

STAFF PENSION PLAN UPDATE

Newsletter published by the Pension Board for members and beneficiaries of The University of British Columbia Staff Pension Plan.



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Dear Plan Members:

I am pleased to present the May 2010 Annual Report issue of the *Staff Pension Plan Update*. The Pension Board and Pension Administration Office (PAO) staff hopes you find this issue, which includes a review and investment summary of 2009 as well as important news and upcoming events, helpful and interesting.

Staff Pension Plan (SPP) 2009 Year in Review

Check out pages 2 and 3 for a comprehensive summary of 2009 Plan highlights and changes, membership statistics, staff and director updates, and 2010 initiatives.

UBC IMANT Investment Report

The UBC IMANT investment report highlights market activity and how the SPP Funds were invested in 2009. The report, found on pages 4 through 7, also includes a breakdown of returns by asset class and manager, asset mix, and changes in fund managers.

Annual Statements

2009 Annual Statements for Active and Deferred Members are included with this issue of the Staff Pension Plan Update. Refer to page 8 to learn more about your statement.

Contribution Refund – Plan's Minimum Guarantee

When leaving the University, Plan members receive a minimum refund guarantee on their contributions. To learn how this refund is calculated refer to page 8.

SPP 2010 Information Sessions and Workshops

Do you want to better understand your pension plan? Attend one of our information sessions or workshops which are held throughout the year. See page 8 for upcoming dates and times.

Election

Two Pension Board directors will be elected this fall. A call for nominations as well as key dates and nomination procedures will be sent to members in September. If you are interested in running for one of these two positions, contact Jay Parker, Secretary to the Board, regarding the responsibilities and duties of Board members.

As always, the latest news on the Staff Pension Plan is available on our website www.pensions.ubc.ca/staff. We are also looking forward to seeing you on May 27 at the Pension Fair. It will be a great opportunity for you to ask directors of the SPP Pension Board, IMANT personnel, and the Pension Administration staff questions regarding your pension plan.

Brian Evans, CHAIR

Upcoming Events

SPP Pension Fair, May 27, 2010

Mark your calendars! Included in this issue of the *Staff Pension Plan Update* is an invitation to the SPP Annual Pension Fair. This year the event is taking place on Thursday, May 27, 2010, from 11:30 am to 1:15 pm in The Arbutus Room, Ponderosa Centre, 2071 West Mall. See the insert for more details.

What's inside

2009 Year in Review	2
UBC IMANT Report 2009	4
Annual Statements	8
Contribution Refund – Minimum Guarantee	8
2010 Info Sessions and Workshops	8

This material has been compiled by the Staff and Pension Board Members of The University of British Columbia Staff Pension Plan from information provided to them and is believed to be correct. If there is any inconsistency between the contents of this newsletter and the pension plan trust or legislation, the trust and legislation will prevail.

2009 Year in Review

By the end of 2009, the Plan's assets recovered to \$723 million as of December 31, 2009. While these results are encouraging, the Pension Board continues to pursue ways to improve the Plan, as well as implement cost reduction strategies to increase security for member pensions with full indexing.

2009 Financial Highlights

The Plan's gross rate of return was 6.9% as reported by API, the Plan's performance measurement firm. Cash flow increased to \$11.4 million. Contributions were \$45.7 million and payments/expenses were \$34.3 million. Operating and investment expenses were approximately 0.22% and 0.30% respectively compared to 0.17% and 0.29% in 2008.

Two key areas of focus for the Pension Board were Plan equity and providing retirement benefits with full indexing. In the wake of the 2008 global market meltdown, full indexing became increasingly important in 2009.

Plan Changes Effective July 1, 2009

Several changes made to the Plan, effective July 1, 2009, were designed to enhance retirement pensions and members' retirement security. To ensure the Plan is fair and equitable for all members, the Board approved a flat member contribution formula (6.5% of pensionable earnings) and a flat pension benefits formula (1.8% x pensionable earnings x service). A summary of major changes to the Plan is provided in the February 2009 issue of the *Staff Pension Plan Update* available online at www.pensions.ubc.ca/staff/library.html.

Amendment of the Commuted Value Lump Sum Option for Members Age 55 and Older

The UBC Board of Governors approved the Pension Board's recommendation to remove the commuted value lump sum option for members age 55 and older. This change is effective for members who retire on or after January 1, 2011.

The Pension Board is concerned about the size of the commuted value lump sum payments made to retiring members. These lump sum payments, which are a result of today's low interest rate environment, the plan design and the University's fixed contributions, directly impact the Plan's liabilities as the higher costs are borne by current members. After careful consideration of all possible liability-reducing options and on advice of the

Plan's Actuary and Legal Counsel, the Pension Board recommended the removal of the commuted value lump sum option. The other remaining pension options will continue unchanged.

In 2008, the Staff Pension Plan experienced a significant loss in assets (\$169.3 million as reported in the 2008 Financial Statements) because of the market downturn in the latter half of that year. The next Actuarial Valuation to determine the Plan's ability to pay pension benefits will be conducted as of January 1, 2011, so it was imperative to recommend the implementation of this change before that time.

For additional details about this important change, a comprehensive guide including frequently-asked questions and answers is available at www.pensions.ubc.ca/staff/cv_option_amendment.html.

Membership Statistics

Plan membership has increased 4.5% from 2008, bringing the total membership to 9,262 as of December 31, 2009. Membership includes *Active* (current UBC employees), *Deferred* (past UBC employees), and *Retired* (retired UBC employees) members. The SPP provides retirement, termination, and death benefits for these groups.

The average age of *Active* members is 44.6 years.

The Plan has a statistically-even distribution by age with the core group from age 28 to 62. The financial health of Defined Benefit plans like the UBC Staff Pension Plan depends to some degree on the contributions of younger members to help finance the pension benefits of retiring members. As of December 31, 2009, there were 6,224 *Active* members.

In 2009, there was a 6.7% increase in the number of *Deferred* members (1,570), representing 17% of the total membership. These are members who have left the University, left their pension in the Plan and have not made an election.

The number of Retired members (1,468) increased by 2.0% in 2009, with the majority of retirements occurring at age 55 and 65.

2009 Plan Membership

Active	6,224
Deferred	1,570
Retired	1,468
Total	9,262

Pension Administration Office (PAO) Update

The staff in the Pension Administration Office (PAO) provides administration services for the University, Pension Board and Staff Pension Plan. In 2009, the PAO bid farewell to Jing He, Pension Plan accountant, who had been with the PAO family for five years. The PAO also welcomed new people including Michelle Tran, Enrollment and Benefits clerk, and Kathy Pang, Communications Coordinator.

In 2009, the PAO made improvements to myPension, a customized tool for Active members (current UBC employees) to access their personal pension information. By using myPension, they can also review their beneficiaries, review their contributions and service accruals, and calculate pension estimates to better understand pension income for retirement planning. Learn more about these improvements and instructions for using myPension by referring to the November 2009 issue of the *Staff Pension Plan Update* at www.pensions.ubc.ca/staff/publications/newsletters/2009-11.pdf.

Pension Board Update

The Pension Board welcomed both Susan Claybo (appointed for the term of January 1, 2009 to December 31, 2012) and Tim Lawler (elected for the term of January 1, 2009 to December 31, 2012) as new directors. Congratulations were also extended to Alan Marchant on his re-election to the board for the term of January 1, 2009 to December 31, 2012, and Jay Parker on his four-year term reappointment commencing on January 1, 2010.

Plan Advisors

AON Consulting: *Actuary*
 Deloitte & Touche LLP: *Auditors*
 Mercer (Canada) Limited: *Communication*
 RBC Dexia Investor Services: *Custodian*
 Lawson Lundell LLP: *Legal Counsel*

2010 Initiatives

Improving and expanding member education is a primary focus for 2010. We currently offer monthly SPP 101 Information Sessions, and in conjunction with Organizational Learning and Development (ODL), offer MOST courses for groups under age 50, and ages 50 and older. SPP ‘geteducated’ sessions at departmental venues are also in development to ensure members have an opportunity to learn more about the Plan and ask pension-related questions. We are also planning information sessions at the UBC Okanagan campus and UBC hospitals so those members can learn more about the Plan without having to travel to the Vancouver campus.

SPP Workshop for UBC Okanagan Plan members – May 20, 2010. Visit www.pensions.ubc.ca/staff/workshops.html for more details.

Another 2010 initiative is to enhance our ‘going green’ philosophy. To this end, we are evaluating various ways to provide electronic communications for our members, including an online subscription to our *Staff Pension Plan Update* newsletter.

UBC Investment Management Trust (IMANT) Report 2009: From Economic Turbulence to Market Recovery

The UBC Staff Pension Plan's gross rate of return for 2009 was 6.9% compared to the median return of 16.2% reported in API's Balanced Universe report. API is the Plan's performance measurement firm; the Balance Universe report provides detailed information about institutional balanced portfolios, primarily from pension plans, endowments, and foundations.

The Markets

Steep declines in the equity markets continued through the first quarter of 2009. By early March, most major equity markets had declined 50% to 60% from previous highs before heading towards recovery. Although rebounds have been significant, most equity markets, including returns from March through December 2009, were still 20% below previous highs. During the year, the value of the Canadian dollar increased relative to most major currencies: it appreciated 16% relative to the U.S. dollar,

and 14% and 20% relative to the Euro and Japanese Yen. This appreciation reduced the actual return from non-Canadian investments, with the S&P 500 appreciating 26% and EAFE 32% (non-North American) in U.S. dollars.

Over the past 10 years, the performance of U.S. and EAFE markets for Canadian investors has shown negative annualized returns, which negated diversification benefits. The following table highlights major capital market returns by asset class to December 31, 2009.

Asset Class	Q4 09	Q3 09	Q2 09	Q1 09	1 Yr	4 Yr	10 Yr	20 Yr
Cash	0.1	0.1	0.1	0.3	0.6	3.1	3.3	4.9
Bonds	-0.2	2.7	1.3	1.5	5.4	4.9	6.7	8.4
Canadian Equities	3.9	10.6	20.0	-2.0	35.1	3.9	5.6	8.1
U.S. Equities	4.1	6.4	6.9	-7.8	9.1	-3.2	-4.0	7.7
Non-NA Equities	0.3	10.0	16.0	-10.8	13.7	-1.4	-2.0	3.6
Emerging Markets	6.6	11.4	24.3	4.6	54.5	8.9	6.7	10.0
Hedge Funds ¹	-0.5	-4.0	-3.4	5.1	-5.1	-1.6	0.3	6.5
Real Estate ²	0.2	0.5	-0.9	-0.2	-0.5	8.9	1.5	7.7
Private Equity ³	N/A	-2.0	-3.8	-0.4	-8.9	5.7	5.1	12.5
USD/CAD Change ⁴	1.9	8.4	8.4	-2.8	16.4	2.6	3.2	0.5
EURO/CAD Change	4.6	3.9	2.5	2.0	13.7	-2.1	-0.3	-0.6
YEN/CAD Change	6.6	0.7	5.4	6.1	20.0	-3.2	2.3	-1.7
GBP/CAD Change	1.4	11.4	-5.8	-0.7	5.8	4.3	3.3	0.6

¹ HFRI Fund of Funds Conservative Index (net of fees, C\$, last 4 months returns are subject to revisions)

² ICREIM/IPD Canada Property Investors Digest

³ Cambridge Associates LLC U.S. Private Equity (net of fees & carry, 1 to 20 year returns lagged one quarter, C\$)

⁴ Based on Bank of Canada Noon Rates (Current, 1, 4, and 10 Year) and OANDA Corporation (20 Year)

The Fund's Asset Mix

On behalf of the SPP members, the IMANT Board of Directors and staff determine the asset mix to manage the Plan's liabilities. IMANT oversees the selection of investment managers and fund allocations, and monitors investment performance and investment alternatives. IMANT regularly reports to UBC's Board of Governors.

Due to a strong return to positive numbers for the public markets and no additional new mandates for real estate or private equity during the year, the overall asset mix moved closer to the long-term policy mix targets. The lower U.S. equity allocation occurred late in the year as the Fund's investment in the portable alpha program for U.S. equity

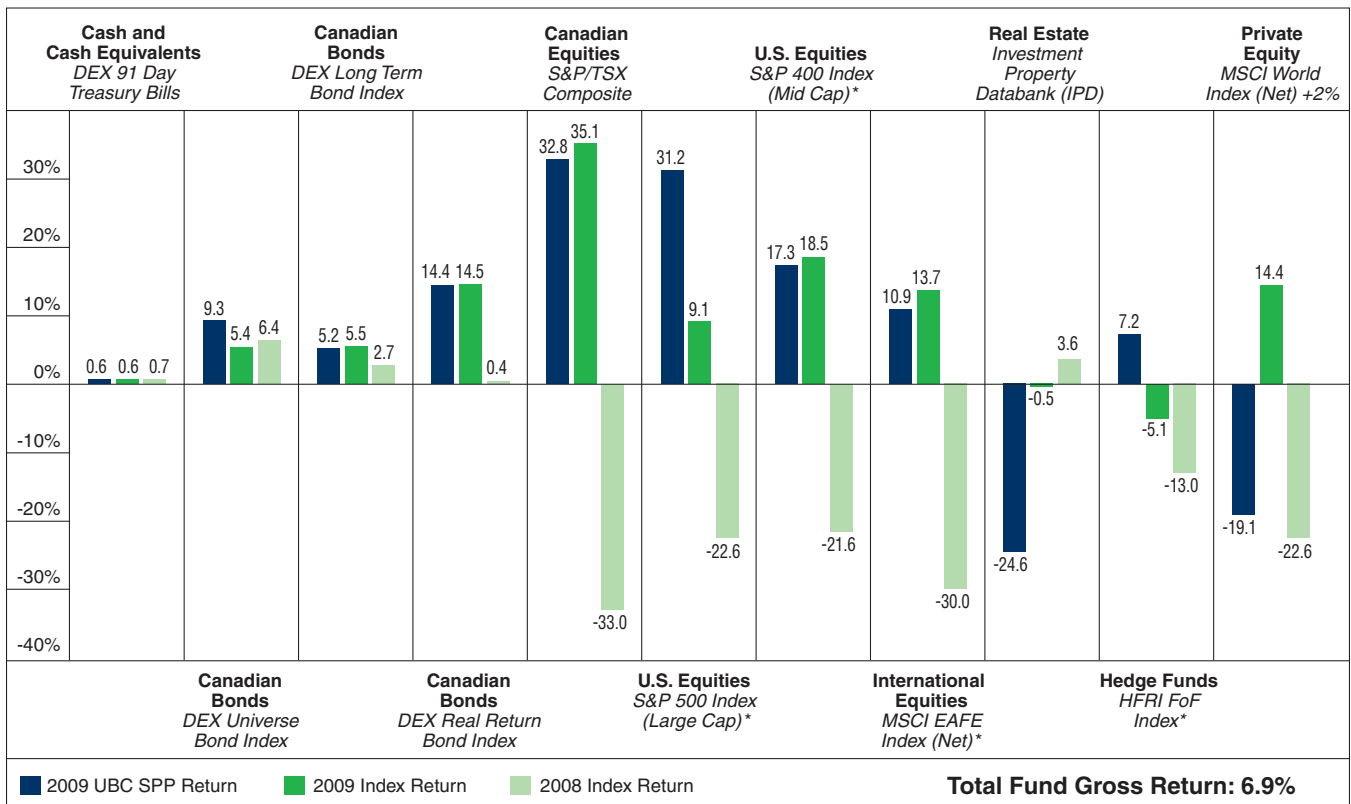
was terminated and the assets were reallocated to hedge funds. Additional investments in U.S. equities are planned for 2010 as hedge fund investments are reduced to bring the mixes into line. Allocations to private equity and real estate were beneficial for overall Fund performance in 2008 relative to public markets; however, the opposite occurred in 2009 as the public markets sharply rebounded while private equity and real estate markets continued to experience negative results. The following table details the IMANT Board's *Approved Asset Mix*, as well as the *Actual Asset Mix as at December 31, 2009*, and the *Asset Mix as at December 31, 2008* for comparative purposes.

	Asset Class	Approved Asset Mix	Asset Mix Dec. 31, 2009	Asset Mix Dec. 31, 2008
Fixed Income	Bonds – Universe (Including Cash)	25.0%	21.2%	16.2%
	Bonds – Long Bonds	5.0%	4.9%	6.3%
	Bonds – Real Return Bonds	5.0%	5.3%	5.8%
	Total Fixed Income	35.0%	31.3%	28.3%
Equity and Alternatives	Canadian Equity	15.0%	15.1%	12.0%
	U.S. Equity	12.5%	6.7%	13.5%
	EAFE/Global – Equity	12.5%	15.2%	12.0%
	Real Estate/Infrastructure	10.0%	10.4%	14.6%
	Hedge Funds	10.0%	13.6%	10.0%
	Private Equity	5.0%	7.6%	9.6%
	Total Equity and Alternatives	65.0%	68.7%	71.7%
Total Fund		100%	100%	100%

2009 Rates of Return

The IMANT Board and staff are also reviewing the current asset mix and investment strategies within asset classes. Working with the University and Pension Board, risk/return tradeoffs will be better defined and implemented through revised investment policies.

The table below shows the returns of the major capital markets by asset class (the benchmark indices) as well as the SPP asset class returns. The performance of the Fund’s investment managers is measured against these benchmarks with the goal of meeting or exceeding the relevant index over time.

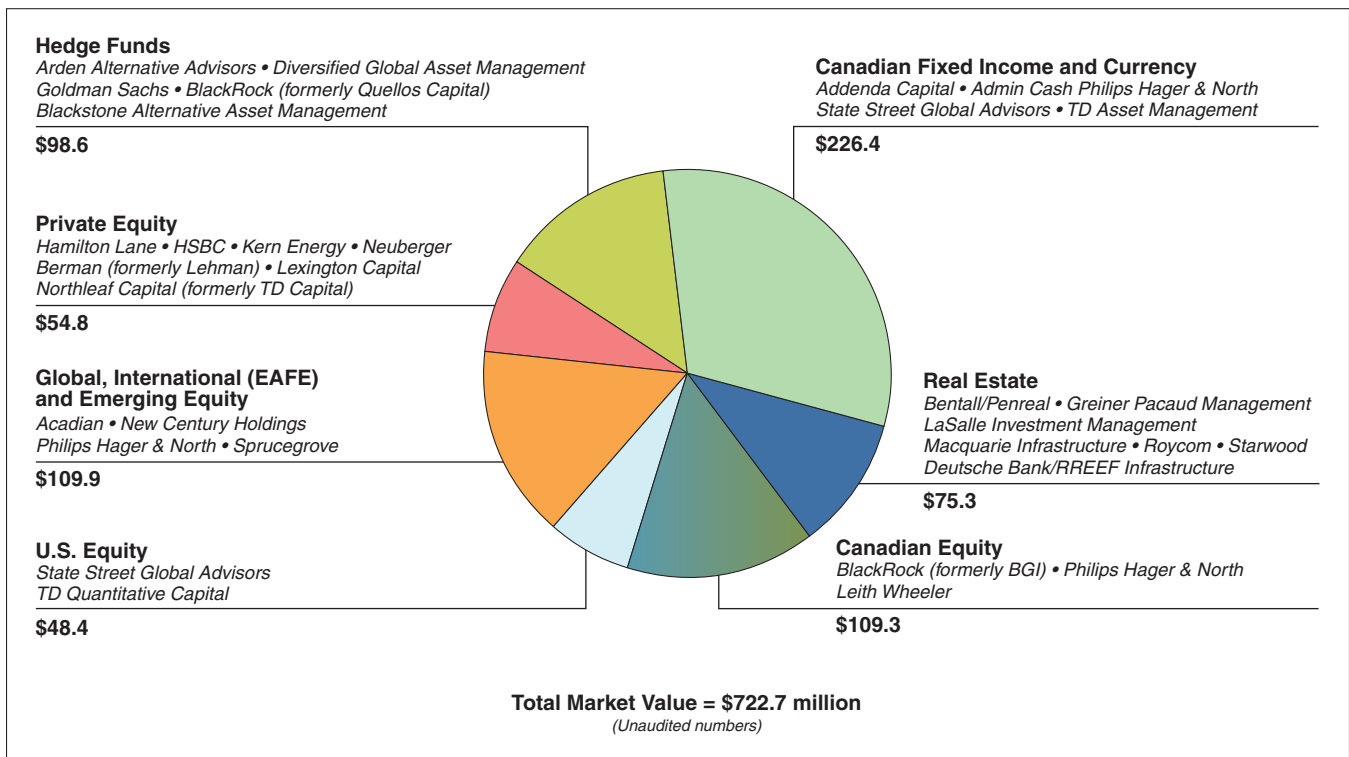


* All returns are based on Canadian dollars

The Fund's investment managers in fixed income, U.S. equity and hedge funds were positive relative to their benchmarks, whereas the managers underperformed for Canadian and EAFE equity. The largest variances in benchmarks were for private equity and real estate. This underperformance is in part a benchmarking issue. In the case of real estate, the investments included an allocation to Opportunistic (development focus) real estate funds, which significantly underperformed relative to Core real estate (existing office, commercial or industrial), which make up the majority of the IPD benchmark. With the lag time in valuations for private equity and the strong rebound in public equity markets relative to the benchmark, the funds have underperformed over the year. Longer term real estate (10 years) and private equity (4 years) have exceeded their benchmarks and public markets.

Fund Managers

The following chart highlights the managers retained by the SPP as at December 31, 2009. The fund managers are listed by asset class, indicating the investment value in millions of dollars. During the year, additional assets were allocated to most of the public asset managers as the Fund was rebalanced to its long-term target asset mix. While no new investment mandates were added in 2009, the Fund's investment in the Barclays Multi-Strategy hedge fund was redeemed and the Fund is currently redeeming its investment in the Diversified Global Asset Management hedge funds. With the wind-up of the portable alpha program, the relationship with Northwater was also terminated.



SPP Fund Performance

The following table illustrates the SPP Fund gross rate of return for the last ten years in comparison to the API median gross rate of return for other pension plans, endowment funds, and foundations.

SPP Gross Rate of Return versus API Median Gross Rate of Return*

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
API Median Gross ROR	10.5	0.6	-4.4	13.5	10.0	11.5	12.6	2.2	-14.8	16.2
Total SPP Fund Gross ROR	2.6	-3.3	-7.1	14.8	11.1	12.2	14.3	2.2	-18.1	6.9

* Source: API Asset Performance Inc. – Balanced Universe: Segregated Preliminary as at December 31, 2009.

Directors of UBC IMANT (as of December 31, 2009)

Peter W. Webster, CHAIR

*President and Chair,
Petwyn Investments Ltd.*

Philip A. Falls

*President and Chief Executive Officer,
UBC IMANT*

Maureen Howe

*Former Managing Director,
RBC Capital Markets
UBC Board of Governors Member*

Bill Levine

*Director, Western Corporate Enterprises
Chair of UBC Board of Governors
Finance Committee*

Tracey McVicar

*Managing Director,
CAI Capital Management*

Daniel F. Muzyka

*Dean, RBC Financial Group
Professor of Entrepreneurship,
Sauder School of Business*

Pierre Ouillet

*Vice President, Finance
Resources and Operations, UBC*

Dale Parker

Chair, Translink

Nicole Byres

Partner, Clark Wilson

Andrew Saxton a founding member of the Board completed his term during the year and **Bob Wallis** stepped down from the Board.

Directors joining the Board (as of March 2, 2010)

Sarah Boatman (Director, Business Development & Strategy, Microsoft Canada)

Paul Haggis (Corporate Director, former President and CEO of OMERS)

Jai Parihar (Corporate Director, former Chief Investment Officer of Alberta's provincial investment group, AIMco)

Cheryl Yaremko (Chief Accounting Officer, BC Hydro)

UBC IMANT Staff (as of December 31, 2009)

Philip A. Falls

*President and Chief
Executive Officer*

Roger Polishak

*Director, Manager Relations
and Investment Operations*

Sharon Siu

Associate, Analytics and Research

Susan Bibbs

Administration Manager

The Staff Pension Plan's audited financial statements for 2009 will be posted on the SPP website as soon as they are available, likely by mid May 2010. Please refer to www.pensions.ubc.ca/staff. Under *Quickfinds* on the right, click on *Library*. A link to the summarized financial statements will appear under *Library – Recent*.

Annual Statements

Active and Deferred* members will have received their 2009 Annual Statement with this issue of the *Staff Pension Plan Update*.

Members are encouraged to review their statements for any errors in beneficiary information, birth date, contributions, and pensionable service. If any personal information needs to be revised or updated, please circle it on the statement, and return the statement with your comments to the Pension Administration Office by fax to **(604) 822-9471**, or mail a copy to the address provided. We will respond to member inquiries as quickly as possible.

Members who joined the Plan in 2010 will not receive their first statement until 2011, as statements are calculated as of December 31 of the prior year. However, Active members (current UBC employees) can view their benefit information at any time by using their CWL account to log into myPension. myPension can be accessed by clicking on the CWL Login button on the main page of the SPP website.

* Only Deferred members under the age of 55 will receive a Deferred Annual Statement. Deferred members age 55 and older will not receive a Deferred Annual Statement; instead, they will receive an Annual Retirement Information Package. In the event you have not received your package and are approaching retirement, please submit your current address, phone number, e-mail address, and a request for your Retirement Information Package by e-mail to spp@hr.ubc.ca.

Contribution Refund – Minimum Guarantee

A Contribution Refund is the minimum guarantee the Plan provides to members when they leave UBC. Contribution refunds are calculated at a *minimum* of 1.5 times the member's contributions plus interest. Contributions made by members before July 1, 2009 are calculated under a double refund guarantee plus interest, and any contributions made on and after July 1, 2009 are calculated at a 1.5 times refund guarantee plus interest. Please refer to the examples below to learn how a minimum refund guarantee is calculated:

EXAMPLE 1:

A member who has *only* made contributions **before July 1, 2009**. This member's contribution refund is calculated at 2 times their contributions plus interest.

EXAMPLE 2:

A member who has *only* made contributions **on and after July 1, 2009**. This member's contribution refund is calculated at 1.5 times their contributions plus interest.

EXAMPLE 3:

A member who has made contributions **before and after July 1, 2009**. This member's contribution refund is calculated at 2 times their contributions plus interest for contributions made prior to July 1, 2009, and at 1.5 times their contributions plus interest for contributions made on and after July 1, 2009.

2010 SPP Info Sessions and Workshops

Did you know the Staff Pension Plan offers information sessions and in-depth workshops to help you better understand your pension plan? Pension plans are complex and may not be easy to comprehend, which is why the Plan provides several opportunities

to help you understand pension plans, the Staff Pension Plan, and how they might help you with your financial and retirement planning. For 2010 dates and information on how to register, please visit www.pensions.ubc.ca/staff/workshops.html.



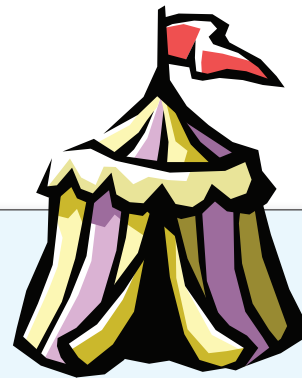
2010 SPP PENSION FAIR

Please join us at the Staff Pension Plan's 2010 Pension Fair

DATE: Thursday, May 27, 2010

TIME: 11:30 am to 1:15 pm

LOCATION: Arbutus Room,
Ponderosa Centre
2071 West Mall
(at University Boulevard)



Refreshments will be served. Off-campus members will be reimbursed for parking or bus expenses. RSVP is not required, just come the day of the event!



Don't miss out!

- Information and interactive booths (including Human Resources Development and Skills Canada, Canada Revenue Agency, UBC Investment Management Trust, and UBC HR Retirement & Survivor Benefits).
- Opportunity to meet the Pension Board directors and Pension Administration staff and ask questions.
- Chances to win one of many door prizes
- More details on reverse side

Here's your opportunity to learn more about the Staff Pension Plan (SPP)

Join us for refreshments and mingle with directors from the Pension Board and staff from the Pension Administration Office. We look forward to meeting you and answering your questions.



Are you a new UBC staff employee or a new Staff Pension Plan member?

Visit the **General Information table** to learn more about the Staff Pension Plan, or sign up for an **information session or workshop**.

Approaching Retirement?

Visit the **Retirement table** and ask us about your retirement options. While you are there, check out the **Retirement & Survivor Benefits Program table** to learn more about the health benefits that are available as part of the retirement program. Or speak with the **Human Resources Development and Skills Canada** representative and ask them about government administered pension plans such as the **Canada Pension Plan (CPP)** and **Old Age Security (OAS)**. A representative from the **Canada Revenue Agency (CRA)** will also be on hand to answer tax-related questions.

Working past age 65 or thinking about it?

Learn what **choices you'll need to make about your pension** if you decide to work past age 65. Did you know that your medical, dental, and extended health benefits will change?

Curious about investments?

Representatives from **UBC Investment Management Trust (IMANT)** will be available to answer questions regarding the SPP funds and other investment related topics.

Never used myPension? Want to learn how to use it?

Visit our **myPension table** to learn how to use this customized online tool to generate your own **pension estimates for retirement income planning**.