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UBC Faculty Pension Plan Pension Forum

Mr. Joost Blom, Chair, Board of Trustees

Ms. Cheryl Neighbour, Executive Director – Operations

Mr. Mike Leslie, Executive Director – Investments

May 23, 2012

Agenda

- Introduction of Trustees
- 2011 Plan Review
- Board Governance and Responsibilities
- 2011 Board Initiatives and Projects
- 2011 Operations Update & 2012 Operations Objectives
- Investment Review for 2011 and Year to Date 2012
- New GIC Fund Option
- Questions



Board of Trustees

Mr. Joost Blom, Chair

Faculty of Law

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Dr. Joy Begley

Sauder School of Business

Dr. Joyce Boon

Barber Arts & Sciences, UBCO

Dr. Joanne Emerman

Department of Cellular and
Physiological Sciences

Dr. Kai Li

Sauder School of Business

Mr. Al Poettcker

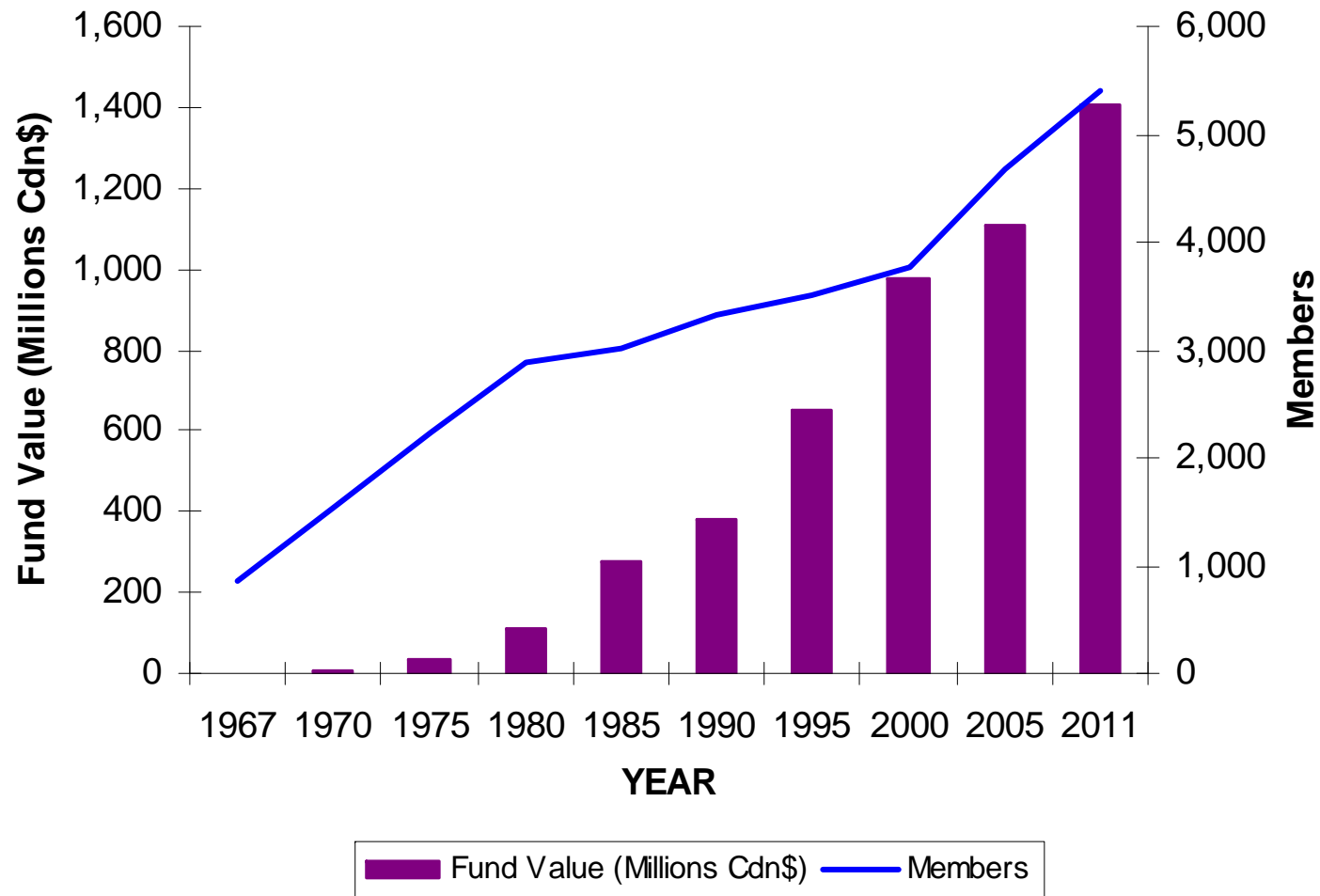
UBC Properties Trust

Mr. Vijay Verma

TRIUMF



Faculty Pension Plan Growth (1967 – 2011)



Plan Demographics as at December 31, 2011

	Under Age 50	Age 50 - 65	Over Age 65	Total Membership	Total Plan Assets
Active & Deferred Membership	2,040	2,333	401	4,774	
Plan Assets	\$170.7 mil (15%)	\$674.3 mil (59%)	\$291.9 mil (26%)		\$1,136.9 mil
Retired				628	
RRIF/LIF Assets					\$195.8 mil
Variable Annuity Assets					\$72.7 mil
Total				5,402	\$1,405.4 mil



Board Governance and Responsibilities

Board Governance

The “Governance Guidelines for the UBC Faculty Pension Plan” stipulates the:

- Plan’s Mission Statement & Statement of Principles and Values
- Responsibilities of the Board
- Code of Conduct for Trustees
- Conflict of Interest Policy



Board Governance and Responsibilities

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.



Board Governance and Responsibilities

Plan's Statement of Principles and Values

The Plan will be responsive to its members and endeavour to provide a high level of service. It will communicate clearly to the members the risks inherent in a defined contribution plan. The Plan will offer a prudent number of investment options and will clearly articulate the risk and return objectives of each option.



Board Governance and Responsibilities

Board Structure

- 4 appointed trustees for a 4-year renewable term
- 4 elected trustees for a 4-year renewable term
- 10 meetings per year



2011 Board Initiatives and Projects

- Changed Short Term Investment Fund's underlying fund with bcIMC
- Reviewed real assets – infrastructure and global real-estate
- Reviewed Plan's current retirement and investment options to ensure their appropriateness and adequacy
- Analyzed potential new investment and retirement options to assess whether they should be added to the Plan
- Updated Asset Allocation Choices article
- Discussed adding various retirement & investment modelling tools to web site
- Selected Sun Life as new GIC provider



2011 Operations Update

- Plan Text & Trust Agreement approved by UBC's BoG
- Hired a new member services specialist
- Completed Administrative review
- Commenced implementation of GIC option



2012 Operations Objectives

- Ensure members fully educated about new GIC option
- Replacements required for 2 key staff retiring in 2013
- New Pensions Act in BC – review for implications to the FPP
- Review Plan operations to ensure best balance of costs vs. service



Investment Review of 2011



2011 Fund Returns / Rankings

Fund	1 Year (%)	4 Year (%)	Return Ranking (percentile)*		Risk** Ranking (percentile)
			1 Year	4 Years	4 Years
Balanced	3.2	2.7	34 th	31 st	20 th
Bond	10.5	8.0	57 th	50 th	33 rd
Canadian Equity	-8.0	-0.4	35 th	29 th	40 th
Foreign Equity	-2.1	-4.1	14 th	51 st	38 th
Short Term Investment	1.3	1.4	34 th	93 rd	20 th

Returns to Dec. 31/11

* 1st percentile – highest ranking

100th percentile – lowest ranking

** Risk - as measured by annual standard deviation of returns

- a lower ranking number means less risky



Index Asset Class Returns for 2011

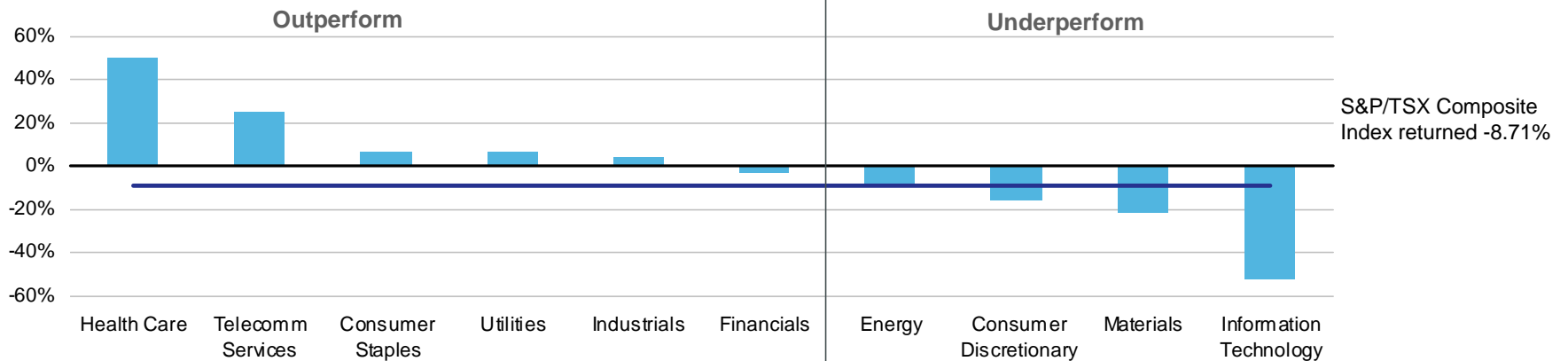
	1 st Half 2011	2 nd Half 2011	1 Year	
Cash	0.5%	0.5%	1.0%	
Bonds	2.2%	7.3%	9.7%	* Best
Canadian Equity	0.2%	-8.9%	-8.7%	
U.S. Equity (C\$)	2.8%	1.6%	4.4%	
International Equity (C\$)	1.8%	-11.7%	-10.2%	* Worst



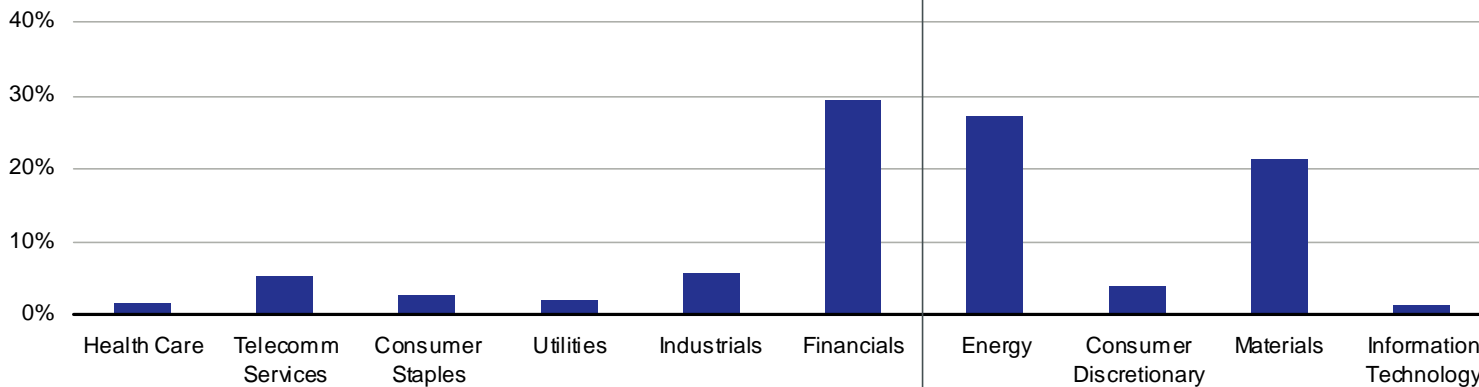
S&P[®]/TSX[®] Composite Index

Annual sector returns vs. sector weights

Sector returns



Sector weights



1 year ending 31 December 2011



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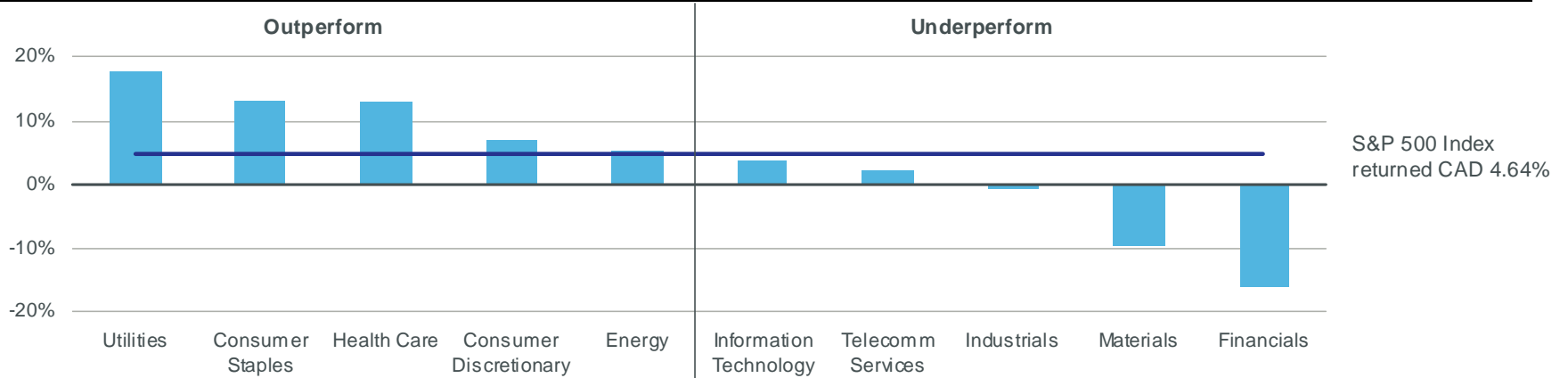
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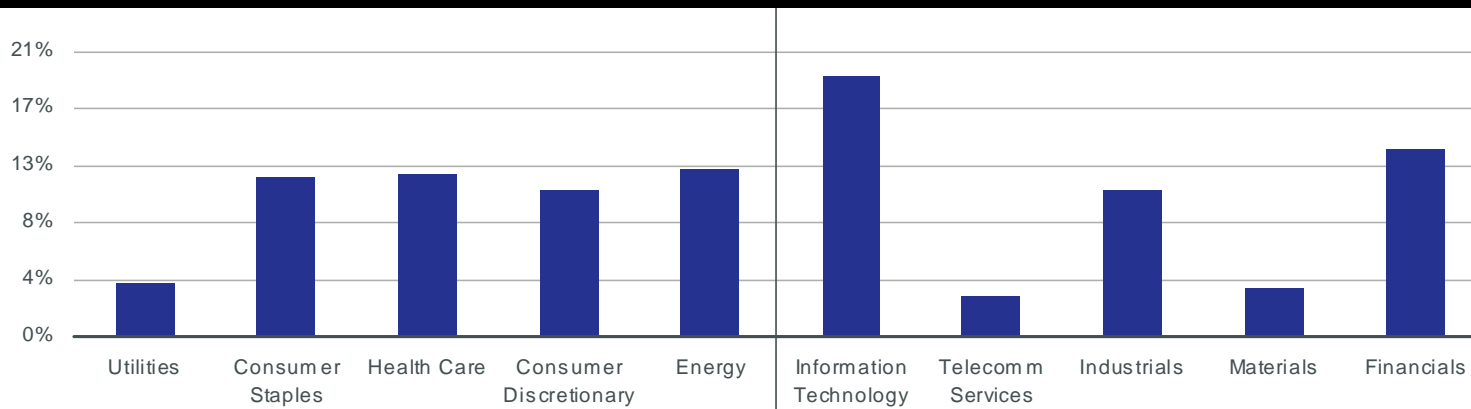
S&P 500[®] Index

Annual sector returns vs. sector weights

Sector returns (CAD)



Sector weights



1 year ending 31 December 2011



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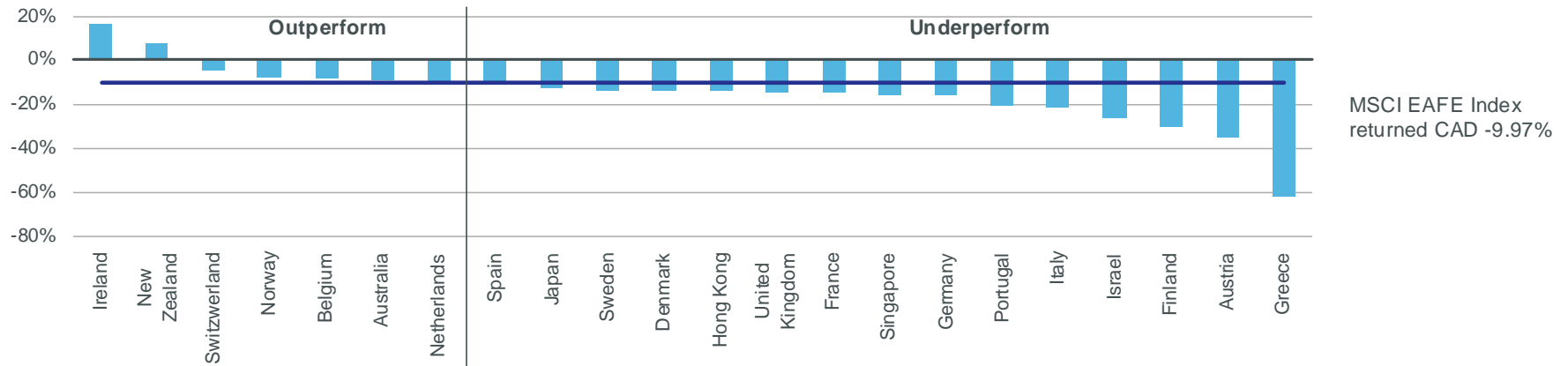
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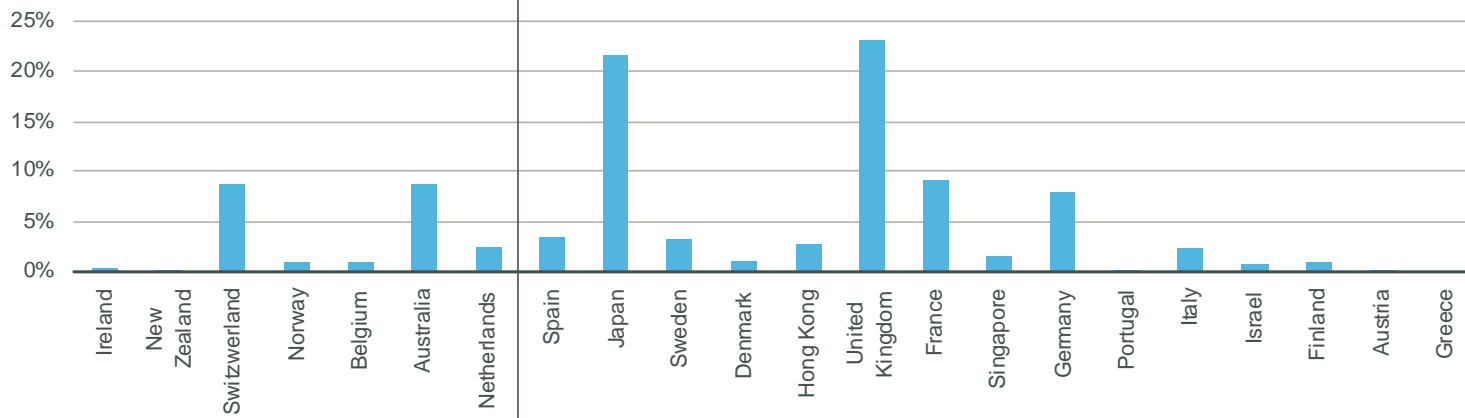
MSCI EAFE Index

Annual country returns vs. country weights

Country returns



Country weights



1 year ending 31 December 2011



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Bonds—We Are in a Very Low Interest Rate Environment

Government of Canada 30 Year Bond Yield

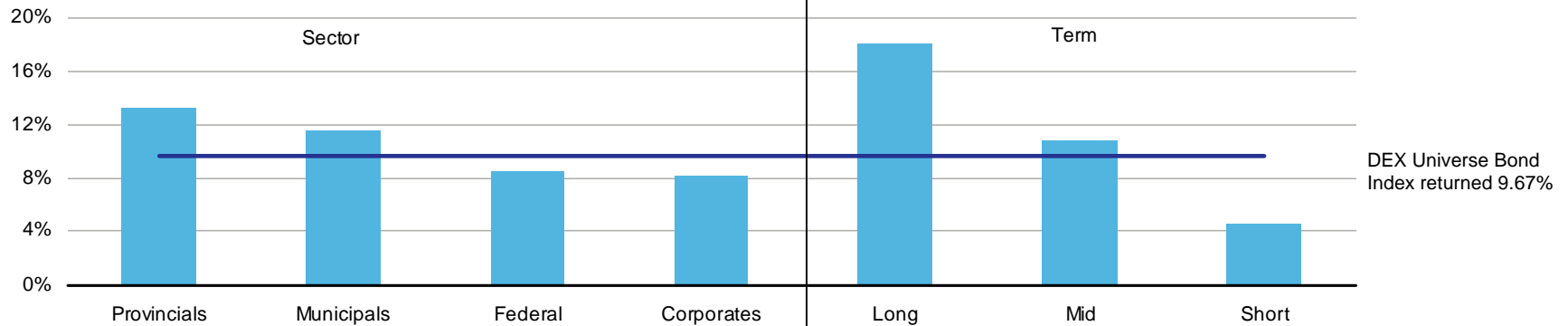
From December 1961 to December 2011



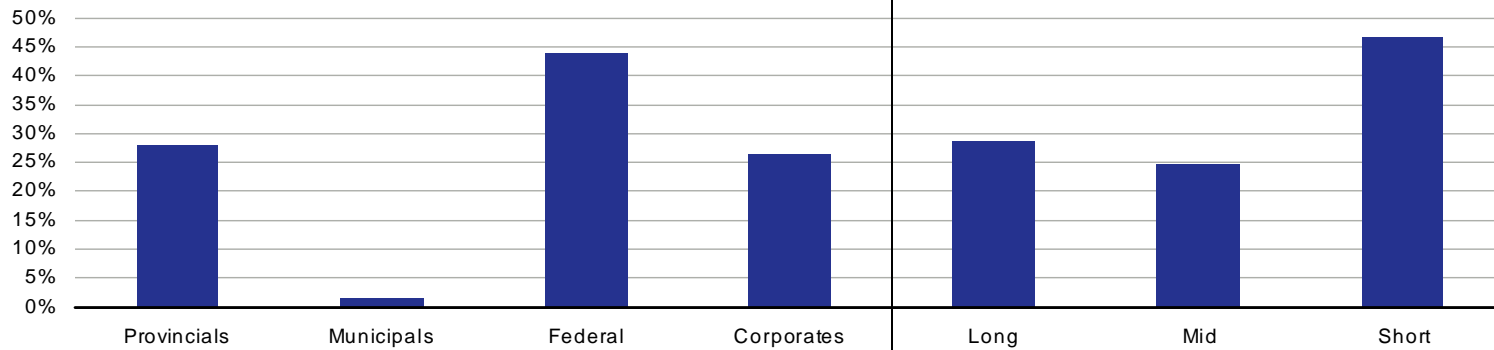
Canadian bond market

Annual sector returns vs. Sector weights

Sector & term returns



Sector & term weights



1 year ending 31 December 2011



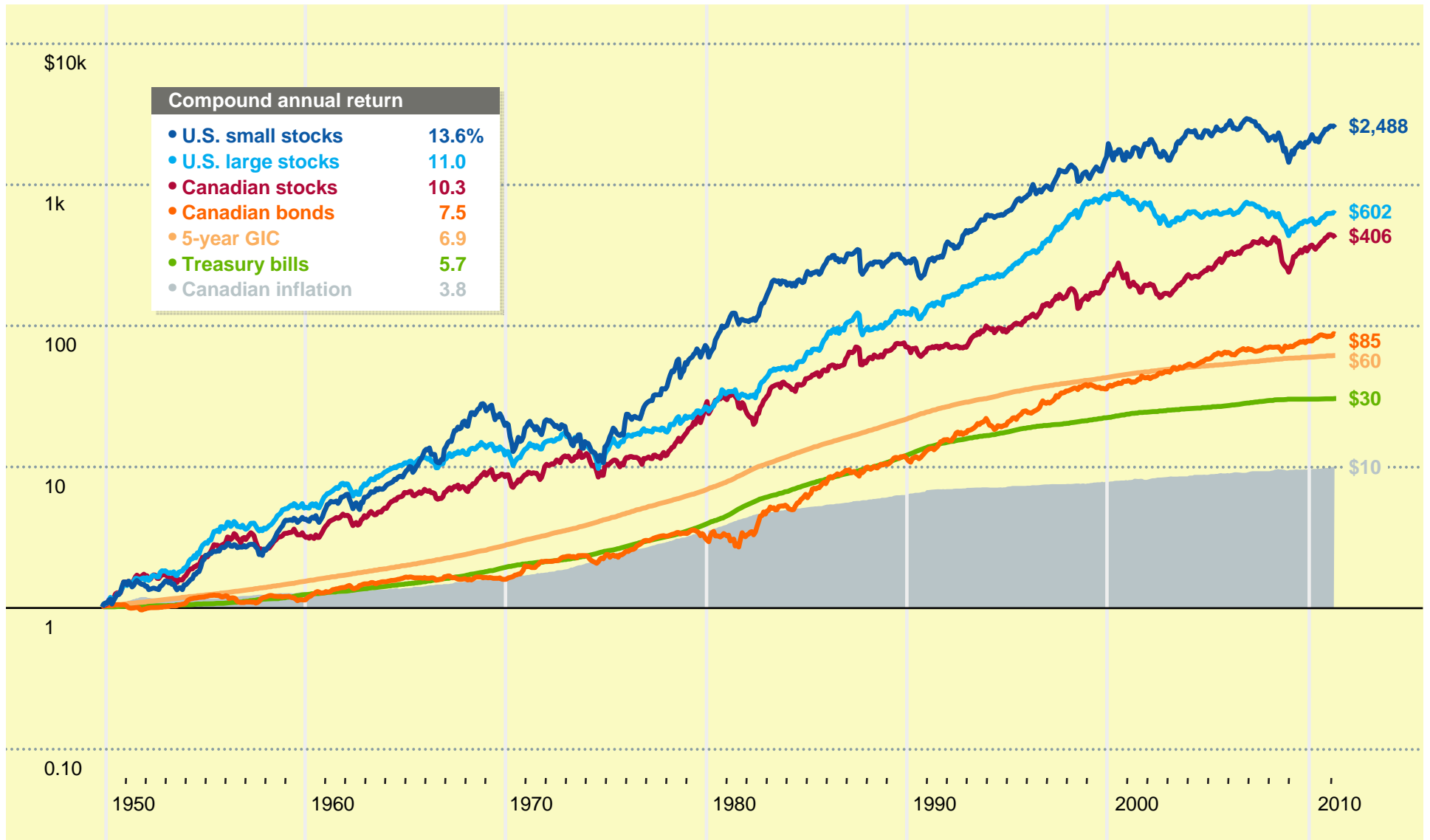
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Canadian Market Perspective

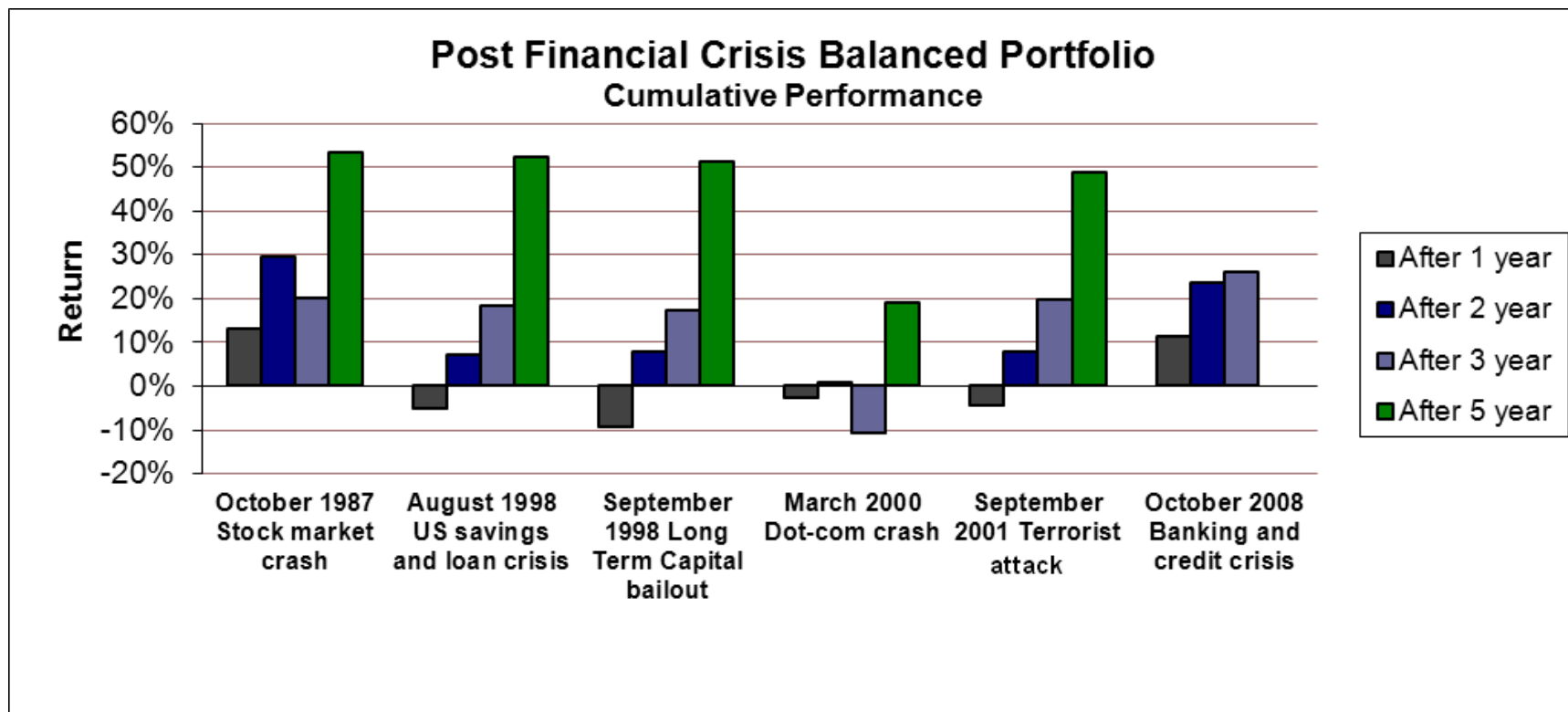
Jan 1950–June 2011



All values are represented in CAD. Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1950. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2011 Morningstar. All Rights Reserved. 9/1/2011



Good News - Markets Recover

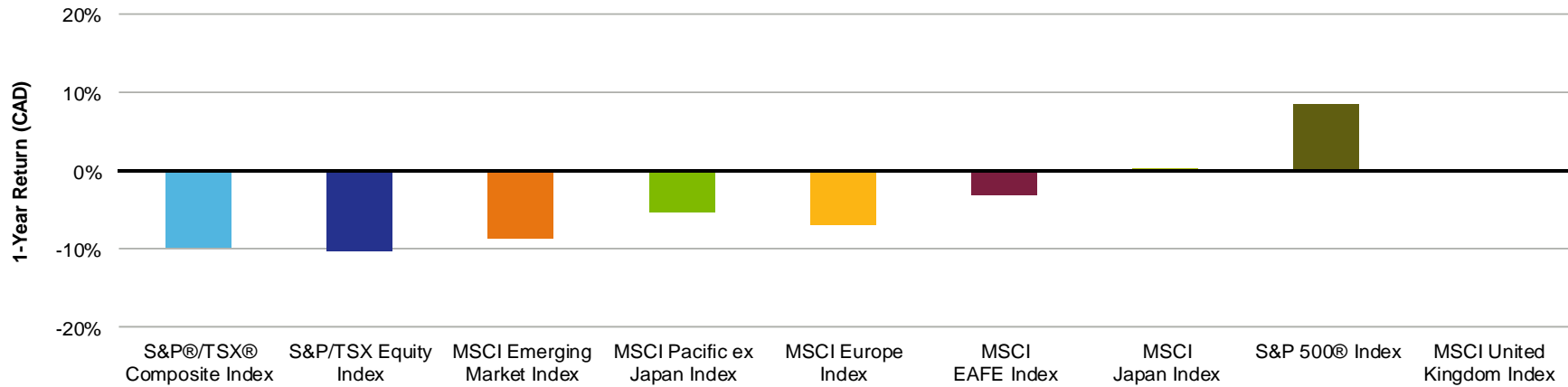


Results to March 31, 2012

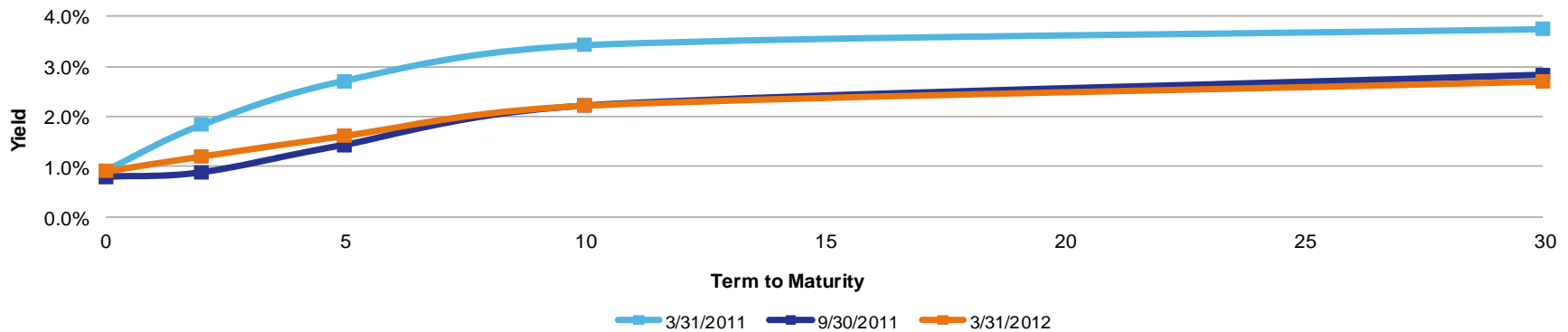


Global markets

Global equity markets



Canadian bond market



Year ending 31 March 2012
 Past performance is not necessarily indicative of future performance
 Sources: TD Securities Inc.; PC Bond, a business unit of TSX Inc; BlackRock

Fund Rates of Return*

(to March 31, 2012)

Fund	1 Yr.	5 Yrs.	10 Yrs.
Balanced Fund	5.4%	3.3%	6.0%
Bond Fund	10.4%	6.9%	6.7%
Canadian Equity Fund	-8.3%	2.2%	8.1%
Foreign Equity Fund	6.3%	-3.4%	0.4%
Short Term Investment Fund	1.2%	1.8%	2.4%

* Before fees

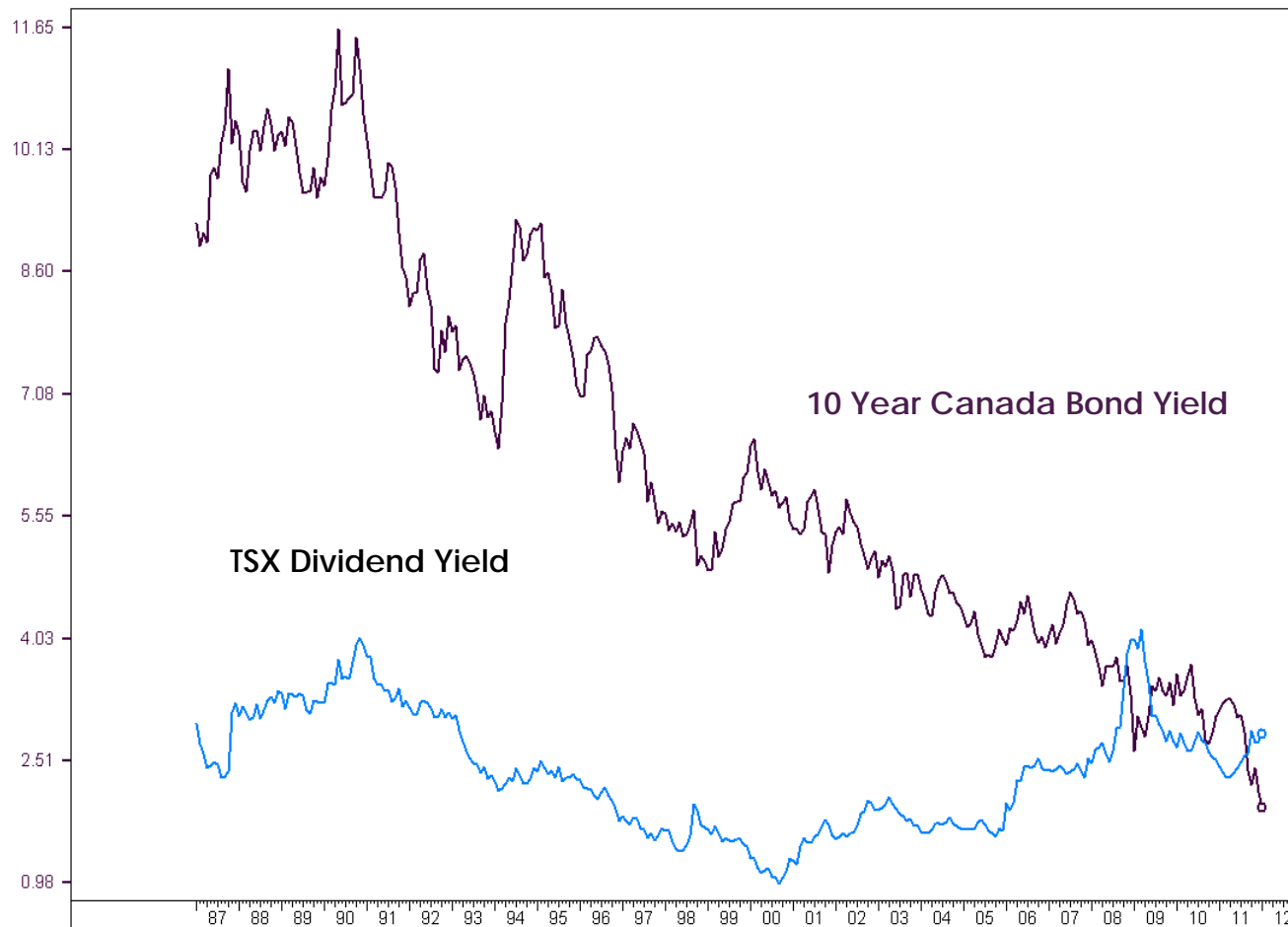


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Stocks Yielding More Than Bonds



GICs – New Fund Option

- Rollout date – May 2012
- Terms Available: 1, 2, 3, 4 & 5 years
- GIC article in the First Quarter 2012 Pension News – description and possible strategies
- Guaranteed rates of return – issued by Sun Life
- Useful for cashflow planning in, or near retirement
- With “Asset Allocation Choices” article in Q3/11 Pensions News – GICs may be suitable for some members for “Short – term” allocation



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**“Is it better to invest during a bull market or bear market?
Depends...would you rather be gored or mauled?”**



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Conclusions

- Diversification within the fund options helped to protect value
- Funds have largely recovered from the 2008 banking crisis
- Serious debt problems in Europe and U.S. still remain
- Some improved economic news lately in the U.S.
- Emerging markets growth – slowing somewhat but still strong
- Low interest rates/bond yields will continue for awhile yet
- Eventual increase in interest rates would hurt bond values



Thank You!
Questions?



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Appendix

Administrative Staff

Cheryl Neighbour	Executive Director – Operations Secretary to the Board
Mike Leslie	Executive Director – Investments
Derrick Johnstone	Senior Operations Manager
Wendy Brooks	IT Manager
GV Fragante	Systems Analyst
Helena Huynh	Systems Analyst
Jill Smith	Pension Administrator
Lorraine Heseltine	Member Services Specialist
Louise Mah	Faculty Pension Plan Assistant
Debbie Ma	Senior Financial Officer
Maricres De Leon	Pension Plan Accountant
Kathy Pang	Communications Coordinator
Shirley Lim	Office Administrator
Claudia Chan	Front Reception



Asset-Class Winners and Losers

Jan 1996–June 2011

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Jan-June 2011
Highest return	28.3%	39.2	37.8	31.7	13.0	6.1	11.1	26.7	14.5	24.1	26.5	9.8	2.7	35.1	17.6	2.8
	23.6	18.5	27.6	20.8	7.4	3.8	2.6	15.1	12.0	13.8	17.3	4.2	2.3	16.0	12.5	2.5
	14.2	15.0	12.8	13.9	5.6	-6.4	-12.4	9.1	10.3	11.2	16.0	3.4	-22.6	9.1	8.9	1.9
	7.7	7.0	4.8	4.8	-5.6	-12.6	-16.3	5.8	2.8	2.8	4.1	-4.0	-30.2	5.5	3.6	0.5
Lowest return	4.3	3.2	-1.6	-6.0	-9.8	-16.2	-22.8	2.9	2.2	1.5	4.1	-10.3	-33.0	0.3	0.6	0.2

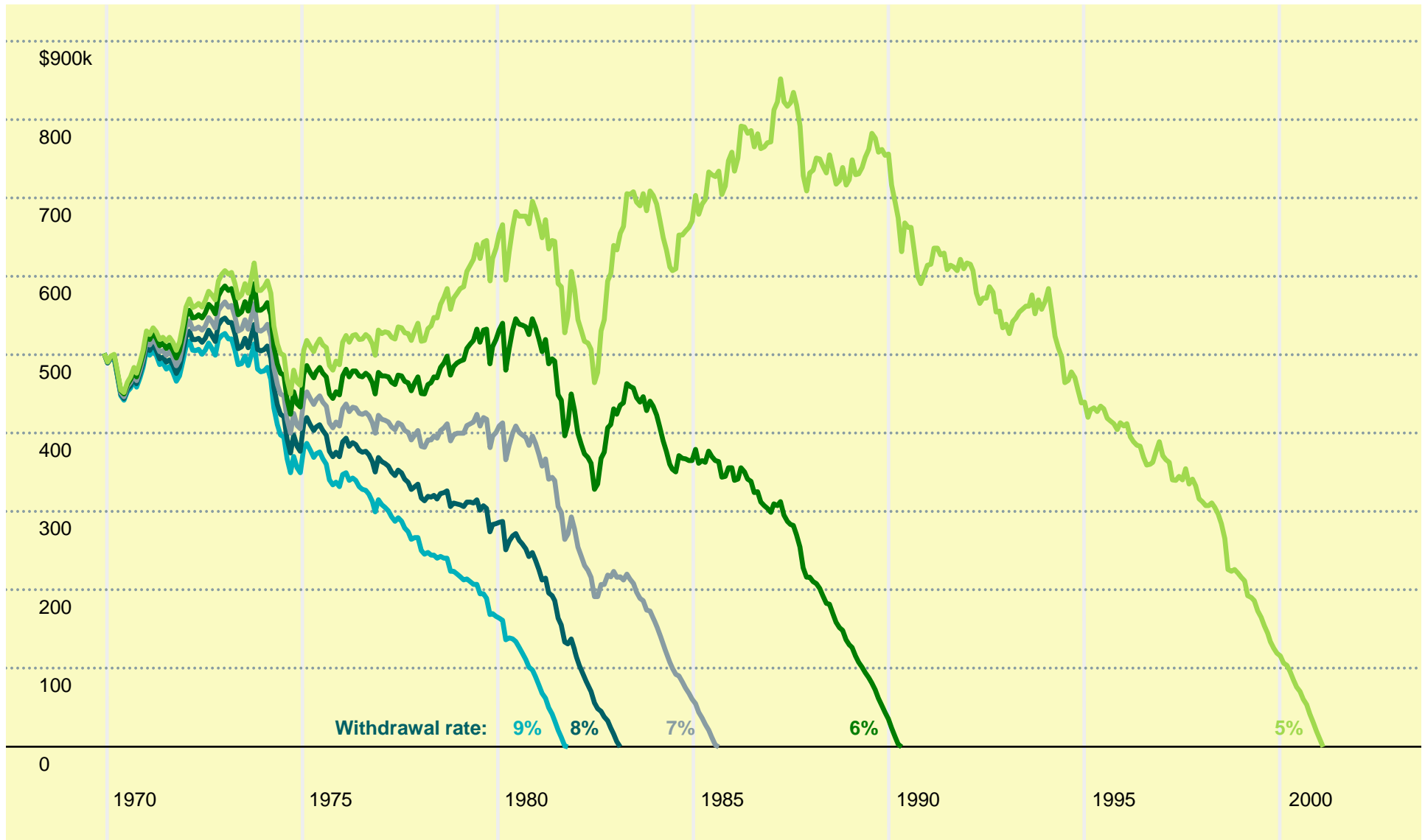
• Domestic stocks
• U.S. stocks
• World ex-U.S. stocks
• Domestic bonds
• Cash

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Potential Shortfall: The Risk of High Withdrawal Rates

Annual inflation-adjusted withdrawal as a % of initial portfolio wealth








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Probability of Meeting Income Needs

Various withdrawal rates and portfolio allocations over a 25-year retirement

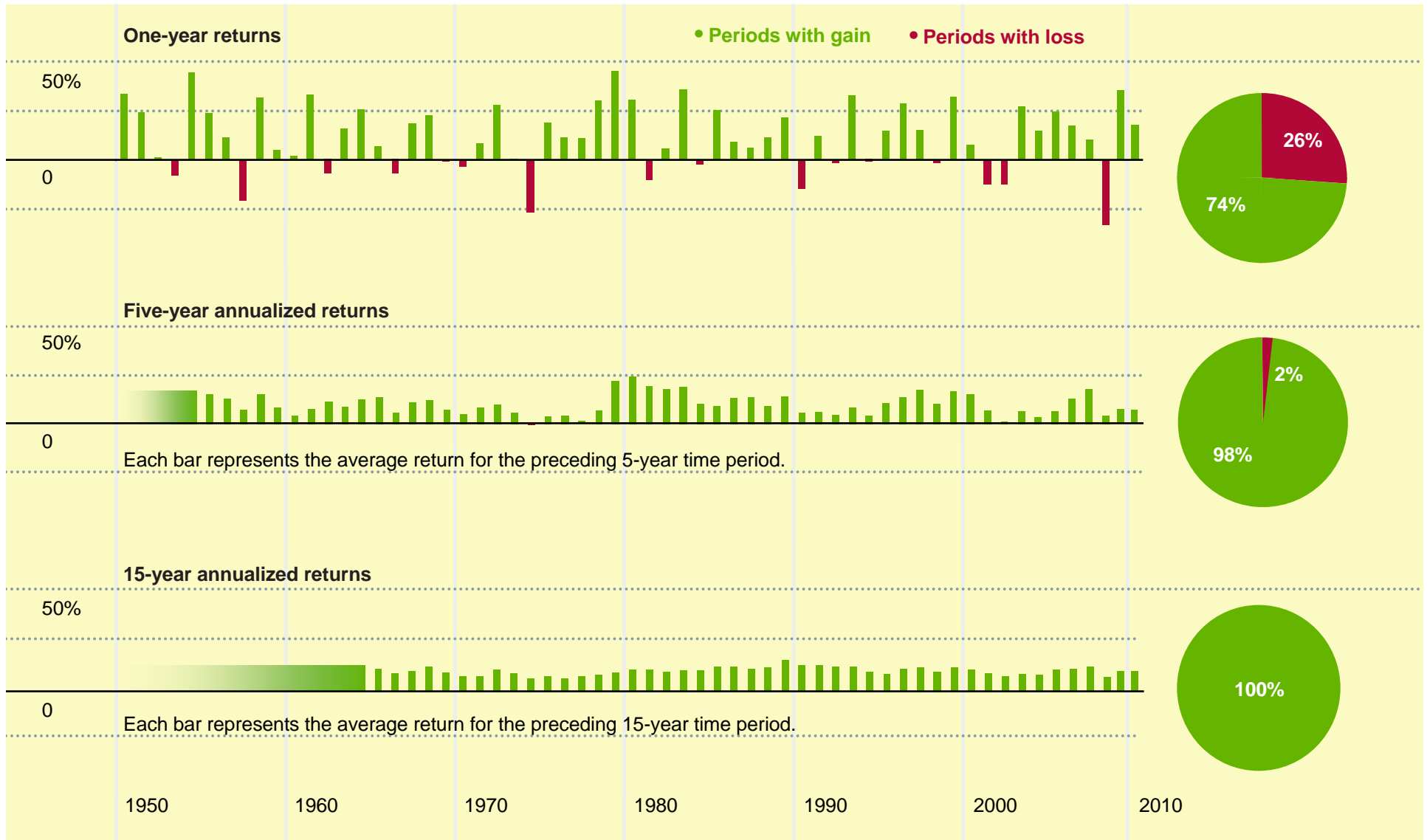
	85%	94%	95%	92%	87%	4% Withdrawal rate
	54%	71%	78%	76%	72%	5%
	25%	37%	49%	54%	54%	6%
	8%	13%	23%	33%	38%	7%
	2%	3%	9%	17%	24%	8%
	100% Bonds	75% B 25% S	50% B 50% S	25% B 75% S	100% Stocks	
						

All values are represented in CAD. **IMPORTANT:** Projections generated by Morningstar regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary over time and with each simulation. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2011 Morningstar. All Rights Reserved. 9/1/2011



Risk of Stock Market Loss Over Time

1950–2010

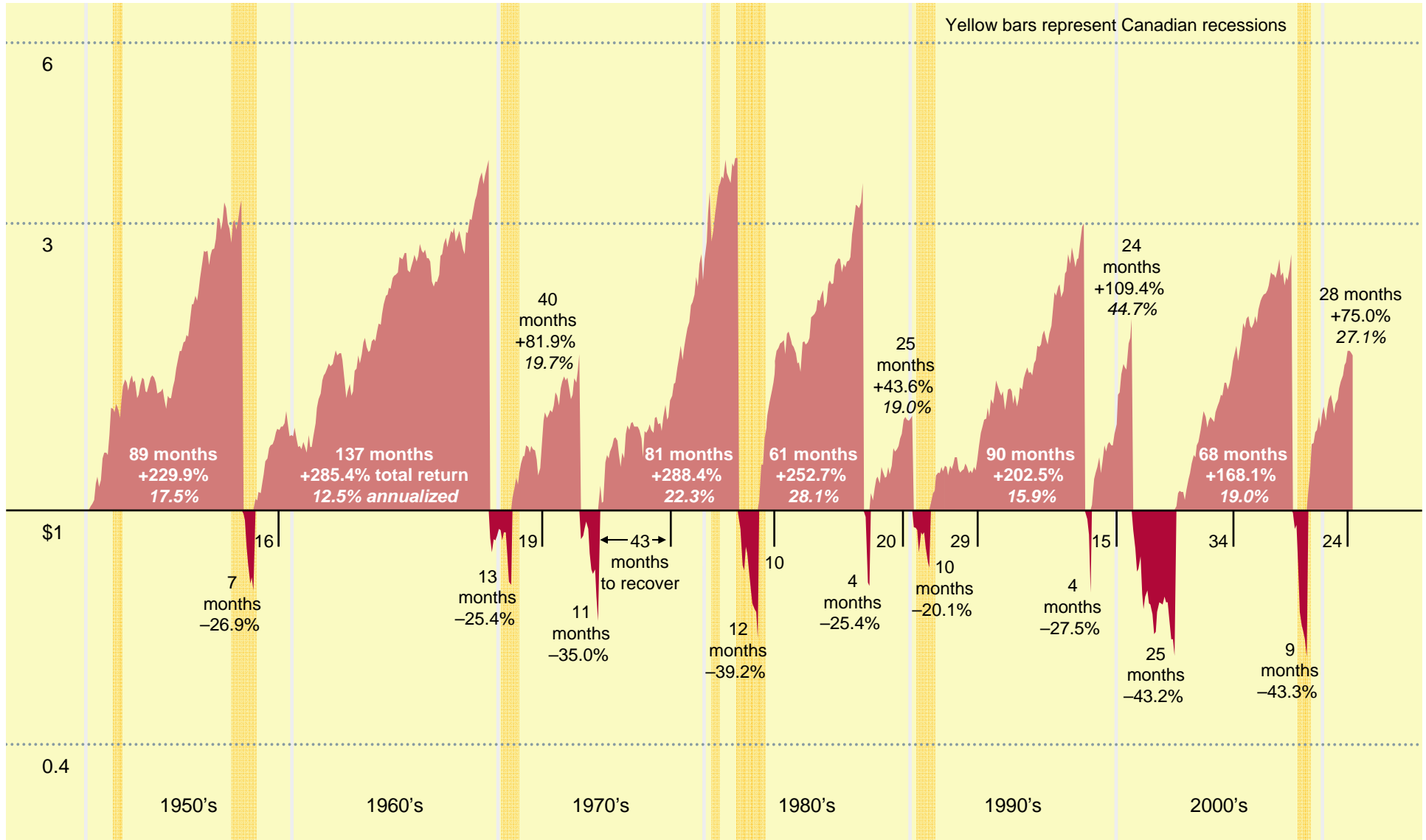


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Canadian Bull and Bear Markets

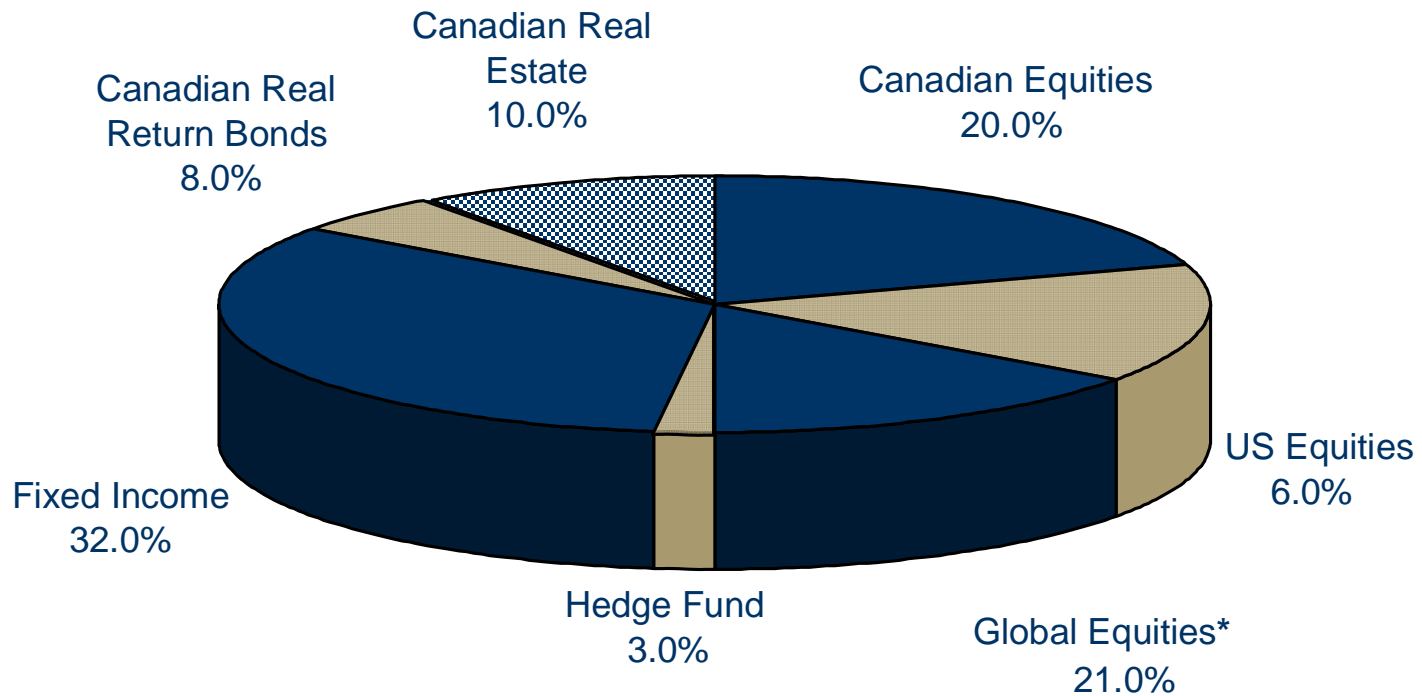
Jan 1950–June 2011



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Balanced Fund Target Asset Allocation



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



Plan Considerations

- Lower risk through broad diversification
- Provide flexibility regarding contribution, investment, retirement and withdrawal options
- Low cost
- High level of member service
- One part of member's overall retirement plan

