



**a place of mind**  
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, 2013**

---

---

**Supplemental Arrangement Update as at December 31, 2012**

---

---

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

As at December 31, 2012, the Supplemental Arrangement (SA) had 1,005 members and \$60.4 million in total assets. The assets of the SA are administered by Industrial Alliance Insurance and Financial Services Inc. (Industrial Alliance).

The members may recall from the update provided in October 2012, changes were made to the SA's policy asset mix to more closely match that of the Faculty Pension Plan Balanced Fund. To implement the change, BlackRock Asset Management Canada Limited (BlackRock) was selected as the new investment manager to manage the SA's assets through its BlackRock Moderate Balanced Index Fund, effective October 31, 2012.

As the timing and amount of contributions to each member's account are unique, each member's return will be dependent on the actual contributions and the timing of subsequent investment in the manager's fund.

**Membership and Contribution**

For the year 2012, the *Income Tax Act* allowed maximum registered pension contributions in the amount of \$23,280. Members who earned more than \$169,984 reached their pension contribution limit and excess employer contributions were re-directed to their Supplemental Arrangement accounts.

For the year 2013, the *Income Tax Act* has raised the pension contribution limit to \$24,270 and members will not reach their aggregate maximum until they have earned \$173,224.

**Administrative Matters**

Members who have general inquiries regarding the Supplemental Arrangement, such as beneficiary designation and withdrawal procedures, should contact Lorraine Heseltine at (604) 822-3485 or [lorraine.heseltine@ubc.ca](mailto:lorraine.heseltine@ubc.ca) in the Pension Administration Office.

UBC has given investment responsibility to UBC Investment Management Trust (IMANT). Members who have any questions regarding investment information should contact Roger Polishak at (604) 681-7858.

## Asset Allocation at December 31, 2012

At December 31, 2012, investments for the SA were invested in the BlackRock Moderate Balanced Index Fund. The Fund consists of a combination of Canadian and foreign equity, bond and real estate income trust (REIT) index funds.

Asset Class	SA Fund Market Value	% of Total Assets	Major Market Indices	1 Year Return (in CAD)
Canadian Equity	12,102,146	20.0%	S&P/TSX Composite	7.2%
Global Equity	21,388,715	35.4%	MSCI All Country World-ex Canada	13.9%
Canadian Fixed	23,920,317	39.6%	DEX Universe Bond	3.6%
Income & Cash			DEX Return Return Bond	2.9%
Real Estate	3,008,921	5.0%	S&P/TSX REIT	17.0%
			Dow Jones US Real Estate	15.8%
Total Portfolio	60,420,098	100.0%		

## Investment Returns to December 31, 2012

Investment results are gross of investment management fees (blended fees are roughly 0.18% per annum). The return for 2012 was 8.9%, led by equity markets during the year, versus a benchmark of 7.9%. The total fund return for one year reflect a blend of the performance of BlackRock for November and December and Phillips, Hager & North and Leith Wheeler from January to October.

	1 Year	2 Year	3 Year	4 Year
Supplemental Arrangement	8.9%	3.8%	5.9%	8.9%
Benchmark	7.9%	3.8%	5.7%	8.2%
Difference	1.0%	0.0%	0.2%	0.7%

## Summary of Operating Results

For the year, January 1 to December 31, 2012, the operating results of the SA Fund are as follows:

Investment returns	
1 year return (gross of fees)	<u>8.9%</u>
Expenses	
Administrative fees (internal and external)	0.26%
Investment fees (blended)	0.18%
Total fees	<u>0.44%</u>

Administrative fees primarily include custody and recordkeeping charges. The investment management fees were 0.18% per annum based on the average quarterly market value of the Fund. Due to the recent change in investment manager and asset mix, total fees going forward are expected to reduce to about 0.16% per annum.