3
Europe	10	9
Asia	9	10
Other	4	3
	100	100

5. Investment income

	2022 \$	2021 \$
Interest income	9,490	4,862
Dividend income	32,348	14,582
Real estate income	6,759	13,947
Infrastructure income	16,433	19,818
Pooled fund distributions		
Bonds	10,591	12,066
Equities	31	2,798
	75,652	68,073

6. Change in fair value of investments

	2022 \$	2021 \$
Realized gains on investments	25,094	228,970
Change in unrealized gains (losses) on investments	(255,826)	(74,643)
	(230,732)	154,327

The University of British Columbia Staff Pension Plan

Notes to the fund financial statements

December 31, 2022

(Expressed in thousands of dollars)

7. Administrative expenses

	2022	2021
	\$	\$
Salaries and administrative costs	1,455	1,373
Actuarial services	77	67
Custodian	270	231
Other	108	121
Audit	49	45
	1,959	1,837

8. Related party

The Plan reimburses UBC Investment Management ("UBCIM"), an entity wholly owned by the Sponsor, for its proportionate share of UBCIM's operating costs. Costs for the year ended December 31, 2022, which are included in management fees, totaled \$2,337 (\$1,697 in 2021).

9. Commitments

(a) Investments

In addition to investments already made in the following asset classes, the Plan is committed to invest the following amounts as at December 31:

	2022	2021
	\$	\$
Real Estate	171,439	25,577
Infrastructure equity	139,632	98,420
Infrastructure debt	3,397	2,993
Private equities	137,953	55,200
Private debt	104,898	93,686
Total Commitment in CAD \$	557,319	275,876

As at December 31, 2022, the total commitment in Canadian dollars was \$557,319 (\$275,876 in 2021).

The University of British Columbia Staff Pension Plan

Notes to the fund financial statements

December 31, 2022

(Expressed in thousands of dollars)

9. Commitments

(b) Leases

The Plan has an operating lease with a wholly owned subsidiary of the University for office premises with an expiry date of October 31, 2032. As of December 31, 2022, the future minimum lease payments are as follows:

	<u>\$</u>
2023	133,574
2024	133,574
2025	141,923
2026	141,923
2027	141,923
Thereafter	<u>768,053</u>
	<u>1,460,970</u>

10. Financial instruments

The fair values of the Plan's cash, contributions receivable, benefits payable and accounts payable are considered by management to approximate their carrying values due to the short-term nature of these financial instruments.

The Plan's investments are recognized at fair value in accordance with the significant accounting policy disclosed in Note 3(b).

11. Risk management

The Plan's investment activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. As a pension plan, the Plan is fundamentally concerned with the management of risk. The Plan's overall risk management program seeks to maximize the returns derived for the level of risk to which the Plan is exposed and seeks to minimize potential adverse effects on the Plan's financial performance. The risk exposure is set to achieve the overall liability requirements of the Plan design.

The assets of the Plan are managed by a wholly owned subsidiary of the University, UBCIM. The Plan employs a Statement of Investment Policies and Procedures (the "Policy") to identify, assess, manage and monitor financial risks. The Policy provides asset mix ranges and limitations on the quality and concentration of investments the Plan is to hold. The Board of the Plan (the "Pension Board") formulates the Plan's policy asset mix and the terms in the Policy document, which it recommends to the UBC Board of Governors for approval. The day-to-day management and adherence to the Policy is the responsibility of the staff of UBCIM. UBCIM employs 54 investment managers (51 in 2021) across 84 mandates (71 in 2021).

The Pension Board oversees the management of the Plan with a focus on effective plan design, governance, investment policy, financing, administration and legal compliance. UBCIM staff monitors the investment performance of the Plan, including asset class and manager performance against specified benchmarks and reports regularly to the Pension Board on overall performance and compliance with the Policy.

The University of British Columbia Staff Pension Plan

Notes to the fund financial statements

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(Expressed in thousands of dollars)

11. Risk management

A majority of the Plan's assets are invested in pooled funds. Pooled funds provide a more cost-effective means of achieving diversification within selected asset classes. The manager of each pooled investment fund is governed by the manager's own investment policy for the pooled fund. UBCIM staff are responsible for ensuring that the detailed investment policy statement setting out the investment constraints for the managers of segregated accounts is prepared and agreed to by the managers.

(a) Price risk

The Plan is exposed to price risk. This arises from investments held by the Plan for which prices in the future are uncertain. The value of the various holdings in the funds may move up or down, sometimes rapidly. The Plan manages price risk by allocating its assets across a number of different investment managers with different mandates and investment styles. Different types of investments have historically reflected higher levels of risk, as measured by their volatility of returns.

Expected returns and volatilities are based on George & Bell Consulting's capital market expectations as at December 31, 2022. Most annual returns of the Plan and individual asset classes are expected to be within one standard deviation of their expected long-term returns. Given the overall target asset class holdings of the Plan, most annual returns are expected to be within +/- 6.7% (2021: +/- 9%) of the Plan's best estimate expected long-term return of +6.2% per year (2021: +6%) (i.e. results ranging from -1% to +13%). Any changes in expected returns of individual asset classes from year to year do not necessarily significantly affect the Plan's expected long-term return, because any changes to the expected returns are usually not significant given their long-term nature and the Plan is diversified across a number of asset classes. Most annual returns of individual asset classes are expected to be within the following ranges (+/-one standard deviation) of their expected long-term returns:

	2022	2021
Cash and cash equivalents	+/- 1.0%	+/- 1.7%
Long term fixed income	+/- 8.3%	+/- 9.0%
Private debt	+/- 8.3%	+/- 17.6%
Infrastructure debt	+/- 8.0%	+/- 7.1%
Mortgages	+/- 3.3%	+/- 4.1%
Canadian equities	+/- 17.0%	+/- 19.9%
Foreign equities	+/- 14.5%	+/- 15.8%
Emerging market equities	+/- 19.8%	+/- 26.7%
Private equities	+/- 17.5%	+/- 29.5%
Infrastructure equity	+/- 8.8%	+/- 11.5%
Real estate	+/- 10.7%	+/- 13.3%

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11. Risk management (continued)

(a) Price risk (continued)

	Market value December 31, 2022 \$	Percentage of investments	Market value December 31, 2021 \$	Percentage of investments
Cash and cash equivalents	5,220	—	7,749	1.0%
Long Term fixed income	495,790	21.0%	512,030	21.0%
Private debt	184,940	8.0%	94,041	4.0%
Infrastructure debt	112,417	5.0%	216,974	9.0%
Mortgages	135,055	6.0%	120,294	5.0%
Canadian equities	170,558	7.0%	177,782	7.0%
Foreign equities	351,584	15.0%	444,252	19.0%
Emerging market equities	157,280	7.0%	174,211	7.0%
Private equities	127,556	6.0%	93,193	4.0%
Infrastructure equity	314,794	14.0%	276,921	11.0%
Real estate	234,992	11.0%	279,412	12.0%
Hedge Funds	—	—	153	—
	2,290,186	100%	2,397,012	100%

Based on the estimated range of volatility by asset class this would equate to the following dollar amounts, with all other variables held constant:

	Potential change in price 2022	Impact on overall Plan's net assets \$	Potential change in price 2021	Impact on overall Plan's net assets \$
Cash and cash equivalents	+/- 1.0%	52	+/- 1.7%	132
Long Term fixed income	+/- 8.3%	41,150	+/- 9.0%	46,083
Private debt	+/- 8.3%	15,350	+/- 17.6%	16,551
Infrastructure debt	+/- 8.0%	8,993	+/- 7.1%	15,405
Mortgages	+/- 3.3%	4,457	+/- 4.1%	4,932
Canadian equities	+/- 17.0%	28,995	+/- 19.9%	35,379
Foreign equities	+/- 14.5%	50,980	+/- 15.8%	70,192
Emerging market equities	+/- 19.8%	31,141	+/- 26.7%	46,514
Private equities	+/- 17.5%	22,322	+/- 29.5%	27,492
Infrastructure equity	+/- 8.8%	27,702	+/- 11.5%	31,846
Real estate	+/- 10.7%	25,144	+/- 13.3%	37,162

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11. Risk management (continued)

(b) *Interest rate risk*

The Plan is subject to interest rate risk. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Rising interest rates cause a decrease in bond prices. Duration is the most common measure of this risk and quantifies the effect of changes due to a change in interest rates. The fixed income portfolio has an average duration of roughly 9 years (13 years in 2021). Therefore, if long-term interest rates increased by 1%, the fixed income portfolio would fall in value by approximately 9% (13% in 2021). The impact on the value of the Plan's investments from an increase in interest rates will be partially or fully mitigated by the decrease in the value of the Plan's pension obligation.

(c) *Foreign currency risk*

Foreign currency risk is the risk that the value of non-Canadian investments, denominated in other than Canadian dollars, will increase or decrease because of changes in foreign currency exchange rates. The Plan has significant investments denominated in foreign currencies across a majority of the asset classes including U.S. and international equities, real estate and infrastructure. The Plan's investment policy includes a benchmark target requirement to hedge 100% exposure in non-Canadian private real estate, infrastructure and private debt. In addition to direct hedging by some of the investment managers, the Plan retains an external manager to implement a rolling monthly foreign currency forward program to achieve the 100% hedging target. This program includes hedging of U.S. dollar, Euro, Australian Dollar, and Pound Sterling investments. As of December 31, 2022, roughly 49% (45% in 2021) of the Plan's assets were invested outside of Canada, and 44% (40% in 2021) of this exposure was hedged. U.S. dollar exposure accounts for 23% (20% in 2021) of the non-Canadian investment while Europe, Australasia, and Far East ("EAFE") currencies account for 26% (25% in 2021) of the exposure. A 10% strengthening/weakening of the Canadian dollar versus the U.S. dollar at December 31, 2022 would have decreased/increased the U.S. dollar exposure by roughly \$53,169 (\$48,389 in 2021). This amount would be reduced by non-Canadian real estate, infrastructure and private debt investments hedged through the currency hedging program. This assumes that all other variables remain constant.

(d) *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's cash and cash equivalents, derivative instruments, long term fixed income, private debt, infrastructure debt, mortgages, and contributions receivable are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value of \$959,515 (\$980,514 in 2021). The Plan manages the risk by limiting the credit exposure allowed by the investment managers. The investment policies of the various bond managers provide limits to the credit exposure and/or set a minimum overall average portfolio quality allowed by each manager. The Plan also invests in derivative strategies to replicate equity index exposure and to hedge foreign currency exposure. Counterparties for these investments are restricted to a minimum credit rating of "A" or "A2".

The University of British Columbia Staff Pension Plan

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11. Risk management (continued)

(d) Credit risk (continued)

The overall credit ratings as a percentage of the total bonds and mortgages as of December 31, 2022, held in the Plan are as follows:

	2022 %	2021 %
AAA	4	5
AA	23	28
A	15	18
BBB	8	8
Mortgages and unrated	50	41
	100	100

(e) Liquidity risk

Liquidity risk for the Plan refers to the likelihood of any potential loss from a large percentage of requests for redemptions by Plan members. If all members with a deferred pension entitlement under age 55 had requested a transfer of their termination benefit on December 31, 2022, this would represent approximately 4% (4% in 2021) of the Plan's assets.

All of the Plan's benefits payable and accounts payable and accrued liabilities presented on the statements of financial position are due within one year.

Most of the Plan's assets are invested in large, pooled funds of which the Plan is just one of many parties invested in these pooled funds, which provides a high degree of liquidity. The Plan's 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.

Liquidity risk for the investment program refers to the risk that the Plan may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The investments are exposed to monthly settlement of foreign currency forward contracts as well as capital calls related to the private close-ended fund investments. The sources of funding for these settlements are from the liquid portion of the Plan, the public market securities, as well as distributions from private fund investments.

Private fund investments have more restrictive liquidity constraints than public securities and may require continuing investment commitments. Infrastructure, real estate and private equity investments are mostly made through limited partnerships which invest over four-to-five-year periods typically with contractual 7-12 year terms. Distributions are at the investment manager's discretion.

12. Capital management

The Plan defines its capital as the net assets available for benefits. The Plan's objectives when managing capital are to safeguard its ability to continue as a going concern, so that the Plan can provide the basic benefit to the Plan members and indexing subject to the Plan's ability to pay.

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12. Capital management (continued)

The Plan manages the capital structure and makes adjustments to it through implementation of the Statement of Investment Policies and Procedures that affects the earnings of the Plan and through the benefits/funding policy that affects the benefits paid. The Plan is not subject to externally imposed capital requirements.

The UBC Board of Governors is ultimately responsible for monitoring and evaluating the Plan's investment performance on a regular basis.