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THE UNIVERSITY OF BRITISH COLUMBIA

# 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 21, 2014



# Agenda

- Introduction of Trustees
- Plan's Mission Statement
- Plan's Financial and Membership Update
- 2014 Board Initiatives and Projects
- 2013 Operations Update & 2014 Operations Objectives
- Investment Review for 2013 and First Quarter 2014
- Questions



# Board of Trustees

## **Mr. Joost Blom, Chair**

Professor, Faculty of Law

## **Dr. Robert Heinkel, Vice-Chair**

Professor, Sauder School of Business

## **Dr. Joy Begley**

Associate Professor, Sauder School of Business

## **Dr. Joyce Boon**

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## **Dr. Ken Carty**

Professor Emeritus, Department of Political Science

## **Dr. Joanne Emerman**

Professor Emeritus, Department of Cellular and Physiological Sciences

## **Dr. Kai Li**

Professor, Sauder School of Business

## **Mr. Vijay Verma**

Researcher Emeritus, TRIUMF

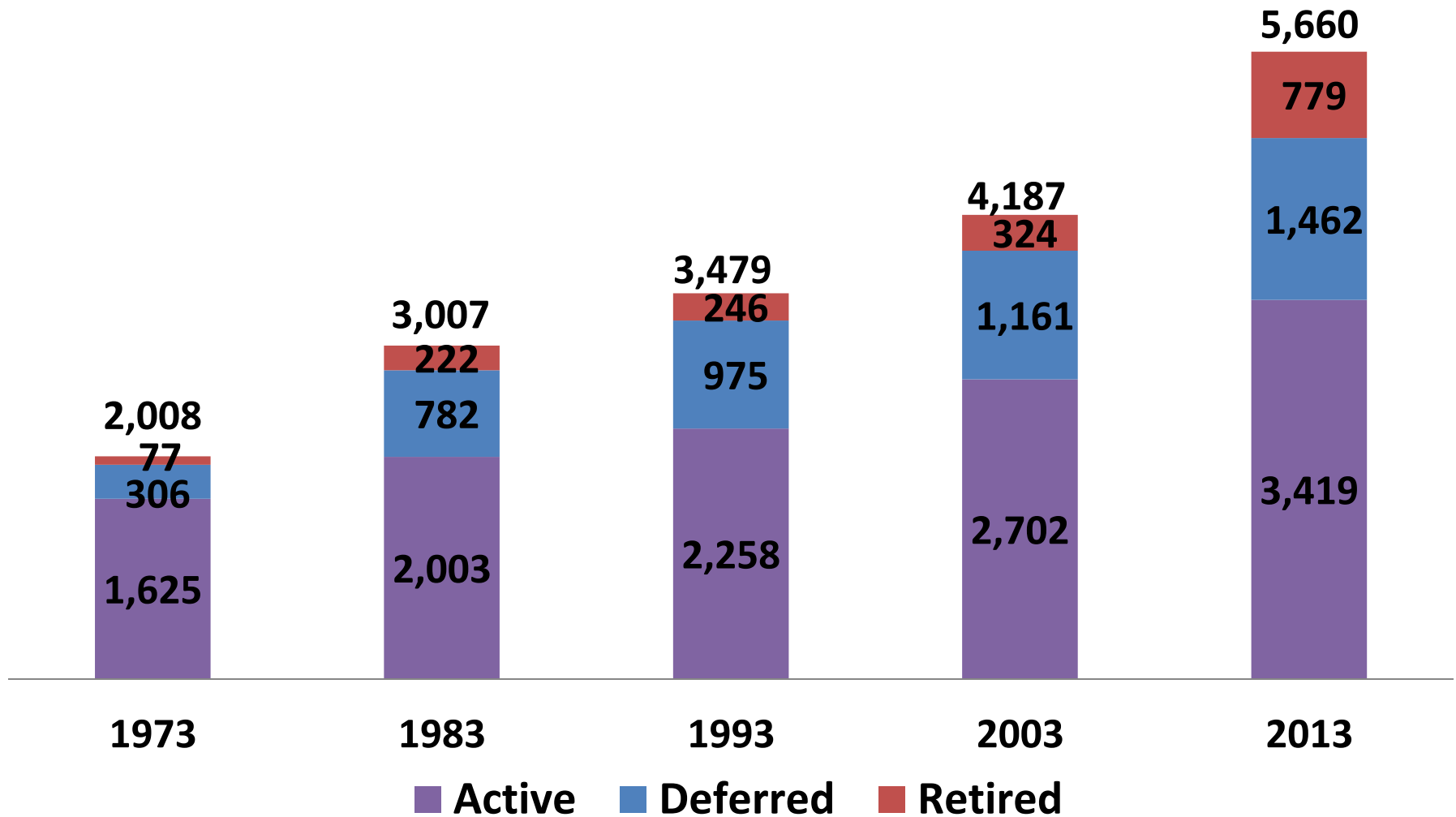


# Plan's Mission Statement

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.

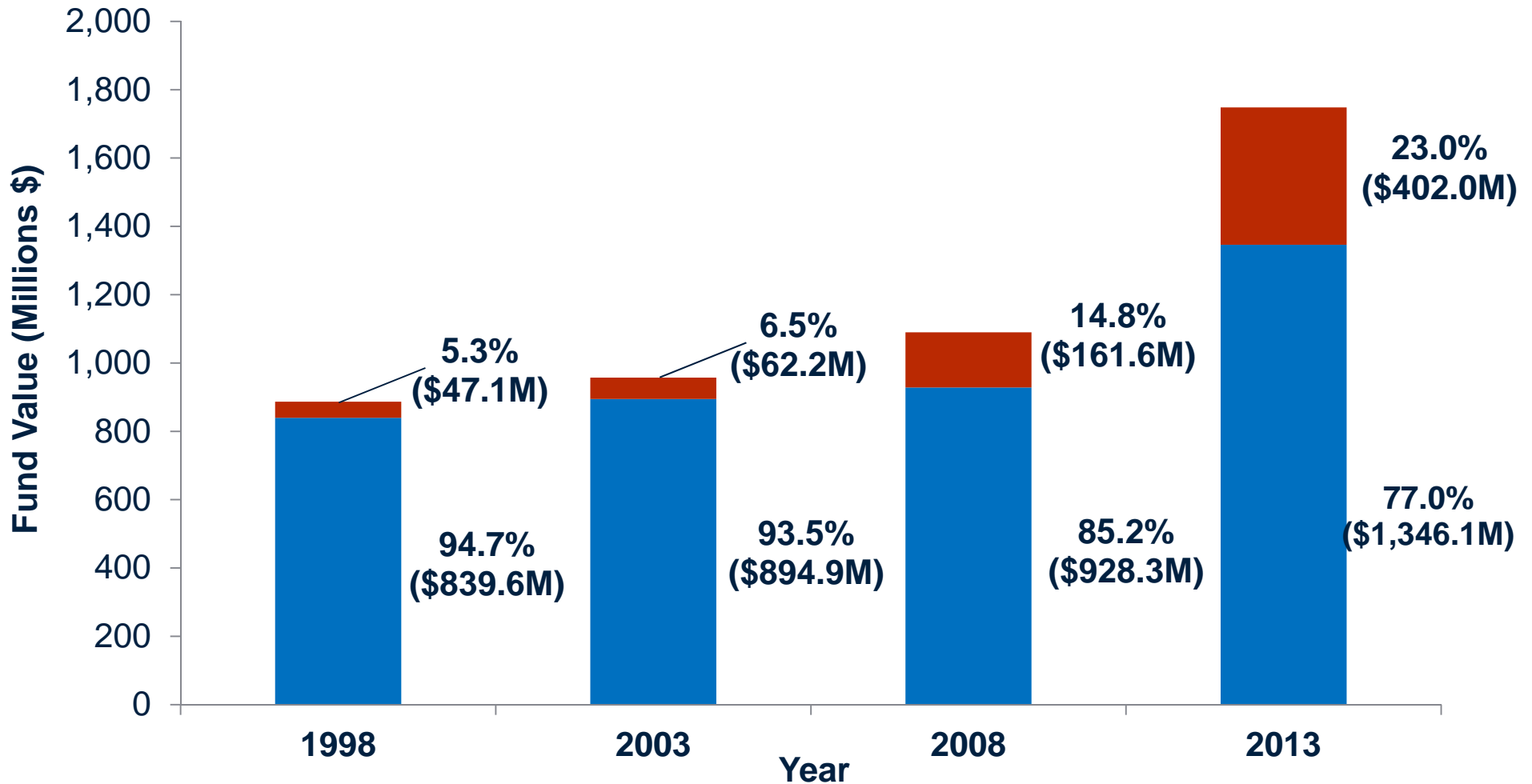


# Number of Members





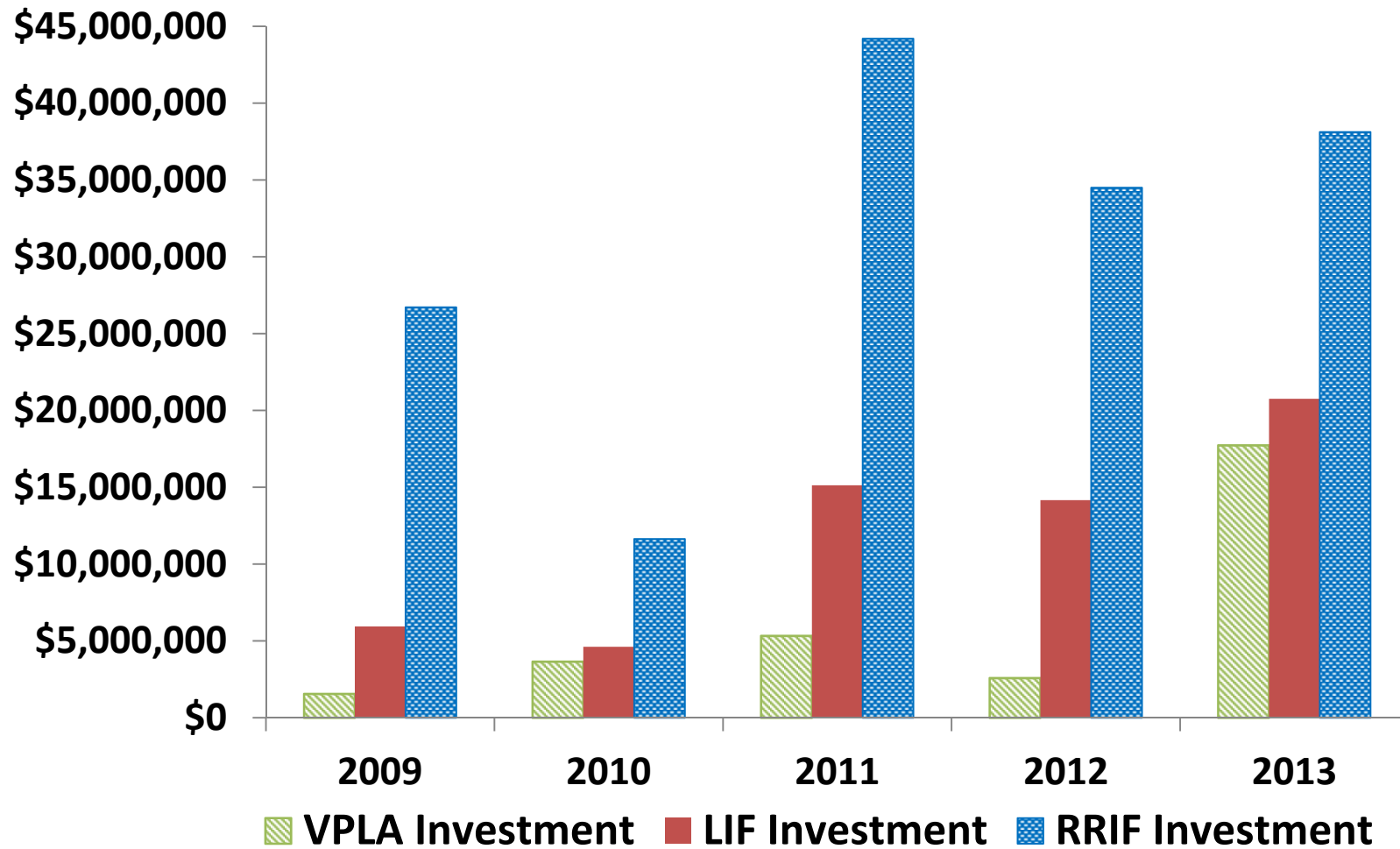
# Assets in Plan 1998-2013



■ Fund Value held by Retired Members ■ Fund Value held by Active & Deferred Members



# Where are new retirees putting their money?





# 2014 Board Initiatives and Projects

- Asset Mix Study
- Review bond manager allocations
- Trustee Appointment Policy
- Executive Director, Operations position – now an employee of the Board of Trustees
- Socially Responsible Investing



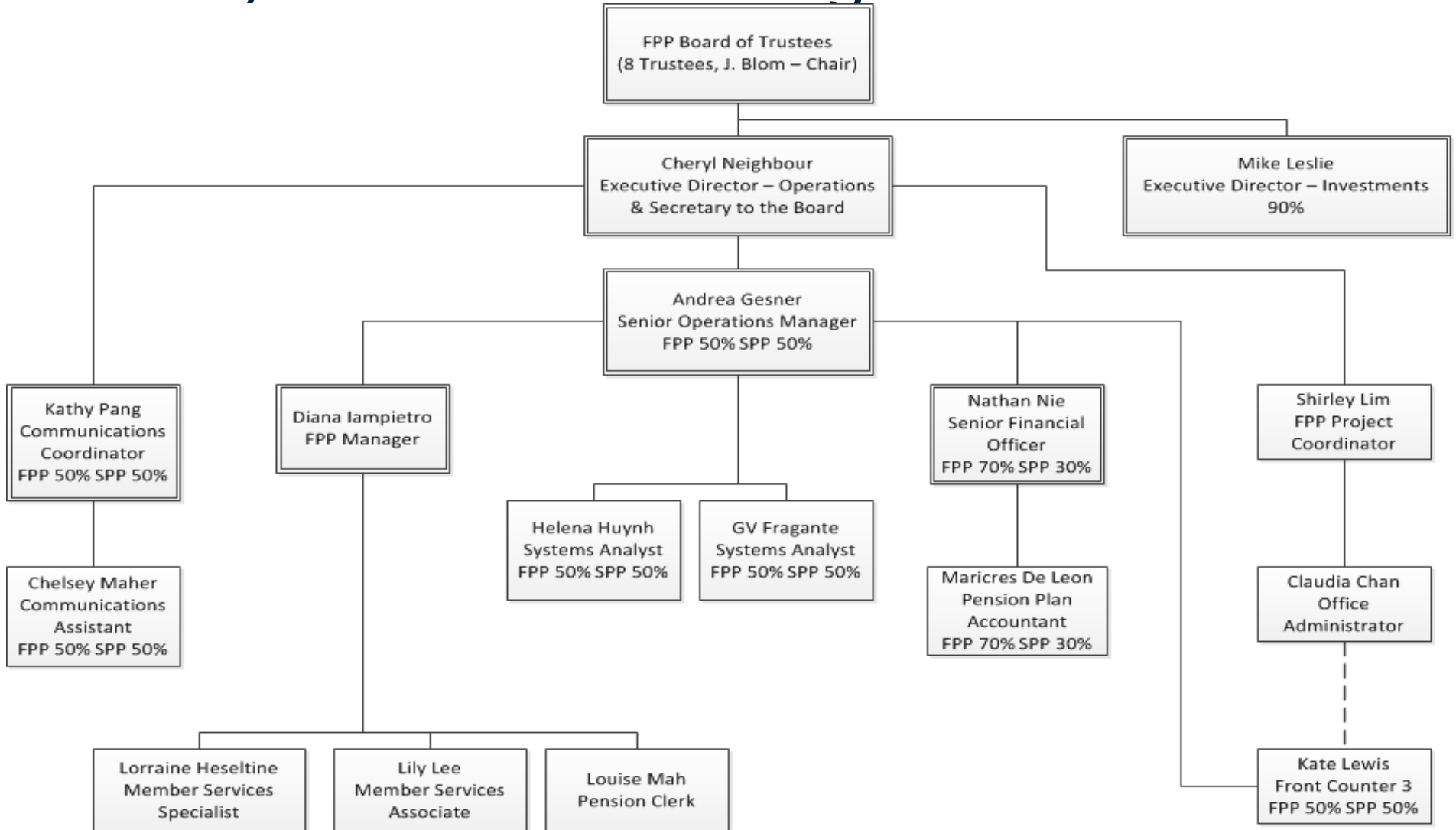


# 2013 Operations Update

- Created two new positions
  - Communications Assistant
  - Member Services Associate
- New Senior Operations Manager
- Review of FPP systems and operations completed



# Faculty Pension Plan Organizational Chart





# 2014 Operations Objectives

- Request for Proposal for Administration and Recordkeeping functions
- Statistics and Trends report



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# Investment Review of 2013

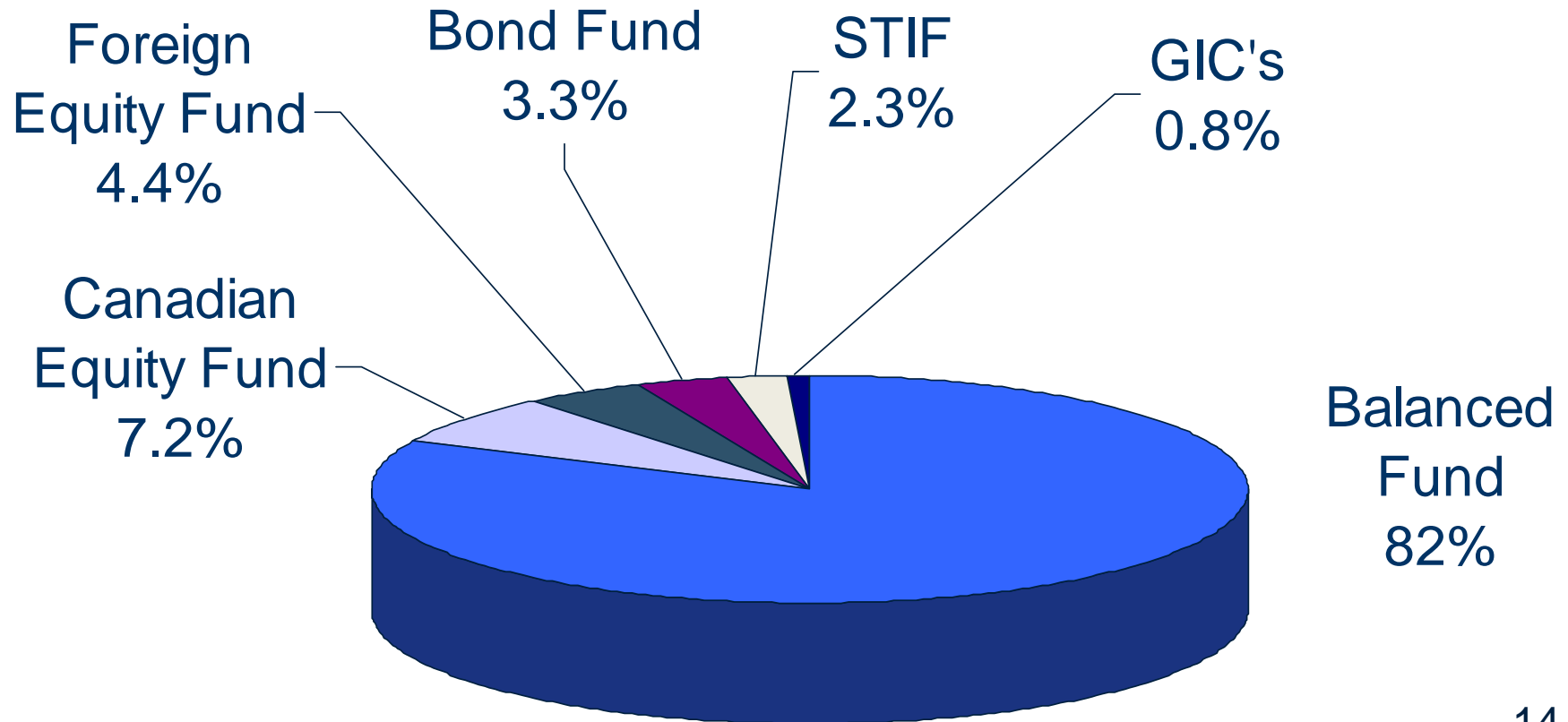


# Agenda

- Plan – Fund Weightings & Asset Mix
- Fund Returns
- Investment Market Update
- Question Period



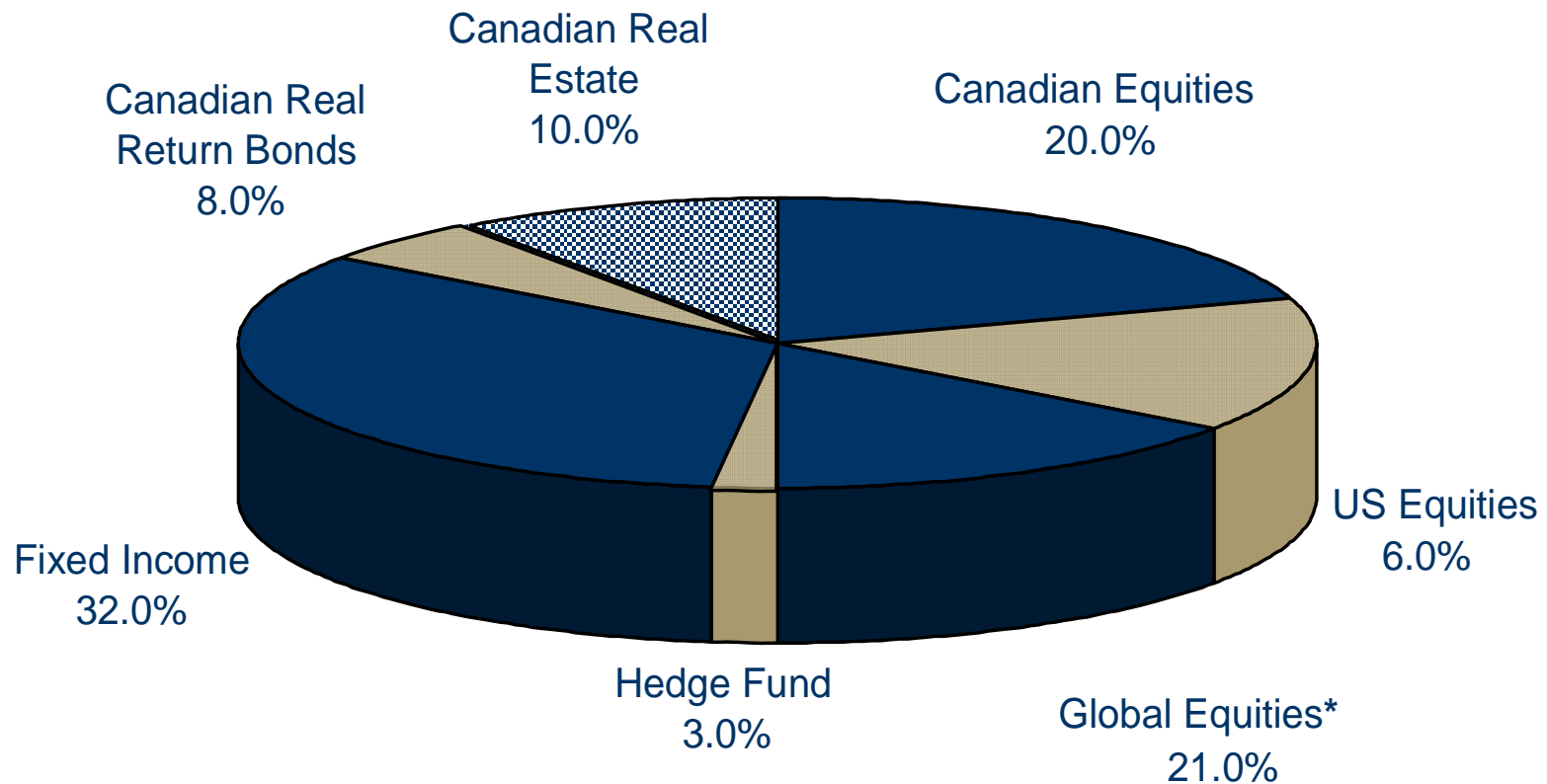
# Plan's Fund Weightings as of December 31, 2013



\*Total Assets \$1.75 Billion



# Balanced Fund – Policy Asset Mix



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



# 2013 Fund Returns / Peer Rankings

Fund	Years			Return Ranking (percentile)*		Risk** Ranking (percentile)*
	1 (%)	5 (%)	10 (%)	1 Year	5 Years	10 Years
Balanced	13.8	9.9	7.2	57 <sup>th</sup>	68 <sup>th</sup>	16 <sup>th</sup>
Bond	-3.6	5.9	5.2	61 <sup>st</sup>	62 <sup>nd</sup>	45 <sup>th</sup>
Canadian Equity	20.3	13.8	9.5	55 <sup>th</sup>	27 <sup>th</sup>	28 <sup>th</sup>
Foreign Equity	36.8	12.8	5.3	31 <sup>st</sup>	56 <sup>th</sup>	53 <sup>rd</sup>
Short Term Investment	1.3	1.0	2.2	1 <sup>st</sup>	77 <sup>th</sup>	40 <sup>th</sup>

Gross returns to Dec. 31/13

\* 1<sup>st</sup> percentile – highest ranking

100<sup>th</sup> percentile – lowest ranking

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

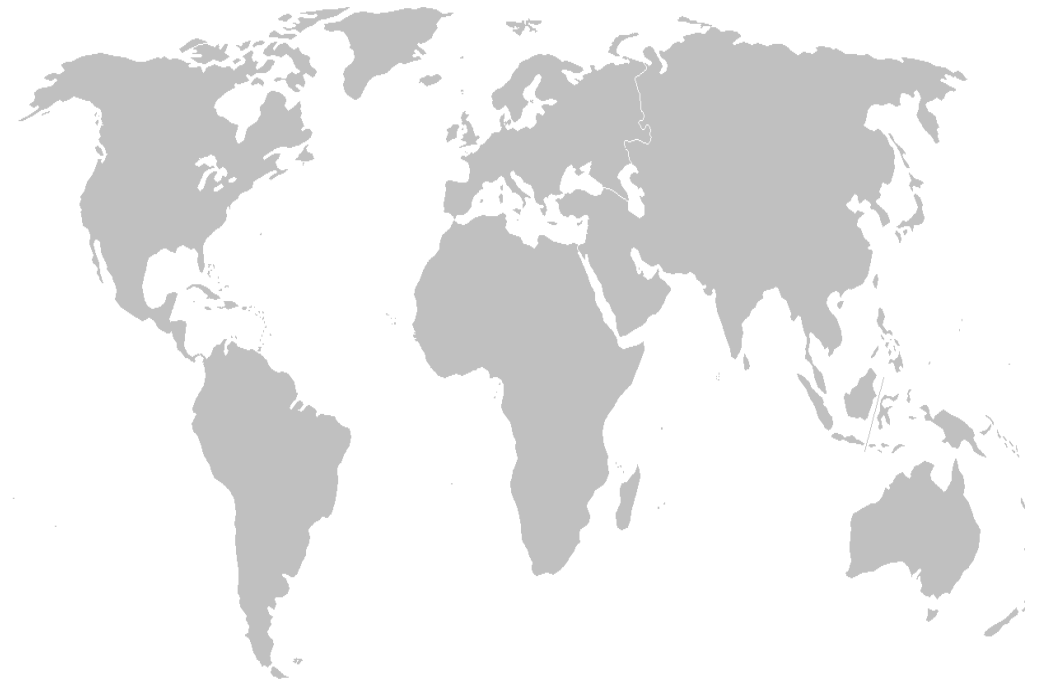
- a lower ranking number means less risky



# Stock Market Performance by Region Last Year

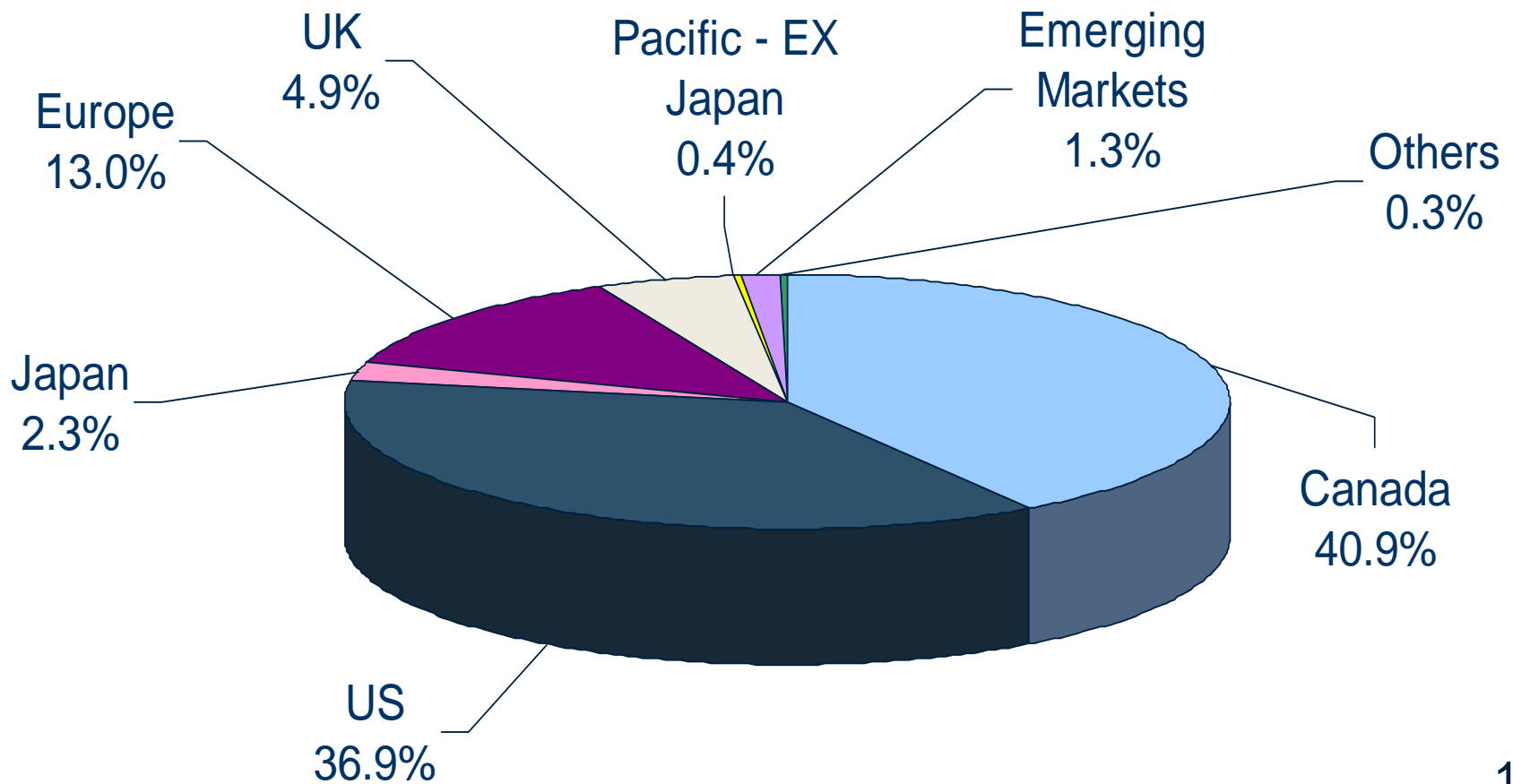
## Performance in 2013 (\$Cdn)

United States	41.5%
Europe (Ex. U.K.)	36.5%
Japan	35.9%
United Kingdom	29.0%
Pacific (Ex. Japan)	12.8%
Emerging Markets	4.1%
MSCI World	35.4%



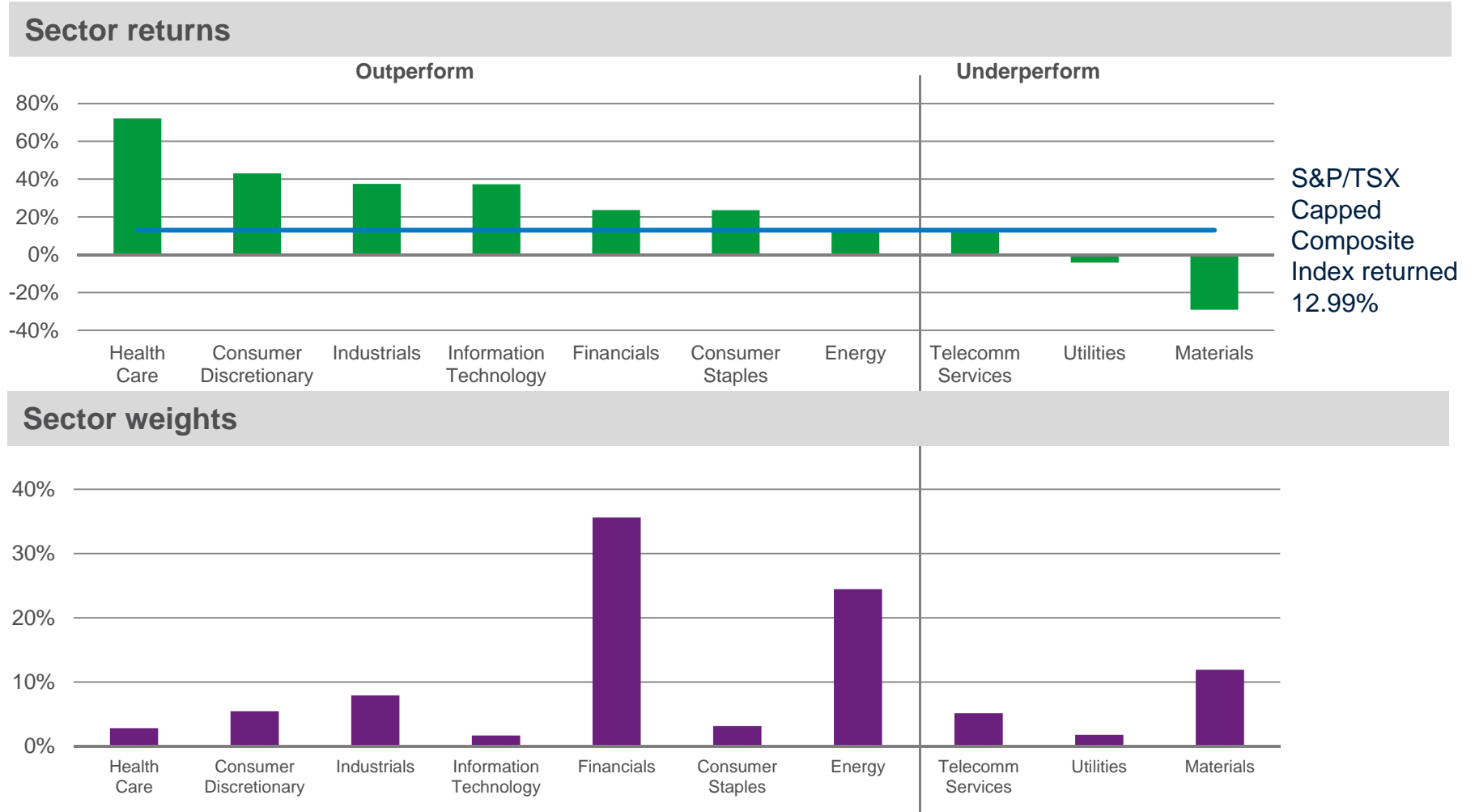


# Equity Exposure for the Balanced Fund as at December 31, 2013





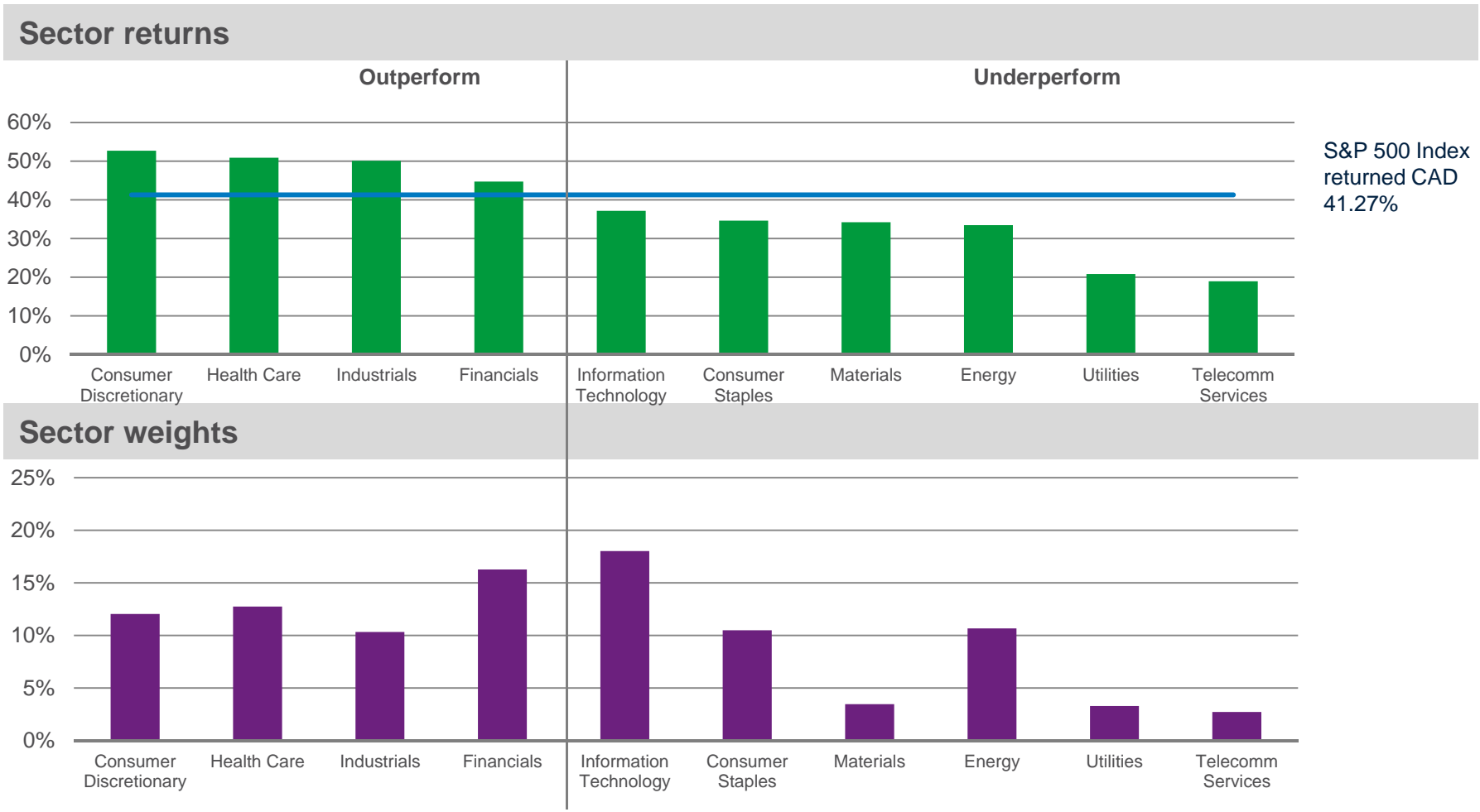
# S&P<sup>®</sup>/TSX<sup>®</sup> Capped Composite Index Annual sector returns vs. sector weights



1 year ending 31 December 2013  
 Past performance is not necessarily indicative of future performance  
 Sources: TD Securities Inc.; BlackRock



# S&P 500® Index, Annual sector returns vs. sector weights

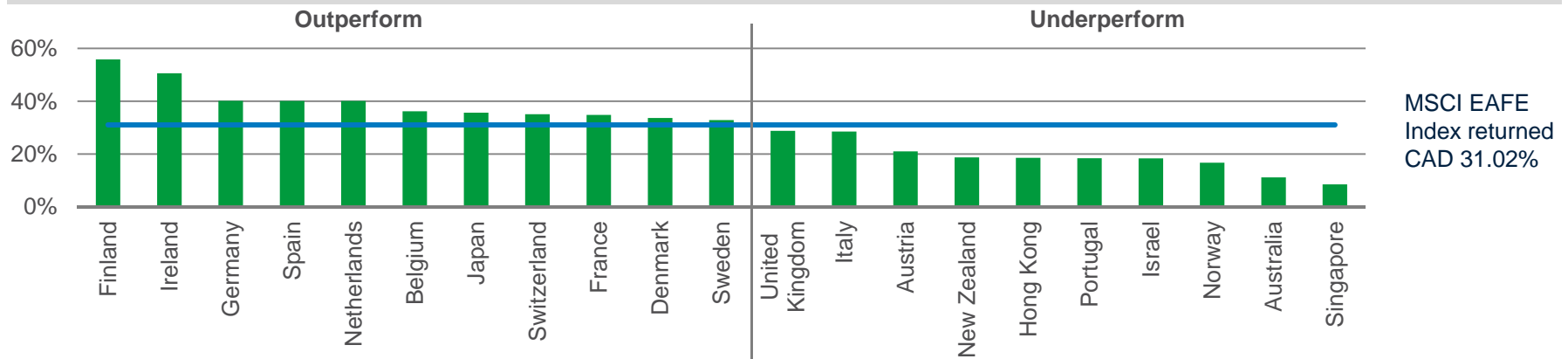


1 year ending 31 December 2013  
 Converted to Canadian dollars using an exchange rate of 0.9957 as of 31 December 2012 and 1.0625 as of 31 December 2013.  
 Past performance is not necessarily indicative of future performance.  
 Sources: FactSet Research Systems Inc., BlackRock

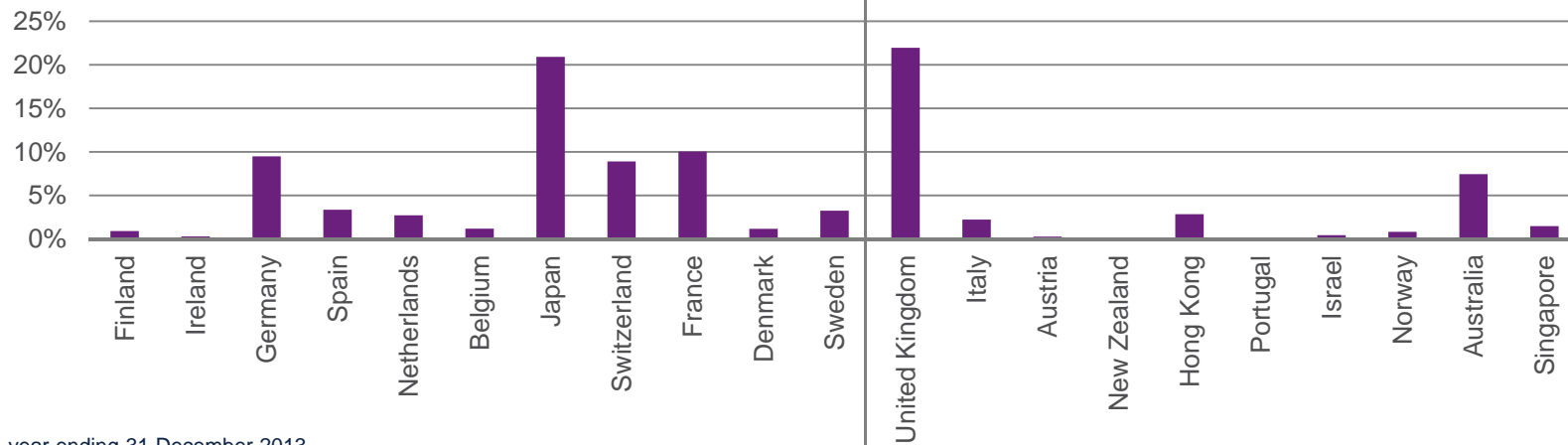


# MSCI EAFE Index, Annual country returns vs. country weights

## Country returns



## Country weights



1 year ending 31 December 2013  
 Converted to Canadian dollars using an exchange rate of 0.9957 as of 31 December 2012 and 1.0625 as of 31 December 2013.  
 Past performance is not necessarily indicative of future performance.  
 Sources: FactSet Research Systems Inc., BlackRock



# Interest Rates were Materially Higher in 2013

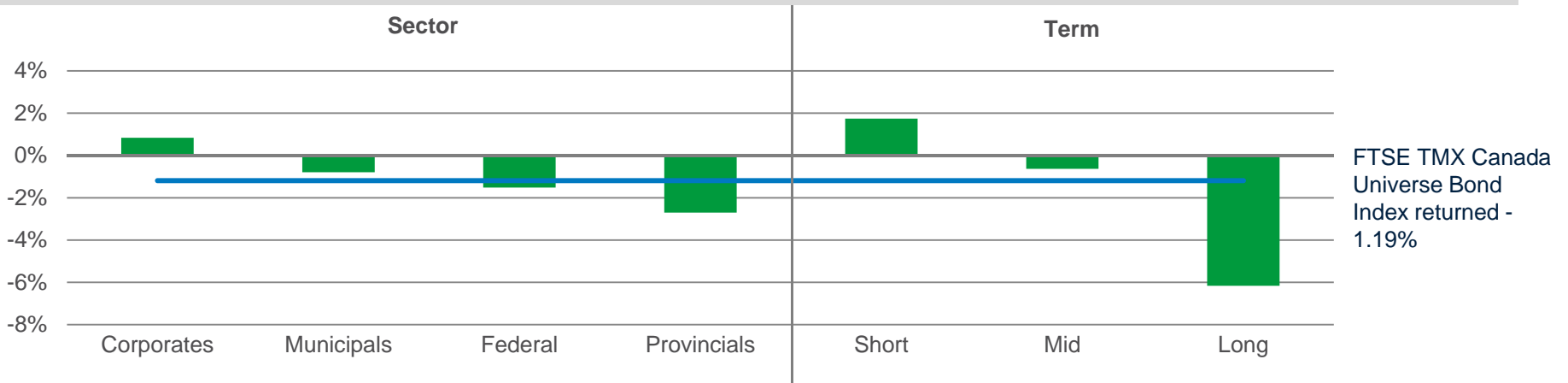
Canada Bond Yield	2012	2013
5 Year	1.38%	1.94%
10 Year	1.80%	2.75%
30 Year	2.36%	3.23%

Increasing interest rates, lower returns

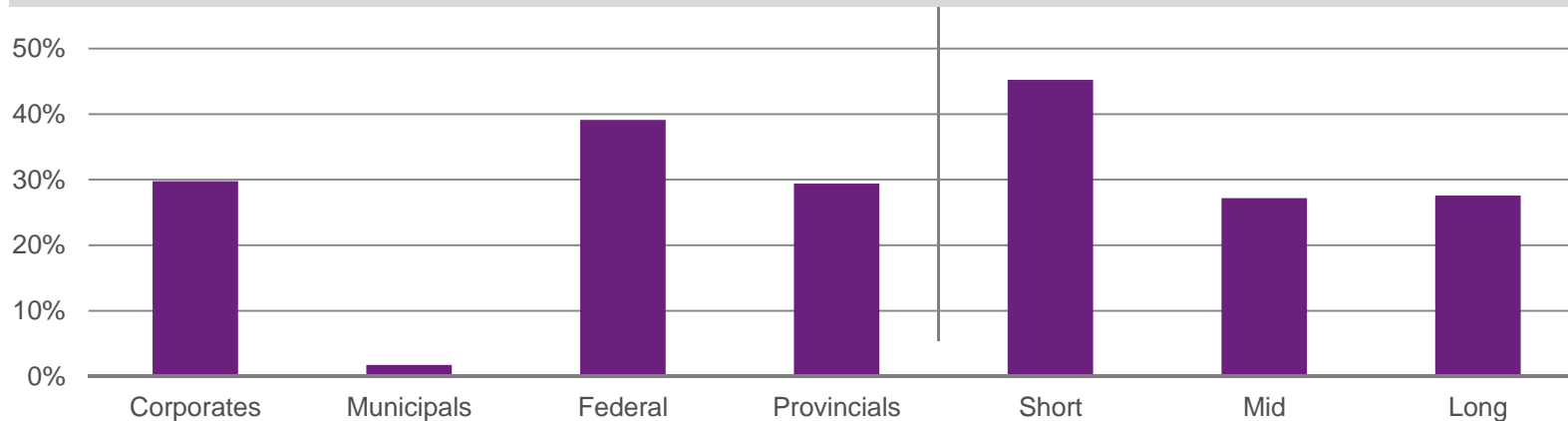


# Canadian bond market, Annual sector returns vs. Sector weights

## Sector & term returns



## Sector & term weights



1 year ending 31 December 2013  
 Past performance is not necessarily indicative of future performance  
 Sources: BlackRock; PC Bond, a business unit of TSX Inc.



# The U.S. Fed's Tapering Program

- In December 2013 they announced the program will most likely continue until the end of 2014
- They also indicated they have the ability to keep rates low well past the previous threshold of a 6.5% unemployment rate
- In March 2014, they reduced the amount of stimulus to \$55 billion/month
- Have effectively put a cap on how high interest rates may rise in 2014
- Rates may gradually increase but sudden spike not expected
- Canadian rates heavily influenced by U.S. Policy

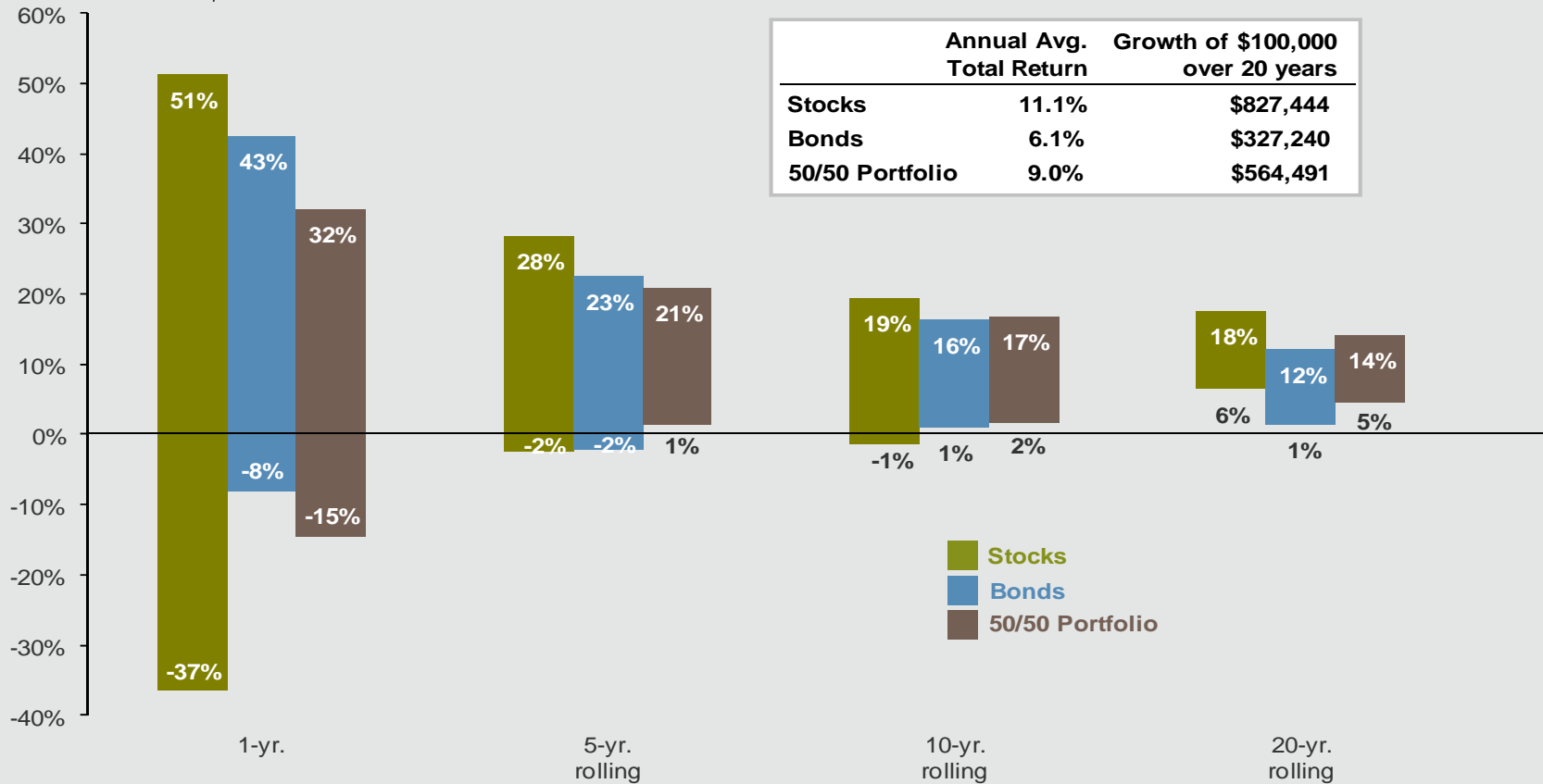




# Historical Returns by Holding Period

## Range of Stock, Bond and Blended Total Returns

Annual total returns, 1950 – 2013



Asset Class

Sources: Barclays Capital, FactSet, Robert Shiller, Strategas/Ibbotson, Federal Reserve, J.P. Morgan Asset Management.

Returns shown are based on calendar year returns from 1950 to 2013. Growth of \$100,000 is based on annual average total returns from 1950-2013. Guide to the Markets – U.S.

Data are as of 3/31/14.



# Don't Forget—Market Timing Is Very Hard To Do!

## 10 Year Annualized Returns As of December 31

	Last 3 Years	2010	2000	1990	1980
TSX Composite	3.4%	4.2%	10.6%	3.7%	9.1%
S&P 500 (C\$)	18.8%	-4.5%	17.9%	9.0%	5.6%
MSCI EAFE (C\$)	10.6%	-3.0%	9.4%	13.9%	11.1%

— Best Performer

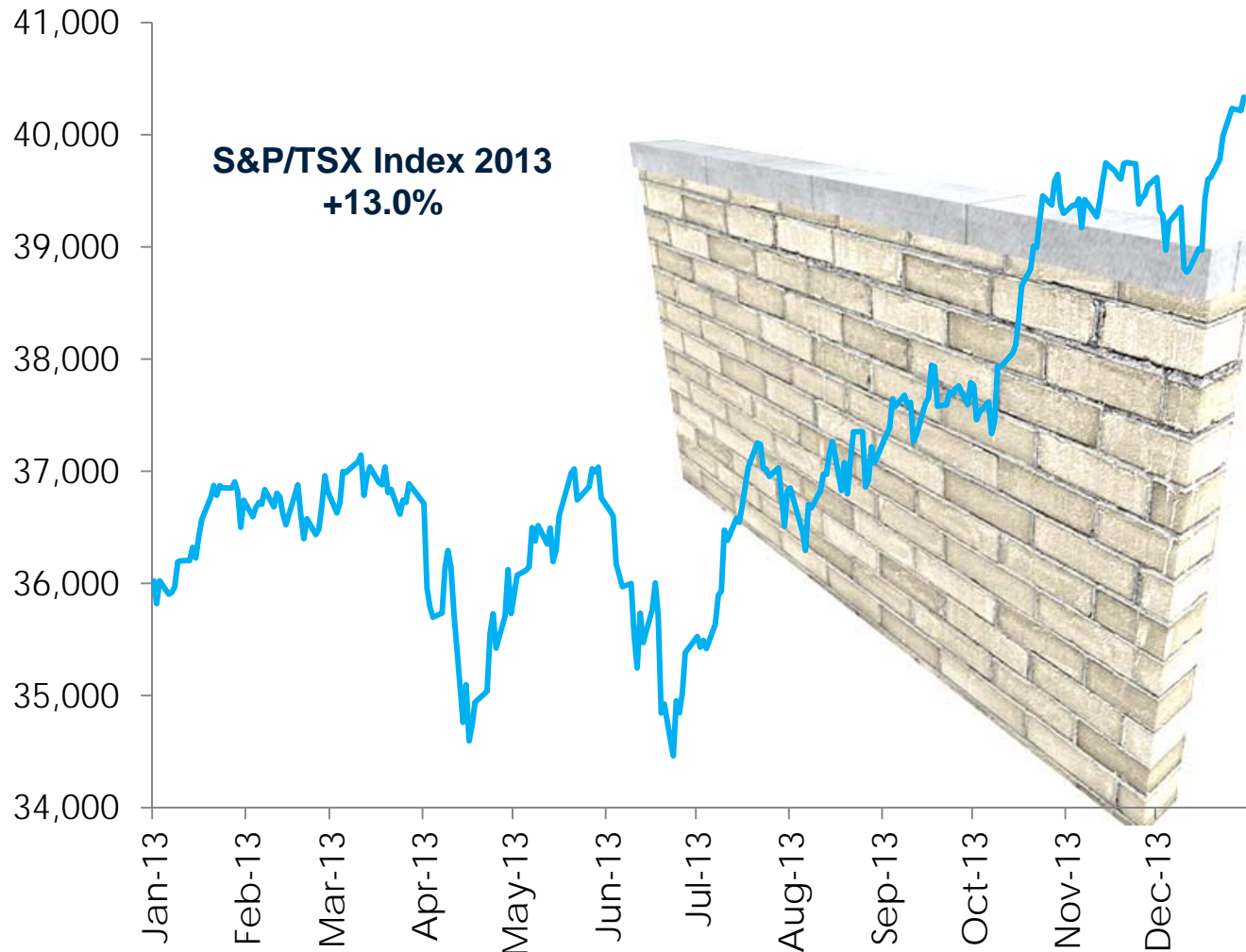


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# Conclusion

# Stocks Climbing a Wall of Worry



- Tapering/Higher Interest Rates
- Slowdown in China
- Europe's Financial Mess
- Unsolved U.S. Fiscal Problems
- Unrest in Middle East
- Reduction in Monetary Stimulus



# Summary of 2013

- Equity markets in developed countries all did exceptionally well
- Canadian markets lagged most other countries largely due to a big drop in gold mining stocks
- Stimulative monetary policies, low interest rates and somewhat improving economies all helped stocks
- Bond returns suffered due to low yields and rate increase in Q4



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# Results to March 31, 2014



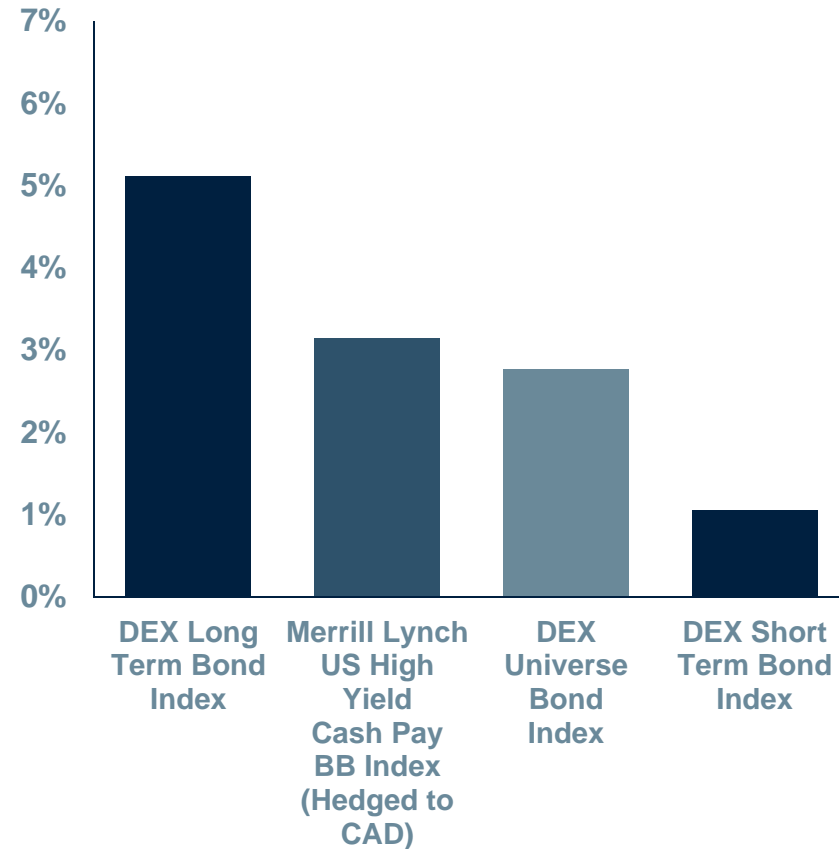
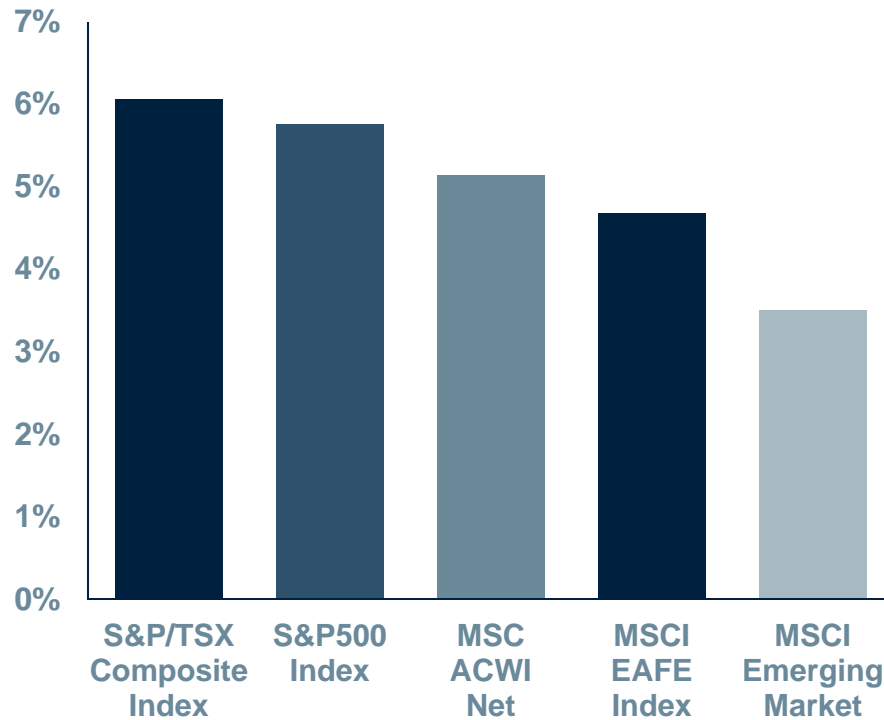
## Fund Rates of Return\* (to March 31, 2014)

Fund	1 Yr.	5 Yrs.	10 Yrs.
Balanced Fund	13.4%	11.5%	7.2%
Bond Fund	-0.5%	6.3%	5.3%
Canadian Equity Fund	21.3%	15.9%	9.7%
Foreign Equity Fund	30.0%	16.4%	5.3%
Short Term Investment Fund	1.3%	1.0%	2.1%

\* Before fees



# Global Markets – First Quarter 2014



Canada outperforms  
Weaker Canadian dollar enhances  
foreign equity returns

- Bond market outperforms as  
uncertainty picks up





# Summary of Q1/2014

- Global equity markets generally had a good Q1/2014
- Ongoing instability in emerging markets and geopolitical risks are a concern
- Accommodative monetary policy in developed markets supports equities
- Canada had a strong Q1 mainly due to strength in resource and gold stocks
- Low interest rates/bond yields expected to remain for a while



# Conclusions

- Diversification within the fund options helped to protect value
- Our investment managers are adding value overall
- The size of the Plan continues to grow from contributions, returns and most retirees keeping their funds with the FPP
- Size matters. Larger assets in the Plan means lower fees and broader diversification.



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Thank You!  
Questions?



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# Appendix



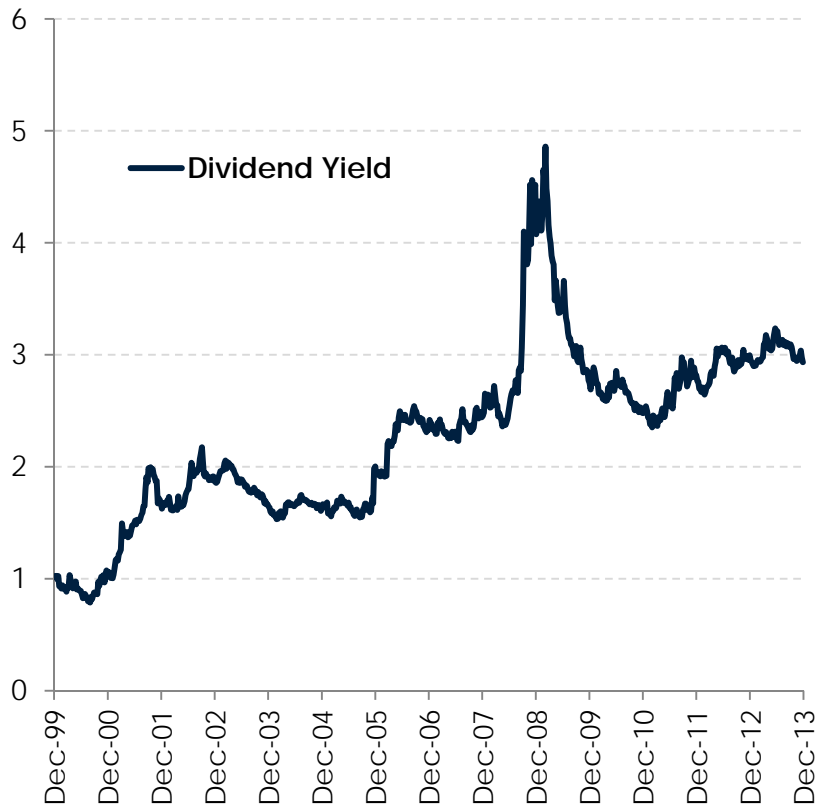
# Bonds—We Are Still in a Very Low Interest Rate Environment

### Government of Canada 30 Year Bond Yield From December 1961 to December 2013





### S&P/TSX Composite Valuation Dividend Yield and Price Earnings Ratio over 15 Years



Dividend Yields Have Increased



Valuations are Near Average

Source: Bloomberg



## Administrative Staff

<b>Cheryl Neighbour</b>	Executive Director – Operations Secretary to the Board
<b>Mike Leslie</b>	Executive Director – Investments
<b>Andrea Gesner</b>	Senior Operations Manager
<b>GV Fragante</b>	Systems Analyst
<b>Helena Huynh</b>	Systems Analyst
<b>Diana Iampietro</b>	Faculty Pension Plan Manager
<b>Lorraine Heseltine</b>	Member Services Specialist
<b>Lily Lee</b>	Member Services Associate
<b>Louise Mah</b>	Pension Clerk
<b>Nathan Nie</b>	Senior Financial Officer
<b>Maricres De Leon</b>	Pension Plan Accountant
<b>Kathy Pang</b>	Communications Coordinator
<b>Chelsey Maher</b>	Communications Assistant
<b>Shirley Lim</b>	Project Coordinator
<b>Claudia Chan</b>	Office Administrator
<b>Kate Lewis</b>	Reception



# Plan Considerations

- Lower risk through broad diversification
  - 12 Managers, 15 Mandates
- Provide flexibility regarding contribution, investment, retirement and withdrawal options
- Low cost
- High level of member service
- One part of member's overall retirement plan