Understanding Your Investment and Retirement Income Options

Lorraine Heseltine
November 20, 2018

UBC Faculty Pension Plan
Agenda

• Plan Overview
• Retirement Income Options
• Investment Choices
• Navigating the Faculty Pension Plan Website / Sun Life Website
Money Accumulation Plan

Investment Fund(s)

EE$  ER$

PRODUCES

Lump-sum $ amount

Flexible income payment  Lifetime annuity

Stay invested  Exchange

EMPLOYMENT YEARS

RETIREMENT
Board of Trustees

- Eight Trustees
- Four elected by members of the Plan
- Four appointed by the Board of Governors
# Board of Trustees

<table>
<thead>
<tr>
<th>Appointed by the UBC Board of Governors</th>
<th>Elected by Plan Members</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mr. Joost Blom, Chair</strong>&lt;br&gt;Professor Emeritus, Peter A. Allard School of Law&lt;br&gt;Term expires December 31, 2020</td>
<td><strong>Dr. Joy Begley</strong>&lt;br&gt;Associate Professor, Sauder School of Business&lt;br&gt;Term expires December 31, 2021</td>
</tr>
<tr>
<td><strong>Dr. Joyce Boon</strong>&lt;br&gt;Associate Professor Emeritus, Biology, UBC Okanagan&lt;br&gt;Term expires December 31, 2020</td>
<td><strong>Dr. Lorenzo Garlappi</strong>&lt;br&gt;Associate Professor, Sauder School of Business&lt;br&gt;Term expires December 31, 2021</td>
</tr>
<tr>
<td><strong>Dr. R. Kenneth Carty</strong>&lt;br&gt;Professor Emeritus, Political Science&lt;br&gt;Term expires December 31, 2018</td>
<td><strong>Dr. Robert L. Heinkel, Vice-Chair</strong>&lt;br&gt;Professor, Sauder School of Business&lt;br&gt;Term expires December 31, 2019</td>
</tr>
<tr>
<td><strong>Dr. Joanne Emerman</strong>&lt;br&gt;Professor Emeritus, Cellular &amp; Physiological Sciences&lt;br&gt;Term expires December 31, 2018</td>
<td><strong>Mr. Vijay Verma</strong>&lt;br&gt;Researcher Emeritus, TRIUMF&lt;br&gt;Term expires December 31, 2019</td>
</tr>
</tbody>
</table>
Plan’s Mission Statement

The main purpose of the Plan is to provide a well-managed, cost-effective retirement plan, designed to assist members in meeting their financial responsibilities, both leading up to retirement and, if members choose, through retirement.
Membership Growth as at December 31, 2017

- **Active Members**
  - 1977: 1,832
  - 1987: 1,959
  - 1997: 2,247
  - 2007: 3,162
  - 2017: 3,430

- **Deferred Members**
  - 1977: 136
  - 1987: 954
  - 1997: 1,059
  - 2007: 1,314
  - 2017: 1,558

- **Retired Members**
  - 1977: 481
  - 1987: 235
  - 1997: 518
  - 2007: 1,135
  - 2017: 6,123
Plan Principles for Investment Management

• Maximize returns at a level of risk suitable for each Investment choice

• Risk should be managed through broad diversification

• Costs should be kept to a minimum
Cost of Investing

• Investment manager expertise in security selection, research

• Operating expenses (custodial charges, banking fees)

• How are these fees charged and what are they called?
  • MER - Management Expense Ratio
  • FMF – Fund Management Fee
## Management Expense Ratio

$100,000 @ 6% per year for 20 years

<table>
<thead>
<tr>
<th>MER</th>
<th>0%</th>
<th>0.50%</th>
<th>1.50%</th>
<th>2.50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>First year cost</td>
<td>$0</td>
<td>$500</td>
<td>$1,500</td>
<td>$2,500</td>
</tr>
<tr>
<td>Total cost over 20 years</td>
<td>$0</td>
<td>$28,940</td>
<td>$79,545</td>
<td>$121,735</td>
</tr>
<tr>
<td>Net Asset Value after 20 years</td>
<td>$320,715</td>
<td>$291,775</td>
<td>$241,170</td>
<td>$198,980</td>
</tr>
</tbody>
</table>
Growth of $10,000 over 50 years

8.0% Annual Return Less 2.5% Fees

<table>
<thead>
<tr>
<th>Gross Investment Return</th>
<th>$196,974</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portion to Investor</td>
<td>$135,420</td>
</tr>
<tr>
<td>Portion to Fees</td>
<td>$61,554</td>
</tr>
</tbody>
</table>

(45% of what Investor receives)
Online – Your Sun Life Account

Account fees

Fund management fees

Select a plan: FPP Account (FPP) ▼

The Fund Management Fees listed cover the costs of operations and investment expertise. They are also subject to applicable sales tax which is not included in the amounts below. See the Notes section listed after the table for a more detailed description of these fees.

= Foreign

<table>
<thead>
<tr>
<th>Fund</th>
<th>Annualized Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>UBC FPP Balanced Fund</td>
<td>0.47 %</td>
</tr>
<tr>
<td>UBC FPP Bond Fund</td>
<td>0.35 %</td>
</tr>
<tr>
<td>UBC FPP Cdn Equity Fund</td>
<td>0.44 %</td>
</tr>
<tr>
<td>UBC FPP Foreign Eqty Fund</td>
<td>0.56 %</td>
</tr>
<tr>
<td>UBC FPP STIF</td>
<td>0.17 %</td>
</tr>
</tbody>
</table>
## Fees Matter

### Average Mutual Fund Fees

**Top 6 Banks – Average MERs, May 2016**

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>MER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market</td>
<td>0.70%</td>
</tr>
<tr>
<td>Fixed income fund</td>
<td>1.47%</td>
</tr>
<tr>
<td>Balanced fund</td>
<td>1.99%</td>
</tr>
<tr>
<td>Canadian equity fund</td>
<td>2.29%</td>
</tr>
<tr>
<td>US equity fund</td>
<td>2.31%</td>
</tr>
<tr>
<td>Global equity fund</td>
<td>2.53%</td>
</tr>
<tr>
<td>International equity</td>
<td>2.44%</td>
</tr>
<tr>
<td>Target date fund (2025+)</td>
<td>2.11%</td>
</tr>
</tbody>
</table>

Source: Publicly available information on each bank’s website
Fees: Things to Consider

Fees have a major impact on your net return, so make sure you know what you are paying.

- MERs, Administrative Fees, Buy/Sell Transactions, Termination Fees, etc.
- Reduced MER for higher account value
- Fees are necessary and appropriate if they reflect the returns, advice, and service you receive
Registered Pension Plans

- Canada Revenue Agency
  - *Income Tax Act*

- Provincial Pension Legislation
  - BC *Pension Benefits Standards Act*
Account Balances

• **Non-Locked-In funds (pre-1993)**
  – No restrictions on withdrawals after termination or retirement
  – Includes RRSP, Voluntary Contributions

• **Locked-In funds (post-1992)**
  – Must be used to provide an income for your lifetime
Why Provide Retirement Options?

• Trustees’ belief that their responsibilities to members do not end at the date of retirement

• Investment Objective of the Plan to earn a real return on the Balanced Fund such that a “typical” member would be able to achieve a reasonable income replacement ratio (i.e. 50% or higher) based on their final year’s salary.
UBC Retirement Income Options

FPP Account
Applicable to all or part of your total account balance

- Defer Decision
- Variable Payment Life Annuity
- Flexible Income Options RRIF/LIF-Type Payments
Leave Funds in the Plan
Defer Decision

- Applicable to all or part of account balance
- You continue to choose investment fund(s)
- Defer until the year you reach age 71
- Elect any of the other options at anytime
- Full Account balance is paid on death
- Cash withdrawals from non-locked-in
Leave Funds in the Plan
Defer Decision

Things To Consider:

• Gives time to evaluate your retirement lifestyle and need for income

• A good way to defer taxes

• Continue to build your account balance by taking advantage of tax sheltered investment growth

• Enjoy the plan’s low management and administration fees
Leave Funds in the Plan
Defer Decision

Things To Consider:

• Withdrawals do NOT qualify for:
  ➢ $2,000 Pension Income Tax Deduction
  ➢ Spousal Pension Income Splitting
UBC Retirement Income Options

FPP Account
Applicable to all or part of your total account balance

Defer Decision
Variable Payment Life Annuity
Flexible Income Options RRIF/LIF-Type Payments
Understanding Annuities

Fixed Payment Life Annuity vs.
FPP Variable Payment Life Annuity
Understanding Annuities

What determines the monthly payment?

- The purchase amount $ (dollars exchanged)
- An actuarial factor
  - Mortality tables
  - Your age (your spouse’s age) at commencement date
  - Form of pension elected
  - Future investment rate of return assumption
  - Long term interest rate environment
    (for insured annuities)
Illustration of the Relationship Between Market Interest Rates and the Annuity Amount

<table>
<thead>
<tr>
<th>Purchase Date</th>
<th>Average Monthly Insured Annuity*</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2011</td>
<td>$2,979</td>
</tr>
<tr>
<td>January 1, 2012</td>
<td>$2,770</td>
</tr>
<tr>
<td>January 1, 2013</td>
<td>$2,657</td>
</tr>
<tr>
<td>January 1, 2014</td>
<td>$2,863</td>
</tr>
<tr>
<td>January 1, 2015</td>
<td>$2,526</td>
</tr>
<tr>
<td>January 1, 2016</td>
<td>$2,512</td>
</tr>
<tr>
<td>January 1, 2017</td>
<td>$2,578</td>
</tr>
<tr>
<td>January 1, 2018</td>
<td>$2,544</td>
</tr>
</tbody>
</table>

* Average from 7 insurance companies, based on a single life annuity at age 65, and using a purchase amount of $500,000.
Fixed Payment Life Annuity

- Monthly payment amount never changes
- Retiree risk – purchasing power
- Interest rates at time of purchase impacts amount of monthly pension
- Insurance Company reaps the rewards of excess investment/interest earnings
Fixed Payment Life Annuity

- **Fixed payment** – no opportunity for you to reap the rewards for excess investment earnings

********

- **FPP Variable Payment Life Annuity** – opportunity to reap the rewards for excess investment earnings
Variable Payment Life Annuity

How It Works!

1. Your Purchase Amount is invested in the Balanced Fund for the Retiree Group
Variable Payment Life Annuity

How It Works!

2. You choose:
   • the future investment rate of return assumption used in determining the initial monthly amount (4% or 7% or both); and
   • the form of pension payment
Variable Payment Life Annuity

How It Works!

3. Your monthly pension amount will be adjusted once per year (each April 1\textsuperscript{st}) by the difference between:
   – the previous year’s \textbf{ACTUAL} rate of return in the Balanced Fund*; and
   – the \textbf{ASSUMED} rate of return (4\% or 7\%)

*Note: \textit{there is also an adjustment to reflect the mortality experience of the group.}
How do annual adjustments work?

Compare 4% & 7% future annual growth rate assumption.

<table>
<thead>
<tr>
<th>Combined Investment + Mortality Experience</th>
<th>Adjustment to 4% VPLA</th>
<th>Adjustment to 7% VPLA</th>
</tr>
</thead>
<tbody>
<tr>
<td>12%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>9%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>2%</td>
<td>-2%</td>
<td>-5%</td>
</tr>
<tr>
<td>-2%</td>
<td>-6%</td>
<td>-9%</td>
</tr>
</tbody>
</table>
## 2017 Adjustment – 4% Option with Mortality Assumption Change

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2016</strong> Net Balanced Fund Return less adjustment for mortality experience</td>
<td>4.79%</td>
</tr>
<tr>
<td>ASSUMED Return when pension started</td>
<td>-4.00%</td>
</tr>
<tr>
<td>Mortality Assumption Change</td>
<td>-4.96%</td>
</tr>
<tr>
<td>Pension decrease on April <strong>2017</strong></td>
<td>-4.17%</td>
</tr>
<tr>
<td>Monthly pension at April 1, 2016</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>Monthly pension at April 1, 2017</td>
<td>$958.30</td>
</tr>
</tbody>
</table>
## 2018 Adjustment – 4% Option

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Net Balanced Fund Return less adjustment for mortality experience</td>
<td>7.85%</td>
</tr>
<tr>
<td>ASSUMED Return when pension started</td>
<td>-4.00%</td>
</tr>
<tr>
<td>Pension increase on April 2018</td>
<td>3.85%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly pension at April 1, 2016</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>Monthly pension at April 1, 2017</td>
<td>$ 958.30</td>
</tr>
<tr>
<td>Monthly pension at April 1, 2018</td>
<td>$ 995.19</td>
</tr>
</tbody>
</table>
### Comparison of 4% & 7% VPLA - Payment History from 1996- $500,000 Purchase Price

<table>
<thead>
<tr>
<th>Year</th>
<th>4% Annuity</th>
<th>7% Annuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>$3,207</td>
<td>$4,118</td>
</tr>
<tr>
<td>2002</td>
<td>$4,536</td>
<td>$4,909</td>
</tr>
<tr>
<td>2003</td>
<td>$4,162</td>
<td>$4,378</td>
</tr>
<tr>
<td>2004</td>
<td>$4,476</td>
<td>$4,575</td>
</tr>
<tr>
<td>2005</td>
<td>$4,646</td>
<td>$4,614</td>
</tr>
<tr>
<td>2006</td>
<td>$4,958</td>
<td>$4,785</td>
</tr>
<tr>
<td>2007</td>
<td>$5,397</td>
<td>$5,062</td>
</tr>
<tr>
<td>2008</td>
<td>$5,277</td>
<td>$4,812</td>
</tr>
<tr>
<td>2009</td>
<td>$4,355</td>
<td>$3,860</td>
</tr>
<tr>
<td>2010</td>
<td>$4,607</td>
<td>$3,969</td>
</tr>
<tr>
<td>2011</td>
<td>$4,794</td>
<td>$4,015</td>
</tr>
<tr>
<td>2012</td>
<td>$4,682</td>
<td>$3,811</td>
</tr>
<tr>
<td>2013</td>
<td>$4,904</td>
<td>$3,880</td>
</tr>
<tr>
<td>2014</td>
<td>$5,290</td>
<td>$4,068</td>
</tr>
<tr>
<td>2015</td>
<td>$5,609</td>
<td>$4,193</td>
</tr>
<tr>
<td>2016</td>
<td>$5,681</td>
<td>$4,127</td>
</tr>
<tr>
<td>2017</td>
<td>$5,444</td>
<td>$3,844</td>
</tr>
<tr>
<td>2018</td>
<td>$5,654</td>
<td>$3,880</td>
</tr>
</tbody>
</table>

**Total of Payments:**

- 4% Annuity: $1,289,214
- 7% Annuity: $1,209,816

**# of Years payment decreased:**

- 4% Annuity: 6
- 7% Annuity: 8
VPLA 4% vs 7% (1996-2018)
VPLA Blend of 4% & 7%
Purchase Amount: $500,000
Form of Pension: Single Life Annuity
Purchase Date: January 2018
VPLA Assumption: 5.5% combined investment and mortality experience
Blended: 50/50 4%/7%
Insured: Average annuity amount from 7 insurance companies
Decisions To Make When Choosing the VPLA

• Do I use all or a portion of my account balance to purchase the VPLA?

• Future Investment Return Assumption? (4% or 7% or a blend of both)

• Payable during your lifetime only or during your spouse’s as well?
Choose An Annuity Option

<table>
<thead>
<tr>
<th>Options</th>
<th>Initial Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Life</strong></td>
<td>$2,842</td>
</tr>
<tr>
<td><strong>Joint &amp; Survivor</strong></td>
<td></td>
</tr>
<tr>
<td>• 60% to Spouse on your death</td>
<td>$2,595</td>
</tr>
<tr>
<td>• 100% to Spouse on your death</td>
<td>$2,453</td>
</tr>
</tbody>
</table>

Based on a 4% Annuity choice with a purchase amount of $500,000 at age 65
Spouse is same age – 2018 mortality tables
What Happens When my Spouse and I die?

- An annuity is an insurance type of arrangement
- Normally payments cease on death - those who die early subsidize those who live longer
What Happens When my Spouse and I die?

- You can take a reduced pension to guarantee that a minimum # of years of payments will be made.
- Options are a minimum guarantee of 5, 10, or 15 years of payments in event of early death.
- Regardless, the pension will never cease while you are living.
Adding a Guarantee Period

<table>
<thead>
<tr>
<th>Options</th>
<th>With No Guarantee</th>
<th>15 Year Guarantee</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Life</td>
<td>$2,842</td>
<td>$2,716</td>
<td>$126</td>
</tr>
<tr>
<td>Joint &amp; Survivor Form</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60% to spouse on your death</td>
<td>$2,595</td>
<td>$2,590</td>
<td>$5</td>
</tr>
<tr>
<td>100% to spouse on your death</td>
<td>$2,453</td>
<td>$2,445</td>
<td>$8</td>
</tr>
</tbody>
</table>

Based on a 4% Annuity choice with a purchase amount of $500,000 at age 65
Spouse is same age – 2017 mortality tables
Adding a Guarantee Period

- **Age 83:**
  - 50% chance of living to 83
  - 65 year old man
  - 25% chance of living to 89

- **Age 83:**
  - 50% chance of living to 83
  - 65 year old woman
  - 25% chance of living to 92

- **Age 90:**
  - At least one person has a 50% chance of living to 90
  - 65 year old couple
  - At least one person has a 25% chance of living to 94

Source: Canadian Institute of Actuaries, UP-94 projected to 2015 (based on Canadian population assumes age 65 reached)
How does the Guarantee Work?

Example: Joint and Survivor form with a 15 Year Guarantee Period

**Scenario 1**
Member dies 5 years after retirement date  
Spouse dies 10 years after retirement date

- **VPLA Start Date**
- **Member Payments** Year 1 to 5  
- **Spouse Payments** Year 6 to 10  
- **Contingent Beneficiary Payments** Year 10 to 14  
- **YEAR 15 Guarantee Expires** Year 15 onwards  
- **No Further Payments**

**Scenario 2**
Member dies 25 years after retirement date  
Spouse dies 30 years after retirement date

- **VPLA Start Date**
- **Member Payments for 25 years**  
- **Spouse Payments**  
- **No Further Payments**
  
  Guarantee expires after 15 years
VPLA: Things to Consider

- Security – you know your income is for life
- Simplicity – doesn’t require active management on your part
- Allows you to participate in the performance of the Balanced Fund to gain inflation protection
- You can choose between a conservative or aggressive investment assumption
- No opportunity to make changes during severe market downturns
- Early death could result in less than your account value being paid
UBC Retirement Income Options

FPP Account
Applicable to **all or part** of your total account balance

- Defer Decision
- Variable Payment
  - Life Annuity
- Flexible Income Options
  - RRIF/LIF-Type Payments
# Flexible Income Options

<table>
<thead>
<tr>
<th></th>
<th>RRIF-Type Payment Accounts</th>
<th>LIF-Type Payment Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Source of Funds</strong></td>
<td>Non-Locked–In</td>
<td>Locked-In</td>
</tr>
<tr>
<td><strong>Who makes Investment Decisions</strong></td>
<td>You</td>
<td>You</td>
</tr>
<tr>
<td><strong>Minimum Withdrawal</strong></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Maximum Withdrawal</strong></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Death Benefit</strong></td>
<td>Remaining Account Balance</td>
<td>Remaining Account Balance</td>
</tr>
</tbody>
</table>
## Minimum/Maximum Withdrawal

<table>
<thead>
<tr>
<th>Age</th>
<th>Minimum RRIF + LIF</th>
<th>Maximum* LIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>4.00%</td>
<td>7.38%</td>
</tr>
<tr>
<td>70</td>
<td>5.00%</td>
<td>8.22%</td>
</tr>
<tr>
<td>71</td>
<td><strong>5.28%</strong></td>
<td>8.45%</td>
</tr>
<tr>
<td>75</td>
<td>5.82%</td>
<td>9.71%</td>
</tr>
<tr>
<td>80</td>
<td>6.82%</td>
<td>12.82%</td>
</tr>
<tr>
<td>85</td>
<td>8.51%</td>
<td>22.40%</td>
</tr>
<tr>
<td>89</td>
<td>10.99%</td>
<td><strong>100.00%</strong></td>
</tr>
<tr>
<td>95+</td>
<td>20.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

*Maximum is prior year’s rate of return if higher*
How Do RRIF/LIF-Type Payments Work?

- Think of a bank account - you have a balance in your account
- Investment/Interest earnings added, withdrawals deducted
- You determine the monthly income you want to draw
- You can change your monthly income payments
- (LIF has both yearly minimum and maximum)
How Do RRIF/LIF-Type Payments Work?

• You can use your spouse’s younger age to calculate minimums

• You choose payment frequency—monthly, quarterly, semi-annually or annually

• Special lump sum withdrawals are possible throughout the year *(up to early December)*

• You can convert all or part of your balance to annuity at any time
Features of FPP RRIF/LIF-Type Payments

• You can use all or a portion of your account balance
• Your funds remain in the UBC Faculty Pension
• Payments are by direct deposit – you choose
  ▪ the 1st of the month
  ▪ the 15th of the month
  ▪ the last day of the month
Features of FPP
RRIF/LIF-Type Payments

• A spouse can continue payments from the plan after death
• Quarterly Statements of Account
• Ad hoc withdrawals* and changes to scheduled payments can be made

* up to early December
RRIF/LIF-Type Payments: Things to Consider

• A way to lower taxes by taking only the minimum
• Gain flexibility to vary your income according to your changing needs
• Continued compound growth with you choosing the investment fund
• Full account balance is paid upon your death to your beneficiaries
RRIF/LIF-Type Payments: Things to Consider

• Management and administrative fees are modest
• You can change to another option at any time
• Could exhaust your funds:
  • Investment Risk plus Longevity Risk
Life Expectancy Continues to Rise

<table>
<thead>
<tr>
<th>At Birth</th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>79.1</td>
<td>79.4</td>
</tr>
<tr>
<td>Females</td>
<td>83.4</td>
<td>83.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At Age 65</th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>83.6</td>
<td>83.7</td>
</tr>
<tr>
<td>Females</td>
<td>86.5</td>
<td>86.7</td>
</tr>
</tbody>
</table>

*Statistics Canada

How long will I live?
Investment Allocation

- You control investment of your funds and assume the risk
- What is your Investment Time Horizon?
- Lower risk tolerance as we get older
- Will my money last if I allocate to investments with no risk?
What is the best Asset Mix Strategy for making your assets last through retirement?

• Would people retiring in previous periods have run out of money?

• Which asset mix would have been the best strategy to fund retirement?

*From Study by Alliance Bernstein, December 2008*
A 60/40 Portfolio Also Delivered Better Real Outcomes Than Bonds. Cash (Short Term) never lasted 30 Years

Lasted 30 Years

- 60/40 Strategy: 74%
- Bond Strategy: 15%

Based on a hypothetical portfolio; actual fund performance may differ. Assumed 5% withdrawal for 30 years. Not inflation adjusted.
Long-Term Risk

• LESS RISKY
  – Equities combined with Long-term bonds

• MORE RISKY
  – GIC’S
  – Treasury bills

Does not meet retirement objectives
(i.e., insufficient returns)
Think about your Investment Time Horizon and select your Investment Type

Short Term Investment Time Horizon
• Money Market or Treasury Bills

Medium Term Investment Time Horizon
• Government, Corporate Bonds or GICS

Long Term Investment Time Horizon
• Mutual Funds – Stocks and Bonds
Does It Matter?
(How Long Will our Money Last?)

Assumptions:
Initial Investment: $500,000  Monthly Withdrawal: $3,000

<table>
<thead>
<tr>
<th>Annual Rate of Return</th>
<th>From Age 65 Until Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.25%</td>
<td>100+</td>
</tr>
<tr>
<td>6.25%</td>
<td>94</td>
</tr>
<tr>
<td>5.00%</td>
<td>87</td>
</tr>
<tr>
<td>4.00%</td>
<td>84</td>
</tr>
<tr>
<td>3.00%</td>
<td>81</td>
</tr>
</tbody>
</table>
Balanced Fund NET Returns
RRIF/LIF-Type Payments

- Using net returns from 1996-2017
- Initial Balance $500,000
- 5% withdrawal from 65-70 and per minimum withdrawal schedule thereafter
- Total payments to age 86 = $868,513

<table>
<thead>
<tr>
<th>Age</th>
<th>Withdrawal Rate</th>
<th>Annual Withdrawal</th>
<th>Account Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>5.00%</td>
<td>$25,000</td>
<td>$567,900</td>
</tr>
<tr>
<td>71</td>
<td>5.28%</td>
<td>$33,785</td>
<td>$586,432</td>
</tr>
<tr>
<td>80</td>
<td>6.82%</td>
<td>$42,309</td>
<td>$594,311</td>
</tr>
<tr>
<td>86</td>
<td>8.99%</td>
<td>$56,883</td>
<td>$630,401</td>
</tr>
</tbody>
</table>

Based on annual payments at year end
Balanced Fund Annual Returns (NET) 
30 Year Track Record ♦ 8.38%

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9.00%</td>
<td>6.79%</td>
<td>-13.45%</td>
</tr>
<tr>
<td></td>
<td>14.62%</td>
<td>10.90%</td>
<td>11.93%</td>
</tr>
<tr>
<td></td>
<td>-0.46%</td>
<td>4.77%</td>
<td>9.37%</td>
</tr>
<tr>
<td></td>
<td>16.29%</td>
<td>0.64%</td>
<td>2.62%</td>
</tr>
<tr>
<td></td>
<td>7.33%</td>
<td>-3.07%</td>
<td>9.58%</td>
</tr>
<tr>
<td></td>
<td>22.19%</td>
<td>12.36%</td>
<td>13.18%</td>
</tr>
<tr>
<td></td>
<td>-0.54%</td>
<td>8.09%</td>
<td>10.86%</td>
</tr>
<tr>
<td></td>
<td>17.03%</td>
<td>11.79%</td>
<td>6.09%</td>
</tr>
<tr>
<td></td>
<td>18.58%</td>
<td>13.58%</td>
<td>5.62%</td>
</tr>
<tr>
<td></td>
<td>14.54%</td>
<td>2.66%</td>
<td>8.62%</td>
</tr>
</tbody>
</table>
Projected 5.5% NET RRIF/LIF-Type Payments

- Using 5.5% net return assumption
- Initial Balance $500,000
- 5% withdrawal from 65-70 and per minimum withdrawal schedule thereafter
- Total payments to age 86 = $679,329

<table>
<thead>
<tr>
<th>Age</th>
<th>Withdrawal Rate</th>
<th>Annual Withdrawal</th>
<th>Account Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>5.00%</td>
<td>$25,000</td>
<td>$502,500</td>
</tr>
<tr>
<td>71</td>
<td>5.28%</td>
<td>$27,202</td>
<td>$516,322</td>
</tr>
<tr>
<td>80</td>
<td>6.82%</td>
<td>$33,994</td>
<td>$491,866</td>
</tr>
<tr>
<td>86</td>
<td>8.99%</td>
<td>$39,456</td>
<td>$423,574</td>
</tr>
</tbody>
</table>

Based on annual payments at year end.
Strategy for Dealing with Market Downturn Early in Retirement

• Taking money out of a fund that is already decreasing in value due to a market correction can be distressing.

• Instead, take your cash flow requirements out of a fund that is not market related (Short Term or GIC funds).
Decumulation Phase

Allocation of your asset value ($500,000)

RRIF/LIF

Majority of assets ($425,000)
BALANCED FUND

3 Years Income ($75,000)
GUARANTEED FUNDS or STIF

Using Guaranteed Investments in Your Investment Strategy
### VPLA or RRIF/LIF-Type? Both?

<table>
<thead>
<tr>
<th>VPLA</th>
<th>RRIF/LIF-Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital exchanged</td>
<td>Capital retained</td>
</tr>
<tr>
<td>Lifetime income</td>
<td>Growth potential</td>
</tr>
<tr>
<td>Sense of security</td>
<td>Investment flexibility</td>
</tr>
<tr>
<td>Enhancements</td>
<td>Flexible income</td>
</tr>
<tr>
<td>No investment choice</td>
<td>Cash withdrawals (RRIF)</td>
</tr>
<tr>
<td>Can’t change</td>
<td>Can convert to an annuity but not required</td>
</tr>
<tr>
<td></td>
<td>Investment risk</td>
</tr>
<tr>
<td></td>
<td>Longevity risk</td>
</tr>
<tr>
<td></td>
<td>LIF (max ends at age 89)</td>
</tr>
</tbody>
</table>
What Some Advisors Suggest

• Start with RRIF/LIF-Type (Active Phase)
• Consider changing part to Life Annuity (VPLA) in mid to late 70’s (Passive Phase)
• Interest rates have less impact on annuity pricing than mortality at higher ages
• Consult your financial planner who can develop a personalized plan for you
What Do Other Members Do?

<table>
<thead>
<tr>
<th>Income Option</th>
<th># Pensioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIF only</td>
<td>159</td>
</tr>
<tr>
<td>RRIF only</td>
<td>167</td>
</tr>
<tr>
<td>VPLA only</td>
<td>389</td>
</tr>
<tr>
<td>RRIF &amp; LIF</td>
<td>356</td>
</tr>
<tr>
<td>LIF &amp; VPLA</td>
<td>1</td>
</tr>
<tr>
<td>RRIF &amp; VPLA</td>
<td>55</td>
</tr>
<tr>
<td>RRIF, LIF &amp; VPLA</td>
<td>8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,135</td>
</tr>
</tbody>
</table>

At December 31, 2017

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RRIF</td>
<td>586</td>
</tr>
<tr>
<td>LIF</td>
<td>524</td>
</tr>
<tr>
<td>VPLA</td>
<td>453</td>
</tr>
</tbody>
</table>

Annual Reports online under Plan Governance
Retired Members by Age as of December 31, 2017 (1,135)
Where Are New Retirees Putting Their Money?

$91 Mil
Government-Administered Benefits
www.servicecanada.gc.ca

Old Age Security at age 65
• Minimum 10 years in Canada
• Max = $600.85 per month
• Can defer to age 70
• 40 years in Canada = Max
• Indexed quarterly
• Non-Resident rules – at least 20 years in Canada

Claw back on OAS - Net Income
• Starting at $75,910
• Ending at $122,843

Canada Pension Plan
• Maximum $1,134.17 Monthly
• Indexed annually
  * apply 6 months in advance
  * new online application

Special features
• Available from age 60 - reduced
• Defer until age 70 - increased
• Split payment with your spouse (at source)

*My Service Canada Account
The Canadian pension system

**WORLD BANK | MULTI-PILLAR APPROACH**

**PILLAR 0**
A basic public pension that provides a minimal level of protection

**PILLAR 1**
A public mandatory and contributory system linked to earnings

**PILLAR 2**
A private and fully funded system

**PILLAR 3**
A voluntary and fully funded system

**PILLAR 4**
Financial and non-financial support outside formal pension arrangements

**CANADA**

- OAS / GIS
- Q/CPP
- DB / DC
- VRSP / RRSP / Retirement Savings
- TFSA / Home / Savings / Health Care
Tax-Free Savings Accounts

- Investment earnings and withdrawals are never taxed
- Can invest in Stocks & Bonds, Mutual Funds, GIC’s, etc.
- Could help eliminate or reduce claw backs
- Help pay medical expenses in retirement, fund vacations, have a “rainy day” fund
- A place to invest Age 71 RRIF/LIF minimums

<table>
<thead>
<tr>
<th>Years</th>
<th>Annual Limit</th>
<th>Cumulative Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2012</td>
<td>$5,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>2013-2014</td>
<td>$5,500</td>
<td>$31,000</td>
</tr>
<tr>
<td>2015</td>
<td>$10,000</td>
<td>$41,000</td>
</tr>
<tr>
<td>2016-2018</td>
<td>$5,500</td>
<td>$57,500</td>
</tr>
</tbody>
</table>
Planning Your Retirement Income

What are the Risks?

- Longevity
- Market Volatility
- Inflation

“When you pay $15 for the $10 haircut that you used to get for $5 when you had hair.” - Sam Ewing
Inflation Reduces Purchasing Power Even at Only 2% Per Year

<table>
<thead>
<tr>
<th>Number of years retired</th>
<th>Value in today’s dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$38,500</td>
</tr>
<tr>
<td>10</td>
<td>$31,457</td>
</tr>
<tr>
<td>20</td>
<td>$25,702</td>
</tr>
<tr>
<td>30</td>
<td>$21,000</td>
</tr>
</tbody>
</table>
What’s Your Goal?

Is it to maintain the same standard of living in retirement as you had before retirement?
% of Pre-Retirement Income Needed

- It is different for each of us.
- How much is the NET Salary Deposit to your bank each month?
- What % is being used for living expenses. Do a budget showing your current expenses.
- Do another budget estimating your expenses in retirement
- The key is to have little or no debt when you retire. It then becomes very easy to adjust your lifestyle to the income you will receive.

*Living standard replacement ratio*
Tax and Other Savings In Retirement

• Lower income means lower taxes
• Age 65 tax deduction credit - $7,333 (reduced for earnings from $36,976 and eliminated at $85,863)
• $2,000 Pension Income tax deduction credit ($1,000 Provincial)
• Deem your pension income to be split with your spouse to reduce taxes
Pension Income Splitting

- Shift up to 50% of eligible pension income to spouse in a lower tax bracket
- Impacts federal income taxes only
- Make the election each year when you file your previous year’s tax return
- A deemed transfer for tax calculation purposes only
- Either or both spouses can make the election
Income Taxation (BC)
Approximate Rates for 2018

- 0% tax on the first $11,809 of income
- 20.06% on income between $11,809 and $39,676
- 22.70% on income between $39,676 and $46,605
- 28.20% on income between $45,605 and $79,353
- 31.00% on income between $79,353 and $91,107
- 32.79% on income between $91,107 and $93,208
- 38.29% on income between $93,208 and $110,630
- 40.70% on income between $110,630 and $144,489
- 43.70% on income between $144,489 and $150,000
- 45.80% on income between $150,000 and $202,842
- 49.80% on income above $202,800

Only 50% of capital gains are included into income
Dividends receive special income tax credits when earned in a taxable account
How Federal Taxes Can Be Reduced

- Lower overall marginal tax rate
- Clawbacks can be reduced or eliminated
- Old Age Security Pension
- Age 65 Tax Credit ($7,333 in 2018)
- Pension Income Tax Credit of $2,000 could be claimed by you and your spouse
What is Eligible For Deemed Transfer to Spouse

<table>
<thead>
<tr>
<th>BEFORE 65</th>
<th>FROM 65</th>
<th>NOT ELIGIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life annuity from pension plan</td>
<td>Life annuity</td>
<td>Cash Withdrawals while deferred</td>
</tr>
<tr>
<td>RRIF</td>
<td>Old Age Security</td>
<td></td>
</tr>
<tr>
<td>LIF</td>
<td>Canada Pension Plan</td>
<td></td>
</tr>
</tbody>
</table>
Other Savings In Retirement

• Higher Property Tax Credit
  • You can defer paying property taxes in BC and pay only simple interest. Let the kids worry about it!

• Lower ICBC Premiums after 65

• Buses, ferries, eye examinations – all cheaper!

• Restaurants, museums, theatres, hotels, shopping (senior discount days)

• You pay more for extended health/dental
UBC FPP Retirement Income Options

FPP Account
Applicable to all or part of your total account balance

Defer Decision
Variable Payment Life Annuity
Flexible Income Options RRIF/LIF-Type Payments
External Options

• Non-locked-in RRSP
• Locked-in retirement account (LIRA)
• Life annuity
  - Fixed payments
  - Variable payments
  - Indexed payments
• RRIF (Non-locked-in funds)
• LIF (Locked-in funds)
EXTERNAL OPTIONS

• Unsolicited financial advice
• Not affiliated with the Faculty Pension Plan

UBC does not in any way endorse nor is affiliated with seminars and/or any other events presented by ****
EXTERNAL OPTIONS
Things to Consider

• Allows you to gain access to more investment options
• You could set up a “self-directed” plan
• Professional investment advice is often available
• More lifetime annuity options
• Management and administrative fees are usually higher than FPP
UBC OPTIONS
Things to Consider

- Management and administrative fees are usually lower
- You can access the same investment funds you are already familiar with
- The FPP is closely supervised by Trustees
- We are not financial advisors
FLEXIBILITY

• Use all or part of your account balance for any of the choices

• Elect to transfer all or part of your account balance to a financial institution.

• You can re-transfer funds back into the plan at a later date

• You can transfer RRSP funds into your UBC Faculty Pension Plan account
Transfers From Other Plans

- All funds from other registered plans are accepted, including:
  - RRSP’S (excluding spousal)
  - RPP’S
- There are no tax consequences
- Check if any transfer fees from current provider
What’s Inside?

LOOKING BACK,
IT'S ALWAYS BEEN ABOUT
LOOKING FORWARD.

Day 1 - Surrounded by students. Their energy is contagious.

Day 72 - Made connections at a networking event that will help my career at UBC.

Day 124 - Met a colleague cycling to work. Finished the ride together.

Day 335 - Recognized for my work. Never felt prouder.
Working at UBC Beyond Age 65

WITHOUT Starting a UBC Pension:

- Pension contributions continue until age 71.
- No Reduction for part-time with 15 years service
- Group Benefit Coverage continues except:
  - IRP + Spousal Life
  - Basic Life reduces to 1 times salary
  - CPP & OAS are payable
Working at UBC Beyond Age 65

PLUS Starting a UBC Pension:

- Pension contributions cease
- Group benefits cease
- Option to continue health and dental on employee pay all basis
- CPP & OAS are payable
Services of a Financial Planner

- Investment allocation advice
- Tax planning
- Do you want to leave an estate?
- Monthly budgeting
- Debt management
- Management of your non-registered assets
- Develop a Long Term Financial Plan for you
Creating a Financial Plan

The financial literacy issue

- Only 54% feel financially ready for retirement
- 50% say they find investing and financial matters too complicated
- 58% worry about their workplace retirement savings plans (e.g., they haven't saved enough)
- Just 37% have a documented financial plan

Source: Benefits Canada’s 2016 CAP Member Survey
Creating a Financial Plan

- A Will and Financial Plan are both essential
- Identify what you own and what you owe
- What is your cash flow – income and expenses
- Identify your tolerance for investment risk
- Determine what standard of living you expect in retirement and what your expenses will be
- Recommend investments that will ensure you meet your goals
- A Financial Planner can help
Financial Planners

• Should be able to assist you in pension decisions in context of an overall financial plan
• Many different types of compensation (fee-for-service)
• Government of Canada: Choosing a Financial Advisor
  ▪ www.theglobeandmail.com/globe-investor/personal-finance
  ▪ www.GetSmarterAboutMoney.ca
  ▪ http://www.financialplanningforcanadians.ca/
Making Investment Choices

• Investing 101
• Faculty Plan fund options
• Things to consider when choosing an investment strategy that is right for you
• What is risk?
• How often should I change my investment allocation?
• Common mistakes advisors say investors make
General Classes of Investments

Investing 101

- Money Market
- GICs
- Bonds
- Equities

Variability of returns vs. Rates of Return
Long Term Asset Class Returns

Investment Results
(Growth of $100 from December 1949 to December 2017)

- Value of $100
  (Annualized Rate
  of Return)
- US Equities in $C:
  $167,731 (11.5%)
- Canada Equities:
  $57,057 (9.8%)
- Bonds:
  $12,897 (7.4%)
- T-Bills:
  $3,214 (5.3%)
- Inflation
  $1,074 (3.6%)
FPP Investment Funds

- Short-Term Investment Fund
- Bond Fund
- Balanced Fund
- Canadian & Foreign Equity Funds

Diagram showing the relationship between rates of return and variability of returns for different fund types.
<table>
<thead>
<tr>
<th>Risk Category</th>
<th>High</th>
<th>Above Average</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerging Markets</td>
<td>Convertible Debentures</td>
<td>Blue Chip Stocks</td>
<td>T-Bills</td>
<td></td>
</tr>
<tr>
<td>Penny Stocks</td>
<td>Small Cap Stocks</td>
<td>Government Bonds</td>
<td>GIC’s</td>
<td></td>
</tr>
<tr>
<td>Futures</td>
<td>Warrants</td>
<td>Corporate Bonds</td>
<td>Canada Savings Bonds</td>
<td></td>
</tr>
<tr>
<td>Derivatives</td>
<td>Speculative Real Estate</td>
<td>Income Real Estate</td>
<td>Premium Saving A/C’s</td>
<td></td>
</tr>
</tbody>
</table>
FPP Long Term Investment Objectives

- Capital Preservation Versus Speculation
- Professional Investment Managers – Buy/Sell Securities
- Performance Objectives
- Formal Performance Assessment & Monitoring by the FPP Board
## Investment Policy-Asset Mix

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Balanced Fund</th>
<th>Bond Fund</th>
<th>Canadian Equity Fund</th>
<th>Foreign Equity Fund</th>
<th>Short-Term Investment Fund (STIF)</th>
<th>GICs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Equities</td>
<td>20.0%</td>
<td></td>
<td>100.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Equities</td>
<td>30.0%</td>
<td></td>
<td></td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate (CAD)</td>
<td>10.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government and Corporate Bonds</td>
<td>32.0%</td>
<td>80.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Return Bonds</td>
<td>8.0%</td>
<td>20.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short term debt securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Assets (Millions) Dec 31, 2017</strong></td>
<td><strong>$1,864.1</strong></td>
<td><strong>$55.9</strong></td>
<td><strong>$172.8</strong></td>
<td><strong>$145.8</strong></td>
<td><strong>$32.0</strong></td>
<td><strong>$18.0</strong></td>
</tr>
</tbody>
</table>
Investment Performance

Investment performance

Rates of Return and Unit Value

Visit the UBC Faculty Pension Plan website for further details regarding the current investment performance.

Select a plan to review:
FPP Account (FPP) ▼

Go to personal rates of return to find out how your investments are performing.

Performance of funds available in your plan

Show investment performance for:
16 ▼ Nov ▼ 2018 ▼ submit

Rates Of Return As Of: 31 Oct 2018

<table>
<thead>
<tr>
<th>Fund</th>
<th>1 Month</th>
<th>YTD</th>
<th>1 Year</th>
<th>5 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>UBC FPP Balanced Fund</td>
<td>-3.5</td>
<td>0.0</td>
<td>0.9</td>
<td>6.7</td>
</tr>
<tr>
<td>UBC FPP Bond Fund</td>
<td>-0.9</td>
<td>-1.2</td>
<td>-0.8</td>
<td>2.7</td>
</tr>
<tr>
<td>UBC FPP Cdn Equity Fund</td>
<td>-6.8</td>
<td>-4.3</td>
<td>-2.5</td>
<td>6.2</td>
</tr>
<tr>
<td>UBC FPP Foreign Eqty Fund</td>
<td>-5.7</td>
<td>2.2</td>
<td>3.2</td>
<td>12.2</td>
</tr>
<tr>
<td>UBC FPP STIF</td>
<td>0.1</td>
<td>1.1</td>
<td>1.2</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Back to top

Guaranteed Fund Interest Rates (%) As Of: 16 Nov 2018

<table>
<thead>
<tr>
<th>Fund</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>SLA 1Yr Guaranteed Fund</td>
<td>2.0000</td>
</tr>
<tr>
<td>SLA 2Yr Guaranteed Fund</td>
<td>2.0500</td>
</tr>
<tr>
<td>SLA 3Yr Guaranteed Fund</td>
<td>2.1500</td>
</tr>
<tr>
<td>SLA 4Yr Guaranteed Fund</td>
<td>2.1500</td>
</tr>
<tr>
<td>SLA 5Yr Guaranteed Fund</td>
<td>2.2000</td>
</tr>
</tbody>
</table>
## Which Fund Should I Invest In?

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balanced</td>
<td>13.18%</td>
<td>10.86%</td>
<td>6.09%</td>
<td>5.62%</td>
<td>8.62%</td>
</tr>
<tr>
<td>Bond</td>
<td>-3.89%</td>
<td>9.28%</td>
<td>3.21%</td>
<td>1.43%</td>
<td>2.74%</td>
</tr>
<tr>
<td>Canadian Equity</td>
<td>19.81%</td>
<td>10.26%</td>
<td>-7.13%</td>
<td>20.78%</td>
<td>9.92%</td>
</tr>
<tr>
<td>Foreign Equity</td>
<td>35.93%</td>
<td>15.51%</td>
<td>19.02%</td>
<td>2.74%</td>
<td>15.47%</td>
</tr>
<tr>
<td>Short Term</td>
<td>1.16%</td>
<td>1.09%</td>
<td>0.81%</td>
<td>0.48%</td>
<td>0.63%</td>
</tr>
</tbody>
</table>
What does this tell us?

• Last year’s returns are not next year’s returns

• You would be playing a futile guessing game if you made long term investment decisions based on short term returns

• Long term investment decisions are just that – long term and should be not be changed in response to short term market swings
Long Term Averages Can Be Misleading

<table>
<thead>
<tr>
<th></th>
<th>10 Year Gross Averages to December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balanced</td>
<td>7.06%</td>
</tr>
<tr>
<td>Bond</td>
<td>6.26%</td>
</tr>
<tr>
<td>Can. Equity</td>
<td>10.28%</td>
</tr>
<tr>
<td>Foreign Equity</td>
<td>3.12%</td>
</tr>
<tr>
<td>Short Term</td>
<td>2.31%</td>
</tr>
</tbody>
</table>
Long Term Averages Can Be Misleading

<table>
<thead>
<tr>
<th>Category</th>
<th>10 Year Gross Averages to December 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balanced</td>
<td>7.15%</td>
</tr>
<tr>
<td>Bond</td>
<td>6.07%</td>
</tr>
<tr>
<td>Can. Equity</td>
<td>10.48%</td>
</tr>
<tr>
<td>Foreign Equity</td>
<td>3.38%</td>
</tr>
<tr>
<td>Short Term</td>
<td>4.35%</td>
</tr>
</tbody>
</table>
What does this tell us?

• Be wary of average returns - one year’s unique results can skew long term averages.

• Our investment decision needs to be based on our tolerance for variability in returns.

• Look at long term returns but look at the long term pattern to see if it fits with your risk tolerance.
# Asset Class Winners & Losers

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>14.2</td>
<td>33.9</td>
<td>28.3</td>
<td>37.7</td>
<td>31.7</td>
<td>13.7</td>
<td>8.8</td>
<td>11.3</td>
<td>14.5</td>
<td>26.7</td>
<td>24.1</td>
<td>26.3</td>
<td>9.8</td>
<td>6.2</td>
<td>35.1</td>
<td>20.6</td>
<td>18.8</td>
<td>14.8</td>
<td>48.4</td>
<td>24.0</td>
<td>21.0</td>
<td>21.1</td>
<td>16.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7.4</td>
<td>26.3</td>
<td>23.4</td>
<td>27.7</td>
<td>19.7</td>
<td>7.4</td>
<td>5.7</td>
<td>2.5</td>
<td>20.5</td>
<td>12.0</td>
<td>14.0</td>
<td>18.3</td>
<td>4.4</td>
<td>3.3</td>
<td>14.4</td>
<td>17.6</td>
<td>4.4</td>
<td>13.8</td>
<td>41.5</td>
<td>17.9</td>
<td>18.3</td>
<td>17.7</td>
<td>13.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.4</td>
<td>25.0</td>
<td>17.5</td>
<td>18.6</td>
<td>15.0</td>
<td>14.3</td>
<td>5.5</td>
<td>-7.1</td>
<td>13.4</td>
<td>10.2</td>
<td>10.4</td>
<td>17.3</td>
<td>4.4</td>
<td>-15.6</td>
<td>12.6</td>
<td>12.1</td>
<td>1.0</td>
<td>13.5</td>
<td>31.3</td>
<td>14.4</td>
<td>14.0</td>
<td>8.6</td>
<td>9.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.0</td>
<td>19.9</td>
<td>16.9</td>
<td>16.2</td>
<td>13.4</td>
<td>14.1</td>
<td>3.4</td>
<td>-3.7</td>
<td>-12.4</td>
<td>12.4</td>
<td>10.2</td>
<td>15.7</td>
<td>0.9</td>
<td>-17.9</td>
<td>8.7</td>
<td>9.5</td>
<td>1.0</td>
<td>8.3</td>
<td>14.8</td>
<td>11.4</td>
<td>6.0</td>
<td>7.2</td>
<td>8.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.8</td>
<td>14.5</td>
<td>14.1</td>
<td>15.0</td>
<td>4.7</td>
<td>12.8</td>
<td>0.8</td>
<td>-6.5</td>
<td>-16.6</td>
<td>8.0</td>
<td>9.0</td>
<td>13.0</td>
<td>-5.7</td>
<td>-21.9</td>
<td>8.1</td>
<td>9.3</td>
<td>-2.0</td>
<td>7.2</td>
<td>13.0</td>
<td>10.6</td>
<td>4.5</td>
<td>1.3</td>
<td>7.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-0.2</td>
<td>8.2</td>
<td>6.4</td>
<td>6.2</td>
<td>4.4</td>
<td>4.7</td>
<td>-5.5</td>
<td>-12.6</td>
<td>-21.1</td>
<td>5.3</td>
<td>3.3</td>
<td>4.0</td>
<td>-10.5</td>
<td>-29.8</td>
<td>1.2</td>
<td>2.4</td>
<td>-8.7</td>
<td>4.0</td>
<td>1.0</td>
<td>3.7</td>
<td>6.0</td>
<td>0.5</td>
<td>7.1</td>
<td></td>
</tr>
<tr>
<td>Lowest</td>
<td>-7.8</td>
<td>7.4</td>
<td>5.0</td>
<td>3.2</td>
<td>-1.6</td>
<td>-6.2</td>
<td>-10.8</td>
<td>-16.6</td>
<td>-22.7</td>
<td>2.9</td>
<td>2.3</td>
<td>1.3</td>
<td>3.9</td>
<td>-16.5</td>
<td>-33.0</td>
<td>0.6</td>
<td>0.5</td>
<td>-10.2</td>
<td>1.0</td>
<td>-7.0</td>
<td>0.9</td>
<td>-8.3</td>
<td>-2.0</td>
<td>0.6</td>
</tr>
</tbody>
</table>

|-------------------------------|--------------------------|--------------------------|----------------------------------|-----------------------------|--------------------------|-------------|

* Diversified: 25% TSX Composite, 20% S&P 500 (C$), 15% MSCI EAFE – Net (C$), 40% FTSE TMX Canada Universe Bond Index
## GROSS Annual Returns: Finding your Risk Tolerance (Funds With Stocks)

<table>
<thead>
<tr>
<th>Year</th>
<th>Canadian Equity</th>
<th>Foreign Equity</th>
<th>Balanced Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>-30.69%</td>
<td>-26.84%</td>
<td>-13.00%</td>
</tr>
<tr>
<td>2009</td>
<td>30.67%</td>
<td>10.50%</td>
<td>12.46%</td>
</tr>
<tr>
<td>2010</td>
<td>17.97%</td>
<td>6.27%</td>
<td>9.98%</td>
</tr>
<tr>
<td>2011</td>
<td>-7.95%</td>
<td>-2.14%</td>
<td>3.18%</td>
</tr>
<tr>
<td>2012</td>
<td>11.52%</td>
<td>16.46%</td>
<td>10.14%</td>
</tr>
<tr>
<td>2013</td>
<td>20.33%</td>
<td>36.81%</td>
<td>13.77%</td>
</tr>
<tr>
<td>2014</td>
<td>10.72%</td>
<td>16.23%</td>
<td>11.44%</td>
</tr>
<tr>
<td>2015</td>
<td>-6.75%</td>
<td>19.55%</td>
<td>6.56%</td>
</tr>
<tr>
<td>2016</td>
<td>21.25%</td>
<td>3.18%</td>
<td>6.05%</td>
</tr>
<tr>
<td>2017</td>
<td>10.33%</td>
<td>15.92%</td>
<td>9.05%</td>
</tr>
</tbody>
</table>
Advantages of a Balanced Fund: Risk is Reduced by Diversification

- Asset Class (Stocks, Bonds, Real Estate)
- Countries
- Investment Manager Styles
- Industries and Sectors
- Government and Corporate Bonds
- Long Term and Short Term Maturities
- Currencies
Your Most Important Decision

• The most important decision you have to make is to decide what % of your pension fund will be invested in stocks and what % will be invested in fixed income

• Are you comfortable with the asset allocation of the FPP Balanced Fund or would you prefer to build your own balanced portfolio?
Balanced Fund
Target Asset Allocation

- Global Equities 30.0%
- Canadian Real Return Bonds 8.0%
- Fixed Income 32.0%
- Canadian Real Estate 10.0%
- Canadian Equities 20.0%

*Global Equities includes investments in both U.S. Equities and Non-North American Equities*
Asset Allocation Tool

Investment Risk Profiler

Want to find out which investment options are right for you?

This tool will help you with your asset allocation. One of the main principles of investing is that the more risk you take the more return you should earn over the long term.

However, while growing your money is important, it’s equally important that you’re comfortable with your choices. This tool will help you determine your investment time horizon and comfort with investment risk, and in turn, help you select the investment options that are right for you.

Completing the tool will take no more than 15 minutes. For plans you are enrolled in, answers can be saved so you can review them periodically to ensure that your investments continue to reflect your goals.

Don't forget to review the my money @ work guide for useful, practical financial information to get the most from your workplace plan.
Your Results

- **Conservative**: 20% Cash and Equivalents, 50% Fixed Income, 15% Canadian Equity, 10% U.S. Equity, 5% International Equity
- **Moderate**: 10% Cash and Equivalents, 40% Fixed Income, 20% Canadian Equity, 15% U.S. Equity, 15% International Equity
- **Balanced**: 40% Fixed Income, 25% Canadian Equity, 20% U.S. Equity, 15% International Equity
- **Growth**: 30% Fixed Income, 25% Canadian Equity, 25% U.S. Equity, 25% International Equity
- **Aggressive**: 20% Fixed Income, 30% Canadian Equity, 25% U.S. Equity, 25% International Equity
Asset Mix

Investment Profile
- Conservative
  - 40% UBC FPP Balanced Fund
  - 30% UBC FPP Bond Fund
  - 5% UBC FPP Canadian Equity Fund
  - 5% UBC FPP Foreign Equity Fund
  - 20% UBC FPP STIF or GIC's

- Moderate
  - 50% UBC FPP Balanced Fund
  - 20% UBC FPP Bond Fund
  - 10% UBC FPP Canadian Equity Fund
  - 10% UBC FPP Foreign Equity Fund
  - 10% UBC FPP STIF or GIC's

- Balanced
  - 100% UBC FPP Balanced Fund

- Growth
  - 70% UBC FPP Balanced Fund
  - 10% UBC FPP Canadian Equity Fund
  - 20% UBC FPP Foreign Equity Fund

- Aggressive
  - 50% UBC FPP Balanced Fund
  - 20% UBC FPP Canadian Equity Fund
  - 30% UBC FPP Foreign Equity Fund

Mix by Asset Class
- 46% Fixed Income
- 13% Canadian Equity
- 17% Foreign Equity
- 4% Real Estate
- 20% Cash and Equivalents

- 40% Fixed Income
- 20% Canadian Equity
- 25% Foreign Equity
- 5% Real Estate
- 10% Cash and Equivalents

- 40% Fixed Income
- 20% Canadian Equity
- 30% Foreign Equity
- 10% Real Estate

- 20% Fixed Income
- 30% Canadian Equity
- 45% Foreign Equity
- 5% Real Estate
Don’t Forget to Rebalance!

- Rebalancing back to your original asset allocation at least annually is the key to staying on track!

- Do this regardless of market conditions

- Financial planner can be very helpful in developing an investment plan

**Note:** If you want real estate exposure, you must have some assets in the Balanced Fund
The Importance of Re-Balancing

<table>
<thead>
<tr>
<th></th>
<th>Canadian Equity</th>
<th>Foreign Equity</th>
<th>Bond Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of 2002</td>
<td>20%</td>
<td>20%</td>
<td>60%</td>
</tr>
<tr>
<td>End of 2007</td>
<td>32%</td>
<td>18%</td>
<td>50%</td>
</tr>
</tbody>
</table>
The Importance of Re-Balancing

Change investments

Plan Summary
Plan: FPP Account (FPP)

Asset Allocation
View/Update: Incomplete  You should complete the asset allocation exercise; it will help you understand your risk tolerance regarding your investment instructions.

Automatic Asset Mix Re-balance
You are invested according to a desired asset mix (between e.g. stocks, segregated funds and guaranteed funds). Periodically re-balancing will help maintain this mix. Your current re-balancing instructions are:

Frequency: Annually
Contributions: Member: No  Employer: No

Update
Why Consider Investing Outside of Canada?

• Narrowness of Canadian Market (Energy, Materials & Financials)

• Canada is only 3% of world market – (could be missing out on 97% of the world’s investment opportunities)

• Small # of firms dominate Canadian Market (example of Nortel – 30% in 2000)
Why Consider Investing Outside of Canada?

Relative sizes of world stock markets, end-1899
- Germany: 13%
- USA: 15%
- UK: 25%
- Not in Yearbook: 2%
- Other Yearbook: 8%

Relative sizes of world stock markets, end-2013
- USA: 48%
- UK: 8%
- Japan: 9%
- Other Yearbook: 4%
Making your Investment Choice: Things to Consider

- The Nature of Faculty Pension Plan Investments
- Investment Time Horizon
- Tolerance for Variability of Returns
- Historical Returns (does the pattern of returns fit your tolerance for risk)
- Other non-pension investments/assets
- Investment knowledge/interest
- Work with professional investment and financial advisors
How Often Can I Change My Investment Allocation?

• Online allocation changes on Sun Life website
• Daily Valuation- BEFORE 4:00 pm EASTERN
• Watch for **Short-term Trading** warning

---

**Short-term Trading**

You are moving money out of a segregated fund. If you previously moved money into the same segregated fund within the last 30 days, you may be charged a 2% short-term trading fee. As well, if applicable, the 2% fee will appear here the next business day after your transaction is processed.

Any contributions or withdrawals are exempt from this short-terms trading fee. To see a list of your recent moves, select **Accounts > Transaction History**. Any changes you have just made will not be saved if you navigate away from this page before clicking Submit.

For more information, see Jargon, the short-term trading [Question & Answers](#) and your plan rules.
The Remedy For Fear

If you do not invest beyond your risk tolerance you will never have to worry about fear taking control and being responsible for emotional decisions during a market downturn.
Making Investment Changes during a Market Correction

Balanced Fund

- May 2008 - $441,961
- Dec 2008 - $374,504
- Difference - $(67,457)

Moved to Short Term Fund at December 31, 2008

- Short Term Fund at Nov. 2010 - $376,900
- Balanced Fund at Nov. 2010 - $445,510
- Difference $68,610-
Rational Thinking

- Average stock market declines last about 8 months
- Market corrections are normal and they have always recovered and exceeded new highs
- Stocks are now cheaper
- Stocks compensate for short term volatility by providing higher returns.
- Stocks are only one component in a Balanced Fund
What is Risk?

• Possible loss of all my money invested in the Faculty Pension Plan?

  OR

• Variability of returns – the ups and downs
• Possibility that my investments won’t earn enough to last for my life
Sample of 2017 Holdings in FPP Canadian Equity & Balanced Fund

Bank of Montreal
Bank of Nova Scotia
Barrick Gold Corp.
Brookfield Infrastructure
Canadian National Railway
Canadian Natural Resources
Canadian Imperial Bank of Canada
Constellation Software
Manulife

Methanex Corp.
Open Text Corp.
Royal Bank of Canada
Saputo
Suncor Energy
Teck Resources
Toromont Industries
Toronto Dominion Bank
TransCanada Corp.
Advice From Professionals

“If you want to see the greatest threat to your financial future then go home and take a look in the mirror!”

Warren Buffet

“In the end, how your investments behave is much less important than how you behave!”

Benjamin Graham
## Recovery of Markets After Major Downturns

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CRISIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>Latin American financial crisis</td>
</tr>
<tr>
<td>1984</td>
<td>US Bank crisis</td>
</tr>
<tr>
<td>1987</td>
<td>Black Monday- US stock crash</td>
</tr>
<tr>
<td>1990</td>
<td>US Savings &amp; Loan Crisis</td>
</tr>
<tr>
<td>1995</td>
<td>Mexican pesos crisis</td>
</tr>
<tr>
<td>1997</td>
<td>Asian economic recession</td>
</tr>
<tr>
<td>1998</td>
<td>Hedge Fund blow-up</td>
</tr>
<tr>
<td>2000</td>
<td>Tech stock meltdown</td>
</tr>
<tr>
<td>2008</td>
<td>US sub-prime mortgage crisis</td>
</tr>
<tr>
<td>2011</td>
<td>European and U.S. Debt Crisis</td>
</tr>
</tbody>
</table>
Including dividends, the 2009 annual returns rank 3\textsuperscript{rd} behind only 1979 and 1983. 2008 was by far the worst year over this period.

S&P/TSX Total Return Index:
Annual returns 1957 to 2009
Addiction to Prediction

“\textit{It is very difficult to make predictions – especially about the future!}”

Yogi Berra, New York Yankees
The Challenge of Trying to Time the Markets

<table>
<thead>
<tr>
<th>Year</th>
<th>Canadian Equity Fund</th>
<th>Bond Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>-30.69%</td>
<td>2.73%</td>
</tr>
<tr>
<td>2009</td>
<td>30.67%</td>
<td>10.47%</td>
</tr>
<tr>
<td>2010</td>
<td>17.97%</td>
<td>8.61%</td>
</tr>
<tr>
<td>2011</td>
<td>-7.95%</td>
<td>10.52%</td>
</tr>
<tr>
<td>2012</td>
<td>11.52%</td>
<td>4.37%</td>
</tr>
<tr>
<td>2013</td>
<td>20.33%</td>
<td>-3.58%</td>
</tr>
<tr>
<td>2014</td>
<td>10.72%</td>
<td>9.62%</td>
</tr>
<tr>
<td>2015</td>
<td>-6.75%</td>
<td>3.54%</td>
</tr>
<tr>
<td>2016</td>
<td>21.25%</td>
<td>1.75%</td>
</tr>
<tr>
<td>2017</td>
<td>10.33%</td>
<td>3.06%</td>
</tr>
</tbody>
</table>

*(Gross annual returns)*
Markets are Unpredictable!

( Returns include dividends and are measured in Canadian $)

<table>
<thead>
<tr>
<th>Stock Market/Country</th>
<th>2011 Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>US- Dow</td>
<td>+10%</td>
</tr>
<tr>
<td>US-S&amp;P 500</td>
<td>+3%</td>
</tr>
<tr>
<td>US. Nasdaq</td>
<td>+1%</td>
</tr>
<tr>
<td>U.K</td>
<td>-1%</td>
</tr>
<tr>
<td>Japan</td>
<td>-9%</td>
</tr>
<tr>
<td>Korea</td>
<td>-11%</td>
</tr>
<tr>
<td>Canada</td>
<td>-12%</td>
</tr>
<tr>
<td>China</td>
<td>-15%</td>
</tr>
<tr>
<td>Germany</td>
<td>-16%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>-16%</td>
</tr>
<tr>
<td>France</td>
<td>-17%</td>
</tr>
<tr>
<td>India</td>
<td>-32%</td>
</tr>
</tbody>
</table>
Mistakes Investment Advisors Say Are Hazardous to Your WEALTH

• Failing to realize that market downturns are normal
• Thinking we can consistently time market downturns and recoveries
• A double-edged sword
# The Problem with Paying Too Much Attention to Short Term Returns

<table>
<thead>
<tr>
<th>2010 NET RETURNS</th>
<th>BALANCED FUND</th>
<th>BOND FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>January – August*</td>
<td>1.89%</td>
<td>6.91%</td>
</tr>
<tr>
<td>Sept. – Dec.</td>
<td>7.48%</td>
<td>1.34%</td>
</tr>
</tbody>
</table>

* Member changes from Balanced Fund to Bond Fund

Balanced Fund Return: **9.37%**  
Bond Fund Return: **8.25%**  
Member’s Return: **3.23%**
Balanced Fund Annual Returns (Net)
30 Year Track Record • 8.38%

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9.00%</td>
<td>6.79%</td>
<td>-13.45%</td>
<td></td>
</tr>
<tr>
<td>14.62%</td>
<td>10.90%</td>
<td>11.93%</td>
<td></td>
</tr>
<tr>
<td>-0.46%</td>
<td>4.77%</td>
<td>9.37%</td>
<td></td>
</tr>
<tr>
<td>16.29%</td>
<td>0.64%</td>
<td>2.62%</td>
<td></td>
</tr>
<tr>
<td>7.33%</td>
<td>-3.07%</td>
<td>9.58%</td>
<td></td>
</tr>
<tr>
<td>22.19%</td>
<td>12.36%</td>
<td>13.18%</td>
<td></td>
</tr>
<tr>
<td>-0.54%</td>
<td>8.09%</td>
<td>10.86%</td>
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</tr>
<tr>
<td>17.03%</td>
<td>11.79%</td>
<td>6.09%</td>
<td></td>
</tr>
<tr>
<td>18.58%</td>
<td>13.58%</td>
<td>5.62%</td>
<td></td>
</tr>
<tr>
<td>14.54%</td>
<td>2.66%</td>
<td>8.62%</td>
<td></td>
</tr>
</tbody>
</table>
## Negative Quarters Are Normal!
*(Based on Balanced Fund)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Negative Quarters</th>
<th>Annual Return (Gross)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>3</td>
<td>-13.00%</td>
</tr>
<tr>
<td>2009</td>
<td>1</td>
<td>12.46%</td>
</tr>
<tr>
<td>2010</td>
<td>1</td>
<td>9.98%</td>
</tr>
<tr>
<td>2011</td>
<td>1</td>
<td>3.18%</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
<td>10.14%</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>13.77%</td>
</tr>
<tr>
<td>2014</td>
<td>0</td>
<td>11.44%</td>
</tr>
<tr>
<td>2015</td>
<td>2</td>
<td>6.56%</td>
</tr>
<tr>
<td>2016</td>
<td>1</td>
<td>6.05%</td>
</tr>
<tr>
<td>2017</td>
<td>0</td>
<td>9.05%</td>
</tr>
</tbody>
</table>

Don’t miss the larger quarterly gains that frequently occur.
Short Term Volatility in Equity Investments Is a Fact of Life: THINK LONG TERM!

- Over the very long term stocks have always been the highest asset class
- Negative returns happen in less than 5 year averages not in the long term
- Choose the level of short term volatility you are comfortable with and stick to the plan
- Reacting to short term market noises can destroy a good long term plan
What Professionals Say About Making Investment Allocation Changes

• Try NOT to make changes in response to what is happening in the markets.

• Instead make changes when:
  – You want to rebalance your unique balanced fund.
  – You feel there is a change in your long term risk tolerance- life cycle investing.
Sample of Life Cycle Investing

<table>
<thead>
<tr>
<th>Age</th>
<th>Asset Mix</th>
<th>Equity %</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-40</td>
<td>Balanced</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>Canadian Equity</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>Foreign Equity</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>75%</strong></td>
</tr>
<tr>
<td>40-50</td>
<td>Balanced</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>Canadian Equity</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>Foreign Equity</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>65%</strong></td>
</tr>
<tr>
<td>50-60</td>
<td>Balanced</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>Bond Fund</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>45%</strong></td>
</tr>
<tr>
<td>60+</td>
<td>Balanced</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>Bond</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>GIC / Short Term</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>30%</strong></td>
</tr>
</tbody>
</table>
“The investor with a portfolio of sound stocks and bonds should expect their values to fluctuate and should neither be concerned by sizable declines nor become excited by sizable advances. Always remember that market corrections are temporary and are there to either be taken advantage of or to be ignored!”

Benjamin Graham
Summary of Investor Mistakes

- Having all our “eggs” in one basket
- Putting too much long term money into savings vehicles (GIC’S) rather than investment vehicles
- Chasing last years returns (rear view mirror investing)
- Not understanding our tolerance for risk
- Trying to time the markets – thinking they are predictable
- Moving pension money into short term investments near or at the end of a market downturn
- Leaving funds designated for long term investing parked in a short term fund for too long a period of time
Investment Advisor Recommendations

- Diversification
- Expect market corrections but see them for what they are – normal and buying opportunities
- Stay invested – don’t try and guess market ups and downs. Markets are unpredictable and will always surprise you! Try to avoid prediction addiction!
- Review pension investments annually not daily/monthly. Think long term
- Work with a professional advisor
Life Events > Retiring

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Happiness Comes From Within

“Happiness resides not in possessions and not in gold. The feeling of happiness dwells in the soul”

Democritus (460-370 BC)