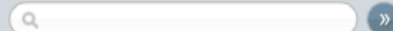


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Message from the Chair

Dear Members:

We are pleased to present the Faculty Pension Plan's (FPP) Annual Report: **2011 Year in Review**.

Volatility was again the norm in both the stock and bond markets throughout 2011. These markets frequently shifted quite dramatically between positive and negative environments as investors reacted to the most recent global economic news. Most stock markets, including the Canadian market, ended the year with negative returns as events such as the European debt crisis, negative repercussions of the Japanese tsunami, a continued weak US economy and slowing Emerging Market growth all led to negative investor sentiment. One positive result of this aversion to risky assets was that investors generally moved into both bonds and safer blue-chip US stocks. This led to the bond market having a strong year, even with record-low interest rates, as increased investor demand drove up the price of bonds. The US stock market ended the year with one of the best returns of the developed markets, again due to a flight of capital to the perceived "safer" US market.

Despite all the poor economic news throughout 2011 the Balanced Fund still produced a modest positive return of 3.2% for the year. This was largely the result of positive returns from the bond (10.5%), real estate (15%), and the US equity (4.7%) components of the Balanced Fund. Along with the strong market performance in the previous two years, the unit values of all the fund options have now exceeded their highs established before the big market crash in mid-2008. The exception is the Foreign Equity Fund, whose unit value has still not fully recovered to the highs established before the 2008 crisis. The rates of return and investment commentary for each of the Plan's five fund options can be found on the FPP's [Investments](#) page.

There were no changes made to the various fund options in 2011, except for a minor change in the Short Term Investment Fund, where the existing investment manager was allowed to hold fixed income instruments with slightly longer terms in the Fund. We are also adding a new fund option in mid-2012 that will allow members to invest in Guaranteed Investment Certificates (GICs) with terms from one to five years.

Dr. Neil Guppy stepped down as trustee in 2011 and we thank him for the many contributions and careful stewardship that he provided to our Plan. At the same time, we welcome Mr. Vijay Verma to the board and look forward to working with him.

We invite everyone to attend the [Pension Forum on May 23](#), which replaces the annual Open House. The Pension Forum will be an informal event for members actively to learn more about the FPP and meet and converse with the FPP trustees, management and staff. There will also be a short presentation from the FPP management and Chair.

In closing, I would like to thank each of the board members for their ongoing commitment and efforts. Also, on behalf of the board and the membership, I would like to thank the pension staff for their support over the past year and look forward to working with them again in 2012.

Yours truly,

Joost Blom

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FACTS AT A GLANCE

Membership Information

Member Type	2011	2010
Active	3,356	3,365
Deferred	1,418	1,386
Retired	628	582
Total Membership	5,402	5,333

Market Value of Funds

Fund Type	2011	2010
Balanced	\$1,123,219,589	\$1,115,397,884
Bond Fund	\$82,320,645	\$64,874,459
Canadian Equity Fund	\$96,602,910	\$108,117,922
Foreign Equity Fund	\$36,881,169	\$37,180,319
Short Term Investment Fund	\$67,297,338	\$51,436,859
Total Market Value of Funds	\$1,406,321,651	\$1,377,007,443

Cash Flow

Source	2011	2010
Contributions		
Employer	\$34,511,247	\$33,047,817
Employee	\$17,385,797	\$16,673,142
Voluntary	\$607,367	\$497,862
Transfers-in from other Registered Plans	\$3,889,324	\$3,071,241
Retirement Benefits Paid	\$24,830,204	\$20,502,956
Withdrawals and Transfers-Out	\$27,008,905	\$20,259,603

**all figures as at December 31, 2011*



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Board of Trustees as at January 1, 2012

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

Term expires December 31, 2012

Dr. Joyce Boon

Associate Professor, Biology

UBC Okanagan

Term expires December 31, 2012

Dr. Joanne Emerman

Professor, Cellular & Physiological Sciences

Term expires December 31, 2014

Mr. Al Poettcker

President & CEO, UBC Properties Trust

Term expires December 31, 2012

Elected by Plan Members

Dr. Joy Begley

Associate Professor, Sauder School of Business

Term expires December 31, 2013

Dr. Robert L. Heinkel, *Vice-Chair*

Professor, Sauder School of Business

Term expires December 31, 2015

Dr. Kai Li

Professor, Sauder School of Business

Term expires December 31, 2013

Mr. Vijay Verma

Manager, Project Management Services, TRIUMF

Term expires December 31, 2015

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Mike Leslie

Executive Director of Investments

Cheryl Neighbour

Executive Director of Operations

Derrick Johnstone

Senior Operations Manager

Debbie Ma

Senior Financial Officer

Jill Smith

Pension Administrator

Maricres De Leon

Pension Plan Accountant

Lorraine Heseltine

Member Services Specialist

Wendy Brooks

IT Manager

Louise Mah

Pension Clerk

GV Fragante

Systems Analyst

Kathy Pang

Communications Coordinator

Helena Huynh

Systems Analyst

Shirley Lim

Office Administrator

Claudia Chan

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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Pension Forum



Don't miss this opportunity to learn more about your pension plan



[Download the 2012 Pension Forum Invitation](#)

Wednesday, May 23, 2012
10:30 am to 12:30 pm
Ponderosa Centre - Arbutus Room
2071 West Mall (at University Boulevard)

Please RSVP by May 16 to:
pensions@hr.ubc.ca | 604.822.8100

Members are not required to attend the entire event; however, if you wish to attend either or both parts, we ask that you please RSVP in advance for planning purposes.

Information Tables

10:30 am to 11:30 am

Representatives from the following areas will be present to answer your questions:

- **UBC Faculty Pension Plan**
Ask questions about the Plan's investment and retirement options, investment performance, and member services and resources.
- **UBC Faculty Relations**
Learn about the resources that Faculty Relations provides to you as a faculty member.
- **UBC Retirement & Survivor Benefits**
Learn about the health benefits that are available to you as part of this retirement program.
- **Service Canada**
Do you have questions about the Canada Pension Plan or Old Age Security? Here's your opportunity to speak in person with a representative.

Presentation

11:45 am to 12:30 pm

There will be a 30-minute presentation on the Plan's 2011 investment performance, and a review of 2011/12 initiatives. A 15-minute question period will follow the presentation.



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MARKET COMMENTARY

Balanced Fund

The Balanced Fund had a modest return of 3.2% in 2011, following two prior years of strong results. Given all the poor global economic news in 2011 ranging from the European debt crisis, a slow US economy, the Japanese tsunami tragedy and China lowering its expected economic growth, it was somewhat comforting to know that at least the Fund's return was positive. Stocks, in general, did poorly in 2011 as a reflection of all the negative economic news. The diversification within the Balanced Fund into several different asset classes with a number of different investment managers was beneficial to the Fund's results. As of December 31, 2011, the Fund's unit value was roughly 17% above the May 2008 high value achieved before the ensuing 2008 market crash.

Of particular strength in 2011 were the Real Estate and Bond components, which returned 15% and 10.5% respectively. The strong Real Estate returns were largely driven by higher appraised values for the properties in which we hold an interest, whereas, the strong return in bonds was primarily due to both high investor demand driving up bond prices and the Real Return Bond portion having an 18.3% return.

The Balanced Fund's one-year performance of 3.2% was higher (in the top one-third) relative to a peer comparison of other balanced funds of similar sizes; the Fund typically tends to outperform these other funds when stock returns are weak. 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, such as in 2011. Over a ten-year period, the Fund's performance versus other similar balanced funds has been in the top quartile while also having a risk profile that ranks it in the "least risky" quartile compared to its peers.

Bond Fund

The Bond Fund produced a strong one-year return of 10.5%, reflecting the high demand for bonds in general from both domestic and international investors. This demand was influenced by the "flight to safety" that occurred with many investors in 2011 as both bonds in general, and Canada more specifically, were seen as relatively safe haven. The strong bond returns were a surprise to most, given the current very low interest rate environment, with long-term bonds hitting historically low yields.

One of the three active bond managers who manages roughly 23% of the assets in this Fund had very weak performance for the year, and this negatively affected the Fund's overall performance. However, the 20% allocation in the Bond Fund to Real Return Bonds added significantly to the overall performance with an 18.3% return for the year.

On a peer comparison basis with other bond funds, the Bond Fund's performance has been average over the last four years (i.e. since its major restructuring), with its risk level a little less than the average bond fund.

continued on next page



Market Commentary Cont'd

Canadian Equity Fund

The Fund had a weak return of -7.9% in 2011 following two years of strong double digit returns in 2009 and 2010. The Canadian stock market index is heavily weighted in commodity stocks, such as mining, oil and gas companies, many of which did not perform well in 2011. Due to the poor global economic news, investors were more leery of commodity-type stocks whose earnings tend to be more cyclical in nature. The Fund is managed by four different investment firms, each handling roughly 25% of the Fund, who all take different approaches to investing in the Canadian market. Two of the four managers in the Fund significantly outperformed the stock index for the year. Their success was mainly attributable to holding the strongest stocks in those industry sectors that performed well for the year. One of the four managers had weak performance which served to reduce the Fund's overall results.

Over a ten-year timeframe, the Fund's performance ranks 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.

Foreign Equity Fund

The Foreign Equity Fund had a negative return of 2.1% for the year. Longer term results also remained weak, with the 10-year returns still being slightly negative (-0.3%). This Fund was restructured in April 2010 to include two new managers with Global equity mandates (representing 73% of the Fund), plus one US equity manager (managing 21% of the Fund), and an increase to a 6% allocation to the Hedge Fund manager.

The US equity portion of this Fund was the only area to show a positive return, at 4.7%, in 2011. The Global equity portion, which makes up the majority of this fund, posted poor returns as this included the weak European and Japanese stock markets. One of the two Global managers had a strong year whereas the second manager significantly underperformed their benchmark index.

The Hedge Fund portion of this Fund (6% weighting within the Fund) also had a negative return for the year at -4.5%. This was a reflection that their investment strategies in various asset classes that did not fare well overall.

The Fund's 10-year returns are average while its risk profile is below average in comparison to its peer group of similar foreign equity funds.

Short-Term Investment Fund

The STIF's return in 2011 was 1.2%, reflecting the very low interest rate environment throughout 2011. The Bank of Canada's Overnight Rate in 2011 remained at 1% as the government maintained this historic low in order to provide support for an economic recovery. The Fund only invests in very high quality fixed income instruments with a very short (i.e. typically 45 days or less) maturity. When netting out the affects of inflation, as measured by the Consumer Price Index (2.9% in 2011), the "real return" of this Fund was negative in 2011.



FUND RATES OF RETURN

The following table provides performance results for periods ending December 31, 2011. 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, 2011.

	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	3.18	8.47	2.76	5.74	34	31	22
Balanced Fund - net ²	2.62	7.90	2.22	5.25			
Composite Index 1 ³	3.29	8.25	2.45	5.06			
Bond Fund - gross	10.52	9.86	7.17	6.65	57	50	49
Bond Fund - net	10.17	9.51	6.85	6.37			
Composite Index 2 ⁴	11.40	8.53	6.92	6.68			
Canadian Equity Fund - gross	-7.95	12.37	1.86	8.04	35	29	16
Canadian Equity Fund - net	-8.36	11.88	1.43	N/A			
Composite Index 3 ⁵	-8.80	12.63	1.20	7.04			
Foreign Equity Fund - gross ¹	-2.14	4.74	-5.28	-0.30	14	51	68
Foreign Equity Fund - net	-2.86	4.05	-5.81	N/A			
Composite Index 4 ⁶	-0.49	4.85	-4.17	0.43			
Short Term Investment Fund - gross	1.25	0.77	1.97	2.42	34	93	92
Short Term Investment Fund - net	1.10	0.60	1.82	2.24			
Composite Index 5 ⁷	0.98	0.59	1.74	2.30			

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% CPI + 4% commencing November 2011 (retroactive), 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 Index until August 2007; DEX 30-Day from September 2007 to January 2011; DEX 91-Day TB Index as of February 2011.

^{**} Composite Index 5 has changed as of February 1, 2011 to reflect investment changes within the Short Term Investment Fund.



INVESTMENT MANAGERS' RATES OF RETURN

The following table details each manager's performance for the periods ending December 31, 2011. 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	Gross Rates of Return (%) ¹			
		For periods ending December 31, 2011			
		1 year	2 years	3 years	4 years
Index-based Benchmark					
Canadian Equity					
	Connor, Clark & Lunn Q-Growth Fund	-5.84	7.51	14.21	0.25
	S&P/TSX Composite Index	-8.71	3.62	13.18	-0.72
	Guardian Capital LP	-8.46	2.79	10.72	-1.06
	Leith Wheeler Investment Counsel	-4.46	5.74	12.79	-0.24
	S&P/TSX Capped Composite Index	-8.71	3.62	13.18	-0.72
	PCJ Investment Counsel	-12.95	0.80	11.77	-0.65
	S&P/TSX Capped 60 Index	-9.08	1.74	10.95	-1.53
US Equity					
	BlackRock Inc. - U.S. Equity Index	4.67	4.96	5.34	-1.85
	S&P 500 Index (Canadian \$)	4.64	6.83	7.02	-0.87
Non-Canadian Equity					
	MFS	-1.20	n/a	n/a	n/a
	JP Morgan	-6.77	n/a	n/a	n/a
	MSCI World x Canada (Canadian \$)	-2.24	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, 2011			
Index-based Benchmark	1 year	2 years	3 years	4 years
Hedge Fund				
BlackRock Inc. - Global Market Selection Fund	-4.54	4.17	7.45	3.69
DEX 91-Day Treasury Bill Index	1.00	0.77	0.72	1.36
Fixed Income				
AllianceBernstein	9.15	9.42	11.29	7.48
PIMCO Canada Corp.	6.37	7.58	9.51	7.22
State Street Global Advisors	9.48	8.14	7.29	7.21
DEX Universe Bond Index	9.67	8.20	7.26	7.05
BlackRock Inc. - Real Return Bond Fund	18.34	14.70	14.61	10.89
DEX Real Return Bond Index	18.35	14.66	14.61	10.88
Real Estate				
bcIMC - Realpool	17.52	11.55	4.62	3.65
Westpen Properties	12.97	12.82	5.70	5.27
CPI + 4%	6.30	6.32	5.99	5.78
Money Market				
bcIMC - Short Term Fund	1.24	0.92	0.77	1.35
DEX 30-Day Treasury Bill Index	0.98	0.70	0.59	1.08

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.



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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 2011 Financial Statements](#)

Deloitte.

Deloitte & Touche LLP
Chartered Accountants
1000 Burrard Street
Vancouver, BC V6Z 1G6
Tel: 604.681.1000
Fax: 604.681.1001
www.deloitte.ca

Independent Auditor's Report

To the Trustees of The University of British Columbia

We have audited the accompanying Faculty Pension Plan, which comprises the accompanying statements of changes in net assets available for benefits.

Management is responsible for the preparation with reasonable accuracy of the statements of changes in net assets available for benefits.

**The University of British Columbia
Faculty Pension Plan**
Statements of changes in net assets available for benefits
years ended December 31, 2011 and 2010

	2011	2010
Assets	\$	\$
Assets held by the Plan's custodian	1,049,822	1,049,822
Investments held by:		
- Cash	11,200	11,200
- Bonds	142,500	142,500
- Equities	485,000	485,000
- Real Estate	1,150,000	1,150,000
- Cash and cash equivalents	4,100	4,100
- Investment income receivable	300	300
- Accounts receivable	300	300
- Prepaid expenses	1,812,000	1,812,000
Liabilities	\$	\$
Accounts payable and accrued liabilities	1,100	1,100
Deferred contributions	4,000	4,000
Net assets available for benefits	1,044,822	1,044,822

Approved on behalf of the Board of Trustees

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