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In the first quarter of 2010, stock markets continued to climb from the lows reached in March 2009. Much of the economic results reported either positive or "less negative" news, providing investors with some level of comfort that things were generally improving in the economy. The second quarter of 2010 witnessed weak returns for stock markets worldwide, pushing year-to-date returns into negative territory. Issues with high government debt levels in several European countries, and concern over slowing economic growth worldwide, led to increased fears with investors. The third quarter of 2010 produced strong returns for stock markets despite economic news reports of slow growth. Renewed expectations that the U.S. government would continue to support their economy increased investors' enthusiasm and willingness to create their investments in the stock markets. The fourth quarter of 2010 produced strong returns for stock markets as the rally continued from the previous quarter. Encouraging economic news from a number of areas, including continued support from central banks, led investors to be more confident that a global recovery was underway.

2010 Year in Review



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Message from the Chair

Dear Members:

We are pleased to present the Faculty Pension Plan's (FPP) Annual Report: **2010 Year in Review**.

The annual report has changed this year and it has been integrated with the FPP website as a separate section called "2010 Year in Review." This online format allows members to find information more easily, and as part of the University's sustainability commitment, it also allows member to select and print specific sections of the report, rather than printing the full report, as was required in previous years.

The past year proved to be a volatile one again in terms of stock market returns; however, the year ended on a positive note overall for both equities and bonds. Most stock markets produced double-digit gains in 2010 as the recovery from the 2008 financial meltdown continued, building on the strong returns of 2009. The Canadian stock market has now witnessed its largest two-year advance in the past 30 years. The bond market also had a favourable return in 2010, with the Bond Fund producing a return of 8.6% for the year, despite continuing very low interest rates.

The strong performance for the last two years has led to many of the FPP Funds' unit values either equalling or exceeding the unit values that pre-dated the market crash in 2008. The Balanced and Bond Funds' unit values exceeded the previous highs established in May 2008 and the Canadian Equity Fund's unit value had almost returned to its May 2008 value. The Foreign Equity Fund was the only fund option that still lagged behind its pre-2008 market crash value. The rates of return and investment commentary for each of the Plan's five fund options can be found under the [Investment](#) section of this annual report.

A number of changes were made to the various fund options in 2010. [A letter to members](#) dated January 28, 2010 outlined these changes, which were effective as of April 1, 2010. The most significant changes were in the foreign equity component of the Balanced and Foreign Equity Funds. Two new managers, MFS and JP Morgan, were hired under the Global equity mandates, the existing international equity manager was terminated, and the allocation to the US equity manager, BlackRock Inc., was significantly reduced. This US equity mandate was also changed from an actively managed fund to a passively managed fund as of October 2010. Also, in April 2010 the Real Return Bond weighting was increased to 20% in the Bond Fund which resulted in a similar proportional increase in the Balanced Fund.

Drs. Joy Begley and Kai Li were re-elected to the board of trustees, each for two-year terms, effective January 1, 2011. I would like to thank them both for their continued support of the FPP. Dr. Begley has been a member of the board since January 1, 2007 and Dr. Li since January 1, 2009.

We invite everyone to attend the [Open House on May 25](#) to hear about the FPP's investment and operational performance in 2010 and also to hear about the Plan's objectives for 2011.

In closing, I would like to thank the board and staff for their support over the past year and look forward to working with them again in 2011.

Yours truly,

Joost Blom



FACTS AT A GLANCE

Membership Information

Member Type	2010	2009
Active	3,365	3,297
Deferred	1,386	1,395
Retired	582	546
Total Membership	5,333	5,238

Market Value of Funds

Fund Type	2010	2009
Balanced	\$1,115,397,884	\$1,015,418,630
Bond Fund	\$64,874,459	\$56,037,866
Canadian Equity Fund	\$108,117,922	\$89,734,839
Foreign Equity Fund	\$37,180,319	\$33,106,028
Short Term Investment Fund	\$51,436,859	\$50,375,490
Total Market Value of Funds	\$1,377,007,443	\$1,224,672,853

Cash Flow

Source	2010	2009
Contributions		
Employer	\$33,047,817	\$31,593,463
Employee	\$16,673,142	\$16,302,941
Voluntary	\$497,862	\$464,768
Transfers-in from other Registered Plans	\$3,071,241	\$3,111,020
Retirement Benefits Paid	\$20,502,956	\$15,898,168
Withdrawals and Transfers-Out	\$20,259,603	\$16,403,213

**all figures as at December 31, 2010*



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Board of Trustees as at January 1, 2011

The Faculty Pension Plan is administered by a Pension Board composed of eight Trustees. Four Trustees are elected by and from the members of the Pension Plan and four are appointed by the University. The powers and duties of the Pension Board are outlined in detail in the Plan's Trust Agreement and the University has no interest, right, or title to pension monies after transfer to the Pension Board.

Appointed by the Board of Governors

Mr. Joost Blom, *Chair*
Professor, Faculty of Law

Dr. Joyce Boon
Associate Professor, Biology & Physical Geography
UBC Okanagan

Dr. Joanne Emerman
Professor, Cellular & Physiological Sciences

Mr. Al Poettcker
President & CEO, UBC Properties Trust

Elected by Plan Members

Dr. Joy Begley
Associate Professor, Sauder School of Business
Term expires December 31, 2012

Dr. Neil Guppy
Professor, Anthropology and Sociology
Term expires December 31, 2011

Dr. Robert L. Heinkel, *Vice-Chair*
Professor, Sauder School of Business
Term expires December 31, 2011

Dr. Kai Li
Professor, Sauder School of Business
Term expires December 31, 2012

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Management & Staff

Mike Leslie

Executive Director of Investments

Cheryl Neighbour

Executive Director of Operations

Derrick Johnstone

Senior Operations Manager

Debbie Ma

Senior Financial Officer

Frances Lu

Pension Administrator

Maricres De Leon

Pension Plan Accountant

Jim Loughlean

Member Services Specialist

Jill Smith

Business Analyst

Louise Mah

Pension Clerk

Wendy Brooks

IT Manager

Kathy Pang

Communications Coordinator

GV Fragante

Systems Analyst

Shirley Lim

Office Administrator

Helena Huynh

Systems Analyst

Michael Barrow

Front Reception



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Service Providers

Aon Hewitt Consulting: Actuary

Deloitte & Touche LLP: Auditors

CIBC Mellon: Custodian & Performance Measurement Services

Lawson Lundell LLP: Legal Counsel



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You're invited

UBC Faculty Pension Plan Open House

Please join us at the Open House and meet the trustees and staff of the Faculty Pension Plan. There will be presentations on the Plan's performance in 2010, and a discussion of initiatives for 2011. Light refreshments will also be served.

Date: Wednesday, May 25, 2011

Time: 10:30 am to 12:30 pm
(The presentation will start at 10:45 am)

Location: Ponderosa centre - Arbutus Room
2071 West Mall (at University Boulevard)

RSVP by May 18 to:

pensions@hr.ubc.ca | 604-822-8100



[Download the
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MARKET COMMENTARY

Balanced Fund

The Balanced Fund produced a second consecutive year of strong returns in 2010 at 10.0% with positive results from all of its asset classes. This strong return, in combination with 2009's result, means that the Fund has recouped the value it lost as a result of the 2008 market crash. As at December 31, 2010, the Fund's unit value was above the May 2008 unit value before the ensuing market crash.

At 18.0% and 8.6% respectively, the Balanced Fund's Canadian Equity and Bond components were particularly strong in 2010. The Real Estate portion of the Fund also produced a healthy bounce-back in value from its negative returns in 2008 and 2009. The Hedge Fund, representing roughly 3% of the Balanced Fund, also returned a strong 14.4% in 2010.

The Balanced Fund's one-year performance of 10.0% was marginally lower than other balanced funds of similar size as the Fund tends to modestly underperform its peers when equity returns are very strong. This reflects the more conservative asset mix profile of the Balanced Fund (i.e. less equity weighting on average than its peers), which has proven beneficial in periods of weak equity returns. Over a four-year period, the Fund's performance compared to other similar balanced funds was in the top quartile and its risk profile was ranked in the least risky quartile.

Bond Fund

The Bond Fund produced a strong one-year return of 8.6%, despite a negative return in the fourth quarter, and exceeded its index benchmark by 1.0% for the year. All three active bond managers performed well, especially the two managers with Core-plus mandates who manage 40% of the Fund's assets. These two managers are allowed to hold non-domestic bonds, within certain constraints, and both of these managers added significant value over their index benchmark. The 20% allocation in the Fund to Real Return Bonds also added to the overall performance with an 11.2% return for the year. On a peer comparison basis with other bond funds, the performance of the Bond Fund has been strong (top 30% percentile) over four years, with less risk than the average bond fund.

Canadian Equity Fund

The Fund had a very strong return of 18.0% in 2010, following its exceptional return of 30.7% in 2009. The Canadian stock market index is heavily weighted in commodity stocks, such as mining and oil and gas stocks, most of which performed very well in 2010. Although Canadian economic growth was not overly strong in 2010, positive economic releases along with both fiscal and monetary stimuli led investors to be more positive in their views of the stock market. Two of the four managers in the Fund significantly outperformed the stock index for the year, which was mainly attributable to them holding the best performing stocks within the industry sectors that performed well for the year. Over a four-year timeframe, the Fund's performance ranked high in the first quartile compared to similar Canadian equity funds while having a risk profile that places it lower than the average peer fund.

continued on next page



Market Commentary Cont'd

Foreign Equity Fund

With a return of 6.3% for 2010, the Foreign Equity Fund had a second consecutive year of positive performance, which was a welcome relief after the market crash in 2008. However, longer term results remain weak; its 10 year returns are still slightly negative (-0.9%). The Fund was restructured in April 2010 to include:

- Two new managers with Global equity mandates (representing 73% of the Fund)
- One US equity manager (managing 21% of the Fund)
- An increase to a 6% allocation to the Hedge Fund manager

Furthermore, the US equity manager's mandate was changed from being actively managed to a passive mandate later in 2010.

All components of the Fund saw positive results in 2010, with the Hedge Fund manager providing the strongest annual performance at 14.4%; however, the Fund's longer term performance still lags within its peer group. The returns of the Foreign Equity Fund were reduced by the strengthening Canadian dollar in 2010, as foreign equity returns are lower if local currencies drop in value versus the Canadian dollar.

Short-Term Equity Fund

The STIF's return in 2010 was 0.6%, reflecting the very low interest rate environment throughout 2010. There were a couple of small increases in the Overnight Rate in 2010 however rates still remained near historic lows as the government seeks to provide support for an economic recovery. The Fund only invests in very highly quality fixed income instruments with a very short (i.e. typically 7 days or less) maturity. When netting out the affect of inflation (2.1% in 2010) the "real return" of this Fund was negative in 2010. A change to this Fund was made in early 2011 whereby the average length of holding period for the fixed income instruments in the portfolio was marginally increased.



FUND RATES OF RETURN

The following table provides performance results for periods ending December 31, 2010. The absolute returns are compared with returns of composite indices, which reflect the asset allocation of each fund. Relative rankings indicate the investment fund's percentile standing within a universe of comparable funds.

The following table provides performance results for periods ending December 31, 2010.

	1 year	3 years	5 years	10 years	Relative Ranking		
	%	%	%	%	(1st percentile is best ranking)		
					1 year	4 years	5 years
Balanced Fund - gross ¹	10.0	2.5	4.8	5.5	59	25	19
Balanced Fund - net ²	9.4	1.9	4.3	5.0			
Composite Index 1 ³	9.1	2.3	4.3	5.1			
Bond Fund - gross	8.6	7.2	5.8	6.4	50	28	45
Bond Fund - net	8.3	6.9	5.5	6.1			
Composite Index 2 ⁴	7.6	6.6	5.3	6.4			
Canadian Equity Fund - gross	18.0	2.2	7.2	8.6	27	14	13
Canadian Equity Fund - net	17.4	1.8	6.8	n/a			
Composite Index 3 ⁵	16.7	1.9	6.5	6.8			
Foreign Equity Fund - gross ¹	6.3	-4.8	-1.3	-0.8	65	82	80
Foreign Equity Fund - net	5.4	-5.3	-1.8	n/a			
Composite Index 4 ⁶	5.9	-4.3	-0.6	-0.3			
Short Term Investment Fund - gross	0.6	1.4	2.5	2.8	88	100	94
Short Term Investment Fund - net	0.4	1.2	2.4	2.6			
Composite Index 5 ⁷	0.4	1.1	2.3	2.7			

¹ The gross return represents income from investments, including accrued interest. It also reflects changes in market values during the year.

² The net return is the gross return minus investment management and administration fees.

³ Composite Index 1: 32% DEX Universe, 10% S&P/TSX Capped, 5% S&P/TSX, 5% S&P/TSX 60 Capped, 6% S&P 500, 21% MSCI World Ex Canada, 3% DEX 91-Day TB, 10% IPDCPI, 8% DEX Real Return Bond

⁴ Composite Index 2: 80% DEX Universe, 20% DEX Real Return Bond

⁵ Composite Index 3: 25% S&P/TSX, 50% S&P/TSX Capped, 25% S&P/TSX 60 Capped

⁶ Composite Index 4: 73% MSCI World Ex Canada, 21% S&P 500, 6% DEX 91-Day TB

⁷ Composite Index 5: DEX 91-Day TB until August 2007; DEX 30-Day TB commencing September 2007



INVESTMENT MANAGERS' RATES OF RETURN

The following table details each manager's performance for the periods ending December 31, 2010. The trustees and management monitor the performance of each of the managers and meet with them regularly to review their performance. Measured against comparable managers, each manager's relative performance is expected to rank in the top third. The managers are also expected to achieve returns greater than their index-based benchmark over a four-year period.

Asset Class Manager Index-based Benchmark	Gross Rates of Return (%) ¹ For periods ending December 31, 2010			
	1 year	2 years	3 years	4 years
	Canadian Equity			
Connor, Clark & Lunn Q-Growth Fund	22.8	25.8	2.4	5.1
S&P/TSX Composite Index	17.6	26.0	2.1	4.0
Guardian Capital LP	15.4	21.8	1.5	3.9
Leith Wheeler Investment Counsel	17.0	22.5	1.2	3.5
S&P/TSX Capped Composite Index	17.6	26.0	2.1	4.0
PCJ Investment Counsel	16.7	26.7	3.8	5.4
S&P/TSX Capped 60 Index	13.8	22.6	1.1	3.5
US Equity				
BlackRock Inc. - U.S. Equity Index ²	5.3	5.7	-3.9	-6.7
S&P 500 Index (Canadian \$)	9.1	8.2	-2.6	-4.7
Non-Canadian Equity³				
MFS	n/a	n/a	n/a	n/a
JP Morgan	n/a	n/a	n/a	n/a
MSCI World x Canada (Canadian \$)	n/a	n/a	n/a	n/a

continued on next page



Investment Manager's Rates of Return cont'd

Asset Class Manager	Gross Rates of Return (%) ¹			
	For periods ending December 31, 2009			
Index-based Benchmark	1 year	2 years	3 years	4 years
Hedge Fund				
BlackRock Inc. - Global Market Selection Fund	13.7	14.0	6.6	8.1
DEX 91-Day Treasury Bill Index	0.5	0.6	1.5	2.2
Fixed Income				
AllianceBernstein	9.7	12.4	6.9	n/a
PIMCO Canada Corp.	8.8	11.1	7.5	n/a
State Street Global Advisors	6.8	6.2	6.5	n/a
DEX Universe Bond Index	6.7	6.1	6.2	5.6
BlackRock Inc. - Real Return Bond Fund	11.1	12.8	8.5	6.7
DEX Real Return Bond Index	11.1	12.8	8.5	6.7
Real Estate				
bcIMC - Realpool	5.9	-1.3	-0.6	4.5
Westpen Properties	12.7	2.3	2.8	7.3
IPD Canadian Property Index	7.5	3.2	3.2	6.3
Money Market				
bcIMC - Short Term Fund	0.6	0.5	1.4	2.1
DEX 30-Day Treasury Bill Index	0.4	0.4	1.1	1.9

¹ The gross returns reported are time-weighted annualized returns. It is not possible to simply sum the returns for individual managers to obtain a fund return.

² As of October 1, 2010, the existing U.S. Equity mandate with Black Rock Inc. changed from the S&P 500 Alpha Tilts product to an S&P 500 Index fund.

³ As of April 1, 2010 two new foreign equity managers were hired with a global equity (ex-Canada) mandate. Also, the former manager with a non-North American (ie. EAFE) mandate was dismissed.



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Financial Statements

The Plan's Financial Statements have been audited by the Plan's auditors, Deloitte & Touche LLP, and are available for download in PDF format.

[Download the FPP 2010 Financial Statements](#)

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Independent Auditor's Report

To the Trustees of The University of British Columbia Faculty Pension Plan:

We have audited the accompanying Statement of Assets of the Faculty Pension Plan, which comprise the Statement of Assets as at December 31, 2010, and the Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2010.

Management is responsible for the preparation and for true and fair presentation of these financial statements, in accordance with generally accepted accounting principles, as applicable to the circumstances of the Plan.

Our audit was conducted in accordance with Canadian generally accepted auditing standards.

In our opinion, the financial statements are presented fairly, in all material aspects, the financial position of the Plan as at December 31, 2010, and the changes in net assets available for benefits for the year ended December 31, 2010.

The University of British Columbia Faculty Pension Plan
 Statement of Assets as at December 31, 2010
 (Expressed in thousands of dollars)

	2010	2009
Assets		
Assets held by the Plan's trustee		
Investment assets	14,670	15,303
Real estate	14,200	14,944
Other	600	455
Liabilities	1,849	2,202
Net assets available for benefits	27,021	28,499
Statement of Changes in Net Assets Available for Benefits		
Net assets available for benefits at beginning of year	28,499	27,021
Contributions	1,217	1,217
Benefits paid	(1,495)	(1,495)
Administrative expenses	(208)	(208)
Net change	(469)	(469)
Net assets available for benefits at end of year	27,021	28,499

Approved on behalf of the Board of Trustees:
 [Signature]
 Vice-Chair



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