

STAFF PENSION PLAN UPDATE

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

MAY 2011



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THE ANNUAL REPORT ISSUE

Dear Plan Members:

I am pleased to present our Annual Report Issue of the Staff Pension Plan (SPP) Update. This issue contains a summary of 2010 Plan highlights and changes, membership statistics, staff and director updates, as well as a 2010 Investment Review from UBC IMANT, the Plan's Investment Manager. We hope you find this issue helpful and informative.

As always, the latest news on the Staff Pension Plan is available on our website www.pensions.ubc.ca/staff. We look forward to seeing you at the Pension Fair on May 31. It will be a great opportunity for you to connect with the Pension Board directors and the Pension Administration Office (PAO) staff.

Brian Evans, CHAIR

Annual Statements

Active and Deferred* members will receive their 2010 Annual Statement with this issue of the Staff Pension Plan Update.

Members are encouraged to review their statement for any errors in beneficiary information, birth date, contributions, and pensionable service. If any personal information needs to be revised or updated, simply 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 2011 will receive their first statement in 2012 since statements are calculated as of December 31 of the prior year. However, Active members (current UBC employees) can view their benefit

COMING SOON:

**SPP Pension Fair
May 31, 2011**

See invitation in this issue.

Online Investment and Financial Reports

The UBC Investment Management Trust (IMANT) Investment Report and the SPP's Audited Financial Statements will be available on the SPP website in July 2011.

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 age 55 will receive a Deferred Annual Statement. Deferred members age 55 and over will receive a retirement package instead. In the event you have not received your annual statement, or are approaching retirement and have not received a retirement package, please send us an email at spp@hr.ubc.ca and include your current address, phone number, and email address with your request for a deferred annual statement or retirement package.*

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.

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2010 Year in Review

2010 was a year of accomplishments for the SPP Pension Board and the Pension Administration Office as we prepared for the upcoming actuarial valuation and introduced improvements to the Plan. The Plan's assets have grown over the past year and solid progress was made on our governance review.

Growth of the Plan's Assets

As at December 31, 2010, the Plan's assets have grown to \$815.6 million. Two notable factors contributed to this growth: an increase in the Plan's cash flow and positive market returns.

Two plan changes, effective July 1, 2009, significantly improved the Plan's cash flow. Member contributions which increased to 6.5% are included for the first full year in the 2010 financial results. The accrual of pensions under the new formula of 1.8% of best average earnings is also fully implemented in 2010. As a result, contributions to the Plan by members and employers totalled \$52.8 million; pension benefits including retirement pensions, lump sum payments, and pre and post retirement benefits totalled \$31.6 million, producing a 43% increase in cash flow over 2009. Operating and investment expenses were also lower in 2010 at 0.18% and 0.24% respectively compared to 0.22% and 0.30% in 2009.

The Plan achieved positive market returns in 2010, producing a net rate of return of 9.79% for the SPP Funds, \$71.7 million in dollar value.

Securing the Plan's Basic Benefit for Retirees

In response to the market volatility in 2008 and 2009, the Pension Board began a review to strengthen the security of the Plan's basic benefit. The SPP provides a lifetime pension, referred to as the "basic benefit" based on each member's years of service and earnings history. The basic benefit is adjusted for inflation each year after retirement. Depending on the results of the actuarial valuation, the basic benefit and the inflation adjustments could be increased or decreased. In the past, there has never been a reduction in Plan benefits; and, 100% inflation adjustments have always been provided.

To help with this review, the Pension Board retained external consultants during 2010: PBI Actuarial Consultants, who provided investment consulting and Satanove & Flood Consulting, who provided pension consulting. With support from our actuary and legal counsel, these advisors helped the Pension Board develop a solution to protect the basic benefit which became Amendment #2, approved by the University's Board of Governors in December 2010. Amendment #2 creates a protective buffer for the basic benefit.

In 2010, the Pension Board also accepted PBI's recommendations to provide advice on the Plan's investment policy. As a result, a new policy asset mix was developed that recognizes the unique characteristics of the Plan. The Plan's investment manager, IMANT, working together with PBI, also developed an investment transition plan to effectively transition the Plan's current investments to the new asset mix over the next few years. This new policy asset mix is one of the most significant accomplishments made in 2010.

For more information on Amendment #2 and the Plan's new policy asset mix, please refer to the *February 2011 Staff Pension Plan Update*.

Preparing for the 2011 Actuarial Valuation

Every three years, there is an actuarial valuation to assess the Plan's assets and liabilities; in other words to assess what money needs to be put into the Plan in the future to ensure the Plan is fully funded. 2008 was the last valuation year, and since then, the Pension Board and PAO staff have diligently prepared for the 2011 valuation. During this period, the Pension Board addressed the liability and equity issues impacting the Plan's ability to achieve its primary objective of providing stable lifetime retirement pensions for members. Amendment #1, removal of the Commuted Value Lump Sum option for members age 55 and over, was one of the significant changes. This amendment took effect January 1, 2011.

Review of Plan Governance

The University continued to work on their review of the Plan's governance, which commenced in 2009. This review will likely be completed in 2011.

Membership Statistics & Trends

Plan membership has increased by 3.1% from 2009, bringing the total membership to 9,551 as at December 31, 2010. Membership includes Active (current UBC employees), Deferred (past UBC employees), and Retired members. Where applicable, the SPP provides retirement, termination, and death benefits for all these groups.

The Plan has an even distribution of members by age with the core group between ages 28 and 62. The average age of Active members is 44.9 years. As of December 31, 2010, there were 6,345 Active members.

In 2010, there was a 5.9% increase in Deferred members (1,663), representing approximately 17% of the total membership. These are members who left the University or transferred to a position that is no longer eligible for the SPP and have elected to leave their pension in the Plan or have not made an election.

The number of Retired members (1,543) increased by 5.1% in 2010. The majority of retirements occurred between the ages of 60 and 65, with the greatest number at age 65. 58% of these members elected to take their accrued benefits as a pension, which is similar to statistics for the last five years.

Pension Administration Office (PAO) Update

The PAO provides administration services for the University, Pension Board, and the Staff Pension Plan. In 2010, the Pension office hired two new staff: Michael Barrow, Front Counter Representative, and Maricres De Leon, Pension Plan Accountant.

Pension Board Update

Lorna Marshall completed her term on the Pension Board on December 31, 2010. Lorna was a Director on the Pension Board for 7 years, where she was Vice-Chair for 4 years. Susan Claybo was elected as the new Vice-Chair as of January 1, 2011.

Plan Advisors

AON Hewitt Consulting: *Actuary*

Deloitte & Touche LLP: *Auditors*

Mercer (Canada) Limited: *Communication*

RBC Dexia Investor Services: *Custodian*

Lawson Lundell LLP: *Legal Counsel*

PBI Actuarial Consultants Ltd: *Investment Consultant*

Satanove & Flood Consulting Ltd: *Pension Consultant*

UBC IMANT: 2010 Investment Review

The capital markets continued to rebound in 2010, with strong positive returns achieved across most equity markets. Canadian fixed income markets also generated positive numbers over the year. As a result, the Staff Pension Plan (SPP) generated a net rate of return of 9.79% for the year ended December 31, 2010.

The Markets

Since the bottom of the equity markets in March of 2009, the Canadian S&P/TSX is up 87%; in U.S. dollar terms, the U.S. market is up 86%. In 2010, non-Canadian returns were again tempered by the appreciation of the Canadian dollar relative to the Euro and the U.S. dollar, 12.6% and 5.2% respectively, ending the year trading above its U.S. counterpart. As highlighted in last year's update,

U.S. Equities and Foreign Equities have not generally added value for Canadian investors over the past 10 years.

The following table highlights the returns of the SPP funds by asset class as at December 31, 2010 for the 1-year, 4-year and 10-year periods.

Asset Class	1 Year	4 Year	10 Year
Bonds	8.2%	6.0%	7.0%
Canadian Equities	16.4%	4.0%	6.6%
U.S. Equities	14.3%	-7.6%	-2.1%
Foreign Equities (Global, EAFE, Emerging)	10.0%	-6.8%	-1.4%
Hedge Funds	5.5%	-0.5%	N/A
Real Estate	7.1%	-3.4%	11.1%
Private Equity	9.5%	1.7%	N/A
Fund Total	10.5%	-0.3%	3.8%

(continued on page 4)

2010 Rates of Return

The Fund achieved positive return numbers across all asset classes in 2010. The return for the Fund's U.S. equity portion is partially hedged against currency which added to performance. The allocation to the mid cap S&P 400 index fund was also beneficial for U.S. equity performance with stronger returns than the large cap S&P 500. In addition, both international equity managers significantly exceeded their benchmark while the performance of the emerging markets manager also added to the return.

The combined Canadian equity return was below benchmark for the year. At year-end, one of the Canadian equity mandates was eliminated and the assets reallocated to the other existing managers. Preliminary work is underway to determine if another manager will be added or to continue with only the two existing Canadian mandates.

The Fund continues to hedge 50% of the non-Canadian investments through currency forwards denominated in U.S. dollars, Pound Sterling, Euro and Japanese Yen based on the estimated value invested in each of these areas. With the strong appreciation of the Canadian dollar against foreign currencies, this policy has had a positive impact on overall returns.

The alternative asset classes, real estate, infrastructure, private equity and hedge funds, all showed positive returns for the year with a good rebound in performance for the real estate and private equity in comparison to 2009. The Canadian-based real estate generally outperformed the benchmark while the foreign funds lagged in Canadian dollar terms. The private equity and hedge fund investments both exceeded their benchmarks for the year.

The following table highlights the SPP's returns by asset class and the benchmark indices for comparative purposes. The performance of the Fund's investment managers is measured against these benchmark indices with the goal to meet or exceed the relevant index over time. In addition, total Fund return is compared to the Fund's Policy Portfolio Benchmark return (weighted average of the individual benchmark asset class returns); the one year return of 10.5% exceeded the Benchmark return of 8.4%; over four years, the Fund's return of -0.3% underperformed the Benchmark return of 1.8%.



Asset Class	Benchmark Index	2010 UBC SPP Return	2010 Index Return
Cash & Cash Equivalents	DEX 91 Day Treasury Bills	0.0%	0.5%
Canadian Bonds			
DEX Universe Bond	DEX Universe Bond Index (Est.)	6.7%	6.7%
DEX Long Bond	DEX Long Bond Index	12.0%	12.5%
DEX Real Return Bond	DEX Real Return Bond Index	11.1%	11.1%
Total Bonds		8.2%	8.3%
Canadian Equities	S&P/TSX Composite	16.4%	17.6%
U.S. Equities	S&P 500 Index (Large Cap)(Est.)*	12.4%	9.1%
	S&P 400 Index (Mid Cap)*	20.4%	20.4%
Total U.S. Equities		14.3%	N/A
International Equities	MSCI EAFE Index* (Net)	10.4%	2.0%
Real Estate	Investment Property Databank	7.1%	11.1%
Hedge Funds	HFRI FoF Cons Index*	5.5%	-0.6%
Private Equity	MSCI World Index (Net) +2%	9.5%	3.1%
Total Fund (Gross Return)		10.5%	8.4%

* All returns are based on Canadian Dollars.



SPP 2011 PENSION FAIR

You're invited!

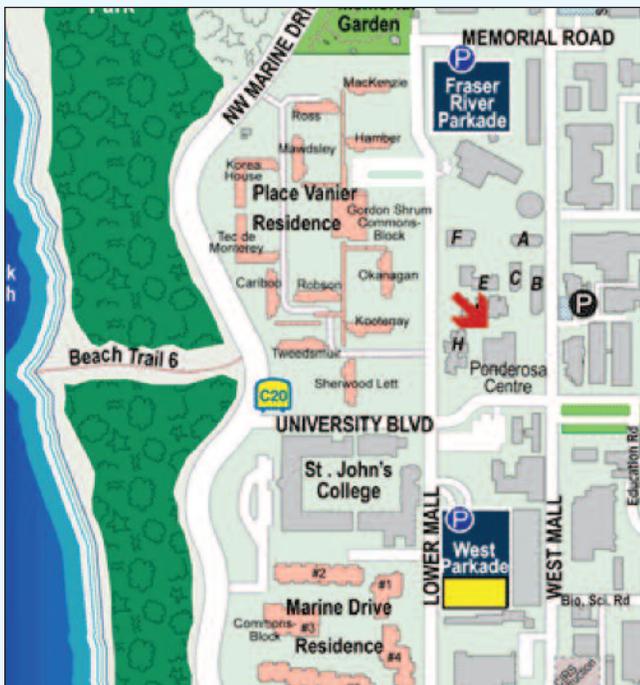
DATE: Tuesday, May 31, 2011

TIME: 11:30 am to 1:15 pm

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



Please 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. It's a great opportunity for you to learn more about the Staff Pension Plan (SPP) and what you should know about pensions.

Refreshments will be served. Off-campus members will be reimbursed for parking or bus expenses. Don't forget to also enter for your chance to win a door prize. ***RSVP is not required, just come on the day of the event!***

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**. **Don't know what to ask?** Ask one of our staff or a director what you should know about pensions.

Approaching Retirement?

Visit the **Retirement** table and ask us about your retirement options. While you are there, check out the **Retirement and 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)**. Representatives 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?

Interested in the investment markets?

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**.