



# EVALUATION OF INVESTMENT OPTIONS AND MANAGERS IN THE UBC FACULTY PENSION PLAN

As a member of the UBC Faculty Pension Plan (“FPP” or “the Plan”), you have access to diverse investment and guaranteed fund options to build your investment portfolio. These investment options have been carefully established by the UBC FPP Board of Trustees, with guidance and support from the Executive Director, Investments (EDI), to meet the objectives and needs of the Plan.

The Trustees and the EDI are continually looking at potential investment options and evaluating the use of the existing investment fund options. In order for the Plan to provide diverse, well-managed and cost-effective investment options, investment changes will occur from time to time. This article will cover key investment responsibilities within the Plan, common reasons for investment changes, how investment managers are evaluated, and how investment changes are communicated.

## Key Investment Responsibilities

The Trustees and the EDI have two key responsibilities in relation to the Plan’s investments:

### 1. ESTABLISHING DIVERSE INVESTMENT OPTIONS FOR MEMBERS

Investment objectives may differ for each member. Your personal situation may include your tolerance to risk, access to other investment savings, and when you plan to retire. With these variables in mind, the Plan offers you the choice of six different investment fund options plus guaranteed investments.

There are two multi-asset class investment options: the UBC FPP Balanced Fund and the UBC Fossil Fuel Free Equity and Bond Fund. If you wish to further customize your investment portfolio, there are also four single-asset class investment options available: the UBC FPP Short-Term Investment Fund, UBC FPP Bond Fund, UBC FPP Canadian Equity Fund, and UBC FPP Foreign Equity Fund.

You may actively choose and monitor your investments or select the UBC FPP Balanced Fund (the default fund), which offers you a well-diversified portfolio of stocks, bonds, real estate, and soon, infrastructure. It is important to review your investments periodically to ensure your portfolio is aligned with your tolerance to risk, which can change over time.

### 2. SELECTING AND MONITORING INVESTMENT MANAGERS

Individual investment managers are hired to manage portions of each investment fund. With the exception of the UBC FPP Short-Term Investment Fund, each investment fund is composed of several strategies managed by individual investment managers, and one manager may manage more than one strategy for the FPP.

The investment managers are regularly monitored and evaluated by the Trustees and the EDI. All of the Plan's investment managers are assessed according to the five Ps: 1. Performance, 2. Product (Portfolio Fit), 3. People, 4. Philosophy, and 5. Process. This is further elaborated on later in this article.

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## Reasons for Investment Changes

There are several reasons why investment option and/or manager changes may occur. For instance, changes can happen to a specific investment strategy within a fund, or an opportunity might arise where the Trustees will consider a new investment strategy for a particular fund. Three of the most common reasons for investment changes are asset mix reviews, investment strategy review, and regular investment monitoring.

### ASSET MIX REVIEWS

In-depth asset mix reviews for the UBC FPP Balanced Fund and the UBC FPP Fossil Fuel Free Equity and Bond Fund are performed every three to five years. These reviews may result in moderate or even significant changes to the funds' overall asset allocation. For example, the addition of global real estate and infrastructure to the UBC FPP Balanced Fund in early 2022 was the result of a previously completed asset mix review.

### INVESTMENT STRATEGY REVIEW

A comprehensive review of all the investment strategies or managers among the Plan's six investment funds may result in a particular investment strategy or manager being removed, perhaps due to it no longer fulfilling the role it was expected to perform. For example, the number of Canadian Equity managers was reduced from three to two as part of the changes to the UBC FPP Balanced Fund in 2022. Subsequently, this change also affected the UBC FPP Canadian Equity Fund.

### REGULAR INVESTMENT MONITORING

An ongoing agenda item at each Board meeting is to review and monitor the Plan's investments. This may result in a formal review of an investment manager, for qualitative or quantitative reasons.

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## How Investment Managers are evaluated

The Trustees evaluate the Plan's investment managers based on the criteria (the five Ps) summarized below. A comprehensive description of these criteria can be found in the Plan's *Statement of Investment Policies and Goals* (SIP&G) under Appendix C: Criteria for Selection, Retention, and Replacement of Investment Managers. A copy of this document is available on the Plan's website at [faculty.pensions.ubc.ca](https://faculty.pensions.ubc.ca) under **Plan Governance > Governance Policies & Documents**.

### PERFORMANCE (RETURNS AND RISK)

The performance of an investment manager/strategy is evaluated by looking at investment returns and risk exposure against pre-determined benchmarks. A benchmark is a measure that can be used to analyze the allocation, risk, and return of a given portfolio/strategy. Broad market indices can be used as benchmarks; however, there are many types of benchmarks that investors can use, depending on the investment strategy, risk tolerance, and time horizon.

The Trustees will move an investment strategy/manager to 'On Watch' status immediately if the assigned benchmarks are not achieved. If a manager remains 'On Watch' for six or more

consecutive months, or their performance is deemed substandard by the Trustees at any time, a formal in-depth review of the manager must occur. An unfavorable review will lead to an “Unacceptable” rating and possible termination.

#### PRODUCT (PORTFOLIO FIT)

The investment vehicle must fit the Plan’s investment structure. If an investment fund’s characteristics change and it no longer provides the desired diversification, it may lead to the termination of the investment manager.

#### PEOPLE

Investment managers have an obligation to inform the Trustees of any material personnel and organizational changes. These changes are thoroughly reviewed by the Trustees and if they are considered to adversely affect the interests of the Plan, the changes may lead to the termination of the manager.

#### PHILOSOPHY

The investment manager’s overall strategy must be clear and understood by the Trustees, and must be maintained, especially in turbulent or difficult market periods. There must be a clear link between the manager’s philosophy and their investment process. Any changes to a manager’s investment philosophy may result in a full review.

#### PROCESS

Investment managers are responsible to ensure that they have an established process to effectively implement all investment decisions. A full review may occur if there are any changes to a manager’s investment process.

When selecting and reviewing managers, the Trustees also consider the integration of Environmental, Social and Governance (ESG) factors by the manager as part of their investment process. Review of ESG integration is part of the ongoing monitoring process and evaluation of the Plan’s managers.

If a manager exhibits deficiencies in any of the five Ps listed above, the Trustees may decide to terminate the investment manager immediately. Managers may be given time to address concerns, and in these situations, the outcome may result in new terms of service rather than termination.

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## How Investment Changes are Communicated

Members are promptly notified of investment changes through the Plan’s *FPP Update* newsletter and website. On the Plan’s website, there is an Investment Fund Updates section under **Investments > Investment Fund Updates**.

In certain situations, such as the introduction of the UBC FPP Fossil Fuel Free Equity and Bond Fund, the Plan will send you an email and/or mail a letter to your home. ■

This article has been prepared by the UBC Pension Administration Office for information purposes only. Pension plans and legislation that governs them are complex, so not every detail can be contained in a communication such as this. In the event of any discrepancy or misunderstanding, benefits will be administered according to the official Plan documents and the applicable legislation. Questions regarding this article can be directed to [fpp@hr.ubc.ca](mailto:fpp@hr.ubc.ca).