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THE UNIVERSITY OF BRITISH COLUMBIA

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PENSION ADMINISTRATION OFFICE

TO: Members of the UBC
Supplemental Arrangement

FROM: UBC Advisory Committee on
the Supplemental Arrangement

DATE: February 16, 2015

Supplemental Arrangement Update as at December 31, 2014

General Information on the Supplemental Arrangement (SA)

As at December 31, 2014, the Supplemental Arrangement (SA) had 995 members and \$76.7 million in total assets. The assets of the SA are administered by Industrial Alliance Insurance and Financial Services Inc. (Industrial Alliance).

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 2014, the *Income Tax Act* allowed maximum registered pension contributions in the amount of \$24,930. Members who earned more than \$177,960 reached their pension contribution limit and excess employer contributions were re-directed to their Supplemental Arrangement accounts.

For the year 2015, the *Income Tax Act* has raised the pension contribution limit to \$25,370 and members will not reach their aggregate maximum until they have earned \$181,158.

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, 2014

At December 31, 2014, investments for the SA were invested in the BlackRock Balanced Moderate 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	15,284,455	19.9%
Global Equity	26,575,329	34.7%
Canadian Fixed Income & Cash	30,929,175	40.4%
Real Estate	3,863,272	5.0%
Total Portfolio	76,652,232	100.0%

Major Market Indices	1 Year Return (in CAD)
S&P/TSX Composite	10.6%
MSCI All Country World ex-Canada	14.6%
FTSE TMX Universe Bond	8.8%
FTSE TMX Return Return Bond	13.2%
S&P/TSX REIT	10.4%
Dow Jones US Real Estate	27.4%

Investment Returns to December 31, 2014

Investment results are gross of investment management fees. Positive gains in equity markets and fixed income during the year resulted in a 12.2% return for the Supplemental Arrangement, in line with its policy benchmark.

	1 Year	2 Year	3 Year	4 Year
Supplemental Arrangement	12.2%	11.6%	10.7%	7.7%
Benchmark	12.2%	11.7%	10.4%	7.6%
Difference	0.0%	-0.1%	0.3%	0.0%

Note: Numbers may not add due to rounding

Summary of Operating Results

For the year, January 1 to December 31, 2014, the operating results of the SA Fund are as follows:

Investment returns	
1 year return (gross of fees)	<u>12.2%</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.