

UBC FACULTY PENSION PLAN PENSION FORUM

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MS. ORLA COUSINEAU, EXECUTIVE DIRECTOR, PENSIONS
MR. MIKE LESLIE, EXECUTIVE DIRECTOR, INVESTMENTS
MAY 25, 2016



Agenda

- **Introduction Of Trustees**
- **Plan's Financial And Membership Update**
- **2016 Board Initiatives And Projects**
- **2015 Operations Update & 2016 Operations Objectives**
- **Investment Review For 2015 And First Quarter 2016**
- **Questions**



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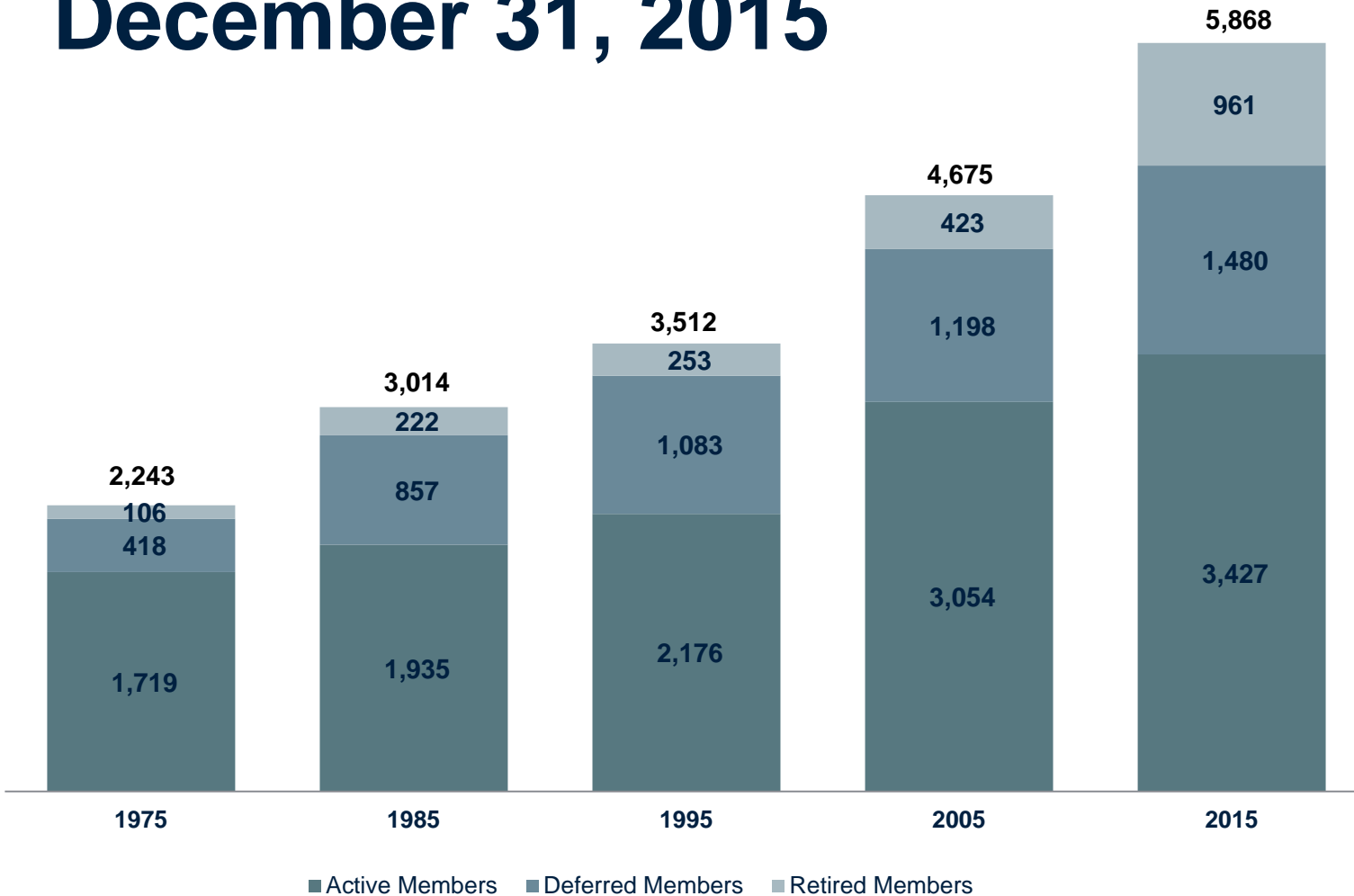


Plan Statistics December 31, 2015



	Active	Deferred	Retired	Total
Members	3,427	1,480	961	5,868
	59%	25%	16%	100%
Assets (millions)	\$1,150	\$255	\$595	\$2,000
	58%	13%	29%	100%

Membership Growth – to December 31, 2015



Composition of Funds – March 31, 2016

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

Total Plan Assets \$2.0 Billion



2016 Board Initiatives and Projects

- Governance Review
- Investment Structure Review – Foreign Equity Managers
- Variable Payout Life Annuity Review
- Continuing oversight of the Plan's investment manager's reporting on how they consider/implement environmental, social and governance factors (ESG) in their investment process



2015 Operations Update

- Successful transition to Sun Life as recordkeeper and custodian
- Smooth transition to new senior leadership team for the UBC Pension Administration Office
- Changes to the Plan documents and forms to comply with the new BC pension legislation



2016 Operations Objectives

- Redesign FPP website
- Member education and communication
 - Role of Board, UBC Pension Administration office and Sun Life
 - Increase awareness and usage of tools available through Sun Life
- Change to bi-weekly remittance of contributions effective January 1, 2017





Investment Review of 2015

Agenda

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

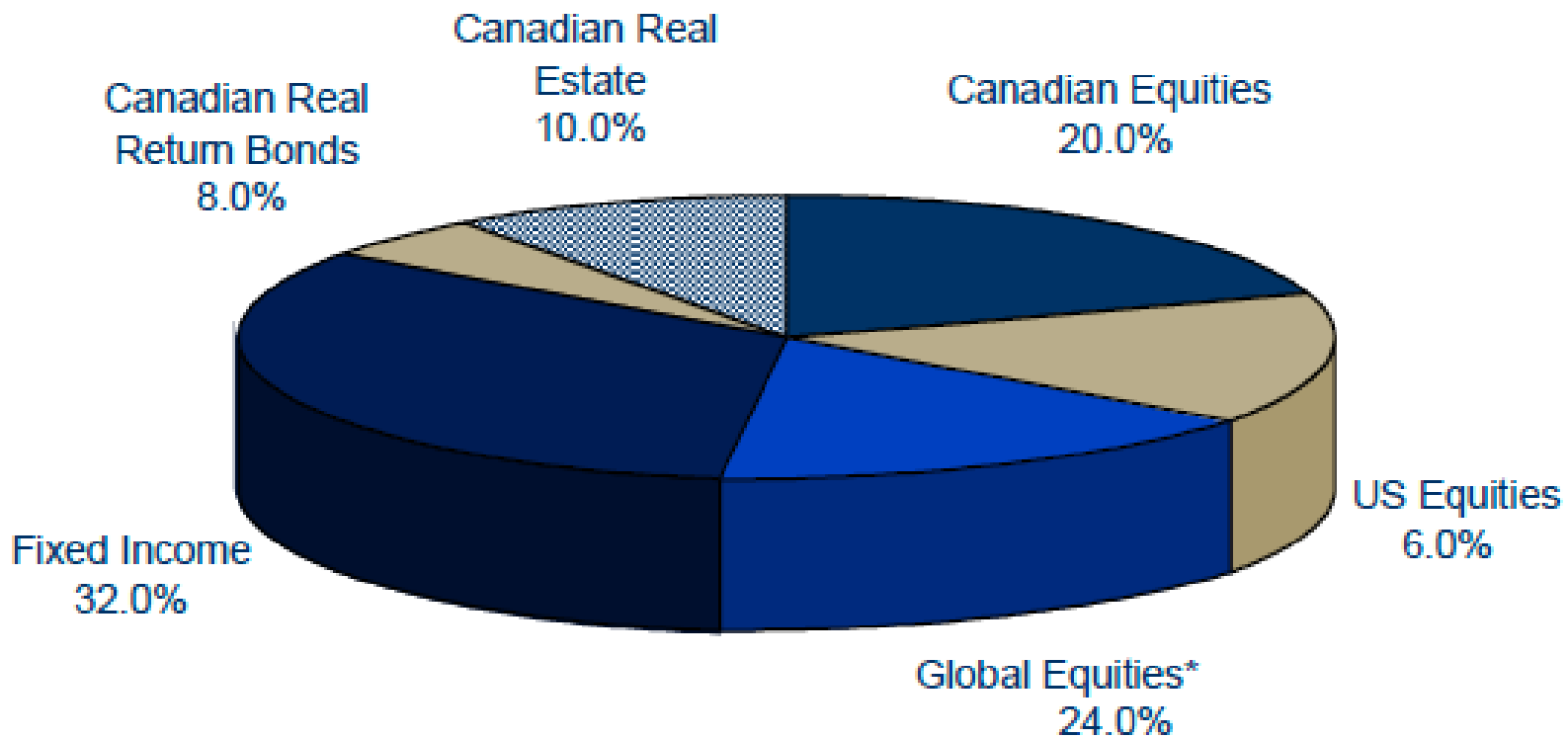


Investment Changes in 2015

- 1. Moved investment funds to Sun Life recordkeeping platform**
 - No changes to investment funds
 - No changes to investment managers
- 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
- 3. Short Term Investment Fund (“STIF”)**
 - Changed managers to MFS/Sun Life from bcIMC



Balanced Fund – Policy Asset Mix



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

2015 Fund Returns / Peer Rankings

Fund	Returns (%)			Return Ranking (percentile)*		Risk** Ranking (percentile)*
	1 Yr	5 Yr	10 Yr	1 Year	5 Years	4 Years
Balanced	6.6	9.0	6.9	10 th	8 th	84 th
Bond	3.5	4.8	5.3	33 rd	73 rd	4 th
Canadian Equity	-6.8	5.0	6.1	63 rd	43 rd	62 nd
Foreign Equity	19.6	16.7	7.3	35 th	11 th	43 rd
Short Term Invt.	1.0	1.2	1.9	20 th	17 th	4 th

Gross returns to Dec. 31/15

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

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

- a lower ranking number (say 80th percentile) means less risky



Review of 2015



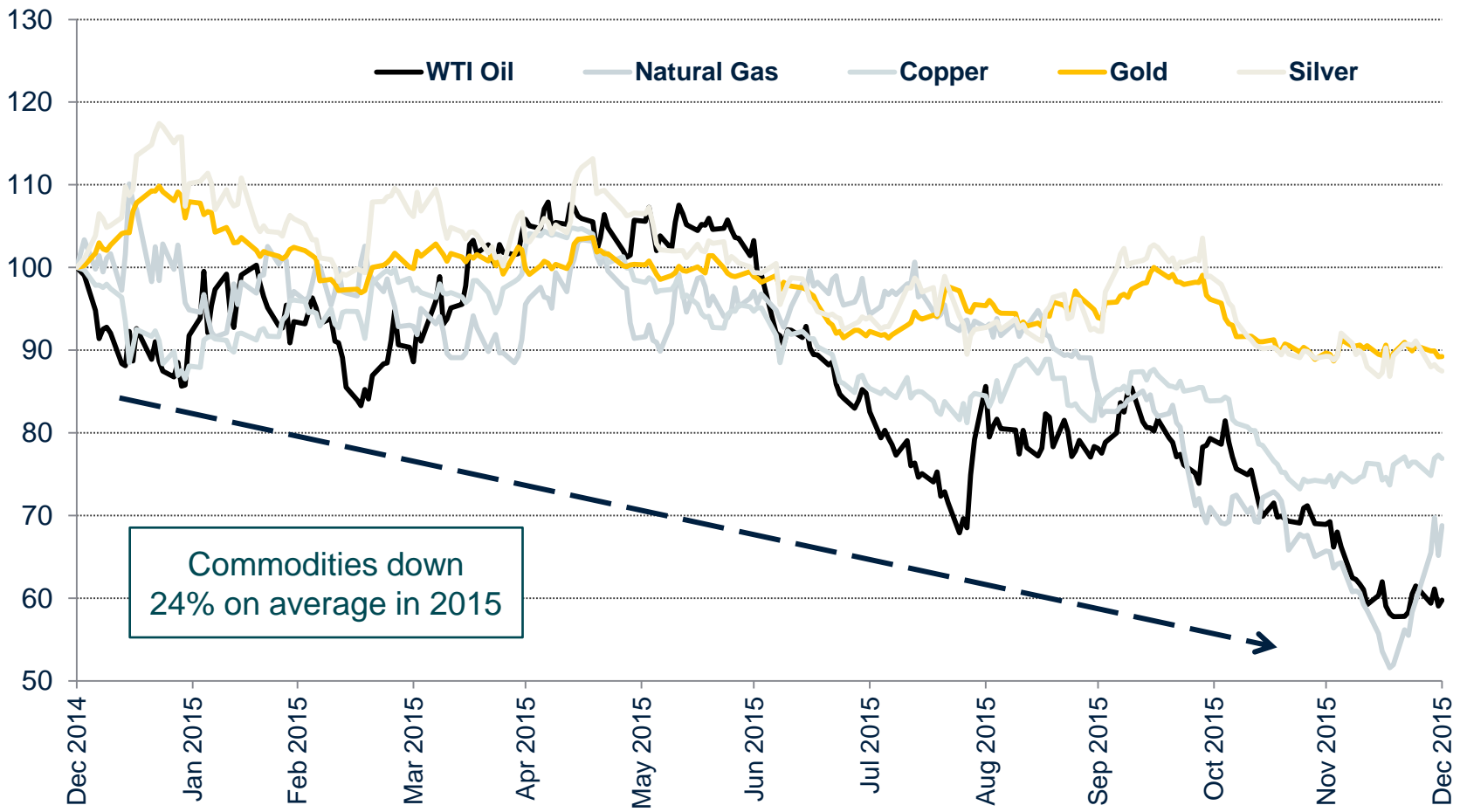
	Q1	Q2	Q3	Q4	1 Year
Canadian Equities	2.6%	-1.6%	-7.9%	-1.4%	-8.3%
U.S. Equities (C\$)	10.4%	-1.4%	0.5%	10.6%	21.0%
International Equities (C\$)	14.7%	-1.0%	-3.6%	8.2%	18.3%
Bonds	4.2%	-1.7%	0.2%	1.0%	3.5%

Key Themes in 2015

- Further Collapse in Energy Prices
 - WTI – December 31, 2014 \$53.27
 - WTI – December 31, 2015 \$36.60
- Slowdown in Emerging Markets
 - China, Brazil, Russia
- Decline in Commodity Prices
- Central banks influence



Commodities Prices Have Fallen Across the Board

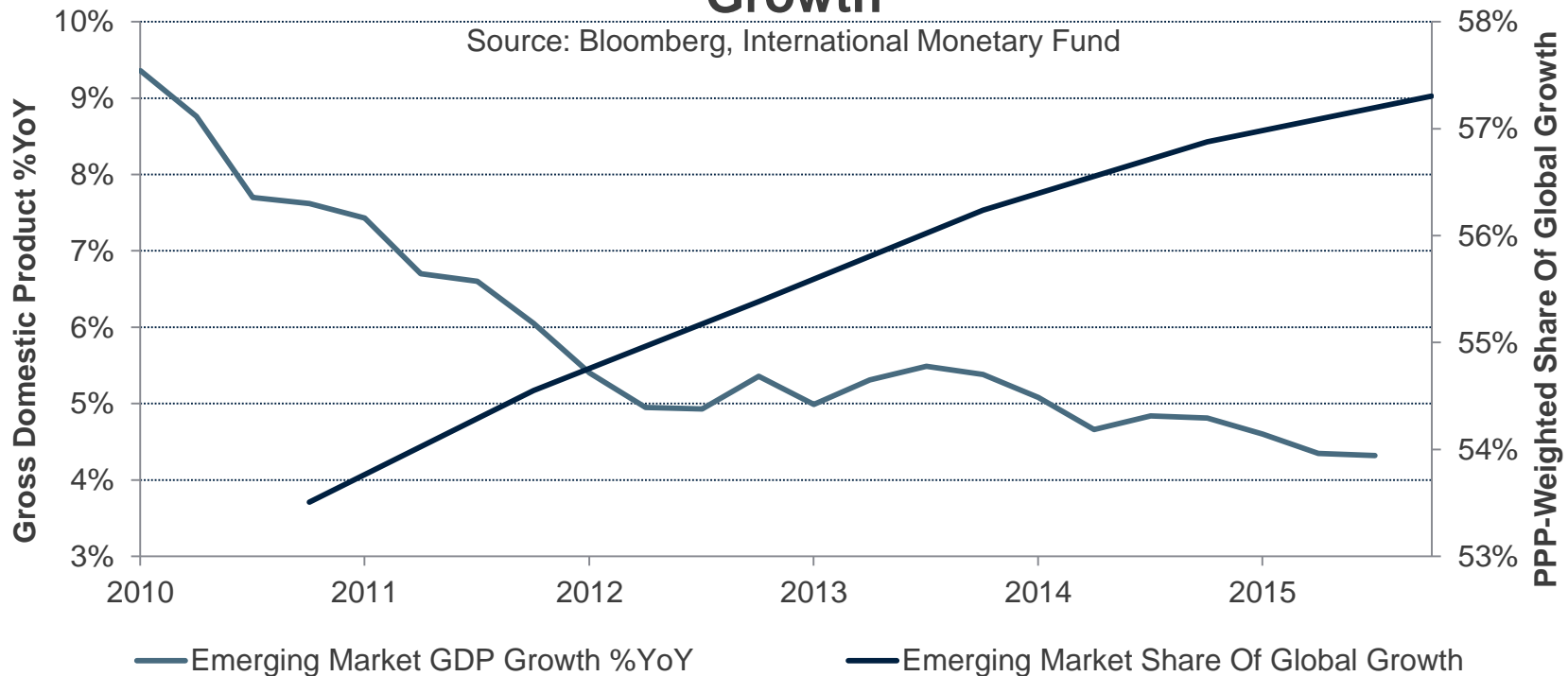


Commodities down 24% on average in 2015



Emerging Market Economies Are Slowing...

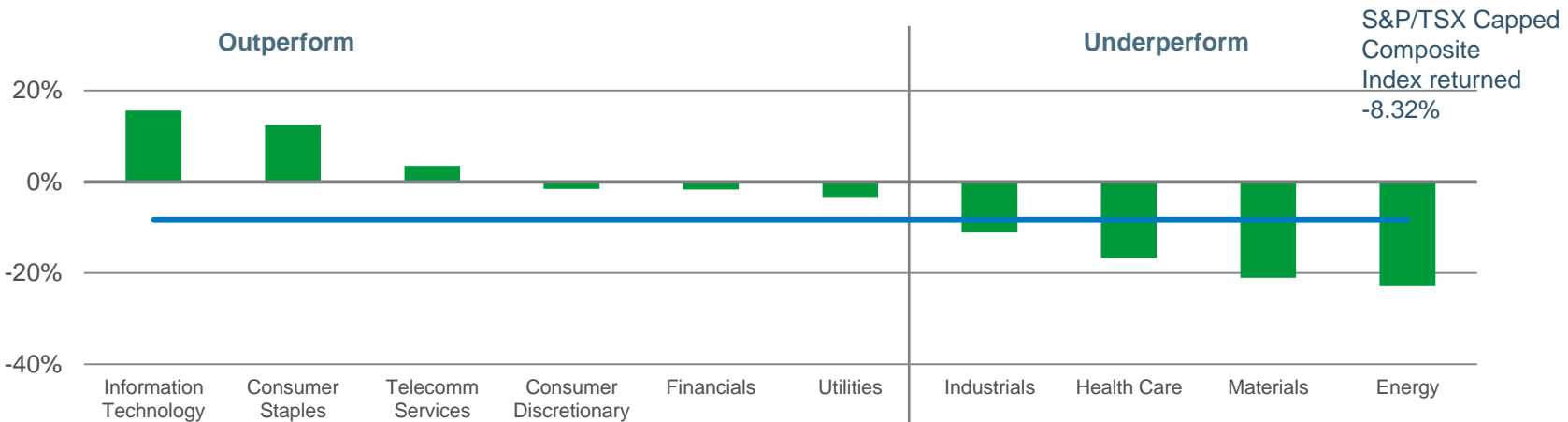
Emerging Market GDP Growth & Share Of Global Growth



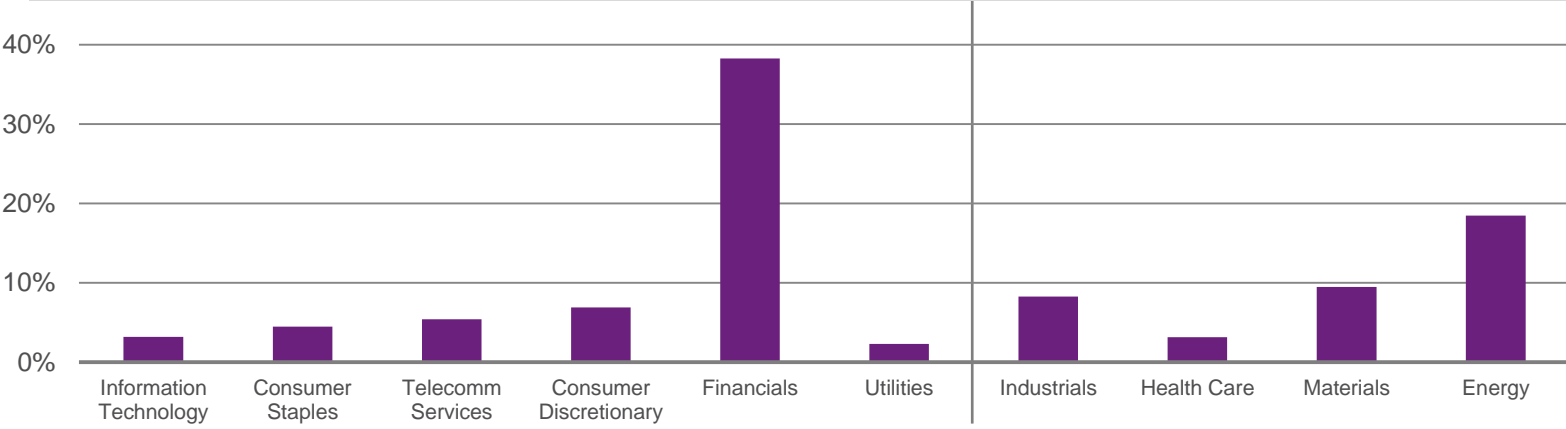
Growth in emerging market economies continues to slow, despite their growing share of global growth.



S&P[®]/TSX[®] Capped Composite Index Sector returns vs. sector weights

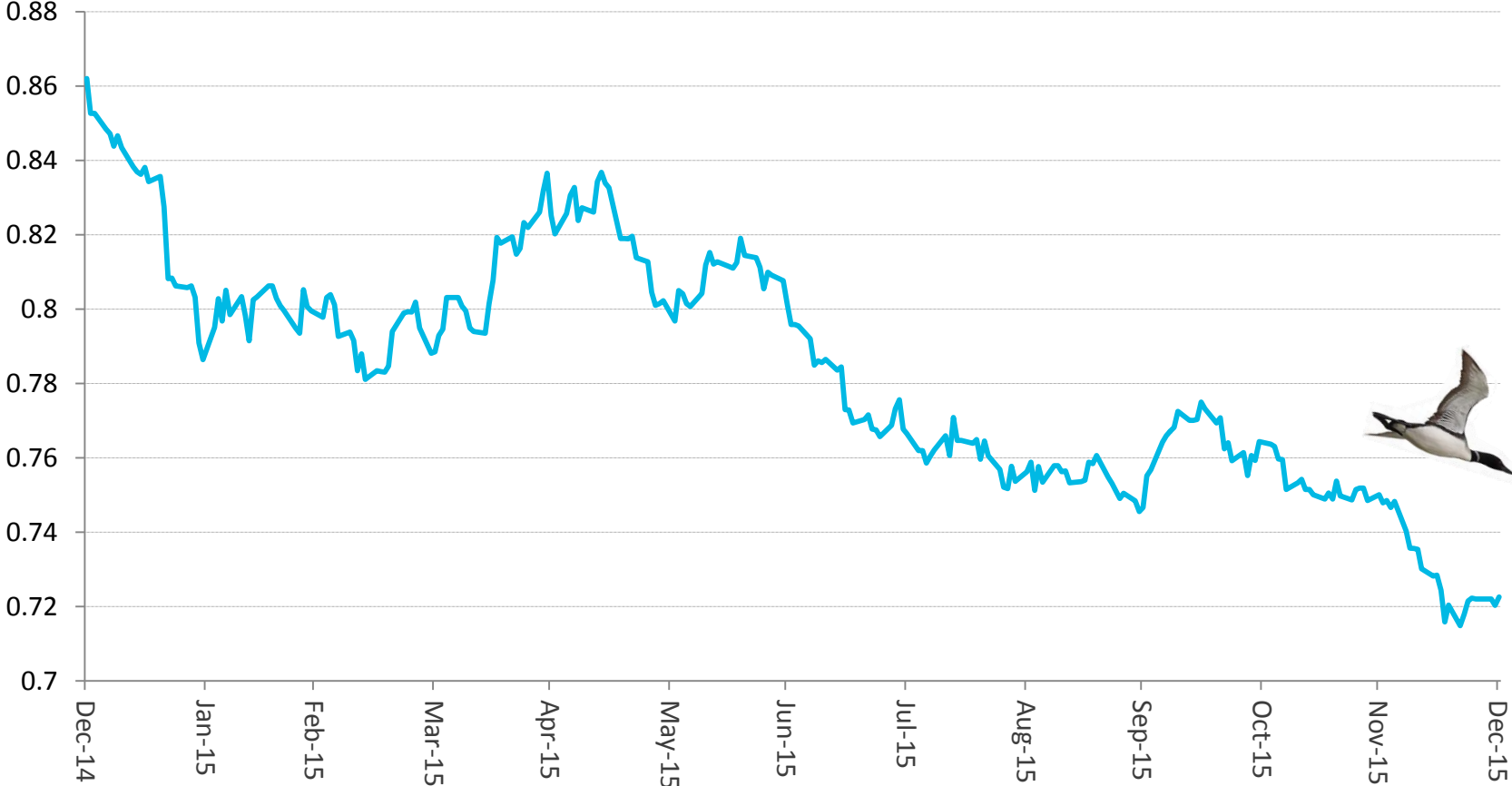


Sector weights



1 year ending 31 December 2015
 Past performance is not necessarily indicative of future performance
 Sources: FactSet Research Systems Inc., BlackRock

The Canadian Dollar



Currency Added Over 19% to the Canadian Dollar S&P 500 Return in 2015.



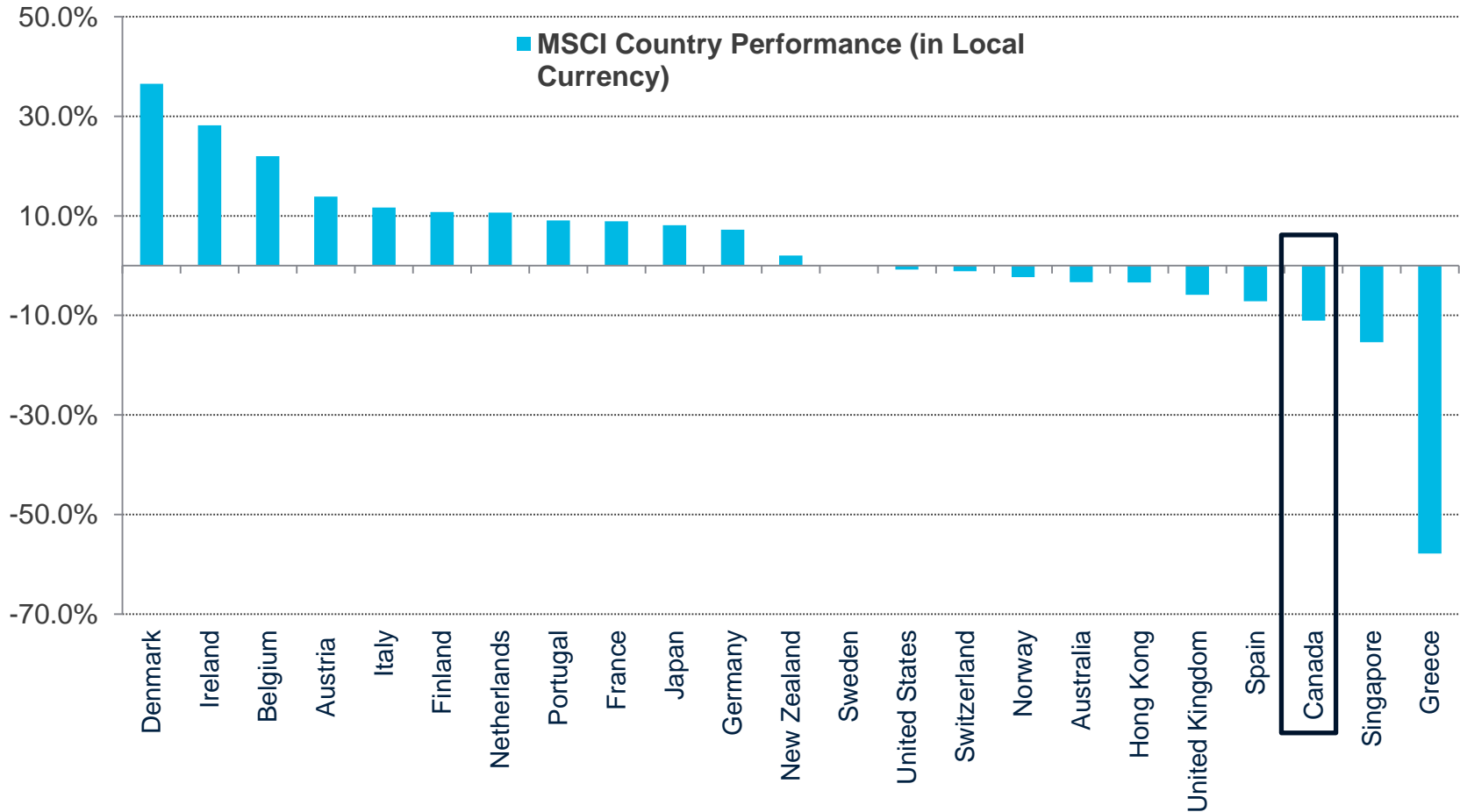
2015 Global Market Performance



Stock Market (YTD)	Local Currency	Canadian Dollars
Japan	9.9%	30.7%
Europe (Ex. U.K.)	8.3%	18.5%
United States	0.7%	20.1%
United Kingdom	-2.2%	10.3%
Canada	-9.0%	-9.0%
Pacific (Ex. Japan)	-1.0%	9.2%
MSCI World	2.1%	18.3%
Emerging Markets	-5.8%	1.5%

* Source: MSCI Developed & Emerging Market Indices

It Was A Challenging Year For Canadian Equities



Canada was among the worst performing countries in the developed world.

Interest Rates Moved Down Last Year

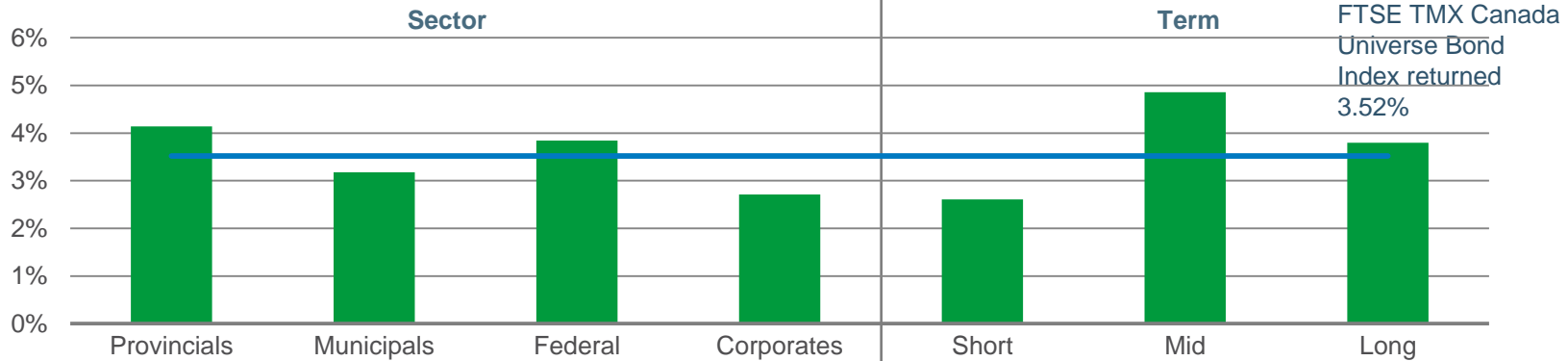


Canada Bond Yields	2012	2013	2014	2015
Overnight Lending Rate	1.00%	1.00%	1.00%	0.50%
5 Year	1.38%	1.94%	1.41%	0.73%
10 Year	1.80%	2.75%	1.87%	1.39%
30 Year	2.36%	3.23%	2.35%	2.15%

Canadian bond market

Sector returns vs. sector weights

Sector & term returns



Sector & term weights



1 year ending 31 December 2015

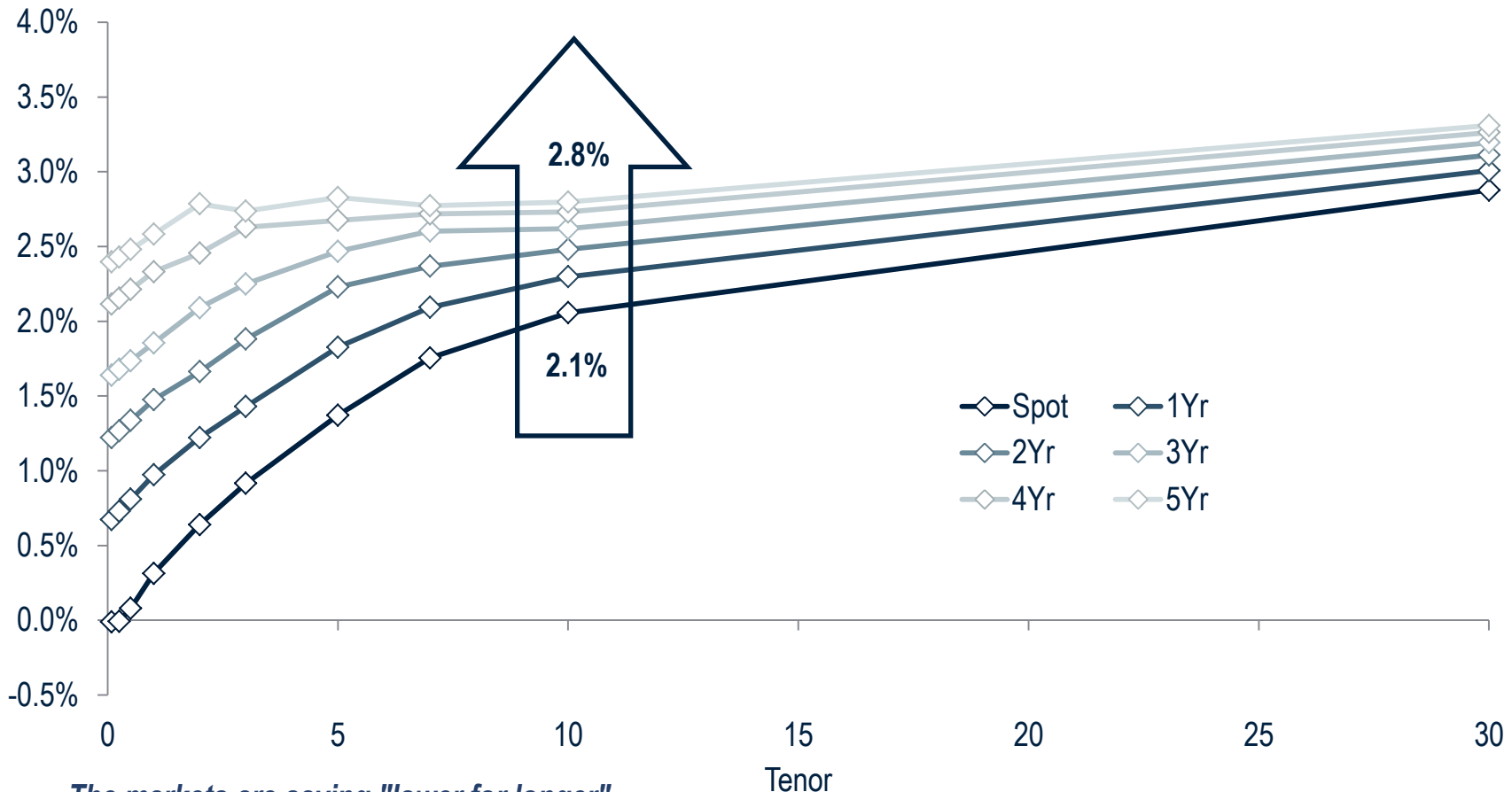
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Sources: BlackRock; FTSE TMX Global Debt Capital Markets Inc.



Low yields could be persistent

Market pricing less than 1% move over the next 5 years



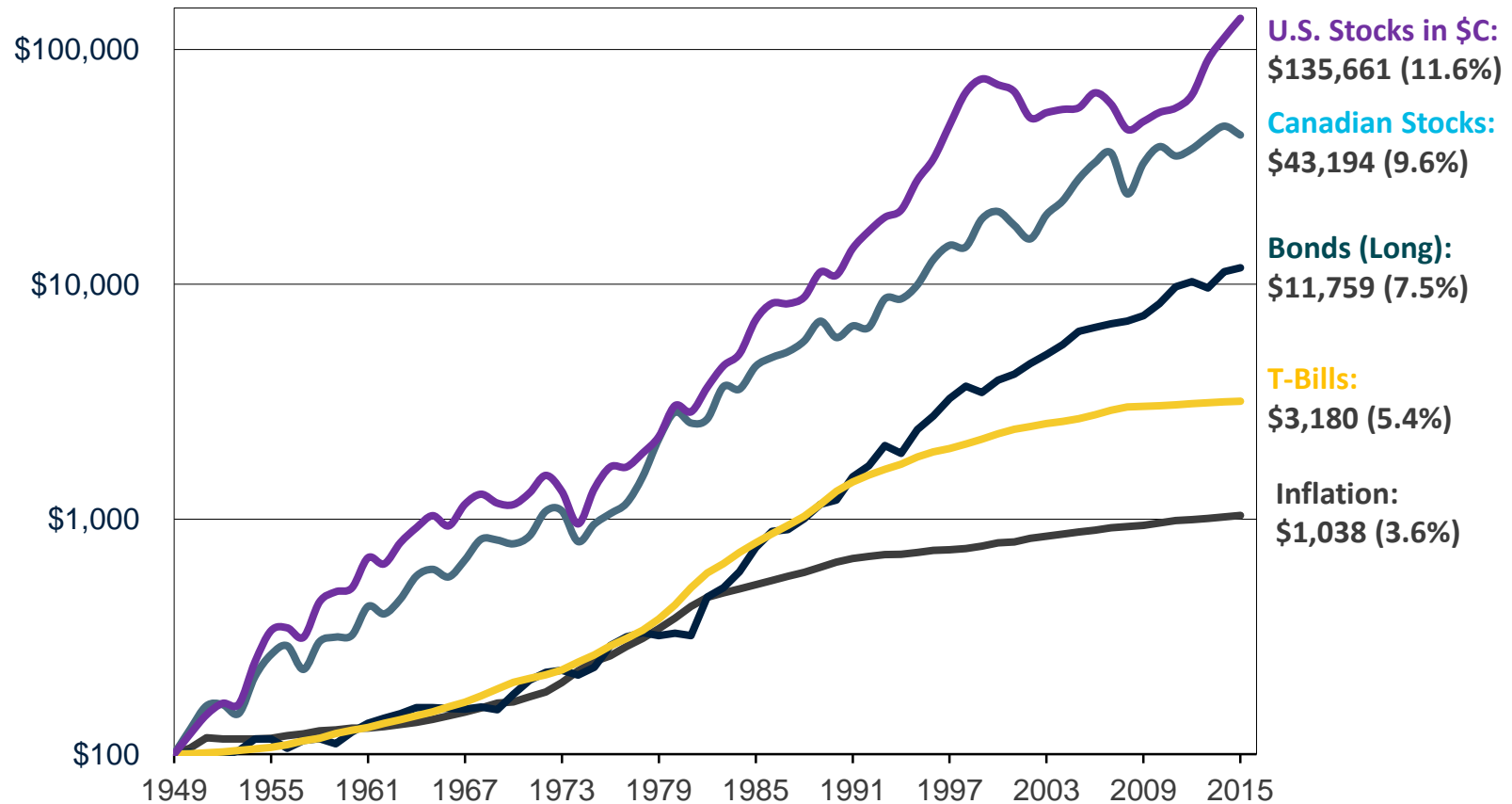
The markets are saying "lower for longer"

Long Term Market Returns



Investment Results

Growth of \$100 from December 1949 to December 2015



Benefits of a Diversified Portfolio



10 Year Annualized Returns
As of December 31

	Last 5 Years	2010	2000	1990	1980
TSX Composite	2.3%	4.2%	10.6%	3.7%	9.1%
S&P 500 (C\$)	20.3%	-4.5%	17.9%	9.0%	5.6%
MSCI EAFE (C\$)	10.7%	-3.0%	9.4%	13.9%	11.1%

— Best Performer

Summary of 2015

- Good results for 2015. Balanced Fund up 6.6% over 1 year and 6.9% over 10 years.
- Foreign equities had strongest returns, depreciating dollar helped
- Low oil prices and commodity prices hurt Canadian returns
- Bond returns were low, reflecting low interest rates
- Central Bank policies continue to have a big impact on markets throughout the world



Results to March 31, 2016

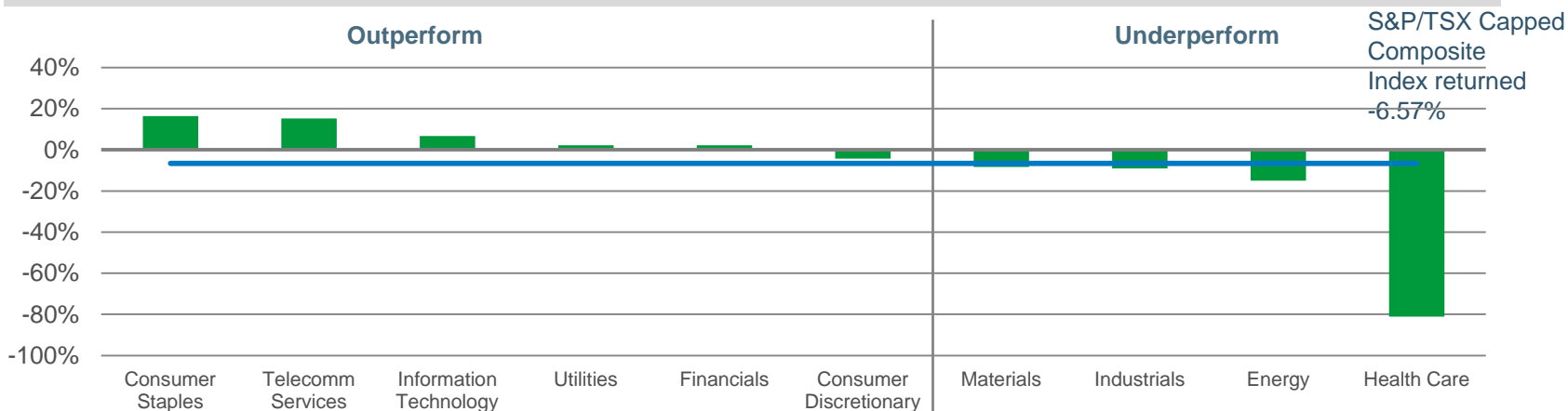


S&P[®]/TSX[®] Capped Composite Index

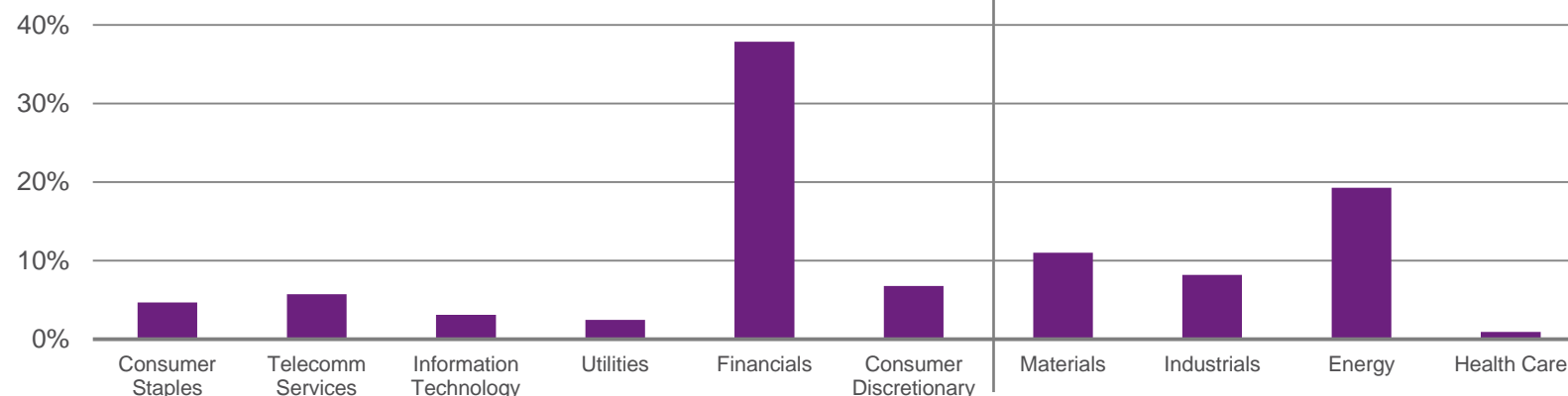
Sector returns vs. sector weights



Sector returns



Sector weights



1 year ending 31 march 2016

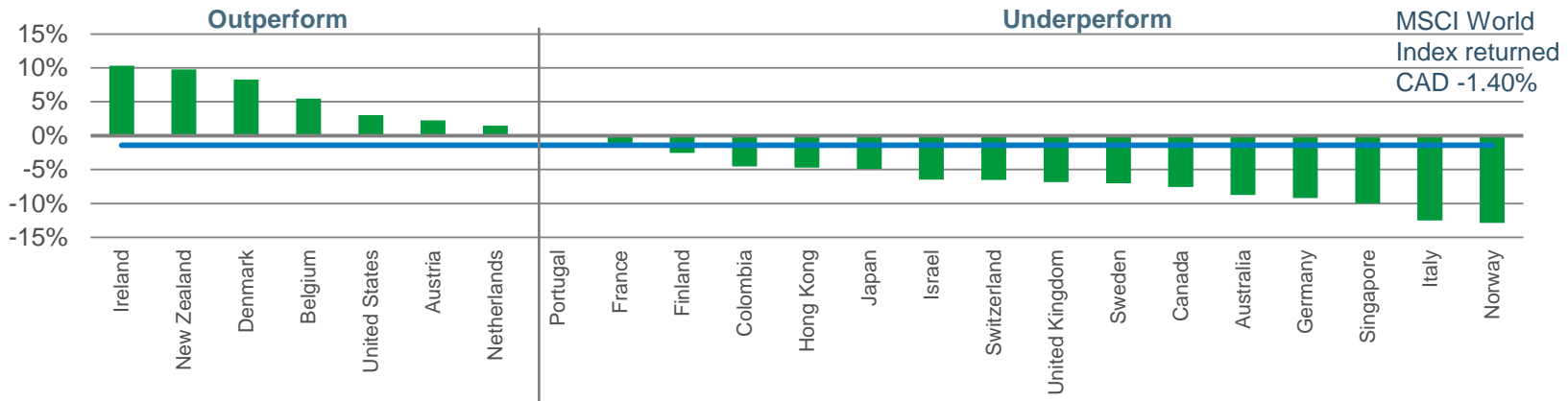
Past performance is not necessarily indicative of future performance

sources: Factset Research Systems Inc., Blackrock

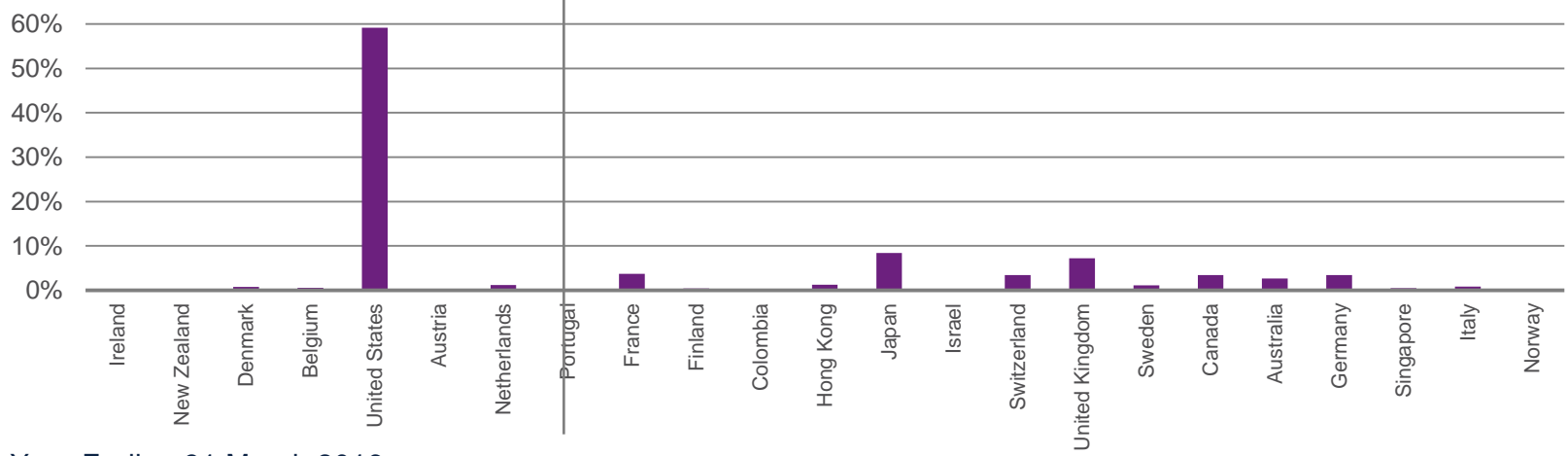
MSCI World Index

Country returns vs. country weights

Country returns



Country weights



1 Year Ending 31 March 2016

Past performance is not necessarily indicative of future performance.

Sources: Factset Research Systems Inc., Blackrock



Fund Rates of Return*

(to March 31, 2016)

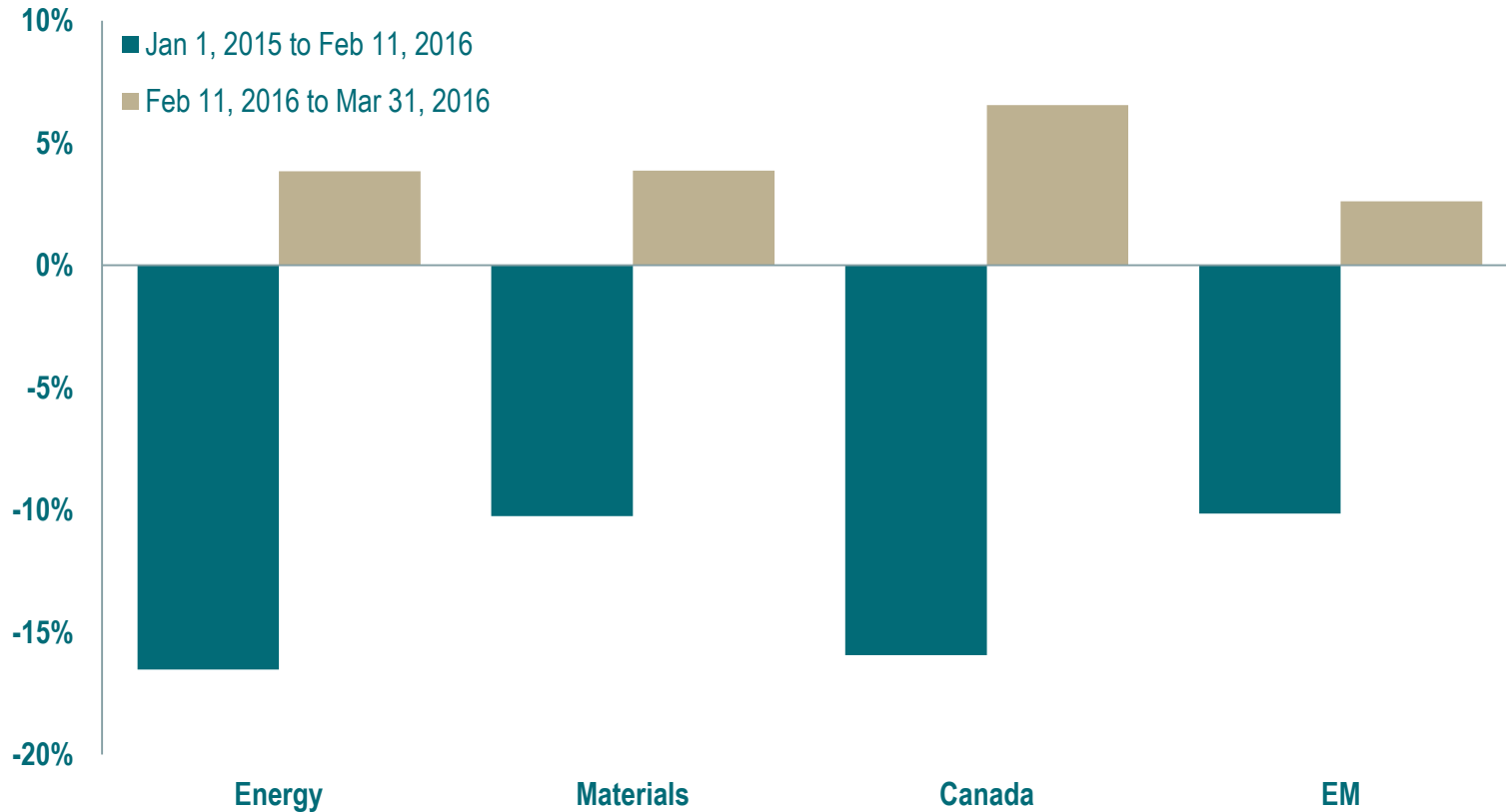
Fund	Q1/2016	1 Yr.	5 Yrs.	10 Yrs.
Balanced Fund	-0.66%	-0.2%	8.33%	6.37%
Bond Fund	1.59%	0.43%	5.10%	5.49%
Canadian Equity Fund	4.23%	-5.3%	4.72%	5.71%
Foreign Equity Fund	-6.25%	0.06%	14.71%	5.94%
Short Term Investment Fund	0.17%	0.76%	1.19%	1.80%

* Before investment manager fees



Change in Equity Leadership

Select Global Relative Equity Index Returns



Source: Thomson Reuters Datastream



Conclusions

- **Returns have been more muted recently and volatility remains quite high**
- **Our large plan size (\$2 billion) allows for lower fees and broader diversification by asset classes and managers**
- **The move to Sun Life did not have an impact on the investment options currently provided**



Thank You!
Questions?



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Systems Analyst

Systems Analyst

Faculty Pension Plan Manager

Member Services Specialist

Member Services Associate

Pension Clerk

Pension Plan Accountant

Communications Manager

Communications Assistant

Project Coordinator

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

