



**UBC FACULTY PENSION PLAN
2021 ANNUAL REPORT**



THE UNIVERSITY OF BRITISH COLUMBIA

TABLE OF CONTENTS

- 3 MESSAGE FROM THE CHAIR & EXECUTIVE
- 4 2021 FINANCIAL HIGHLIGHTS
- 6 2021 MEMBERSHIP HIGHLIGHTS
- 7 INVESTMENT PHILOSOPHY
- 8 INVESTMENT UPDATES
- 9 INVESTMENT FUND PERFORMANCE
- 12 INVESTMENT MANAGER PERFORMANCE
- 13 FPP BOARD OF TRUSTEES
- 13 FPP MANAGEMENT & STAFF
- 14 VISIT FACULTY.PENSIONS.UBC.CA &
[NAVIGATING MYSUNLIFE.CA/FPP](https://NAVIGATING.MYSUNLIFE.CA/FPP)

MESSAGE FROM THE CHAIR AND EXECUTIVE

We are pleased to present the UBC Faculty Pension Plan's ("FPP" or "the Plan") Annual Report for 2021. The FPP Board's priorities continue to be to provide a well-managed and cost-effective pension plan and to keep members informed about the Plan.

It was another extraordinary year for us all. In the fall, the UBC Pension Administration Office, after a 19-month closure due to the COVID-19 pandemic, reopened to members who wished to drop off forms or meet in person with our Member Services team.

We held two online member presentations, which were well-attended. As our members have embraced the virtual platforms during the pandemic, we will continue to offer one-on-one meetings and our pension plan seminars online via Zoom video-conferencing. We invite members to connect with us in the way that best suits them.

Again, it was a very tumultuous year for the global financial markets. The impact of COVID-19 on the markets continued to dominate commentaries from investment managers. Fiscal and monetary responses to the crisis pushed global equity markets to record highs, but also turned investors' attention to inflationary pressures towards the end of the year.

The broad measure of global equities was up 22% for the year. Real estate, particularly industrial properties, also performed exceptionally well. However, investors in the Canadian bond market were not so fortunate. Bonds, dropping over 5% in the first quarter, eventually ended the year down just over 2.5%.

Against this back drop, the FPP Board remains focused on the long term. During 2021, the FPP Board undertook an in-depth review of the current asset mix of the FPP Balanced Fund to determine what changes, if any, should be made to the investment strategy and the underlying investment managers. The FPP Board is focused on the resiliency of the Plan's portfolio structure under different economic scenarios, and to ensuring we continue to provide Plan members with well-diversified, cost-effective investment fund choices under the Plan.

A new strategic asset mix was approved for the Balanced Fund, with increased flexibility in the bond component of the portfolio, and an increased allocation to alternatives (see page 8 for further details). It will take some time to make these changes and we will post updates on the Plan website.

The FPP Fossil Fuel Free Equity and Bond Fund, which opened for contributions on April 1, 2020, continued to attract more assets in 2021 and now has grown to just over \$78 million. It has provided very satisfactory investment returns to the end of the year, but the returns started to weaken towards the end of the year, and turned negative in 2022. The FPP Board plans to review the asset mix of this Fund and determine if other managers or strategies can be added to further diversify it.

The FPP Board and the Pension Administration Office team are committed to providing excellent member service, and to ensuring members continue to be confident about their retirement savings in the UBC FPP.



DR. R. KENNETH CARTY
BOARD CHAIR

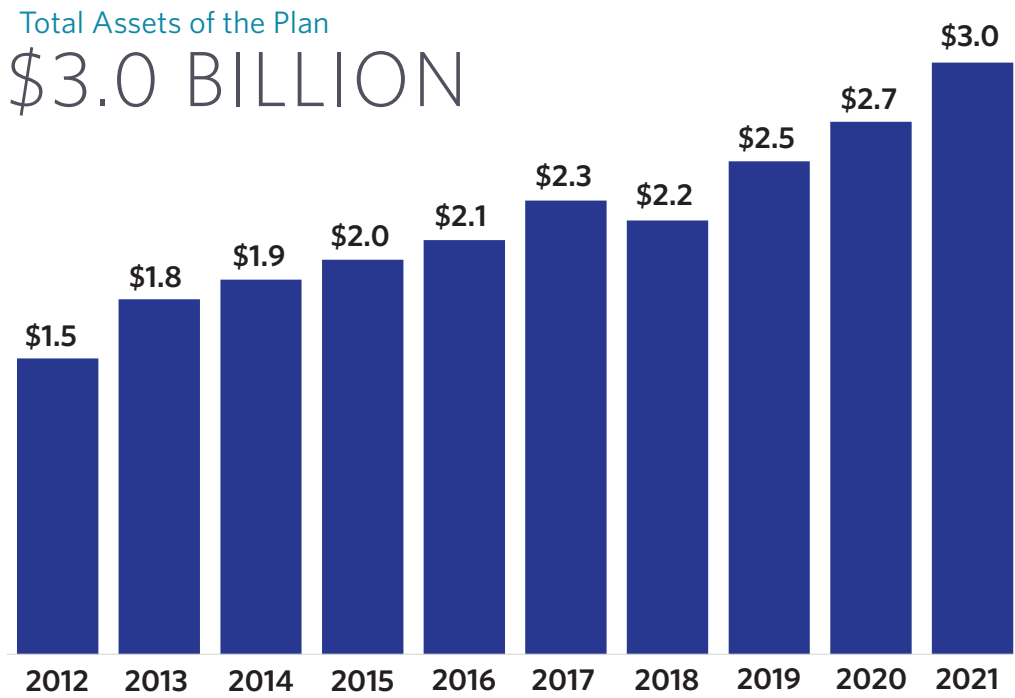


ORLA COUSINEAU
EXECUTIVE DIRECTOR,
PENSIONS

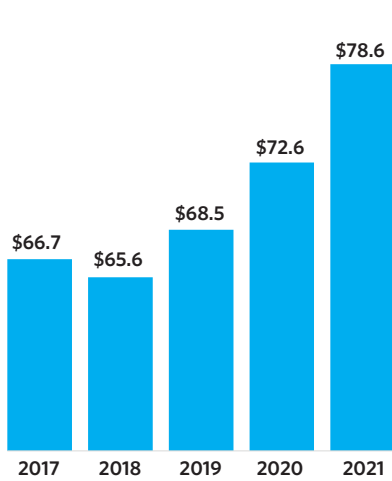


KAMILA GIESBRECHT
EXECUTIVE DIRECTOR,
INVESTMENTS

FINANCIAL HIGHLIGHTS



Total Contributions to the Plan
\$78.6 MILLION



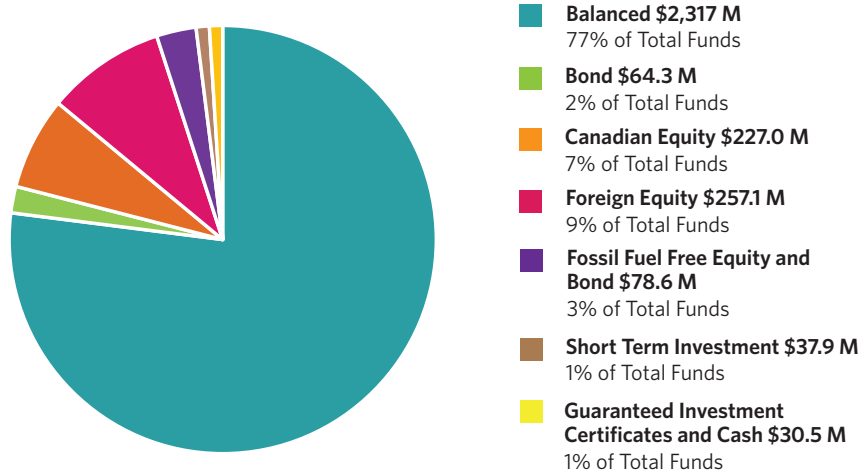
Total Transfers into the Plan
\$9.2 MILLION



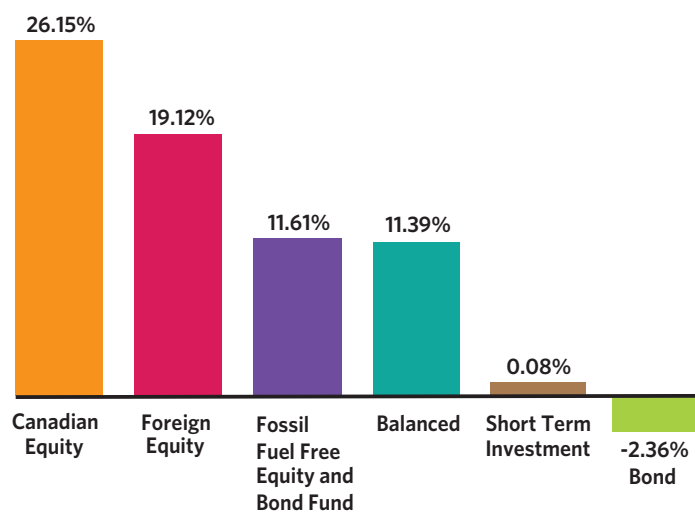
Total Retirement Benefits Paid
\$69.1 MILLION



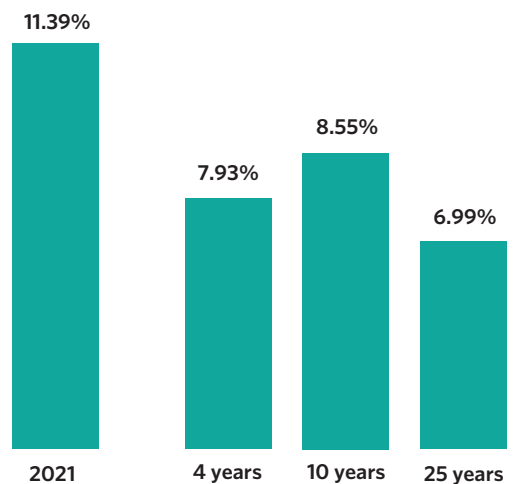
MARKET VALUE OF THE FUNDS as at December 31, 2021



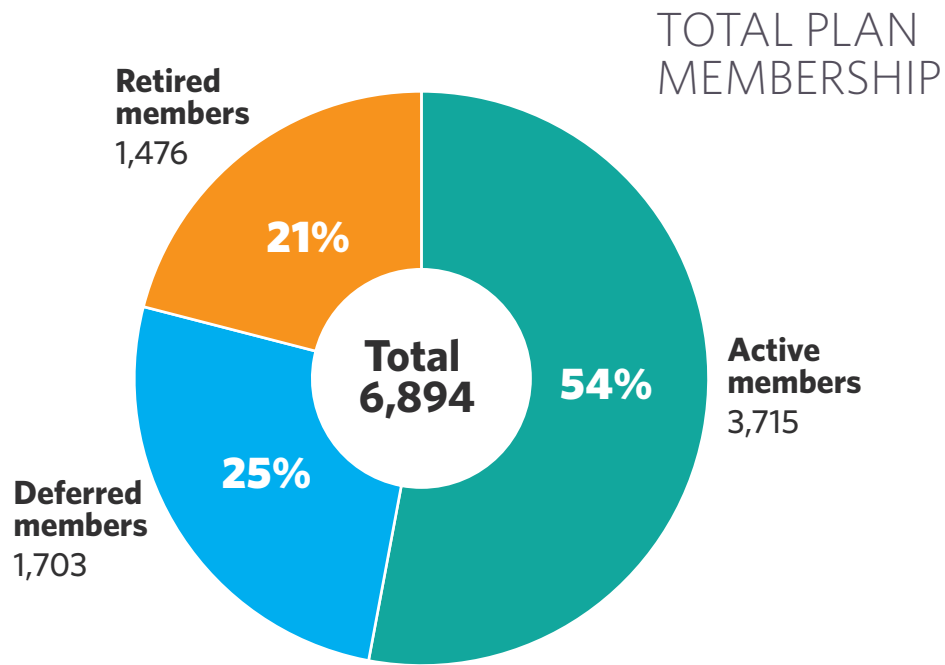
2021 FUND NET RATES OF RETURN



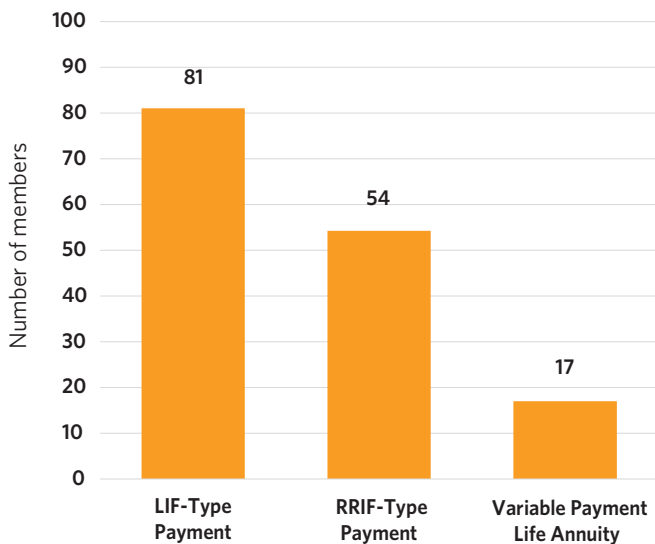
BALANCED FUND ANNUALIZED NET RATE OF RETURN



MEMBERSHIP HIGHLIGHTS



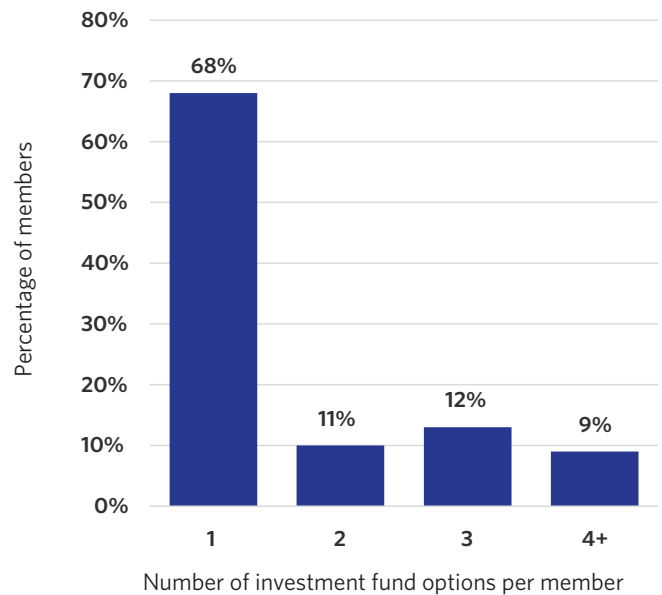
RETIREMENT INCOMES STARTED IN 2021



Total assets transferred to retirement income within the Plan: **\$94.3 M**

80% of retiring members' assets stayed in the Plan

FUND OPTIONS USAGE



INVESTMENT PHILOSOPHY

The FPP is an integral part of saving for retirement for our members. The Plan's objective is to grow each member's funds over time such that at retirement there is sufficient capital accumulated to help fund their retirement years.

The FPP provides a number of different fund options so that members can design an asset mix strategy that meets their unique needs and risk profile. The Balanced Fund option is also provided for those members who prefer a pre-established diverse mix of the various asset classes. It seeks to provide satisfactory long-term growth with moderate year-to-year volatility through a broadly diversified number of asset classes and investment managers.

The FPP hires external investment management firms to invest in each asset class. These are large professional firms that are market leaders in their field. Due to the large asset size of the FPP, we can attract world-class firms to work with us at attractively low fees, and provide a wide range of both asset class and investment manager style diversification.

The FPP employs both active and passive investment strategies within the fund options as some capital markets or asset classes are more efficient than others. Active managers are used where there is a high probability of adding value and/or providing some downside protection in a cost-effective manner over a passive strategy.

We understand that with any investing there are numerous risks involved such as currency risk, interest rate risk, credit risk, inflation risk and high volatility risk. The FPP seeks to mitigate these risks by providing broad diversification across asset classes, manager styles, regional exposures and asset classes that provide some inflation protection. However, we also realize that these risks must be assumed to some degree to be able to earn a meaningful return over time in excess of the inflation rate.

A large number of our members choose to leave their accumulated assets in the Plan after they retire. The FPP provides a number of retirement options to assist members and allow them to continue to invest in our highly diversified, cost-effective funds.

INVESTMENT UPDATES

MARKETS

2021 was an extraordinary year for global equity markets. The fear and uncertainty stemming from COVID-19 in early 2020 gave way to a flood of Central Bank liquidity and government support programs that drove equity markets, and risk assets in general, to record high after record high. The broad measure of global equities was up 22% for the year. Real estate, particularly industrial properties, also performed exceptionally well.

Investors in the Canadian bond market were not so fortunate. Bonds dropped by over 5% in the first quarter, and would eventually end the year down just over 2.5%. That three-month drop to start the year was rare; not since the first quarter of 1994 did the bond market perform so poorly. In fact, only four quarters in the past 160 can claim a loss of 5% or greater. Investors wondered if this was the end of the 40-year bull market for bonds that began all the way back in 1982.

It was also a year in which inflationary pressures finally surfaced, and indeed accelerated. Central Banks and many economists would tout these price pressures as “transitory,” and there was resistance to hiking interest rates amidst ongoing COVID-19 uncertainty.

Ultimately, 2021 may be remembered as the year in which the bond market threw up a large warning sign. At the time of writing, inflationary pressures have skyrocketed. Central Banks are trapped into fighting inflation with tighter monetary policy at a time when a spike in energy prices will be a significant headwind for global economic growth. The early returns are in, and thus far in 2022, both the equity and bond markets are showing that these concerns are warranted.

CHANGES TO UBC FPP BALANCED FUND

There were some interesting developments within the FPP itself, and with the benefit of hindsight, these were well-timed initiatives. The FPP Board concluded a strategic asset mix review, which aimed to boost the robustness of the FPP Balanced Fund across different economic scenarios.

The FPP Board analyzed a number of potential asset mixes but only the ones offering an increased expected return without an increase in expected risk were considered. In fact, the new asset mix provides a slight reduction in the overall risk level while increasing the potential expected return. A new strategic asset mix was approved by the FPP Board, which increases the flexibility in the bond portfolio and increases the allocation to non-public market assets (alternatives). See Figure 1.

Figure 1: Balanced Fund Asset Mix - Current Versus New

	CURRENT	NEW
Universe Bonds	20%	-
Core Plus Bonds	20%	26%
Fixed Income Enhancement Strategies	-	11%
Total Fixed Income	40%	37%
Canadian Large Cap Equities	15%	10%
Global All Cap Equities	30%	33%
Total Equities	45%	43%
Canadian Real Estate	5%	4%
U.S. Real Estate	5%	4%
Global Real Estate	5%	4%
Global Infrastructure	-	8%
Total Alternatives	15%	20%

It will take time to implement all these changes, and it involves the movement of approximately \$650 million in assets. In 2021 and early 2022, assets were deployed to the UBS Global Core Real Estate Fund. The FPP Board completed a search for two global infrastructure managers, and has negotiated contracts with the Brookfield Super Core Infrastructure Fund and CBRE Infrastructure Fund. Assets are expected to be deployed into these funds in 2022.

The FPP Board has also finalized changes to the Plan’s Fixed Income mandates in the first quarter of 2022. However, due to ongoing negotiations, details relating to these changes will be communicated at a later date.

INVESTMENT FUND PERFORMANCE

BALANCED FUND

The positive results in 2021 (11.80%) were primarily driven by strong stock returns. Globally, equity markets capped off a very robust year – the MSCI All Country World Index rose over 22%. Our passive managers tracked their target benchmarks, and despite our active managers producing mixed results versus their respective benchmarks, both delivered solid double digit returns. Overall, the global equity component of the Fund was ahead of its benchmark by 0.95%.

The Canadian stock market rose 25.1%, as measured by the S&P/TSX Composite Index. The Fund’s Canadian equity portfolio delivered strong relative returns, 1.47% ahead of the benchmark. The second quarter index gain of 8.5%, when it broke through the 20,000 level for the first time, helped the TSX lead global markets in 2021. Oil prices, which increased 24.4% in the second quarter, underpinned the strength in the stocks of Canadian energy companies.

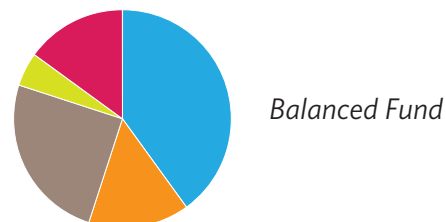
The Canadian bond market was the only part of the public markets in the red most of the year. Bonds dropped by over 5% in the first quarter, and would eventually end the year down just over 2.5%. The Fund’s bond component declined 2.13% in 2021, but managed to exceed its benchmark.

The Real Estate component, now 15% of the Fund’s assets, contributed positively to overall return. Industrial properties performed exceptionally well. Increases to real estate helped offset the negative results from the bond market, and more generally highlighted the benefit of the broadening diversification of our portfolios.

BOND FUND

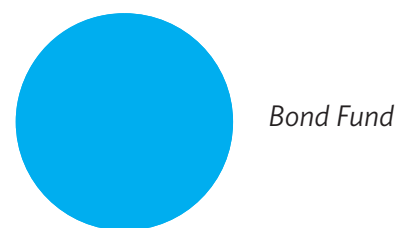
The Bond Fund consists mostly of Canadian bonds. It is managed by three different managers – two who employ an active management strategy, and one who employs a passive strategy. Over the long term, the fund is expected to earn a return between the Short Term Investment Fund and the Balanced Fund.

The Fund posted a return of -2.13%, 0.41% above the benchmark. The positive relative return was largely attributable to our two active bond managers. These managers implement ‘core plus’ strategies, which focus on the Canadian bond market but allows for tactical allocations to foreign bonds, mortgages, high yield bonds, and currencies.



ANNUAL GROSS RATE OF RETURN (%)

	1 year	4 years
Actual	11.80	8.34
Benchmark return	10.07	7.98
Value added	1.73	0.36



ANNUAL GROSS RATE OF RETURN (%)

	1 year	4 years
Actual	-2.13	3.82
Benchmark return	-2.54	3.56
Value added	0.41	0.26

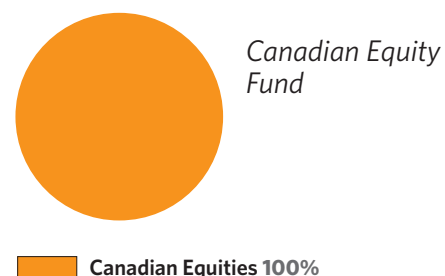
BOND FUND CONTINUED...

At the time of writing, inflationary pressures have accelerated from the previous multi-decade highs seen in late last year and early in 2022. Market participants are now expecting multiple interest rate hikes into slowing economies. It appears that the weakness in the bond market once again foreshadowed volatility in other areas of the capital markets.

CANADIAN EQUITY FUND

Equities are expected to earn the highest long-term average rates of return of the major asset classes with the highest level of risk or volatility. Excess volatility is reduced by diversifying across different investment styles and different active investment managers.

The Canadian stock market index posted a return of 25.1%, a result greatly supported by the energy sector, which in turn was driven by an increasing oil price. Two of our managers provided returns well above the benchmark, with one lagging. Diversification of strategies helped us to finish the year with a great result, 1.47% ahead of the benchmark.



ANNUAL GROSS RATE OF RETURN (%)

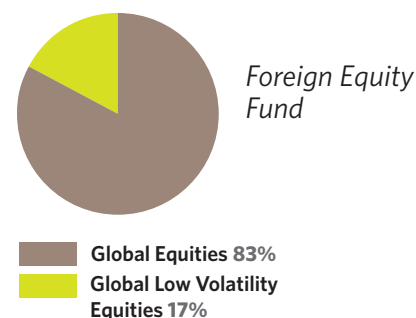
	1 year	4 years
Actual	26.56	10.39
Benchmark return	25.09	10.28
Value added	1.47	0.11

FOREIGN EQUITY FUND

The Foreign Equity Fund is a diversified portfolio of global equities. The returns are affected by changes in currency exchange rates and excess volatility is reduced by diversifying across different investment styles, different countries and different investment managers. It is managed by two active managers and one passive manager who has two different mandates.

The Fund had strong performance in 2021, posting a return of 19.64%, ahead of its benchmark by 0.95%. Of our two active global managers, one significantly outperformed the global stock index while the other manager underperformed. The two passive strategies performed close to the benchmark.

Globally, markets capped off a very positive year. However, it was noted that the global economic recovery of 2021 started to slow its pace towards the end of the year, and with emerging distinctions between industries. Notably, energy prices continued to push higher, extending the energy sector's winning streak and putting those in the "inflation is transitory" camp — not to mention managers of fossil fuel free funds — in uncomfortable positions.



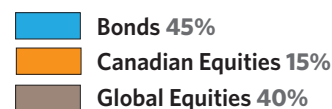
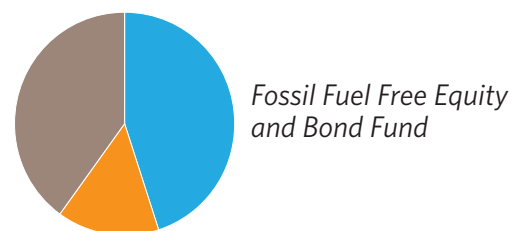
ANNUAL GROSS RATE OF RETURN (%)

	1 year	4 years
Actual	19.64	12.78
Benchmark return	18.69	12.32
Value added	0.95	0.46

FOSSIL FUEL FREE EQUITY AND BOND FUND

This Fund is designed to enable investors to exclude investments in fossil fuels such as thermal coal, oil and natural gas used for energy purposes, while investing in a diversified, actively managed, quality-focused portfolio of bonds and stocks. The portfolio carbon footprint is actively managed to deliver a materially reduced emission intensity.

The Fund delivered strong results in 2021, with contributions coming primarily from industrials. The Fund finished the year up 11.95%, ahead of its benchmark by 1.59%. Both absolute and index-relative returns started to weaken toward the end of the year, and both turned negative in 2022 as the energy sector was an uncommon bright spot in volatile equity markets. This illustrates the risk which members need to consider when investing in any portfolio which eliminates exposure to one or more key sectors of an economy.



ANNUAL GROSS RATE OF RETURN (%)

	1 year	4 years
Actual	11.95	n/a
Benchmark return	10.36	n/a
Value added	1.59	n/a

SHORT TERM INVESTMENT FUND

The Short Term Investment Fund (STIF) is the Plan's lowest risk/lowest return option. It typically produces a return similar to prevailing short-term interest rates in Canada.

As expected, returns were low in absolute terms and in line with the benchmark.



ANNUAL GROSS RATE OF RETURN (%)

	1 year	4 years
Actual	0.20	1.10
Benchmark return	0.17	1.01
Value added	0.03	0.09

INVESTMENT MANAGER PERFORMANCE

Asset Class Manager	Gross Rates of Return (%)	
	For periods ending December 31, 2021	
Index-based Benchmark	1 year	4 years
Canadian Equity		
Connor, Clark & Lunn Q-Growth Fund (active)	26.69	11.58
Guardian Capital LP (active)	23.46	9.25
Jarislowsky Fraser (active)	24.56	n/a
Leith Wheeler Investment Counsel (active)	29.47	10.36
S&P/TSX Composite TR	25.09	10.28
Non-Canadian Equity		
Arrowstreet Capital (active)	24.93	14.80
MSCI World Investable Market Index	20.01	13.05
BlackRock MSCI ACWI ex Canada Index (passive)	17.49	12.11
MSCI ACWI ex Canada Index	17.32	12.45
BlackRock MSCI World ex Canada Minimum Volatility Index (passive)	13.84	8.35
MSCI World ex Canada Minimum Volatility (CAD) Index	13.71	8.13
Jarislowsky Fraser (active)	21.36	n/a
MSCI World Index, Net (CAD) Index	20.79	n/a
MFS (active)	17.65	13.10
MSCI World ex Canada Net (CAD) Index	20.65	13.65
Fixed Income		
AllianceBernstein (active)	-1.52	3.56
BlackRock Universe Bond Index (passive)	-2.57	n/a
Jarislowsky Fraser (active)	-2.35	n/a
PIMCO Canada Corp. (active)	-1.95	4.62
FTSE TMX Canada Universe Bond	-2.54	3.51
Real Estate		
BentallGreenOak (active)	15.68	7.95
Consumer Price Index + 4%	8.80	6.43
CBRE U.S. Core Partners (active)	32.66	n/a
NFI-ODCE	21.17	n/a
Money Market		
Sun Life Financial Money Market (active)	0.21	1.11
FTSE TMX Canada Cdn 91-Day Treasury Bill	0.17	1.01

* net of all fees

TOTAL FUND MANAGEMENT FEES*

Balanced Fund	0.45%
Bond Fund	0.26%
Canadian Equity Fund	0.38%
Foreign Equity Fund	0.49%
Fossil Fuel Free Equity and Bond Fund	0.34%
Short Term Investment Fund	0.13%

* effective December 31, 2021 and include all the operating expenses and investment management fees.

BOARD OF TRUSTEES

The UBC Faculty Pension Plan is administered by a Board of Trustees comprising eight trustees. Four trustees are elected by and from the members of the Plan and four are appointed by the University. The responsibilities of the Board are outlined in detail in the Plan's Governance Policy, available on the Plan's website.

APPOINTED BY THE UBC BOARD OF GOVERNORS

DR. R. KENNETH CARTY, CHAIR

Professor Emeritus, Political Science
Term expires December 31, 2022

DR. JOYCE BOON

Associate Professor Emerita, Biology, UBC Okanagan
Term expires December 31, 2024

DR. MURRAY CARLSON

Professor, Sauder School of Business
Term expires December 31, 2022

DR. PAM RATNER

Professor, School of Nursing
Term expires December 31, 2024

ELECTED BY PLAN MEMBERS

DR. ROBERT L. HEINKEL, VICE-CHAIR

Professor, Sauder School of Business
Term expires December 31, 2023

DR. JOY BEGLEY

Associate Professor Emeritus, Sauder School of Business
Term expires December 31, 2025

DR. MARTIN COMYN

Retired TRIUMF Research Scientist
Term expires December 31, 2023

DR. LORENZO GARLAPPI

Professor, Sauder School of Business
Term expires December 31, 2025

MANAGEMENT AND STAFF

ORLA COUSINEAU

Executive Director, Pensions

LILY LEE

Member Services Associate

KATHY PANG

Communications Manager

KAMILA GIESBRECHT

Executive Director, Investments

LOUISE MAH

Pension Clerk

CHELSEY MAHER

Communications Coordinator

DEBBIE WILSON

Director, Pensions

MARICRES DE LEON

Pension Plan Accountant

SARAH HALVORSON

Office Administrator

DIANA IAMPIETRO

Manager, Faculty Pension Plan

HELENA HUYNH

Systems Analyst

MEGHA GUPTA

Administrative Assistant

LORRAINE HESELTINE

Member Services Specialist

VISIT FACULTY.PENSIONS.UBC.CA

The FPP website contains a wealth of information, such as:

Overview: General information about the FPP including eligibility and enrolment, contributions, and benefits of being an FPP member.

Investments: Detailed information about the FPP investment options as well as investment education and performance and a quarterly market commentary.

Life Events: Information about various life events including designating a beneficiary, leaving UBC before retirement, retirement income options available within and outside of the FPP, marital status changes, leaves of absences and more.

Plan Governance: Learn about how the FPP is governed and view annual reports and financial statements.

Forms & Resources: A comprehensive library of guides and information sheets, presentations, videos and webcasts about the FPP as well as a repository of forms.

News & Events: Read Plan newsletters or sign up for an in-depth New Member or Retirement Income Options Seminar.

Contact Us: Our Member Services teams at the UBC Pension Administration Office and at Sun Life are happy to assist members with their questions.

NAVIGATING MYSUNLIFE.CA/UBCFPP

The following are some of the key things that members can do when they log into their account at mysunlife.ca/ubcfpp:

Learn more about your investments through Morningstar®

Select **Investment performance** from the menu on the right-hand side of the **Home** page. Click on each fund name to see information about the fund from **Morningstar®**.

Change your investment selections

Select **Requests** > **Change investments** and follow the prompts.

Use the tools and calculators, including the Retirement Income Estimator, Contribution Estimator and Asset Allocation tool

Tools and estimators for different scenarios are available at mysunlife.ca/ubcfpp. Sign in and select **my money tools** from the menu on the right-hand side of the **Home** page. Then select the specific tool or estimator that you wish to use and follow the prompts.

To access the **Contribution Estimator** select **my financial centre** > **Requests** > **Contribute**.

Access your statements

Select **Statements** from the menu on the right-hand side of the **Home** page.

See your Personal Rates of Return

Select **my financial centre** > **Accounts** > **Personal rates of return**.

Access fee information

Select **my financial centre** > **Accounts** > **Account fees**.