a place of mind
THE UNIVERSITY OF BRITISH COLUMBIA

Staff Pension Plan

Year in Review

2015

About this report

This report provides a summary of the major highlights and events that occurred over the course of 2015 for the University of British Columbia Staff Pension Plan. The report also includes a brief plan overview, membership and financial statistics, and an investment review from the Plan's investment manager.

Plan Purpose

The purpose of the UBC Staff Pension Plan is to provide **stable lifetime retirement pensions** for its members.

Plan Overview

The Staff Pension Plan (SPP), established January 1, 1972, is a Defined Benefit pension plan that provides retirement, termination, and death benefits for eligible staff of the University of British Columbia and related employers. The Plan is funded by fixed contributions from Plan members and the University. Beyond these contributions, neither have any further financial responsibility to fund the Plan. Members contribute 6.5% of their salary, and the University contributes 10% of the member's salary less a 1.8% CPP offset, which on average represents 8.7% of member salaries.

As of July 1, 2009, pensions for new members entering the Plan are calculated according to a formula of 1.8% of salary multiplied by years of pensionable service. Members who also have service prior to July 1, 2009 will have their pension calculated using the pre-July 1, 2009 and post-July 1, 2009 formulas. Retirement pensions are indexed subject to the Plan's ability to pay. If there is not adequate funding, the Plan's policy for balancing benefits and funding requires a reduction of benefits, starting with future indexing. The Plan's actuary determines if there is adequate funding based on the results of the latest actuarial valuation report. The next actuarial valuation will occur on December 31, 2016.

The University has delegated the day-to-day administration of the Plan to the SPP Board, and administration services are provided by the Pension Administration Office (PAO) in Human Resources. Amendments to the Plan Text are recommended by the SPP Board, reviewed by the University Administration and approved by the UBC Board of Governors. The SPP also employs several advisors and consultants to provide expertise and advice on specific areas.

Balancing assets and liabilities is critical to providing stable lifetime retirement pensions. The SPP funds ($1,360.3 M as at December 31, 2015) are invested in accordance with the Statement of Policies and Procedures (SIPP). The SIPP is prepared by the SPP Board with the assistance of the Plan's investment consultant, PBI Actuarial Consultants (PBI) Ltd. and input of the investment manager, UBC Investment Management Trust (IMANT) Inc., and is approved by the UBC Board of Governors.

The Plan's British Columbia Registration Number is P085439-1 and CRA Registration Number is 0572362.

2015 in Summary

It was another year of growth for the UBC Staff Pension Plan (SPP) in both membership and Plan assets. As of December 31, 2015, the Plan had $1,360.3 M in assets and total membership grew by 2% from 2014. The following is a summary of key events that occurred in 2015:

New BC PBSA

The new *BC Pension Benefits Standards Act* (BC PBSA) that was introduced in 2012 finally came into force on September 30, 2015. As a result, the SPP was amended to comply with the new BC PBSA, and a new restated Plan text is available on the Plan's website.

Although the legislation introduces a new plan design, called a Target Benefit Provision (TBP), it does not set out the funding rules that will apply to a single employer TBP. This means for now, the SPP will continue to be regulated as a defined benefit plan.

Plan Governance

When the Plan's current governance policy was approved by the UBC Board of Governors in 2012, they requested a governance review be completed within three years (2015). The governance review has been postponed until we have clarity from the BC pension regulator on what funding rules will apply to the SPP. We are hopeful this issue will be resolved before the next required actuarial valuation of the Plan as at December 31, 2016.

SPP Board Membership

In 2015, Barry Gros was appointed by the UBC Board of Governors as a member of the SPP Board to replace Debbie Wilson, who resigned from the Board to join the UBC Pension Administration Office. Mr. Gros is a recently retired actuary.

After two terms as the Independent Chair, Harry Satanove's term as Chair was completed on December 31, 2015. The SPP Board and UBC Pension Administration Office management and staff would like to thank Mr. Satanove for his time and effort dedicated to the Plan.

The UBC Board of Governors appointed Barry Gros as the new Independent Chair for a two-year term from February 15, 2016 to December 31, 2017. The UBC Board of Governors also appointed Laura O'Neill as a Board member, for

2015 in Summary cont'd

a four-year term from February 15, 2016 to December 31, 2019. Ms. O'Neill is a lawyer with pension governance and investment experience.

Pension Administration Office (PAO)

In 2015, Debbie Wilson, new Associate Director, Pensions, and Orla Cousineau, new Executive Director, Pensions, joined the Pension Administration Office.

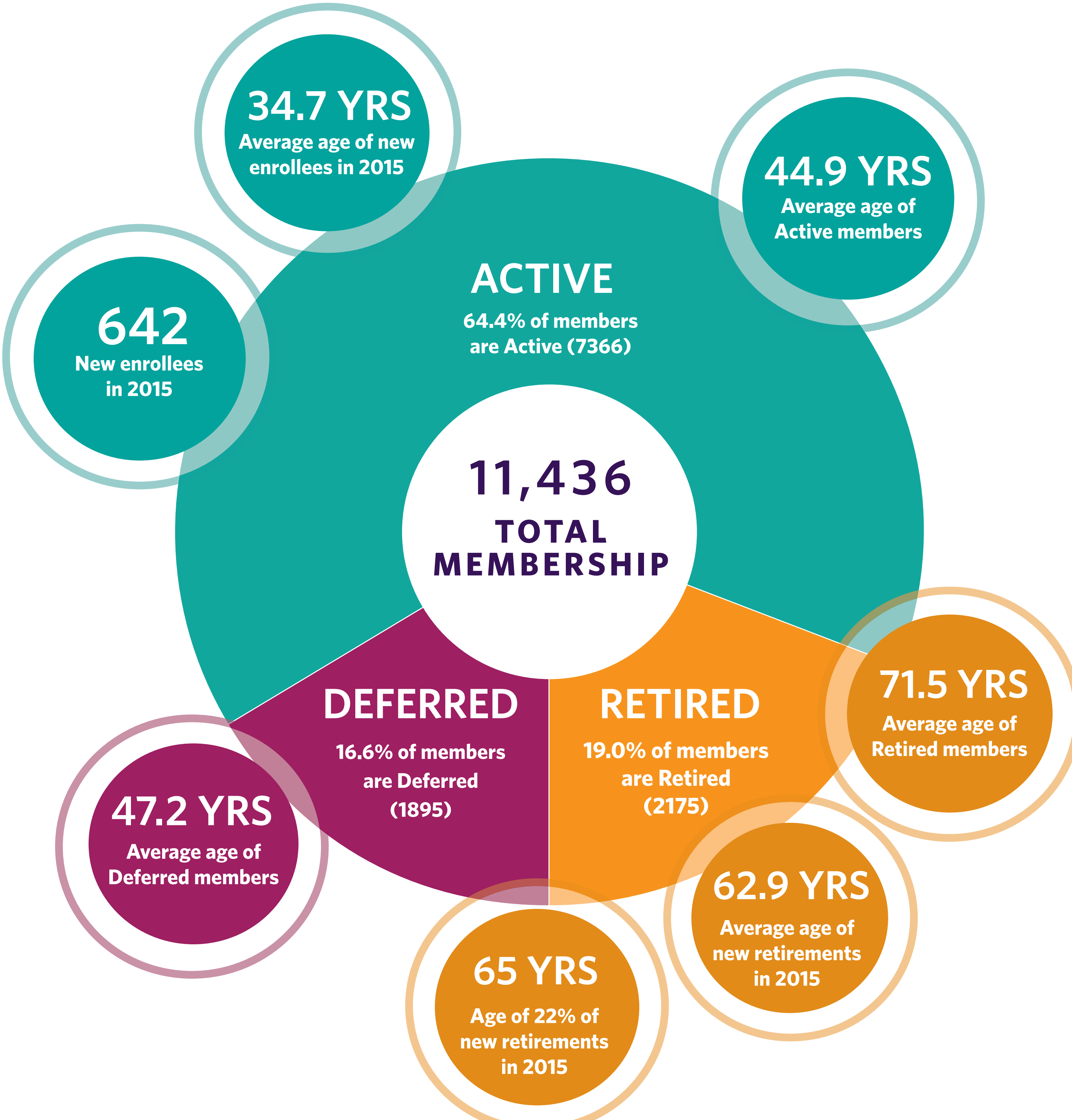
After 24 years of service, the SPP's Executive Director, Jay Parker, retired in September 2015 after ensuring there was a smooth transition to the new leadership team. The SPP Board and Pension Administration Office management and staff would like to thank Mr. Parker for his significant contribution to the SPP and its members. We are pleased Mr. Parker will continue to sit on the SPP Board as an Appointed Board member.

New Custodian

In mid-2015, the SPP pension fund assets were transferred from RBC Investor Services to Northern Trust. The transition went smoothly and the first pension payments were made by Northern Trust in August 2015.

Membership Highlights

as at December 31, 2015



Membership Statistics

The Plan's membership numbers are never constant; there are always employees joining and leaving the Plan. It is important to maintain or increase the number of members joining the Plan, as contributions made by these members go towards funding the Plan. These funds, along with investment returns and employer contributions, provide pension benefits for members retiring from the Plan.

Growth in Plan Membership

Membership Statistics as of December 31 for Years 1971 to 2015 illustrates that over the last 10 years membership has grown by 46%. Total membership includes Active (contributing members), Deferred (members no longer contributing and have not yet elected an option from the Plan), and Retired members. The SPP provides retirement, termination, and death benefits for these groups.

Membership Statistics as of December 31 for Years 1971 to 2015

Membership	**1971	**1981	1991	2001	2011	2015
Active	*1006	2272	3002	4327	6484	7366
Deferred			765	890	1728	1895
Retired	0	298	710	1057	1650	2175
Total	**1006**	**2570**	**4477**	**6274**	**9862**	**11436**

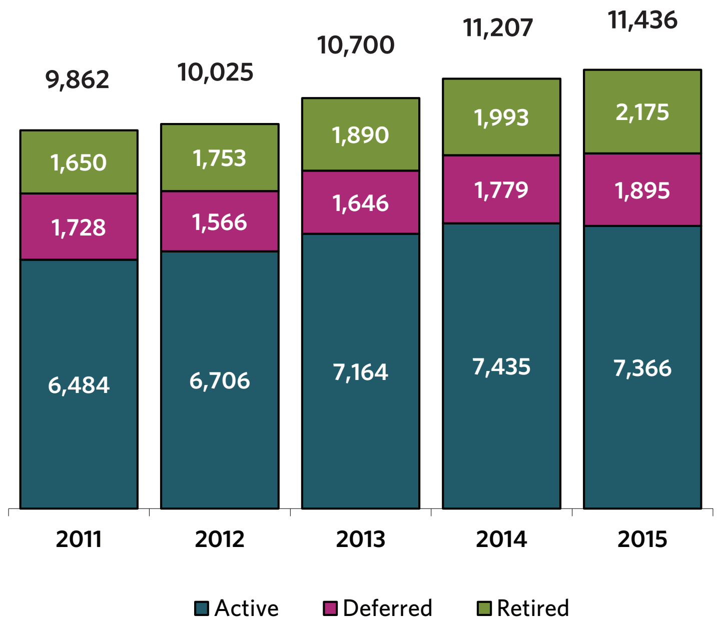
* There were 1006 individuals as at December 31, 1971 who were part of a prior UBC pension plan. These individuals became members of the SPP when the Plan was established in 1972.

** For years 1971 to 1981, Active and Deferred members are combined.

Membership Statistics cont'd

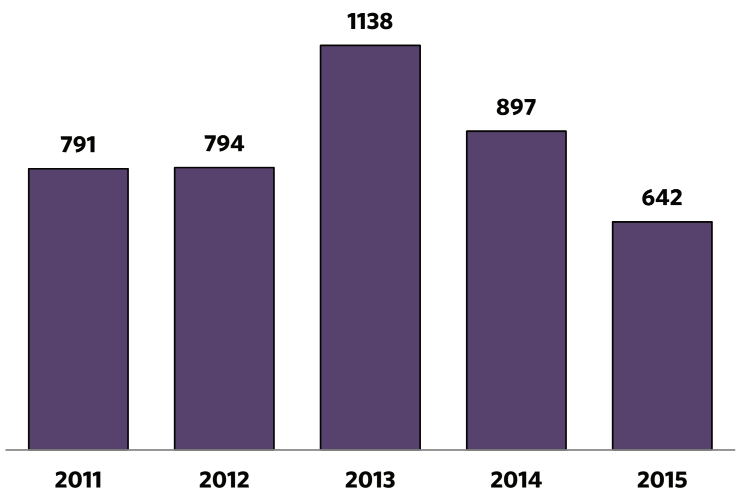
Number of Members as at December 31

The following graph shows the number of members in the Plan at year-end for the last five years. In 2015, Active members decreased by 0.9%, whereas Deferred and Retired members grew by 6.5% and 9.1% respectively.



New Enrollments as at December 31

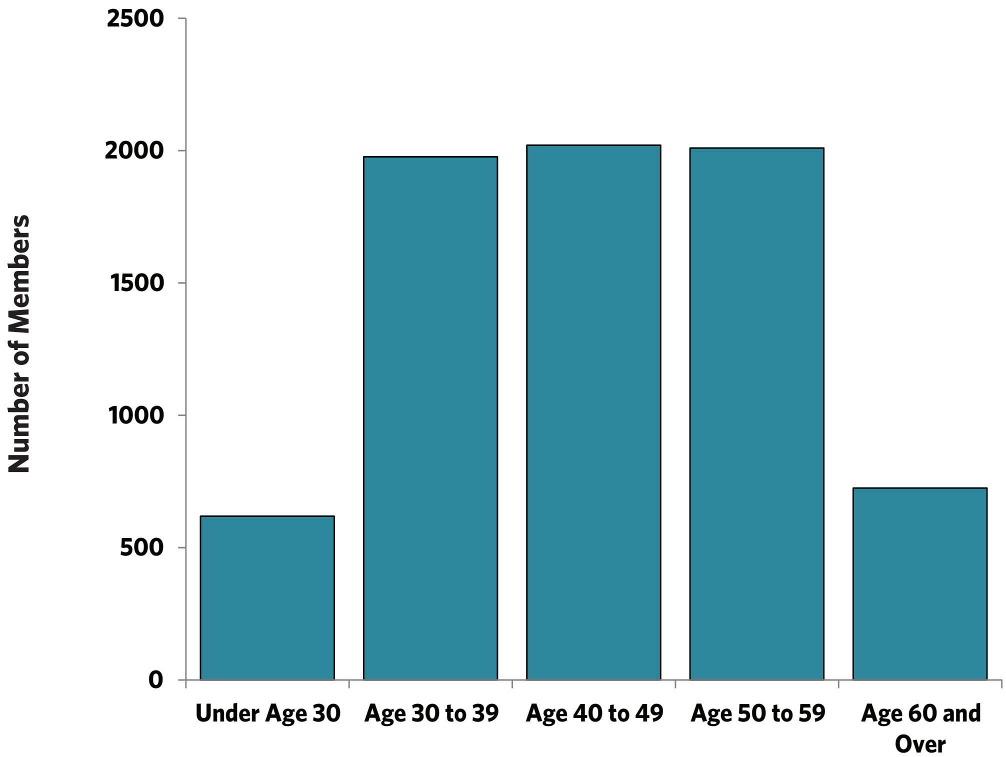
There were 642 new enrollments into the Plan in 2015, which was a 28.4% decrease from 2014. Enrollments were higher in 2013 and 2014 due to a change in eligibility rules for CUPE 116 in 2013 and due to the communications campaign notifying eligible staff of the removal of retroactive enrollment effective January 1, 2015.



Membership Statistics cont'd

Active Members by Age

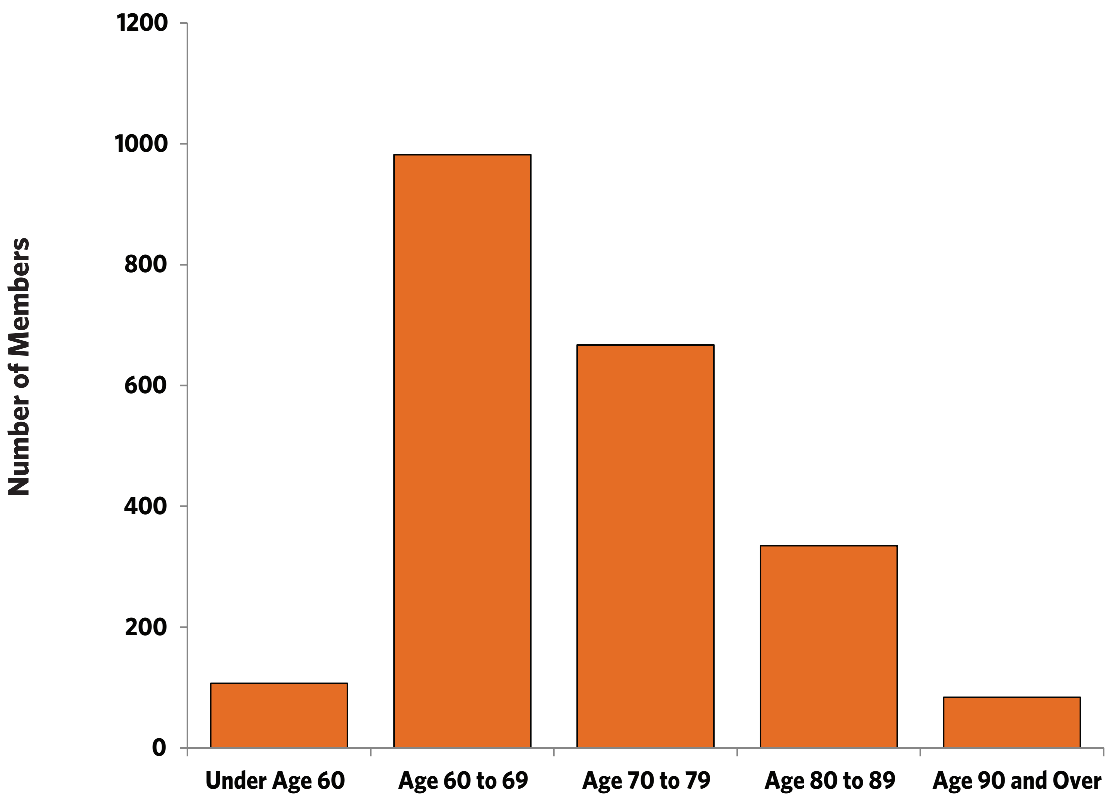
Active members are members who are making contributions into the Plan. The average age of Active members in 2015 was 44.9 years, with a median age of 45 years. The financial health of a pension plan, like the UBC Staff Pension Plan, is somewhat dependent on there being new members entering the Plan to help finance the pension benefits of retiring members.



Membership Statistics cont'd

Retirees by Age

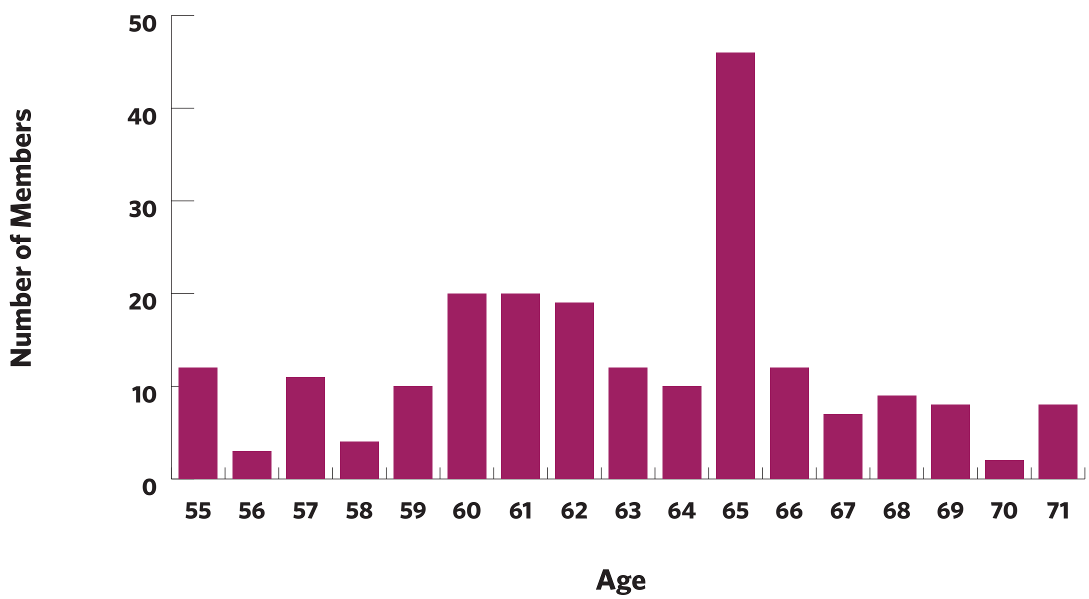
The following graph, Retirees by Age, illustrates the age distribution of the Plan's Retired members. These members are receiving a pension from the Plan. Since members age 55 and over must elect a pension option from the Plan (unless they qualify for a small pension lump sum payout), we will see growth in this group as more members will be receiving pensions from the Plan. Also, retirees are living longer because of longer life expectancies.



Membership Statistics cont'd

2015 Retirements by Age

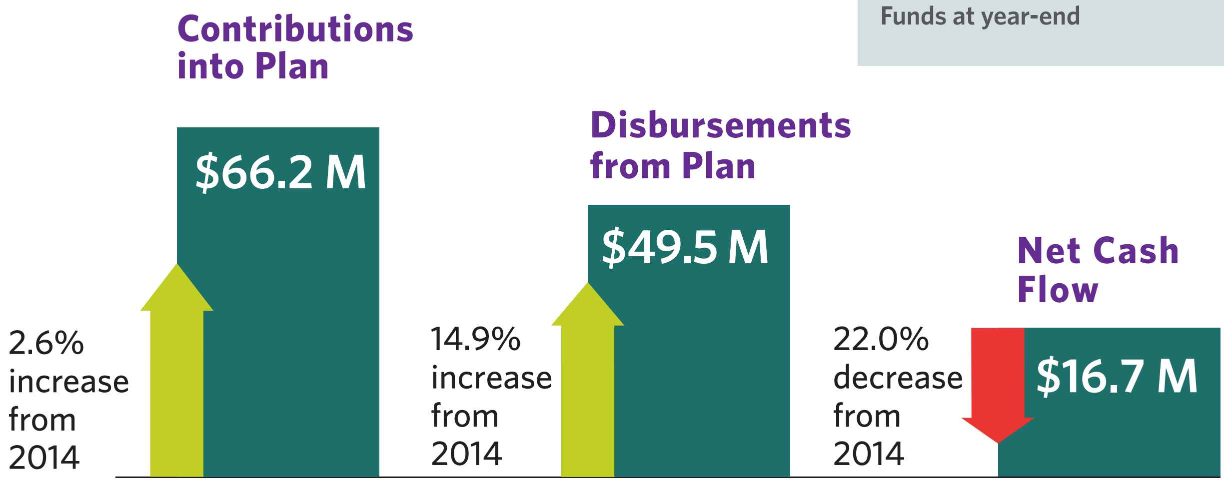
There were 213 retirements that took place in 2015, the greatest number of which (22%) occurred at age 65. The retirees shown in the graph below took a Monthly Lifetime Pension or Monthly Lifetime Pension with a Lump Sum as their retirement option. In 2015, more members retired under the age of 65 than after the age of 65.



Financial Highlights

as at December 31, 2015

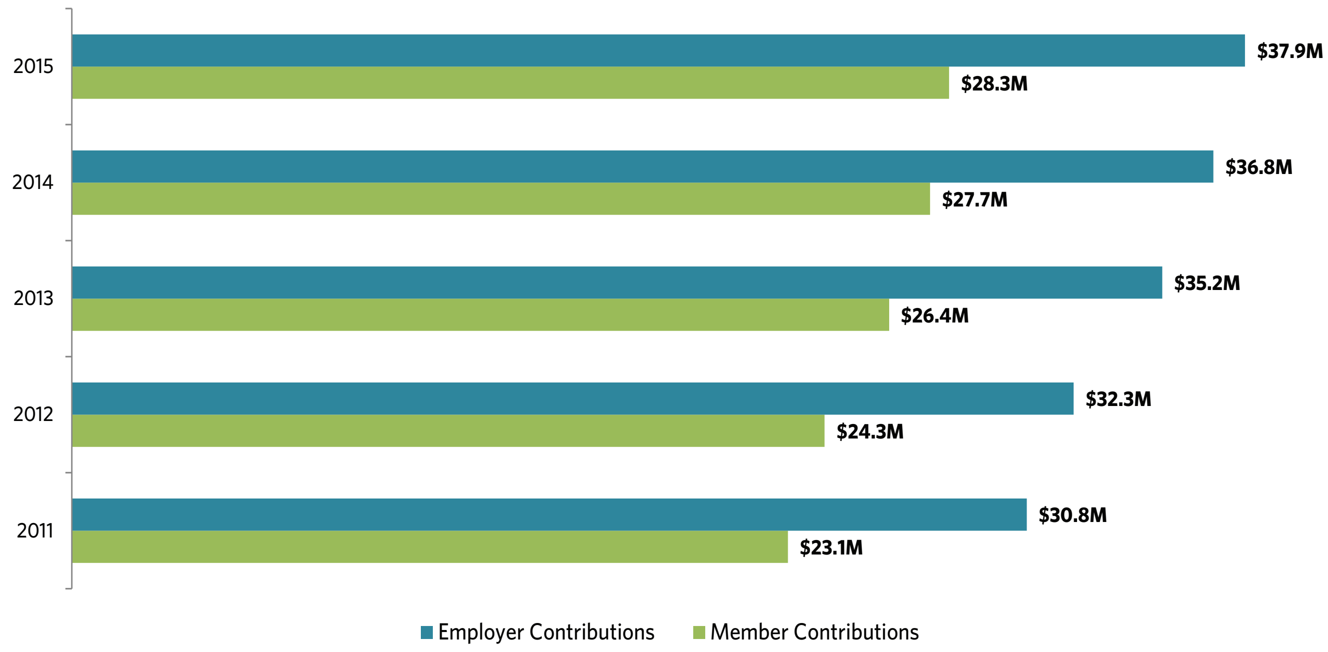
$1,360.3 M
Unaudited Market Value of the Funds at year-end



Financial Statistics

Member and Employer Contributions as at December 31 ($ Millions)

The Staff Pension Plan provides for fixed contributions levels (from both the Plan members and the University and its related employers) to provide a certain level of benefit - a target benefit (known as your SPP basic benefit). For more information on Plan contributions, please refer to the SPP at a Glance page on the Plan's website.



Employer Contributions *includes contributions from the University and its related employers*

Financial Statistics cont'd

Operating and Investment Expenses as at December 31

The following table shows the Plan's operating and investment expenses for the last five years.

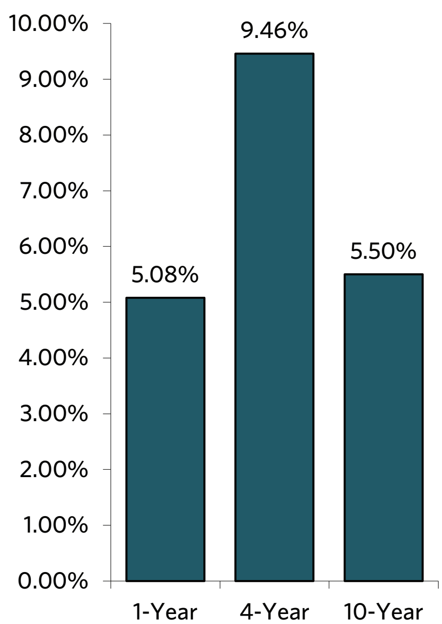
Year	Operating Expenses	% per Assets	Investment Expenses	% per Assets
2011	$1,647,705	0.20%	$2,107,281	0.26%
2012	$1,596,866	0.18%	$2,544,239	0.29%
2013	$1,836,692	0.19%	*$4,188,636	0.43%
2014	$1,634,839	0.15%	$3,711,314	0.34%
2015	$1,593,587	0.12%	$4,891,942	0.38%

Notes:

- The fee percentages for operating and investment expenses are calculated based on average market value.
- UBC IMANT has been responsible for investing the funds since July 1, 2004.

* The investment expenses for 2013 included a one time incentive fee that was paid as a result of the closure of a fund.

SPP Fund Net Rate of Return (net of all fees)



To view the Plan's Net Rate of Return for the last 10 years, visit the Net Rate of Return page at the Plan's website.

Investment Review

The following 2015 Investment Review has been provided by the Plan's investment manager, UBC Investment Management Trust (IMANT) Inc. UBC IMANT is responsible for implementing the Plan's approved asset mix policy, under the direction of the Plan's investment consultant, PBI Actuarial Consultants Ltd.

Market Commentary

2015 was highlighted by slow global economic growth, monetary policy divergence in the United States versus other developed countries and sustained low commodity prices. In the Canadian bond market, declining Government of Canada yields resulted in longer-term bonds returning 3.8% and outperforming shorter maturity bonds during the year. The Canadian economy lagged most developed markets as the S&P/TSX Composite Index declined -8.3% driven by sub US$40 prices in crude oil prices. Economic conditions outside of Canada were mixed and global equity markets posted positive results in Canadian dollar terms for the year, partly attributable due to the declining dollar. Signs of an economic recovery in the United States prompted the Federal Reserve to finally raise its benchmark rate by a quarter percentage point in nearly a decade. International markets outside of North America continued to thrive from highly accommodative monetary policies from central banks including Europe and Japan. The emerging markets trailed against developed indices as a result of further strengthening of the US dollar and continued weakness in economic growth from China, India and Latin America, posting slight gains of 2.0% for the year. The Canadian dollar depreciated against most developed currencies during the year, resulting in significant translation currency gains for Canadian investors with foreign currency investments.

Index Returns to December 31, 2015 (Canadian dollars)

Asset Class	Index	1 Year	2 Year	4 Year	10 Year
Cash	FTSE TMX 91 Day T-Bills	0.6%	0.8%	0.9%	1.7%
Universe Bonds	FTSE TMX Universe Bond	3.5%	6.1%	3.6%	5.0%
Long Bonds	FTSE TMX Long Bond	3.8%	10.4%	4.7%	6.4%
Real Return Bonds	FTSE TMX Real Return Bond	2.8%	7.9%	1.0%	4.5%
Canadian Equities	S&P/TSX	-8.3%	0.7%	5.3%	4.4%
U.S. Equities	S&P 500	21.6%	22.8%	24.7%	9.2%
International Equities	MSCI EAFE	19.0%	11.0%	16.7%	4.8%
World Equities	MSCI World	18.9%	16.6%	20.1%	6.8%
Emerging Market Equities	MSCI Emerging	2.0%	4.3%	6.9%	5.4%
Hedge Fund of Funds	HFRI FOF: Conservative	20.6%	16.4%	12.1%	3.8%
	Consumer Price Index	1.6%	1.5%	1.3%	1.6%

Investment Review cont'd

In alternative asset classes, new investments by private equity managers slowed as a result of recent volatility in global public markets. Commercial real estate markets continued to provide investors stable income returns with some capital appreciation. Given lowered capitalization rates, many real estate managers were cautious to make further acquisitions in 2015 and some constructed buildings suitable for their portfolios. Similar to real estate, infrastructure equity transactions remain highly competitive amongst institutional investors and more attractive opportunities are being sought in emerging market countries.

Transition to the Long Term Policy

The SPP's assets are invested to provide stable lifetime retirement pensions in accordance with the *Statement of Policies and Procedures* approved by the UBC Board of Governors. The following table contains the actual asset mixes at the end of December 2014 and 2015 along with the revised long term policy asset mix adopted in June 2015.

Transition to the Long Term Policy as at December 31, 2015

Asset Mix	Prior Policy	December 2014	December 2015	Long Term Policy
Cash and Net Currency Forwards	1.0%	0.9%	1.0%	1.0%
Long Term Fixed Income	0.0%	0.0%	29.0%	29.0%
Long Bonds	24.0%	24.4%	0.0%	0.0%
Real Return Bonds	5.0%	3.5%	3.4%	5.0%
Mortgages	5.0%	5.5%	0.0%	0.0%
Infrastructure Debt	10.0%	9.9%	10.0%	10.0%
Total Fixed Income	**45.0%**	**44.2%**	**43.5%**	**45.0%**
Canadian Equities	15.0%	14.8%	12.3%	10.0%
Global Equities (including U.S. and International)	15.0%	16.0%	14.8%	10.0%
Emerging Market Equities	0.0%	4.6%	4.5%	5.0%
Total Equities	**30.0%**	**35.4%**	**31.6%**	**25.0%**
Private Equity	5.0%	5.2%	4.2%	5.0%
Real Estate	8.0%	8.0%	9.0%	12.5%
Infrastructure Equity	12.0%	7.0%	11.6%	12.5%
Hedge Fund	0.0%	0.2%	0.2%	0.0%
Total Alternatives	**25.0%**	**20.4%**	**24.9%**	**30.0%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The SPP continued its multi-year transition to its long term investment policy weights in 2015. Notable changes during the year include the Plan's transition from separate Long Bond and Mortgages mandates into a combined Long Term Fixed Income mandate based on the latest long term policy asset mix.

Investment Review cont'd

In public equities, investments in Canadian Equities (12.3%) and Global Equities (14.8%) were overweight versus the long term policy weight of 10.0% for each. These investments will be reduced as further real estate and infrastructure equity investments are funded over time.

In alternative asset classes, investments will be made as commitments made to external managers are drawn and investments are diversified through time. In the private equity program, $13 million was received in net distributions, bringing down the asset class weight to 4.2% versus the long term policy weight of 5%. This will allow capacity for new commitments to be made in future years. In real estate, $25 million and $12 million USD commitments were made to two US-based value add funds. Actual real estate investments now account for 9.0% of the portfolio (14.8% including outstanding commitments) versus the long term policy weight of 12.5%.

In the infrastructure equity portfolio, $17 million was funded in net capital calls, bringing up the asset class weight to 11.6% (15.5% including outstanding commitments) versus the long term policy weight of 12.5%.

The SPP continued to receive redemption proceeds from its hedge fund of funds and approximately 0.2% of the total Fund remains in this asset category.

Performance of the Fund

The following table shows the Fund return against the policy benchmark return for one year to 10 year periods ending December 31, 2015. The policy benchmark portfolio serves as a proxy for a passively invested portfolio and is made up of asset class benchmarks, weighted by their long term policy weights (or transition policy weights during the transition period). For example, for Canadian equities, the commonly quoted public market index S&P/TSX Composite index is used. For alternative investments, where investable indices are not available, other industry indices or combinations of relevant public indices may be used for the asset class benchmarks (e.g. MSCI World lagged 3 months + 2% for private equity).

Table 12: Fund Return versus Investment Policy Benchmark

	1 Year	2 Year	4 Year	10 Year
Fund Return	5.3%	9.7%	9.7%	5.6%
Investment Policy Benchmark	5.6%	9.7%	9.3%	5.9%
Value Added	-0.3%	0.0%	0.5%	-0.4%

Note: Numbers may not add due to rounding.
Returns are presented net of external investment management fees starting January 2010.

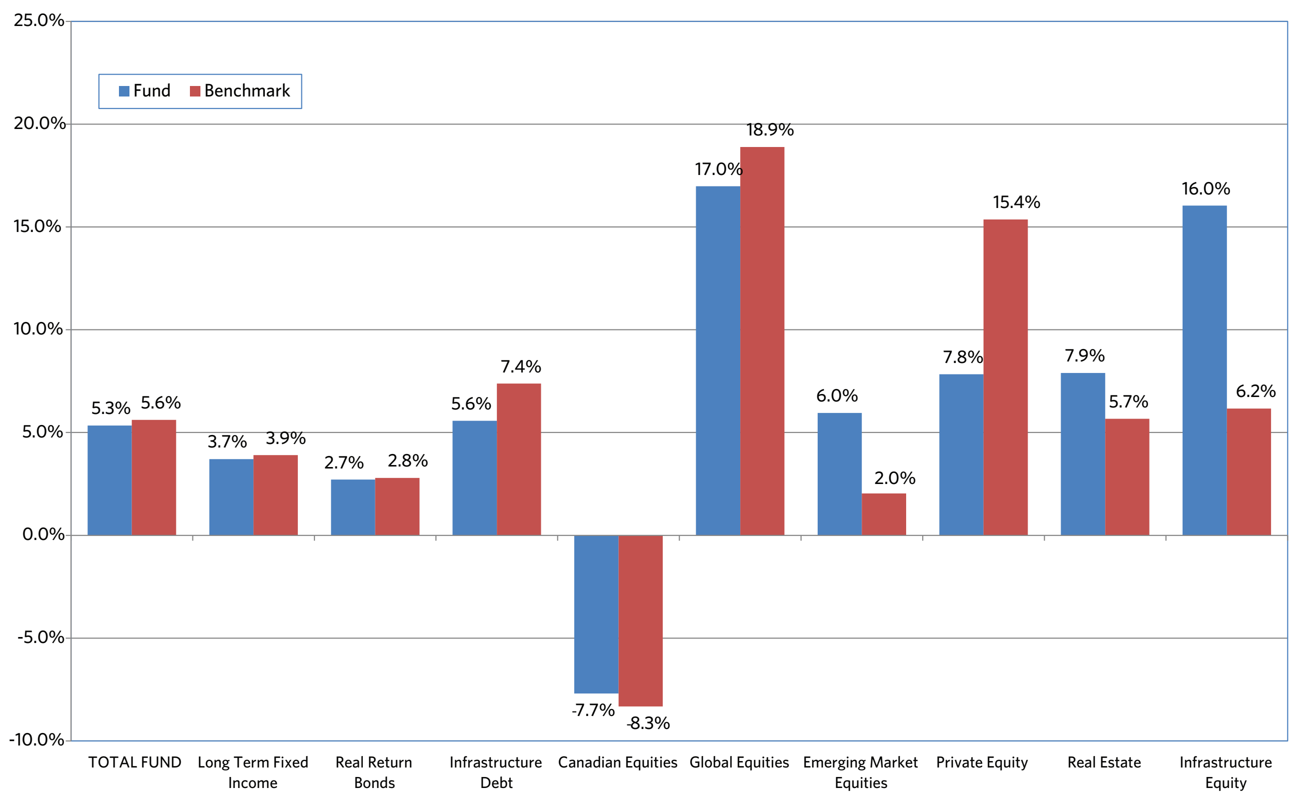
For one-year ending December 31, 2015, the SPP portfolio returned 5.3% versus its policy benchmark return of 5.6%, an underperformance of -0.3%. Over a four-year period, the Fund returned 9.7% and outperformed the benchmark portfolio by 0.5%. Over a ten-year period, the Fund returned 5.6% and

Investment Review cont'd

underperformed the benchmark portfolio by -0.4%. This is slightly behind the long term discount rate of 6.0% as determined by the Plan Actuary for the Fund. The long term discount rate is the expected long term return on pension plan assets and is used to convert future pension payments into present day dollars.

The underperformance for the year came from a variety of sources. Global equities and private equity investments underperformed their benchmarks. This was slightly offset by outperformance in emerging markets equities, real estate and infrastructure equity investments which were helped by foreign currency appreciation against the Canadian dollar. The graph below shows the one-year asset class returns versus benchmarks.

One-Year Asset Class Returns versus Benchmarks



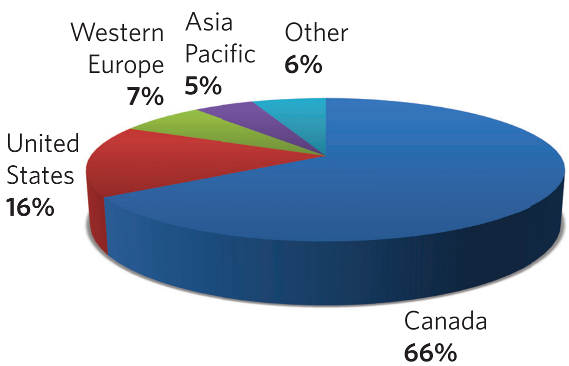
Note: Global Equities combines US equities, International equities and Global equities and are compared to the MSCI World Index Net (CAD). Asset class benchmarks presented: Long Term Fixed Income: FTSE TMX Long Bond Index; Real Return Bonds: FTSE TMX Real Return Bond Index; Infrastructure Debt: FTSE TMX Long Federal Government Index + 1.9%; Canadian Equities: S&P/TSX Composite Index; Global Equities: MSCI World Net Index (CAD); Private Equity: MSCI World Net Index (CAD) +2.0% (lagged 3 months); Real Estate: CPI + 4.0%; Infrastructure Equity: CPI + 4.5% (previously 30% FTSE TMX Real Return Bond/70% MSCI World Index Net (CAD) (lagged 3 months); Hedge Fund of Funds has no benchmark weight and its presentation is excluded as results are not meaningful.

Investment Review cont'd

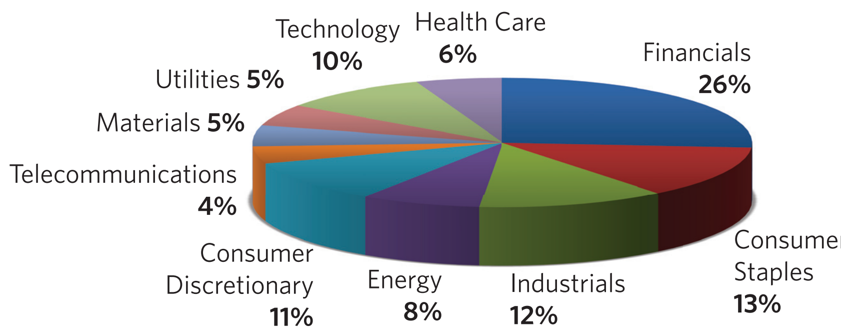
Portfolio Breakdown by Geography, Sector, and Credit Ratings

As part of UBC IMANT's risk assessment and management of the SPP portfolio, information on underlying holdings in external manager pooled funds is collected and aggregated to provide a more thorough picture of portfolio exposures and to confirm that portfolio risk characteristics are in line with the investment policy. Exposures in the SPP's equity and fixed income portfolio as at December 31, 2015 are provided below for information.

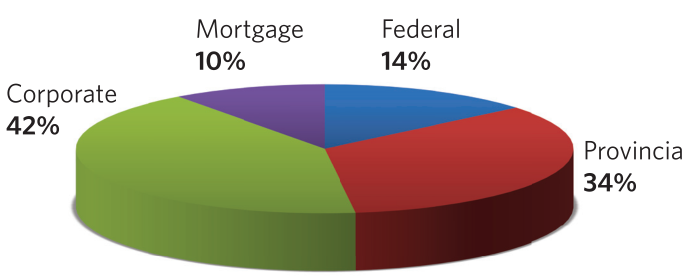
Entire Portfolio by Geographic Region



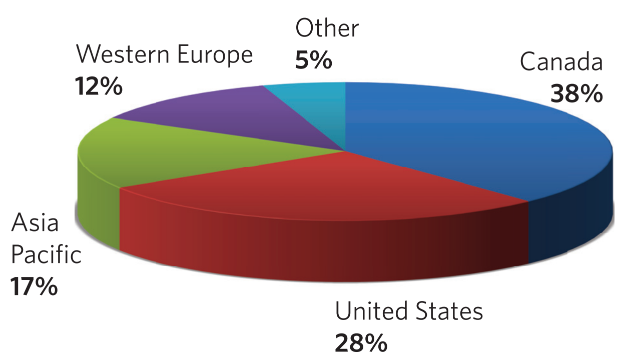
Public Equity Exposure by Sector



Fixed Income Exposure by Sector



Public Equity Exposure by Geographic Region



Fixed Income Exposure by Credit Rating

Credit Rating	
AAA	18%
AA	23%
A	27%
BBB	10%
Other (unrated, mortgages and infrastructure debt)	22%