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THE UNIVERSITY OF BRITISH COLUMBIA

**THE UNIVERSITY OF BRITISH COLUMBIA  
PENSION ADMINISTRATION OFFICE**

**TO: Members of the UBC  
Supplemental Arrangement**

**FROM: UBC Advisory Committee on  
the Supplemental Arrangement**

**DATE: February 1, 2011**

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**Supplemental Arrangement Update as at December 31, 2010**

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**General Information on the Supplemental Arrangement (SA)**

The assets of the Supplemental Arrangement (SA) are administered by Industrial Alliance Insurance and Financial Services Inc. (Industrial Alliance). The assets are invested by Phillips, Hager & North (PHN) in the Phillips, Hager & North Balanced Pension Trust Fund and Leith Wheeler Investment Counsel Ltd. (Leith Wheeler) in the Leith Wheeler Unrestricted Diversified Fund. Monthly contributions to the SA are allocated on an even basis to each of the managers, with Industrial Alliance rebalancing as required based upon relative performance.

The PHN Balanced Pension Trust Fund is composed of the assets of the PHN Money Market Fund, Bond Fund and Equity Funds (Canadian, including Small Float Fund, and Foreign Funds). PHN will make adjustments to the asset mix of the Fund as market conditions dictate. The unit value of the PHN Balanced Pension Trust is published regularly in the financial section of major newspapers (PHN Bal Pens Tr).

Similarly, the Leith Wheeler Unrestricted Diversified Fund is invested in Canadian fixed income and Canadian, U.S. and International equities. The non-Canadian equities are managed on behalf of Leith Wheeler, through a sub-advisory agreement, by Sprucegrove Investment Management Ltd. (Sprucegrove).

As at December 31, 2010, total assets in the SA were \$52.7 million, with the allocation approximately equal between the two firms. There were 989 members.

The timing and amount of contributions are unique; your personal return is dependent on the actual contributions and the timing of subsequent investment in the managers' funds.

**Membership and Contribution**

For the year 2010, the *Income Tax Act* allowed maximum registered pension contributions in the amount of \$22,450. Members who earned more than \$160,154. reached their pension contribution limit and excess employer contributions were re-directed to their Supplemental Arrangement accounts.

For the year 2011, the *Income Tax Act* has raised the pension contribution limit to \$22,970 and members will not reach their aggregate maximum until they have earned \$163,886.

**Administrative Matters**

Members who have general inquiries regarding the Supplemental Arrangement, such as beneficiary designation and withdrawal procedures, should contact Jim Loughlean at (604) 822-8987 or jim.loughlean@ubc.ca in the Pension Administration Office.

Members who have any questions regarding investment information should contact Roger Polishak at (604) 681-7858.

At December 31, 2010 the combined investments for the SA were structured as detailed below; the investment results are gross of investment management fees (blended fees are roughly 0.22% per annum). The combined return for 2010 was again strongly positive at 10.5% (PH&N 9.5%; Leith Wheeler 11.4%).

#### Asset Mix\Unit Values and Returns to December 31, 2010

	SA Fund Market Value (\$ 000's)	% of Total Assets	1 Year Return	2 Year Return	3 Year Return	4 Year Return	Major Market Indices	1 Year Return
Canadian Equity	17,866	33.9%					S&P/TSX	17.6%
U.S. Equity	7,853	14.9%					S&P 500*	8.9%
International Equity	7,800	14.8%					MSCI EAFE*	2.4%
							MSCI World- ex Canada*	5.9%
Canadian Fixed Income	18,024	34.2%					DEX Universe Bond	6.7%
Canadian Short Term	1,159	2.2%					DEX 91-Day T-Bills	0.5%
Combined SA	52,702	100.0%	10.5%	14.5%	3.1%	2.4%	Benchmark	9.9%

(\* In Cdn \$)

#### Summary of Operating Results

For the year, January 1 to December 31, 2010, the operating results of the SA Fund are:

Investment returns	
1 year return	<u>10.5%</u>
(gross of fees)	
Expenses	
Administrative fees (internal and external)	0.27%
Investment fees (blended)	0.22%
Total fees	<u>0.49%</u>

Administrative fees primarily include custody and recordkeeping charges. The investment management fees are 0.22% per annum based on the average quarterly market value of the Fund.

#### Advisory Committee

Members of the Advisory Committee are:

Roger Polishak, UBC IMANT

Cheryl Neighbour, Faculty Pension Plan

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