



GUARANTEED INVESTMENTS

UBC Faculty Pension Plan (FPP) members may invest in any of the seven investment options: Balanced Fund, Bond Fund, Canadian Equity Fund, Foreign Equity Fund, Fossil Fuel Free Equity and Bond Fund, Short Term Investment Fund and Guaranteed Investments. This article describes how Guaranteed Investments operate and how they are different than the other investment options offered in the UBC FPP. Guaranteed Investments include Guaranteed Funds and Guaranteed Investment Certificates (GICs). The remainder of this article will refer to Guaranteed Investments as GICs.

Guaranteed Investments

GICs provide a guaranteed rate of interest for a specific period of time. The principal is guaranteed not to lose value, and the interest rate is guaranteed if the GIC is held until the end of its term. The UBC FPP offers GICs with terms of one, two, three, four and five years; you may choose one or more of these terms for your investments and the rate of return will be guaranteed for the term you select. For example, if you purchase a 3-year GIC in October 2021, the rate applicable to 3-year GICs at the time of purchase will apply until maturity, which will be in October 2024.

Each deposit that you make will have its own term and applicable interest rate. The UBC FPP allows you to automatically direct all or a portion of each semi-monthly contribution to the GIC option. If you elect the one-year GIC option for a portion of your semi-monthly contributions, each of the 24 deposits will have its own one-year term and maturity date.

Interest Rate Guarantee

An important difference to understand between the GIC option and the other six investment options is that the GIC offers a guaranteed rate of return. The market value of your holdings in each of the six investment options will vary from month to month depending on the performance of the investments in each of the funds. Because the GIC provides a guaranteed rate of return, the amount of income that it generates and the ending balance are predictable, which could be a valuable feature if you are retired or are approaching retirement.

It is important to note that once a GIC is purchased, its rate will not change, even if interest rates rise.

Fees

The fees for the Plan's internal administration are 0.07%. The interest rates for each GIC term have already been reduced to reflect the administration fee. These rates are shown on your Sun Life account — sign in to mysunlife.ca/ubcfpp, then under **Investments**, select **Manage plan > my plan > Plan overview > Account fees**. There are no other fees related to your investment in a GIC.

Early Redemption

GICs are intended to be held until maturity. You are able to withdraw money from the GIC before the maturity date; however, there may be an interest rate penalty, referred to as a market value adjustment. Generally, if interest rates have fallen since the date of the original deposit, the market value adjustment will be positive. On the other hand, if interest rates have risen, the market value adjustment will be negative. For examples of the market value adjustment, please refer to the Investment Fund Sheets at faculty.pensions.ubc.ca, under **Investments > Investment Options**. Note that adjustments do not apply upon death.

Investment Protection

The GICs are guaranteed by the Sun Life Assurance Company of Canada which is governed by many legislative rules to ensure that life insurance companies have sufficient funds on deposit to cover all of their liabilities. In the unlikely event of Sun Life's insolvency, further protection is provided by Assuris, the not-for-profit organization that protects Canadians if their life insurance company should fail.

Assuris provides coverage to a maximum of \$100,000 per depositor. In order to give UBC FPP members greater flexibility and protection, the UBC FPP offers two sets of Guaranteed Investments – Guaranteed Funds through Sun Life Assurance Company and GIC's through Sun Life Financial Trust Inc. Each company has its own Assuris coverage. Once you reach the \$100,000 Assuris coverage limit, you should consider whether you want to direct your contributions to the GICs that would then provide an additional \$100,000 of Assuris coverage. The two sets of Guaranteed Investments have the same features, including the interest rates for each term.

If you would like to take advantage of this additional protection coverage, please call Sun Life at 1-844-822-3131 any business day from 5:00 a.m. to 5:00 p.m. PT.

The Benefits of Laddering GIC Maturities

The longer you invest, the greater your potential is for higher returns. This is a key principle with investing and also holds true for GICs. Usually, GICs with longer terms to maturity pay a higher interest rate. But when considering your options, keep in mind that choosing a longer term locks your money in at a fixed rate. And should rates rise, you may miss an opportunity to earn higher interest.

A proven strategy known as laddering can reduce the influence of interest rate changes and maximize your GIC returns. Laddering involves staggering the maturity dates of your GICs so that only a portion of your money is locked in for the same length of time.

The diagram below illustrates a laddered GIC strategy.

Laddering at work

Initial Investment	Today	After 1 Year	After 2 Years	After 3 Years	After 4 Years	After 5 Years
1/5 th of total	Purchase 1-year GIC	Purchase new 5-year GIC				
1/5 th of total	Purchase 2-year GIC		Purchase new 5-year GIC			
1/5 th of total	Purchase 3-year GIC			Purchase new 5-year GIC		
1/5 th of total	Purchase 4-year GIC				Purchase new 5-year GIC	
1/5 th of total	Purchase 5-year GIC					Purchase new 5-year GIC

For more information on the Laddering Strategy, please refer to the *Using Guaranteed Investments in your Investment Strategy* article at faculty.pensions.ubc.ca, under **Investments > Investment Education**. ■

This article has been prepared by the UBC Pension Administration Office for information purposes only. Pension plans and the 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.