

Financial Statements of

**THE UNIVERSITY OF BRITISH COLUMBIA
STAFF PENSION PLAN**

December 31, 2009

THE UNIVERSITY OF BRITISH COLUMBIA
STAFF PENSION PLAN
December 31, 2009

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Auditors' Report

To the Members of
The University of British Columbia Staff Pension Plan

We have audited the statement of net assets available for benefits of The University of British Columbia Staff Pension Plan (the "Plan") as at December 31, 2009 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the Plan's net assets available for benefits as at December 31, 2009 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
April 23, 2010

**THE UNIVERSITY OF BRITISH COLUMBIA
STAFF PENSION PLAN**

Statement of Net Assets Available for Benefits


December 31, 2009

(Expressed in thousands of dollars)

	2009	2008
ASSETS		
Assets held by RBC Dexia Investor Services Trust		
Investments (Note 4)		
Short-term notes	\$ 222	\$ 410
Derivative-related, net	2,081	-
Bonds	211,879	186,322
Equities	424,732	366,671
Real estate	74,440	89,030
	<u>713,354</u>	<u>642,433</u>
Cash	12,498	4,538
Investment income receivable	91	184
	<u>725,943</u>	<u>647,155</u>
Contributions receivable		
University	210	194
Members	132	106
	<u>342</u>	<u>300</u>
Accounts receivable	22	24
	<u>\$ 726,307</u>	<u>\$ 647,479</u>
LIABILITIES		
Benefits payable	\$ 1,598	\$ 3,119
Accounts payable and accrued liabilities (Note 7)	529	750
	<u>2,127</u>	<u>3,869</u>
NET ASSETS AVAILABLE FOR BENEFITS (Note 5)	<u>\$ 724,180</u>	<u>\$ 643,610</u>

COMMITMENTS (Note 8)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS



Chair



Vice-Chair

See accompanying notes to the financial statements.

THE UNIVERSITY OF BRITISH COLUMBIA
STAFF PENSION PLAN
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2009
(Expressed in thousands of dollars)

	2009	2008
INCREASE IN NET ASSETS		
Members' required contributions	\$ 16,961	\$ 11,074
University's required contributions	28,615	25,860
Transfers from other plans	89	97
Members' additional voluntary contributions	30	36
	45,695	37,067
Investment income, including changes in fair value (Note 6)	67,442	(169,120)
	113,137	(132,053)
DECREASE IN NET ASSETS		
Payments to or on behalf of members		
Pensions to retired members	17,598	16,302
Members' accounts transferred or refunded	10,988	15,856
Death benefits	734	1,583
	29,320	33,741
Operations		
Actuarial and consulting services	345	471
Office and administration costs	847	785
Legal, audit and custodian services	253	137
Professional services	20	8
	1,465	1,401
Investment transaction and administration fees (Note 7)	1,782	2,148
	32,567	37,290
NET INCREASE (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS	80,570	(169,343)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	643,610	812,953
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	\$ 724,180	\$ 643,610

See accompanying notes to the financial statements.

THE UNIVERSITY OF BRITISH COLUMBIA

STAFF PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2009

(Expressed in thousands of dollars)

1. DESCRIPTION OF PLAN

The following description of The University of British Columbia Staff Pension Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan text, which is available from The University of British Columbia (the "University" or the "Sponsor") Pension Administration Office.

(a) *General*

The Plan is a defined benefit plan with fixed member and employer contributions. The Plan provides that benefits may be adjusted depending on the Plan's funded status. The Plan is open to all eligible full-time and part-time monthly-paid staff, and compulsory after three years of service.

(b) *Funding policy*

The Plan text requires members to make contributions of 6.5% of basic salary and the University to make contributions of 10% of basic salary up to the YBE, 8.2% of basic salary between the YBE and the YMPE, and 10% of basic salary over the YMPE. YBE is the "year's basic exemption" and the YMPE is the "year's maximum pensionable earnings" under the Canada Pension Plan requirements. University contributions received by the Plan are net of benefits paid by the University in accordance with a related supplemental retirement arrangement.

Members are permitted to make additional voluntary contributions, if they elected to do so before January 1, 2000 and have not subsequently withdrawn the full balance. Additional voluntary contributions can be withdrawn only if the full balance is withdrawn.

(c) *Benefits*

Pension benefits are calculated using the following formula:

For service earned to July 1, 2009, 2% times the average of the member's three best years' pensionable earnings times such pensionable service less a Canada Pension Plan benefit offset equal to 0.7% of the YMPE times such pensionable service. For service earned after July 1, 2009, the benefit is a flat 1.8% of average pensionable earning times such pensionable service. Calculated benefits in excess of Canada Revenue Agency's allowable eligible maximum benefit are paid in accordance with a supplemental retirement arrangement, if the member is eligible. Cost of living increases are calculated each year based on the Consumer Price Index for Canada and added to pension benefits, subject to the Plan's ability to pay.

THE UNIVERSITY OF BRITISH COLUMBIA STAFF PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2009

(Expressed in thousands of dollars)

1. DESCRIPTION OF PLAN (Continued)

(c) *Benefits (continued)*

Additional voluntary contributions will be paid as a lump sum on the date the member's pension commences.

Termination benefits are payable on retirement or termination of employment, and death benefits are paid in the event of death prior to retirement.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of presentation*

The financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the Sponsor and Plan members. The financial statements are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal year. The statement of net assets available for benefits shows the assets under control of the Trustee of the Plan, and does not purport to show their adequacy to meet the obligations of the Plan. The obligations for pension benefits are not presented in the statement of net assets available for benefits but are disclosed in Note 5.

(b) *Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of increases and decreases in net assets available for benefits for the reporting period. The most significant estimates relate to the fair value of investments, as described in Note 2 (c), and the obligation for pension benefits. Actual results could differ from those estimates.

(c) *Investments*

Investments are recorded on a settlement date basis and at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

THE UNIVERSITY OF BRITISH COLUMBIA STAFF PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2009

(Expressed in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) *Investments (continued)*

Fair values for investments are determined using the following methods:

(i) Publicly traded investments

Publicly traded investments are stated at market prices as listed on the appropriate stock exchange, or as provided by the Fund's custodian from independent sources.

(ii) Money market securities

Domestic money market securities are stated at cost which approximates market value.

(iii) Bonds and debentures

Bonds and debentures are stated at year-end market prices as determined by the custodian.

(iv) Pooled funds

Pooled fund values are provided by the manager and are generally based on the quoted market price of the underlying investments.

(v) Private investments

Private investments are stated at values determined by the external managers. For those investments where exchange quotations are not readily available, their estimated fair values are based on appropriate valuation methods on a quarterly basis. Valuation methods include the market approach (i.e. observable valuation measures for comparable companies) and the income approach (i.e. discounted cash flow model), with consideration for factors such as expected liquidation value, leverage, and economic conditions.

(vi) Real estate investments

Real estate investments are stated at values based on the most recent external manager valuations or appraisals of the underlying properties, or at cost where no previous valuation has been prepared. A combination of internal and external appraisals are used to establish current market values.

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Notes to the Financial Statements

Year ended December 31, 2009

(Expressed in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) *Investments (continued)*

(vii) Currency forward contracts

Currency forward contracts are valued based on market closing forward rates from independent sources.

Adjustments to investments due to the fluctuation of fair values are reflected as part of investment income in the statement of changes in net assets available for benefits. Realized gains and losses are calculated based on the average cost of the investments. Investment income is recognized on an accrual basis.

(d) *Members' accounts transferred or refunded*

Members' accounts transferred or refunded are recognized as a decrease in net assets on the accrual basis.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

In 2009, the Canadian Institute of Chartered Accountants ("CICA") Accounting Standard Board issued amendments to CICA Handbook Section 3862, *Financial Instrument - Disclosure* ("3862 Amendments"). As a result of these amendments, the Plan is required to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. These disclosures are included in Note 4.

THE UNIVERSITY OF BRITISH COLUMBIA

STAFF PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2009

(Expressed in thousands of dollars)

4. INVESTMENTS

(a) *Short-term notes*

Funds invested in short-term notes in 2009 and 2008 were primarily securities issued by either Canadian chartered banks or the Bank of Canada that mature at various dates in the next fiscal year.

(b) *Fair value measurements - Level disclosure*

The Plan adopted the amendments to CICA 3862, *Financial Instruments - Disclosures*, on January 1, 2009. CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Plan's investments. The hierarchy of inputs is summarized below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), or assets with quoted prices in a less active market (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) or assets with a low degree of liquidity due to redemption restrictions (Level 3).

The following is a summary of the inputs used as of December 31, 2009 in valuing the Plan's cash and investments:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant observable inputs (Level 3)	Total
Cash and short-term notes				
Cash	\$ 12,498	\$ -	\$ -	\$ 12,498
Short-term notes	222	-	-	222
Derivative-related, net	-	2,081	-	2,081
Bonds	211,879	-	-	211,879
Equities				
Canadian Equities	70,997	37,995	-	108,992
US Equities	48,434	-	-	48,434
Foreign Equities (i)	105,515	-	4,363	109,878
Hedge Funds (ii)	-	-	99,260	99,260
Private Equities (iii)	-	-	58,168	58,168
Real estate (iv)	-	-	74,440	74,440
Total investments	\$ 449,545	\$ 40,076	\$ 236,231	\$ 725,852

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(Expressed in thousands of dollars)

4. INVESTMENTS (Continued)

(b) Fair value measurements - Level disclosure (continued)

The following table provides the changes during the year for financial instruments for which Level 3 inputs were used in determining fair value:

	Hedge funds	Private equities	Foreign equities	U.S. equities	Real estate	Total
Beginning balance, January 1, 2009	\$ 65,937	\$ 54,321	\$ 2,437	\$ 75,277	\$ 89,219	\$ 287,191
Purchases	2,458	6,091	-	381	10,942	19,872
Sales	(37,248)	(1,016)	-	(27,357)	(6,255)	(71,876)
Realized (losses) gains	(85)	913	-	20,658	3,417	24,903
Net transfers into and/or out of Level 3	68,893	(910)	-	(68,959)	(2,711)	(3,687)
Change in unrealized (depreciation) appreciation	(695)	(1,231)	1,926	-	(20,172)	(20,172)
Ending balance, December 31, 2009	\$ 99,260	\$ 58,168	\$ 4,363	\$ -	\$ 74,440	\$ 236,231

Level 3 investments consist of the following:

(i) Foreign equities

These comprise shares and units of investment trusts listed on global stock exchanges.

(ii) Hedge funds

The Plan has investments in seven (2008 - eight) hedge funds with five (2008 - six) hedge fund managers. The managers invest in a number of individual hedge funds with different strategies.

(iii) Private equities

Private equities consist of investments in limited liability partnerships that have invested in private equities.

(iv) Real estate

Real estate investments consist of investments in equities, real estate investment trusts and limited liability partnerships investing in real estate. Real estate investments are primarily in North American and Asian properties.

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Notes to the Financial Statements

Year ended December 31, 2009

(Expressed in thousands of dollars)

4. INVESTMENTS (Continued)

(c) Geographical allocation

The composition of the entire portfolio of investments, by country or region, is summarized as follows:

	2009	2008
Canada	54%	53%
United States	30%	33%
United Kingdom	3%	3%
Europe	9%	8%
Asia	4%	3%
	100%	100%

5. OBLIGATIONS FOR PENSION BENEFITS

An actuarial valuation was made as of January 1, 2008 by Aon Consulting Inc., a firm of consulting actuaries, and was then extrapolated to December 31, 2009. The present value of accrued pension benefits was determined using the projected benefit method prorated on service, and was based on economic assumptions as of January 1, 2008 which forecast economic patterns for the next few years, gradually modifying into the long-term, and making allowance for contingent indexation at the National Consumer Price Index rate.

The actuarial present value of benefits as at December 31 and the principal components of changes in the actuarial present value during the year were as follows:

	2009	2008
Actuarial present value of accrued pension benefits, beginning of year	\$ 664,316	\$ 568,004
Net valuation loss, beginning of year	-	52,528
Interest accrued on benefits	45,226	41,948
Benefits accrued	40,719	35,578
Benefits paid to or on behalf of members	(29,320)	(33,742)
Actuarial present value of accrued pension benefits, end of year	\$ 720,941	\$ 664,316

The accrued pension benefits noted above do not include supplemental benefits in excess of Canada Revenue Agency's eligible maximum benefits, which are payable by the University in accordance with a related supplemental retirement arrangement.

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(Expressed in thousands of dollars)

5. OBLIGATIONS FOR PENSION BENEFITS (Continued)

The actuarial present value of accrued pension benefits as at December 31, 2009 includes \$417 (2008 - \$362) in respect of additional voluntary contributions.

Significant actuarial assumptions used in the valuation were as follows:

Annual interest rates	6.75%
Annual rates of inflation	2.25%
Annual salary escalation rates	3.00%

6. INVESTMENT INCOME

	<u>2009</u>	<u>2008</u>
Interest income	\$ 6,599	\$ 19,913
Dividend income	9,235	19,797
Real estate income	626	217
Net realized gains (losses) on sale of investments	19,541	(75,216)
Unrealized gain (losses) on investments	31,441	(133,831)
	<u>\$ 67,442</u>	<u>\$ (169,120)</u>

7. RELATED PARTY TRANSACTIONS

The Plan reimburses UBC Investment Management Trust Inc. ("IMANT"), an entity wholly owned by the Sponsor, for its proportionate share of IMANT's operating costs. Costs for the year ended December 31, 2009, which are included in investment transaction and administration fees, totalled \$423 (2008 - \$424). At December 31, 2009, \$Nil (2008 - \$138) of these costs is included in accounts payable and accrued liabilities.

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(Expressed in thousands of dollars)

8. COMMITMENTS

In addition to investments already made in the following asset classes, the Plan is committed to invest the following amounts as at December 31:

	2009		2008		2009		2008	
	€	€	US\$	US\$	Cdn\$	Cdn\$	Cdn\$	Cdn\$
Real estate	€ 2,424	€ 2,948	\$ 3,668	\$ 9,447	\$ 2,465	\$ 5,660		
Private equities	-	-	20,969	25,197	4,212	6,136		
Hedge funds	-	-	1,989	2,968	-	-		
	€ 2,424	€ 2,948	\$ 26,626	\$ 37,612	\$ 6,677	\$ 11,796		

At December 31, 2009, the total commitment in Canadian dollars was \$38,180 (2008 - \$62,881).

9. FINANCIAL INSTRUMENTS

The fair values of the Plan's cash, investment income receivable, contributions receivable, accounts receivable, benefits payable and accounts payable are considered by management to approximate their carrying values due to the short-term nature of these financial instruments.

The Plan's investments are carried at fair value in accordance with the significant accounting policy disclosed in Note 2 (c).

10. RISK MANAGEMENT

The Plan's investment activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. As a pension plan, the Plan is fundamentally concerned with the management of risk. The Plan's overall risk management program seeks to maximize the returns derived for the level of risk to which the Plan is exposed and seeks to minimize potential adverse effects on the Plan's financial performance. The risk exposure is set to achieve the overall liability requirements of the Plan design.

The Plan employs a Statement of Investment Policies and Procedures ("Policy") to identify, assess, manage and monitor its financial risks. The Policy provides asset mix ranges and limitations on the quality and concentration of investments the Plan is to hold. The policy is overseen by the Board of Directors of IMANT ("Board"), day to day management and adherence to the policy is the responsibility of the staff of IMANT. IMANT employs 27 investment managers (2008 - 29).

The Board oversees the management of the Plan with a view of promoting effective plan design, governance, investment policy, financing, administration and legal compliance. IMANT staff monitors the investment performance of the fund, including fund options, asset class and manager performance against specified benchmarks and reports regularly to the Board on overall performance and compliance with the Policy.

THE UNIVERSITY OF BRITISH COLUMBIA

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Notes to the Financial Statements

Year ended December 31, 2009

(Expressed in thousands of dollars)

10. RISK MANAGEMENT (Continued)

A majority of the Plan's assets are invested in pooled funds. Pooled funds provide a more cost effective means of achieving diversification within selected asset classes. The manager of the investment fund shall be governed by the manager's own investment policy for the pooled fund. IMANT staff is responsible for ensuring that the detailed investment policy statement setting out the investment constraints for the managers of such segregated accounts is prepared and agreed to by the managers.

(a) Price risk

The Plan is exposed to price risk. This arises from investments held by the Plan for which prices in the future are uncertain. The value of the various holdings in the funds may move up or down, sometimes rapidly. The Plan manages price risk by allocating its component across a number of different investment managers with different mandates and investment styles. Different types of investments have historically reflected higher levels of risk, as measured by their volatility of returns.

Given the overall asset class holdings of the Plan, we would expect most annual returns to be within a +/- 8% (2008 - +/- 8%) range of an expected long-term return of roughly +7% (2008 - +7%) (i.e. results ranging from -2% to + 15%). This is based on a Towers Perrin Asset Liability Study which was completed in 2008. While there may be some changes to the expected return on volatilities from year to year of the individual asset classes, as the expected return and volatilities are based on long-term results, the return and volatilities will not be significantly different. The expected returns are based on the following volatility figures:

	2009	2008
Canadian and foreign equities	+/- 18%	+/- 18%
Bonds	+/- 5%	+/- 5%
Real estate	+/- 8%	+/- 8%
Private equity	+/- 35%	+/- 35%
Low volatility hedge fund of funds	+/- 7%	+/- 7%

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Notes to the Financial Statements

Year ended December 31, 2009

(Expressed in thousands of dollars)

10. RISK MANAGEMENT (Continued)

(a) Price risk (continued)

	Market value at December 31, 2009	Percentage of investments	Market value at December 31, 2008	Percentage of investments
Securities				
Canadian equities	\$ 108,992	15	\$ 77,817	12
US equities	48,434	7	88,412	14
Foreign equities	109,878	15	80,252	12
Canadian bonds	211,879	30	186,322	29
Real estate	74,440	11	89,030	14
Private equity	58,168	8	54,321	8
Hedge funds	99,260	14	65,869	10
Short-term notes	222	0	410	0
	\$ 711,273	100	\$ 642,433	100

Based on the estimated range of volatility by asset class this would equate to the following dollar amounts, with all other variables held constant:

	2009	2008
	Potential change in price	Impact on overall Plan's net assets (+/-)
TSX Composite Capped	+/- 18%	\$ 19,619
S&P 500 Canadian Dollar	+/- 18%	8,718
MSCI EAFE ("Morgan Stanley Capital International, Europe, Australasia and Far East")		
Canadian Dollar	+/- 19%	20,877
DEX Universe Bond Indices	+/- 5%	10,594
IPD ("Investment Property Databank") Property	+/- 8%	5,955
Private Equity	+/- 35%	20,359
Hedge Funds	+/- 7%	6,948
DEX 91-Day T-Bill	+/- 2%	4

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Year ended December 31, 2009

(Expressed in thousands of dollars)

10. RISK MANAGEMENT (Continued)

(b) *Interest rate risk*

The Plan is subject to interest rate risk. Interest rate risk is the risk that fixed-income securities will decline in value because of changes in market interest rates. Rising interest rates cause a decrease in bond prices.

Duration is the most common measure of this risk and quantifies the effect of changes in bond prices due to a change in interest rates. The bond portfolio has an average duration of roughly 8.7 years (2008 - 8.9 years). Therefore if interest rates increased by 1% the bond portfolio would fall in value by approximately 9% (2008 - 9%).

(c) *Currency risk*

Currency risk is the risk that the value of non-Canadian investments, reported in Canadian dollars, will decrease because of unfavorable changes in currency exchange rates. The Plan has significant investments denominated in foreign currencies across a majority of the asset classes including U.S. and international equities, real estate and hedge funds. The Plan's investment policy includes a benchmark target requirement to hedge 50% (range of 30% - 70%) of this exposure. In addition to direct hedging by some of the investment managers, the Plan retains an external manager to implement a rolling 3 month currency forward program to achieve the 50% hedging target. This program includes hedging of U.S., Euro, Japanese Yen and Pound Sterling investments. As of December 31, 2009, roughly 46% (2008 - 46%) of the Plan's assets were invested outside of Canada, and 48% (2008 - 52%) of this exposure was hedged. U.S. dollar exposure accounts for 30% (2008 - 30%) of the non-Canadian investment while EAFE currencies account for 16% (2008 - 16%) of the exposure. A 10% strengthening/weakening of the Canadian dollar versus the US dollar at December 31, 2009 would have decreased/increased the US equity portfolio's value by roughly \$22,007 (2008 - \$19,498). This amount would be reduced by roughly half through the currency hedging program. This assumes that all other variables remain constant.

(d) *Credit risk*

Credit risk is the risk of financial loss to the Plan if a counterparty to a financial instrument fails to meet its contractual obligations. The Plan's investments in cash, short-term investments and bonds and debentures are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value of \$226,679 (2008 - \$191,270). The Plan manages the risk by limiting the credit exposure allowed by the fixed income managers. The investment policies of the various bond managers provide limits to the credit exposure and/or set a minimum overall average portfolio quality allowed by each manager. The Plan also invests in derivative strategies to replicate equity index exposure and to hedge foreign currency exposure. Counterparties for these investments are restricted to a minimum credit rating of "A" or "A2".

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10. RISK MANAGEMENT (Continued)

(d) *Credit risk (continued)*

The overall credit ratings as a percentage of the total bonds as of December 31, 2009 held in the Plan are as follows:

	2009	2008
AAA	41%	47%
AA	29%	29%
A	24%	21%
BBB	4%	2%
BB and mortgages	2%	1%

(e) *Liquidity risk*

Liquidity risk for the Plan refers to the likelihood of any potential loss from a large percentage request for redemptions by Plan members. The percentage of the Plan's assets with Deferred Members that could withdraw their funds on short notice is roughly 10% (2008 - 10%).

All of the Plan's liabilities are due within one year.

Most of the Plan's assets are invested in large pooled funds of which the Plan is just one of many parties invested in these pooled funds which provides a high degree of liquidity. The Plan's managers typically invest in equities and bonds that are very marketable and that have a high degree of liquidity should they need to be sold in a relatively short timeframe.

Liquidity risk for the investment program refers to the risk that the Plan may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The investments are exposed to monthly settlement of swap agreements and quarterly settlement of currency forwards as well cash calls related to the private equity and real estate investments. The sources of funding for these settlements are from the liquid portion of the Plan, the public market securities.

Investments in real estate, private equity and hedge funds have more restrictive liquidity constraints than public securities. Real estate and private equity investments are made through limited partnership agreements typically with contractual 10 year terms. Investments in the real estate and private equity funds occur over four to five year periods and redemptions are at the investment manager's discretion. For hedge fund investments, redemptions are on a quarterly or semi-annual basis and require 90 days' notice.

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11. CAPITAL MANAGEMENT

The Plan's objectives when managing capital are to safeguard the ability to continue as a going concern, so that the Plan can provide sufficient benefits to the Plan members.

The Plan manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust the capital structure, the Plan may sell assets to meet immediate obligations where appropriate. The Plan is not subject to externally imposed capital requirements.

The UBC Board of Governors is responsible for monitoring and evaluating the Plan's performance on a regular basis.

12. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year presentation.