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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 18, 2014

Supplemental Arrangement Update as at December 31, 2013

General Information on the Supplemental Arrangement (SA)

As at December 31, 2013, the Supplemental Arrangement (SA) had 1015 members and \$68.2 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 2013, the *Income Tax Act* allowed maximum registered pension contributions in the amount of \$24,270. Members who earned more than \$173,224 reached their pension contribution limit and excess employer contributions were re-directed to their Supplemental Arrangement accounts.

For the year 2014, the *Income Tax Act* has raised the pension contribution limit to \$24,930 and members will not reach their aggregate maximum until they have earned \$177,960.

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 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, 2013

At December 31, 2013, 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
Canadian Equity	13,858,587	20.3%
Global Equity	21,316,705	31.2%
Canadian Fixed Income & Cash	26,939,292	39.5%
Real Estate	3,323,059	4.9%
Total Portfolio	68,235,290	100.0%

Major Market Indices	1 Year Return (in CAD)
S&P/TSX Composite	13.0%
MSCI All Country World ex-Canada	36.3%
DEX Universe Bond	-1.2%
DEX Return Return Bond	-13.1%
S&P/TSX REIT	-5.5%
Dow Jones US Real Estate	8.8%

Investment Returns to December 31, 2013

Investment results are gross of investment management fees. Led by strong global equity markets during the year, the Supplemental Arrangement returned 11.0%, in line with its policy benchmark of 11.1%.

	1 Year	2 Year	3 Year	4 Year
Supplemental Arrangement	11.0%	9.9%	6.1%	7.2%
Benchmark	11.1%	9.5%	6.1%	7.1%
Difference	-0.1%	0.4%	0.0%	0.1%

Summary of Operating Results

For the year, January 1 to December 31, 2013, the operating results of the SA Fund are as follows:

Investment returns	
1 year return (gross of fees)	<u>11.00%</u>
Expenses	
Administrative fees (internal and external)	0.15%
Investment management fees	<u>0.05%</u>
Total Expenses	<u>0.20%</u>

Administrative fees primarily include custody and recordkeeping charges.