



a place of mind

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 20, 2015



Agenda

- Introduction of Trustees
- Plan's Financial and Membership Update
- 2015 Board Initiatives and Projects
- 2014 Operations Update & 2015 Operations Objectives
- Investment Review for 2014 and First Quarter 2015
- Questions



Board of Trustees

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Mr. Vijay Verma

Researcher Emeritus, TRIUMF



Plan Statistics March 31, 2015

	Active	Deferred	Retired	Total
Members	3,408	1,491	885	5,784
	59%	26%	15%	100%
Assets (millions)	\$1,201	\$274	\$564	\$2,039
	59%	13%	28%	100%

Composition of Funds – March 31, 2015

Asset Class	Balanced Fund	Bond Fund	Canadian Equity Fund	Foreign Equity Fund	Short -Term Investment Fund (STIF)	GICs
Canadian Equities	20%		100%			
Foreign Equities	30%			100%		
Real Estate	10%					
Government, corporate, and real return bonds	40%	100%				
Treasury bills and short-term paper					100%	
No. of Investment Managers	13	4	4	3	1	1
Assets (\$Millions)	\$1,686.4	\$56.3	\$146.0	\$111.5	\$37.5	\$15.6

2015 Board Initiatives and Projects

- Pension Administration Office – Organizational Changes
- Governance Review
- Variable Payment Life Annuity Review
- Socially Responsible Investing

2014 Operations Update

- Request for Proposal initiated for outsourcing recordkeeping
 - Sun Life was successful service provider
- Review of Pension Administration Office's current structure
- Hired new Associate Director
- Developed Transition Project to outsource recordkeeping to Sun Life
- Completed Statistics and Trends Report

2015 Operations Objectives

- Smooth transition to Sun Life
- Smooth transition to new Executive Director, Pensions
- Review of the new BC Pension Benefits Standards Act and Regulations and amend the FPP plan text as required

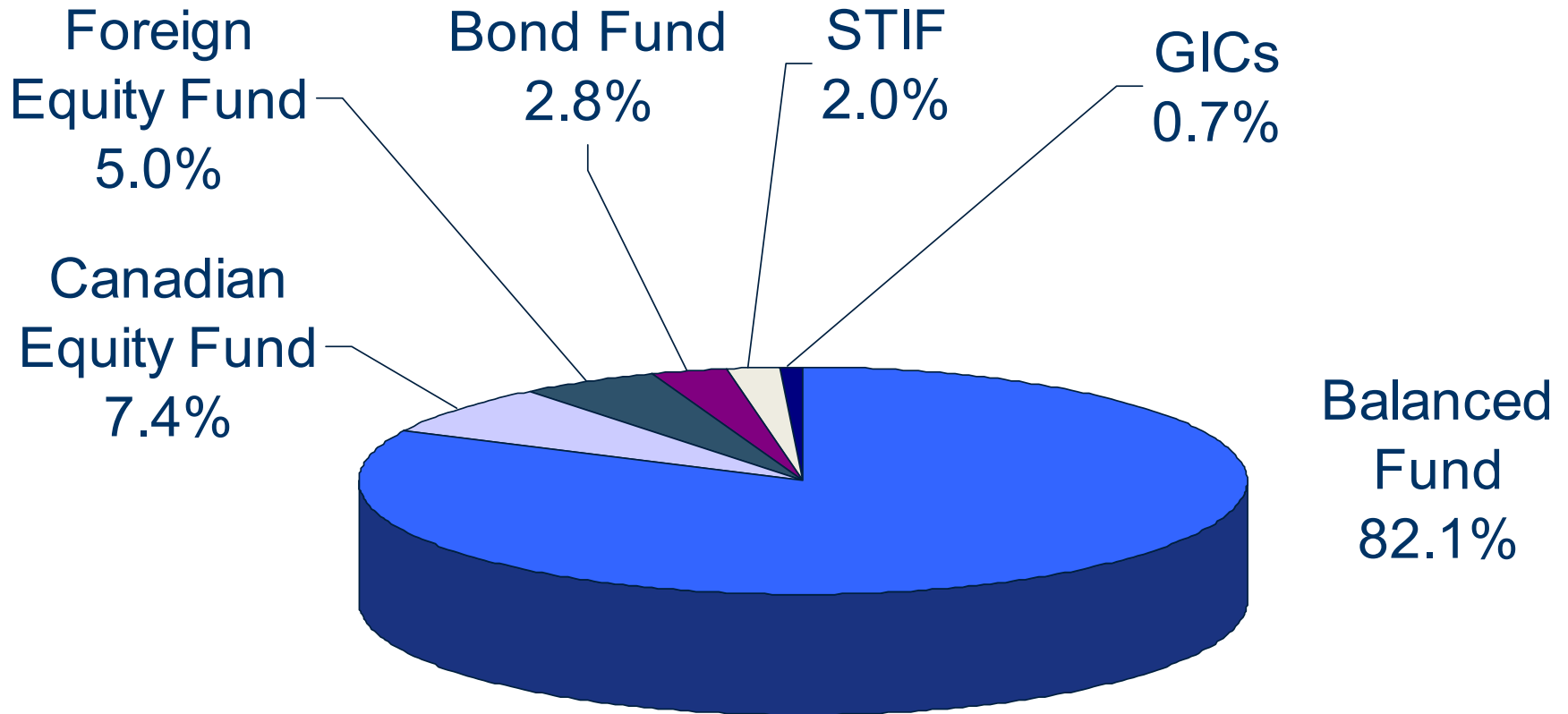


Investment Review of 2014

Agenda

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

Plan's Fund Weightings as of December 31, 2014



*Total Assets \$1.93 Billion

Investment Changes in 2014

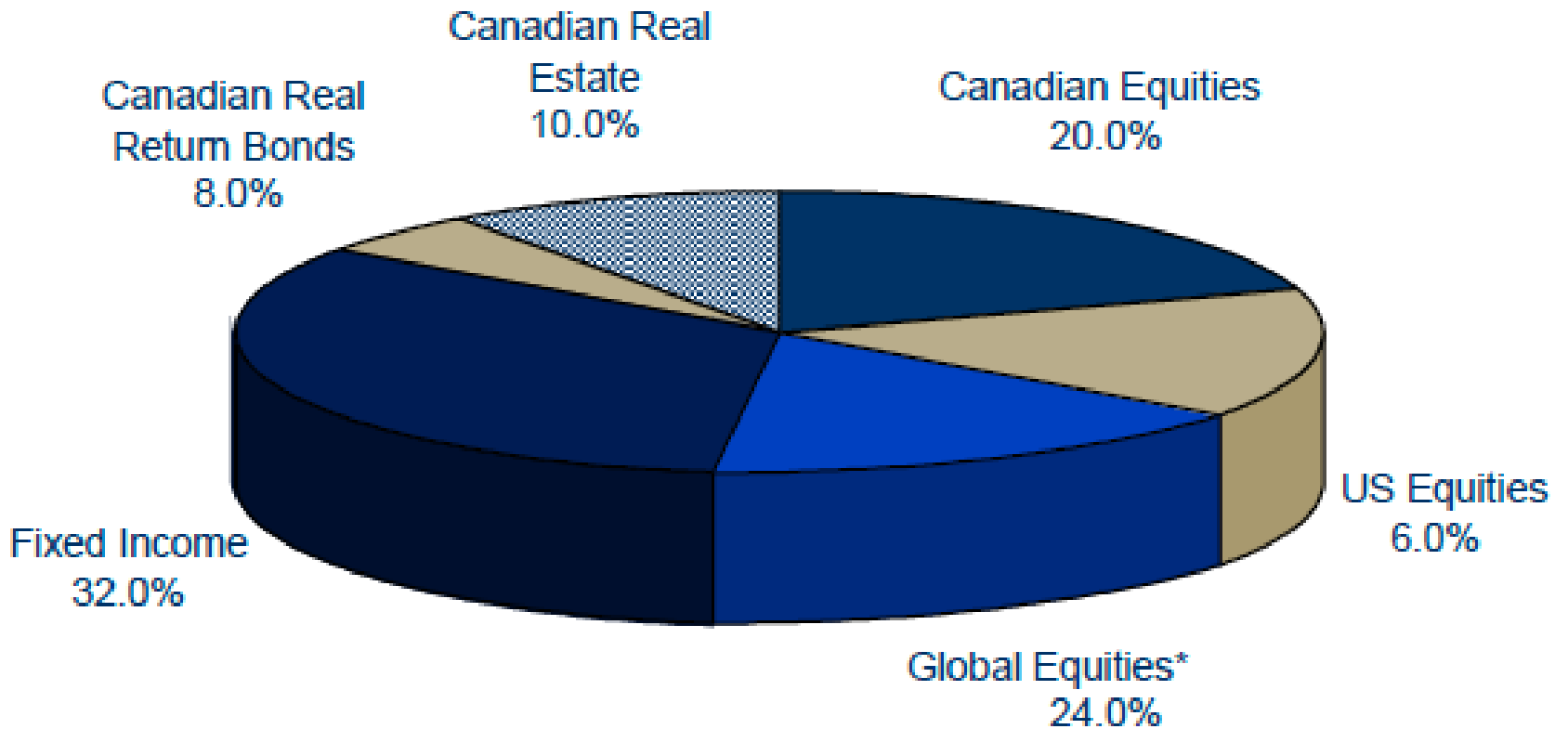
1. Bonds: Reallocation Amongst Managers

- Decreased (index mandate) allocation to State Street
- Added to two Core Plus managers (PIMCO, AllianceBernstein)
- Affected Balanced and Bond Funds
- Higher expected returns with minimal increase in risk

2. Hedge Fund: Removed

- Terminated in January 2015 due to continued weakness
- Funds reallocated to two Global Equity managers
- Affected Balanced and Foreign Equity Funds

Balanced Fund – Policy Asset Mix



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

2014 Fund Returns / Peer Rankings

Fund	Returns (%)			Return Ranking (percentile)*		Risk** Ranking (percentile)*
	1 Yr	5 Yr	10 Yr	1 Year	5 Years	10 Years
Balanced	11.4	9.7	7.4	55 th	39 th	22 nd
Bond	9.6	5.8	5.5	71 st	81 st	86 th
Canadian Equity	10.7	10.0	9.2	55 th	28 th	15 th
Foreign Equity	16.1	14.0	6.3	5 th	14 th	44 th
Short Term Invt	1.3	1.1	2.0	19 th	27 th	76 th

Gross returns to Dec. 31/14

* 1st percentile – highest ranking, 100th percentile – lowest ranking

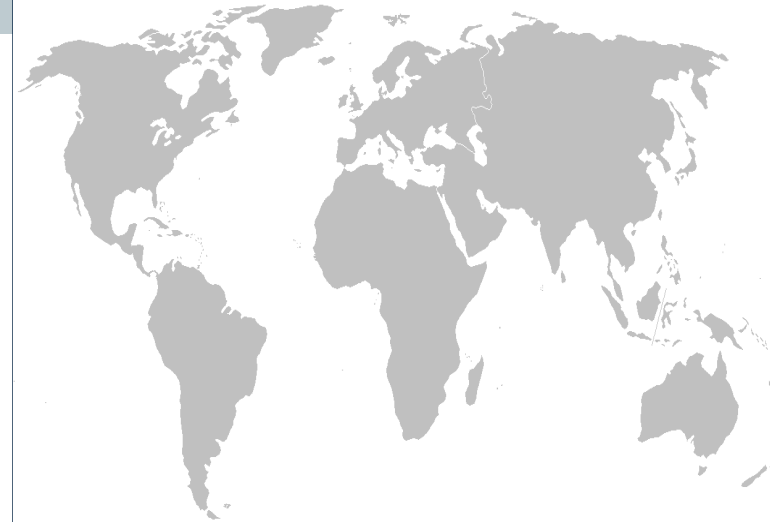
** Risk - as measured by annual standard deviation of returns

- a lower ranking number means less risky

Review of Global Markets in 2014

Performance In 2014

Stock Market	Local Currency	Canadian Dollars
United States	13.7%	24.0%
Canada	10.6%	10.6%
Pacific (Ex. Japan)	5.7%	8.6%
Japan	9.6%	4.7%
United Kingdom	0.5%	3.2%
Europe (Ex. U.K.)	6.6%	1.9%
MSCI World	9.8%	14.5%
Emerging Markets	5.2%	6.7%



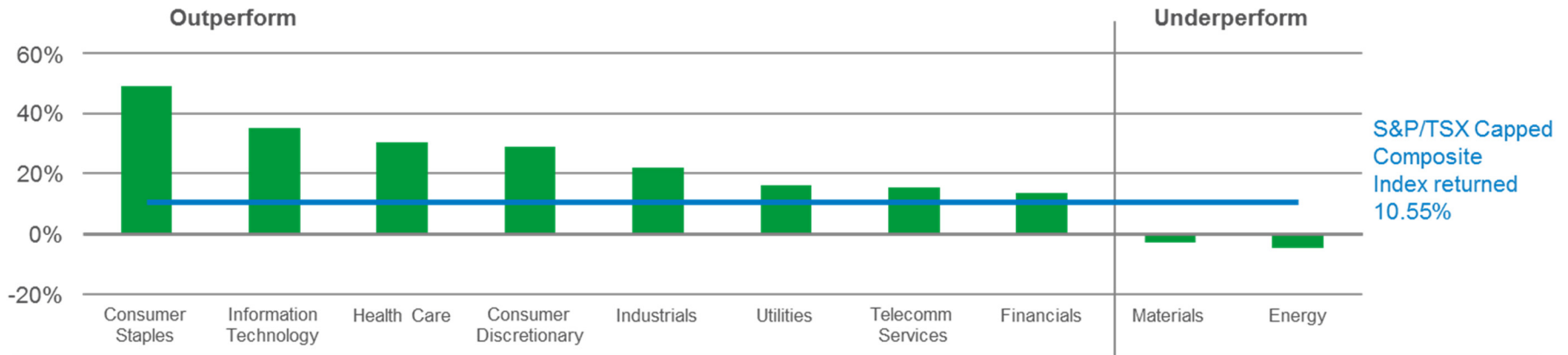


Review of 2014

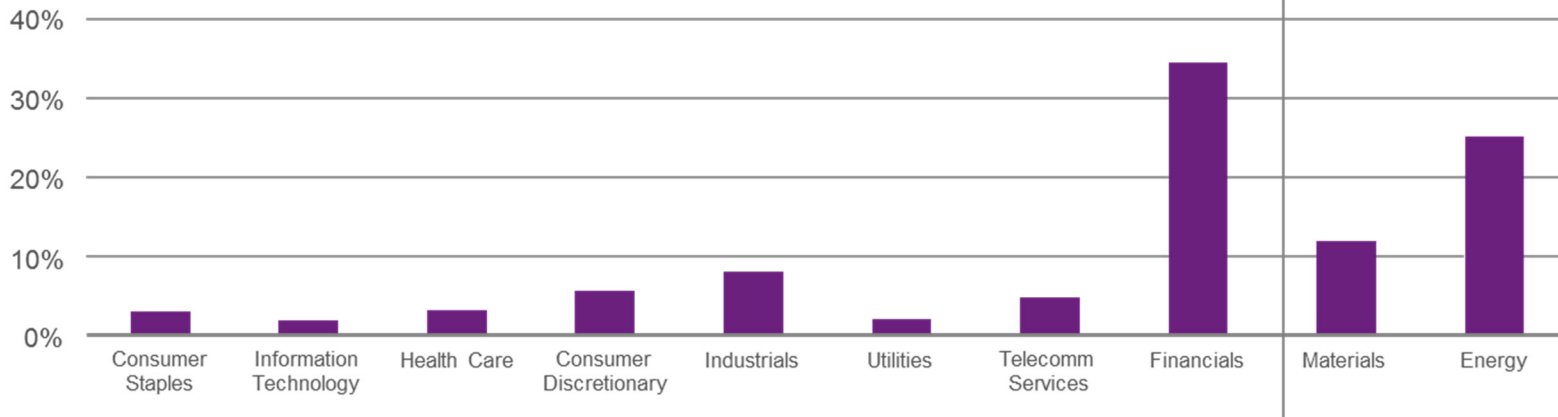
Returns	Q1	Q2	Q3	Q4	1 Year
Canadian Equities	6.1%	6.4%	-0.6%	-1.5%	10.6%
U.S. Equities (C\$)	5.8%	1.6%	6.2%	8.6%	24.0%
International Equities (C\$)	4.6%	0.5%	-1.2%	-0.2%	3.7%
Bonds	2.8%	2.0%	1.1%	2.7%	8.8%

S&P®/TSX® Capped Composite Index Annual sector returns vs. sector weights

Sector returns

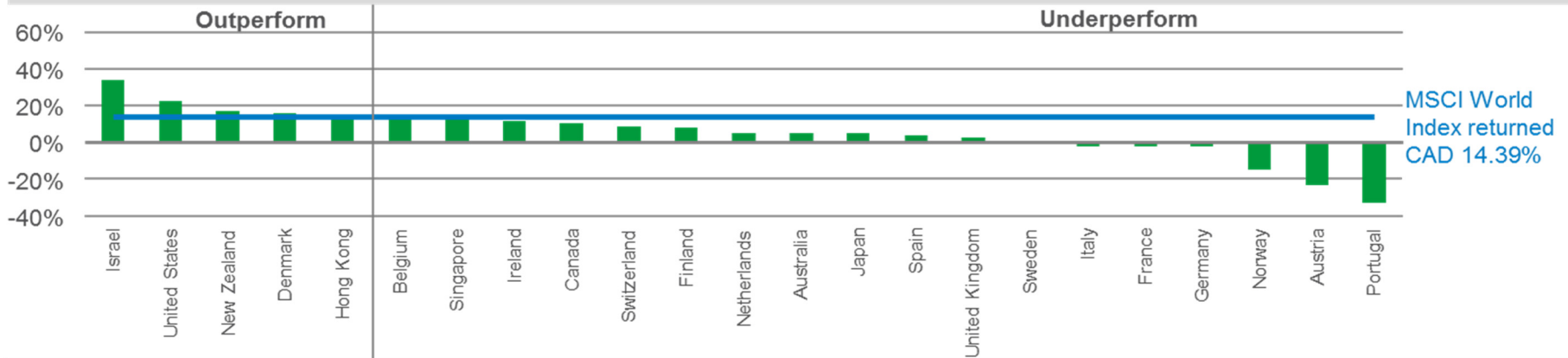


Sector weights

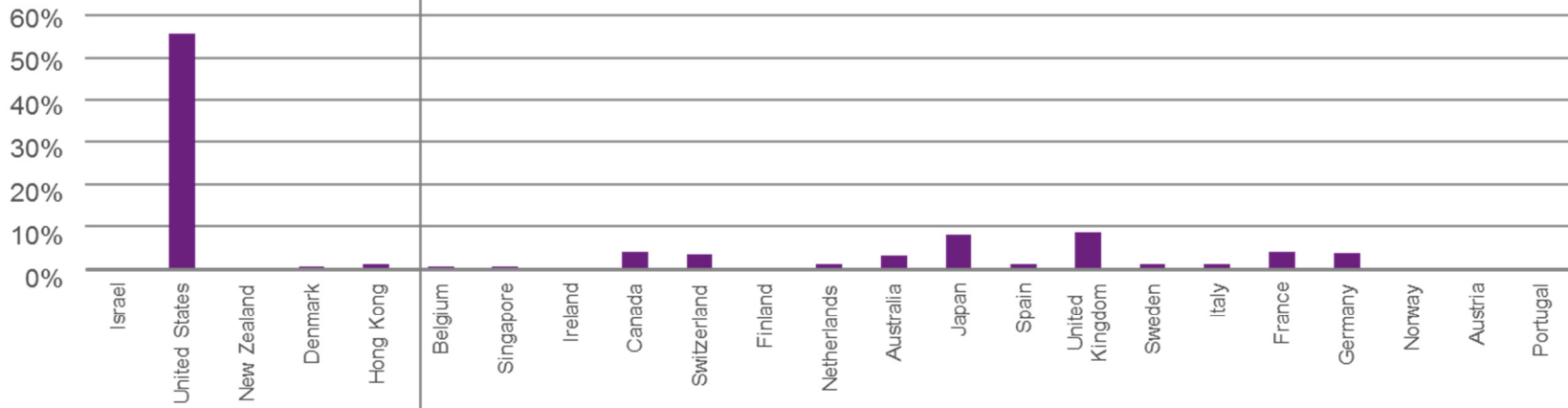


MSCI World Index Annual country returns vs. country weights

Country returns



Country weights



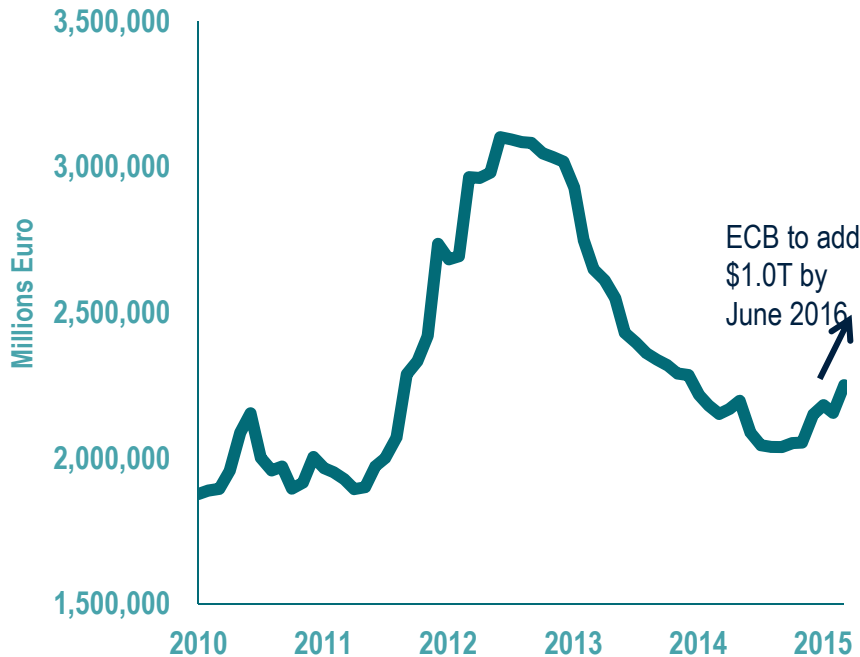


Interest Rates Reversed Course and Moved Down Last Year

Canada Bond Yields	2012	2013	2014
Overnight Lending Rate	1.00%	1.00%	1.00%
5 Year	1.38%	1.94%	1.41%
10 Year	1.80%	2.75%	1.87%
30 Year	2.36%	3.23%	2.35%

Central Banks Respond Aggressively

ECB Balance Sheet



Source: European Central Bank, DataStream Inc.

ECB stimulus is bigger and broader than expected

Central Bank Policy in 2015

Easing Measures

Poland	Rate Cut	Denmark	3 Rate cuts
China	2 RRR Cuts	Eurozone	QE
Turkey	Rate Cut	Canada	Rate Cut
Israel	Rate Cut	Peru	Rate Cut
Indonesia	2 Rate Cuts	Egypt	Rate Cut
Sweden	Rate Cut and QE	Switzerland	Rate Cut
Australia	Rate Cut	India	2 Rate cuts
Russia	Rate Cut	Romania	Rate Cut
Singapore	Devaluation		

Tightening Measures

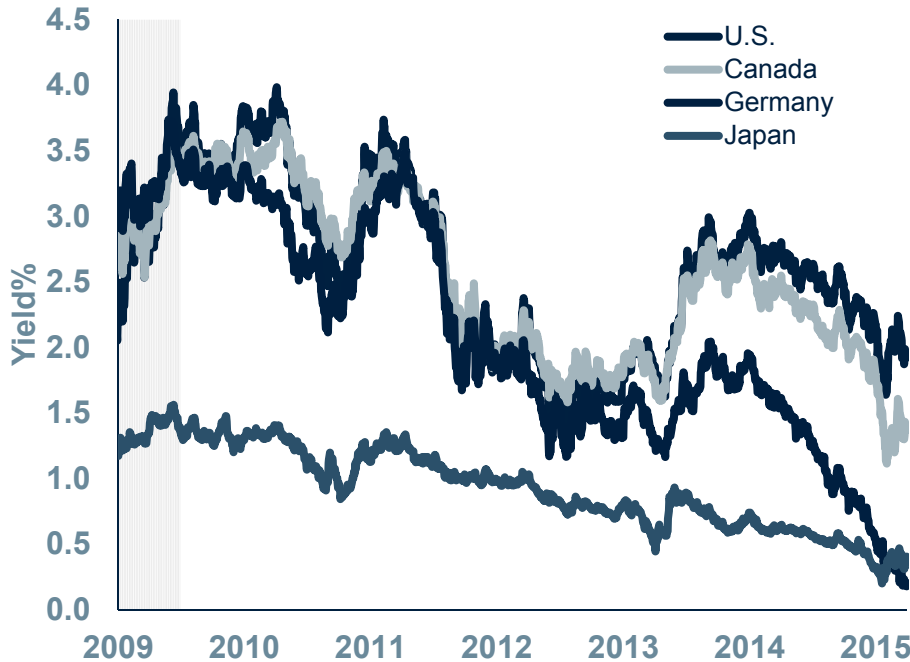
Ukraine	2 Rate Hikes
Belarus	Rate Hike
Brazil	Rate Hike

Source: Cornerstone Macro

Slowing growth and inflation spur synchronized global easing

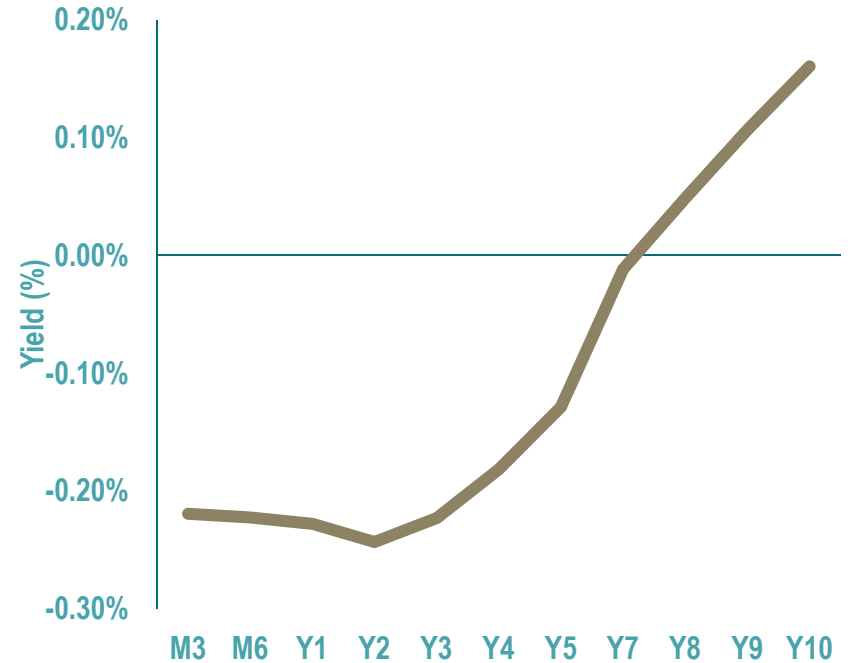
Downward Global Pressure on Rates

US, Canada, German, Japan
10-Year Bond Yields



Source: Thomson Reuters Datastream and Bloomberg, PC Bond **Vertical grey bar denotes US recession.

German Yield Curve
March 2015



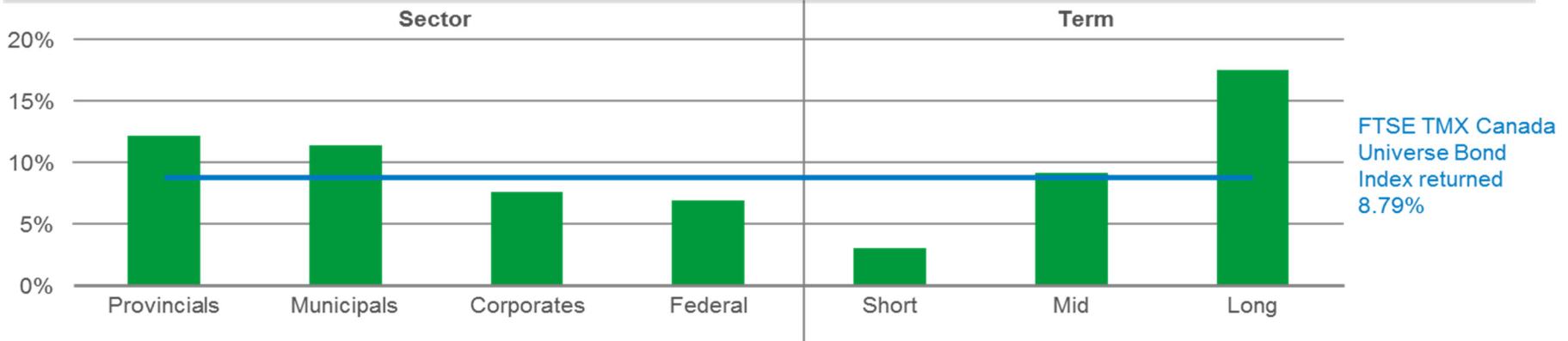
North American rates are
influenced by declining global rates

Impact of negative real rates

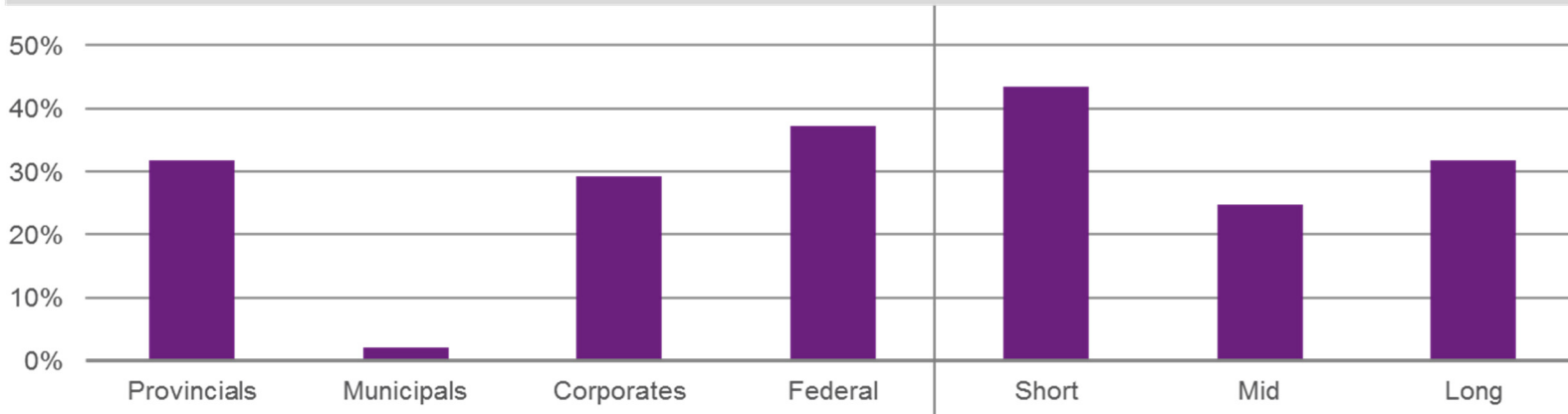
Canadian bond market

Annual sector returns vs. Sector weights

Sector & term returns



Sector & term weights



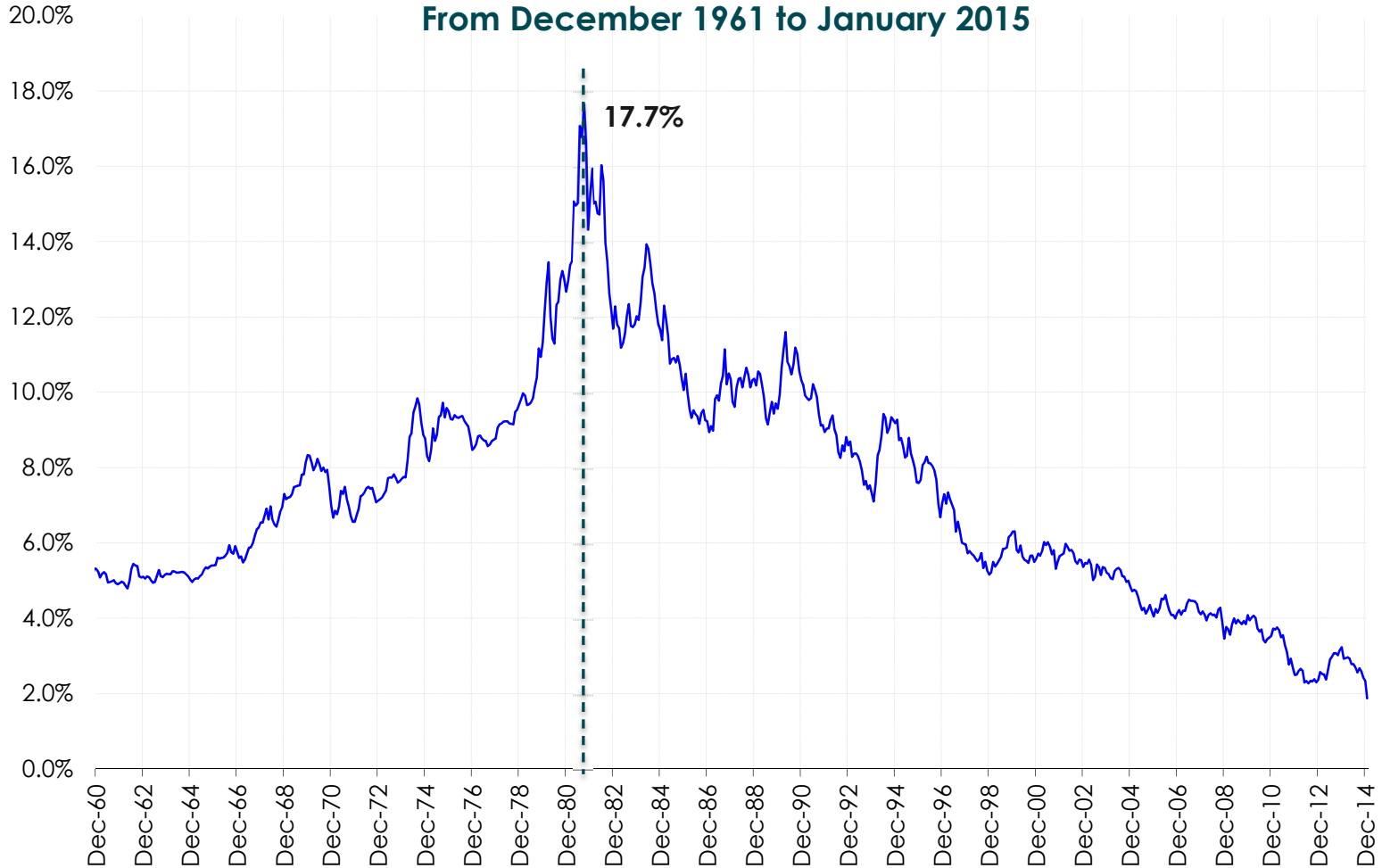
1 year ending 31 December 2014

Past performance is not necessarily indicative of future performance

Sources: BlackRock; FTSE TMX Global Debt Capital Markets Inc.

Bonds—We Are in a Very Low Interest Rate Environment

Government of Canada 30 Year Bond Yield
From December 1961 to January 2015

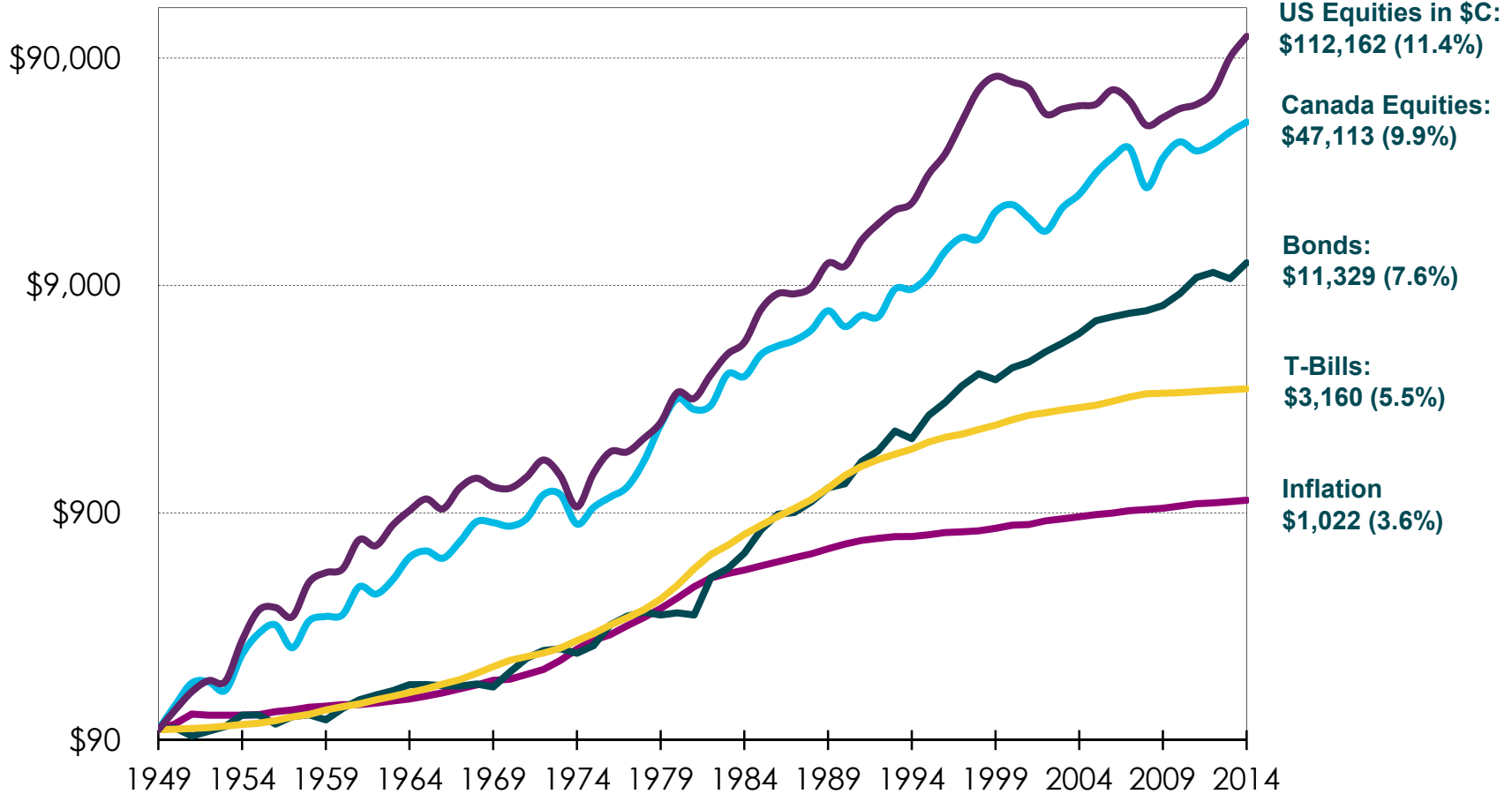


Long Term Asset Class Returns

Investment Results

(Growth of \$100 from December 1949 to December 2014)

Value of \$100
(Annualized Rate of Return)



Bonds versus Stocks: Which has a Better Yield?

December 31, 2014

Bond Yields	Canada	Corporate
5 Year	1.41%	2.31%
10 Year	1.87%	3.47%
30 Year	2.35%	4.15%

Dividend Yields	
TSX Composite	2.9%
S&P 500	2.0%
MSCI EAFE	3.1%

Summary of 2014

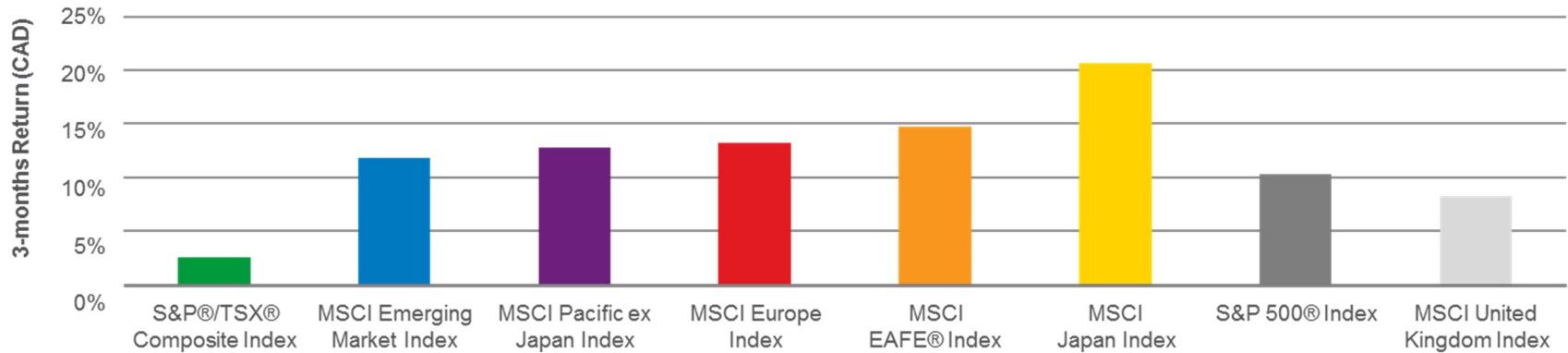
1. Investor concerns increased throughout 2014
 - Ukraine/Russia crisis
 - European deflation fears
 - Dramatic drop in oil prices
 - Unrest in the Middle East
 - China's slowing growth
 - Declining commodity prices
2. Despite these concerns, good results
 - Strong equity returns (Canadian and Foreign)
 - Good year for bonds (dropping yields)



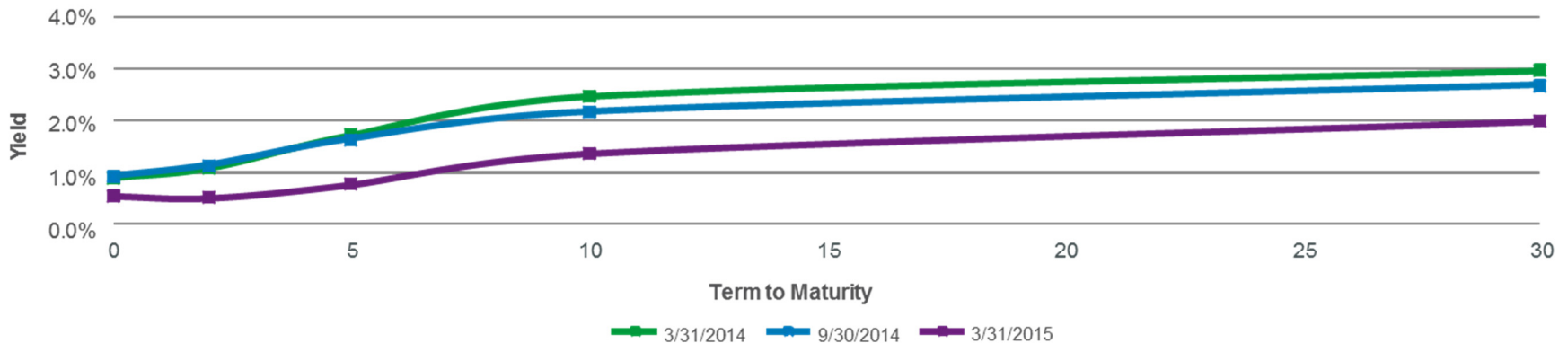
Results to March 31, 2015

Global Markets

Global equity markets



Canadian bond market



3 months ending 31 March 2015
 Past performance is not necessarily indicative of future performance
 Sources: TD Securities Inc.; BlackRock

Fund Rates of Return*

(to March 31, 2015)

Fund	1 Yr.	5 Yrs.	10 Yrs.
Balanced Fund	13.6%	10.7%	7.9%
Bond Fund	10.9%	6.4%	6.0%
Canadian Equity Fund	7.4%	9.9%	9.0%
Foreign Equity Fund	23.8%	16.7%	7.5%
Short Term Investment Fund	1.3%	1.2%	2.0%

* Before fees

Summary of Q1/2015

- Good results to start 2015. Balanced Fund up 6%
- Foreign equities strongest returns, depreciating dollar helped
- Low oil prices and commodity prices continue to hurt Canadian returns
- Good quarter for bonds as yields declined
- Central Bank policies continue to have a big impact on markets throughout the world

Conclusions

- Our large Plan size (\$2 billion) allows for lower fees and broader diversification by asset classes and managers
- Markets continue to provide strong results, both bond and stocks
- Overall, our investment managers are continuing to add value
- The move to Sun Life will not have an impact on the investment options currently provided



Thank You!
Questions?



Appendix



Administrative Staff

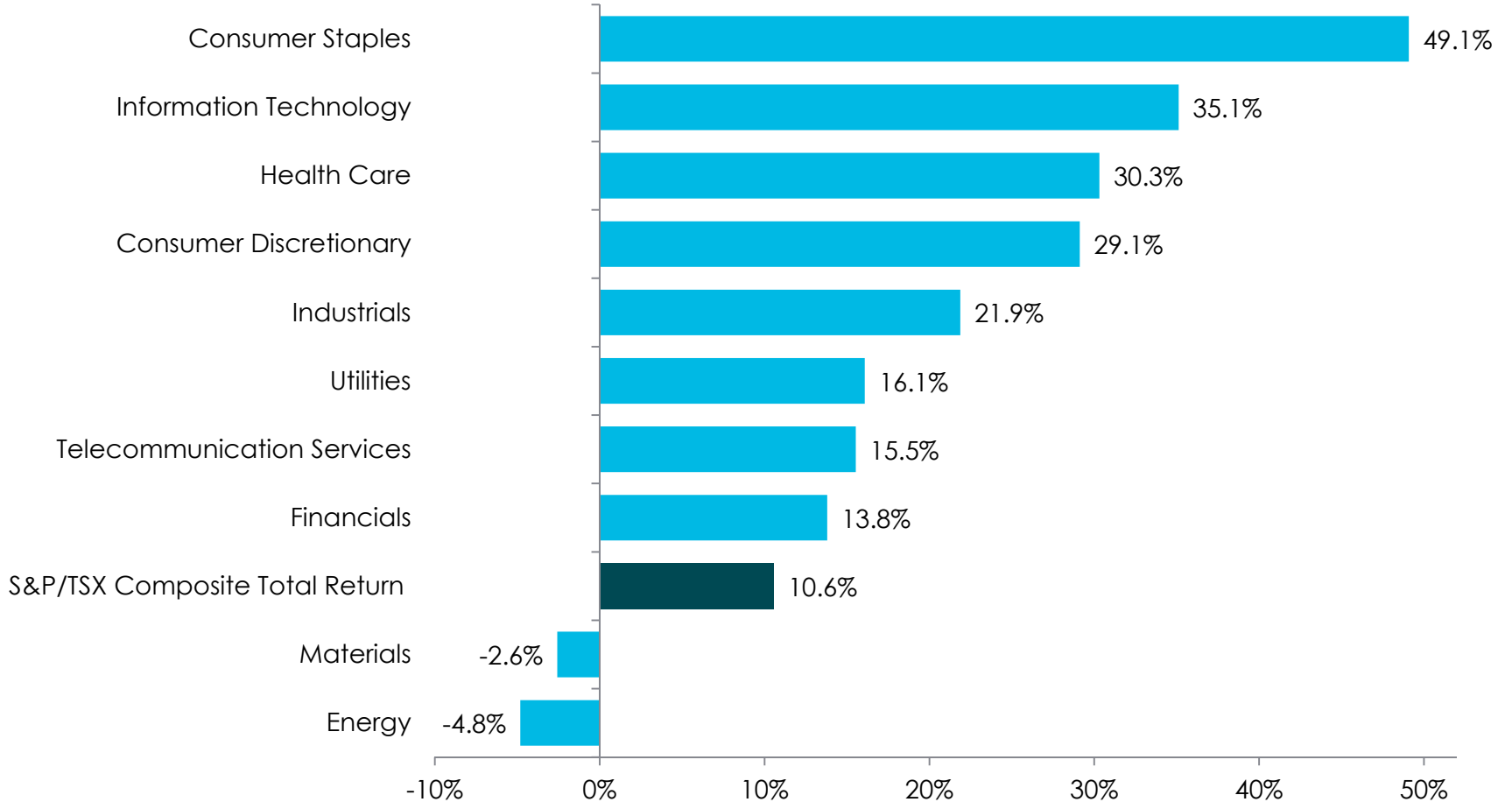
Orla Cousineau	Executive Director, Pensions
Cheryl Neighbour	Executive Director – Operations Secretary to the Board
Mike Leslie	Executive Director – Investments
Debbie Wilson	Associate Director
Andrea Gesner	Pension Systems Manager
GV Fragante	Systems Analyst
Helena Huynh	Systems Analyst
Diana Iampietro	Faculty Pension Plan Manager
Lorraine Heseltine	Member Services Specialist
Lily Lee	Member Services Associate
Louise Mah	Pension Clerk
Nathan Nie	Senior Financial Officer
Maricres De Leon	Pension Plan Accountant
Kathy Pang	Communications Manager
Chelsey Maher	Communications Assistant
Shirley Lim	Project Coordinator
Claudia Chan	Office Administrator
Ronald Fong	Interim Office Administrator

Plan Considerations

- Lower risk through broad diversification
 - 12 Managers, 13 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

S&P/TSX Composite Index Sector Performance 2014

As of December 31, 2014



Investing Outside Canada Offers Access to More Types of Companies — “Diversification”

Top 3 Sector Weights As of December 31, 2014

	TSX	S&P 500	MSCI EAFE
Financials	35.7%	Information Technology 19.7%	Financials 25.9%
Energy	21.9%	Financials 16.7%	Industrials 12.6%
Materials	10.6%	Health Care 14.2%	Consumer Discretionary 12.4%
Total	68.2%	Total 50.6%	Total 50.9%

