

April 2008

STAFF PENSION PLAN UPDATE

Newsletter published by the Pension Board for members and beneficiaries of The University of British Columbia Staff Pension Plan.



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Dear Plan Members:

We are pleased to report that at the end of a tough financial year, the Staff Pension Plan had a positive gross rate of return of 2.8%. The UBC Investment Management Trust (IMANT) report, beginning on page 2, gives a breakdown of returns by asset class and manager, asset mix, and changes in fund managers and the investment structure. If you have questions about the Plan's investments, the UBC IMANT staff will be attending the annual Pension Fair (Open House) on May 6th – mark your calendar to attend.

The Pension Board's commitment to make the Plan fair and equitable for all members is proceeding very well. We have completed the information sessions and would like to thank those who attended and took the time to complete a feedback form.

The next step is to select the new pension formula and corresponding contribution formula for the revised Plan. In the months ahead, we will be organizing a vote so that all members will have an opportunity to participate in the decision making process.

The summarized Financial Statements, beginning on page 6, provide a breakdown of the UBC SPP's assets and liabilities. If you would like to receive a copy of the Plan's full Audited Financial Statements, please visit the SPP website at <http://www.pensions.ubc.ca/staff/library.html> or contact the Pension Administration Office.

The SPP Board members, administration staff and the staff of UBC IMANT look forward to meeting you at the annual Pension Fair (Open House) on Tuesday, May 6th. The Pension Fair presents an opportunity for you to ask any questions you may have about the Plan or the investments. Please join us for refreshments and the company of our colleagues. (See page 8 for details of time and place). We hope to see you there!

On behalf of the Board,

A handwritten signature in cursive script that reads "Brian Evans".

Brian Evans
Chair

This material has been compiled by the Staff and Pension Board Members of The University of British Columbia Staff Pension Plan from information provided to them and is believed to be correct. If there is any inconsistency between the contents of this newsletter and the pension plan trust or legislation, the trust and legislation will prevail.

2007: Moderate Growth

The UBC Staff Pension Plan (SPP) posted a gross return of 2.8% in 2007. This more modest return after four years of above-average returns is a direct result of weakening global investment conditions in the second half of the year.

Prices on investments have gone up substantially since 2001, in some cases to unsustainable levels. This bidding-up of prices helped produce the SPP's strong returns from 2003 to 2006, but it's no surprise to see a period of correction or unwinding in markets. The volatility in markets serves to remind us that markets don't always go up and the SPP is designed to build up reserves in good times to balance weaker periods of performance.

Sub-Prime Mortgages and a Soaring Loonie and How They Affected Fund Performance

Two major themes impacted Fund performance last year: the rapid and extensive deterioration in the global credit market conditions and the strength of the Canadian dollar.

Term: Credit market – Financing through loans and other credit substitutes

Sub-Prime Mortgages

In the past three years, 35% (compared to less than 10% in the previous 10 years) of all new household mortgages in the US were granted to individuals with little or no credit history, less than 3% in down payments, and irregular employment income – called sub-prime mortgages. The US residential housing market began to falter. Housing prices fell and homeowner equity was wiped out to an extent not experienced in more than 30 years. As housing prices fell, banks and other lenders prepared for a "worst is yet to come" scenario. Mortgages were not renewed and even good borrowers had difficulty obtaining credit. Lenders wrote off bad loans and the cycle became 'contagious', spreading to all credit. Borrowing costs increased for all participants, and stock and credit markets suffered losses.

The Loonie

In 2007, the SPP also dealt with the unprecedented appreciation of the Canadian dollar against major currencies: 18% against the US Dollar; 16% against the British Pound; 11% against the Yen; and 7% against the Euro.

The SPP is well-diversified with over 40% of assets invested outside Canada, but because the Fund has a currency hedging program, currency losses were minimized. Without this protection, the SPP return would have been 2% lower.

Term: Currency hedging - A method used by investment managers to offset the risks associated with the changing value of currency

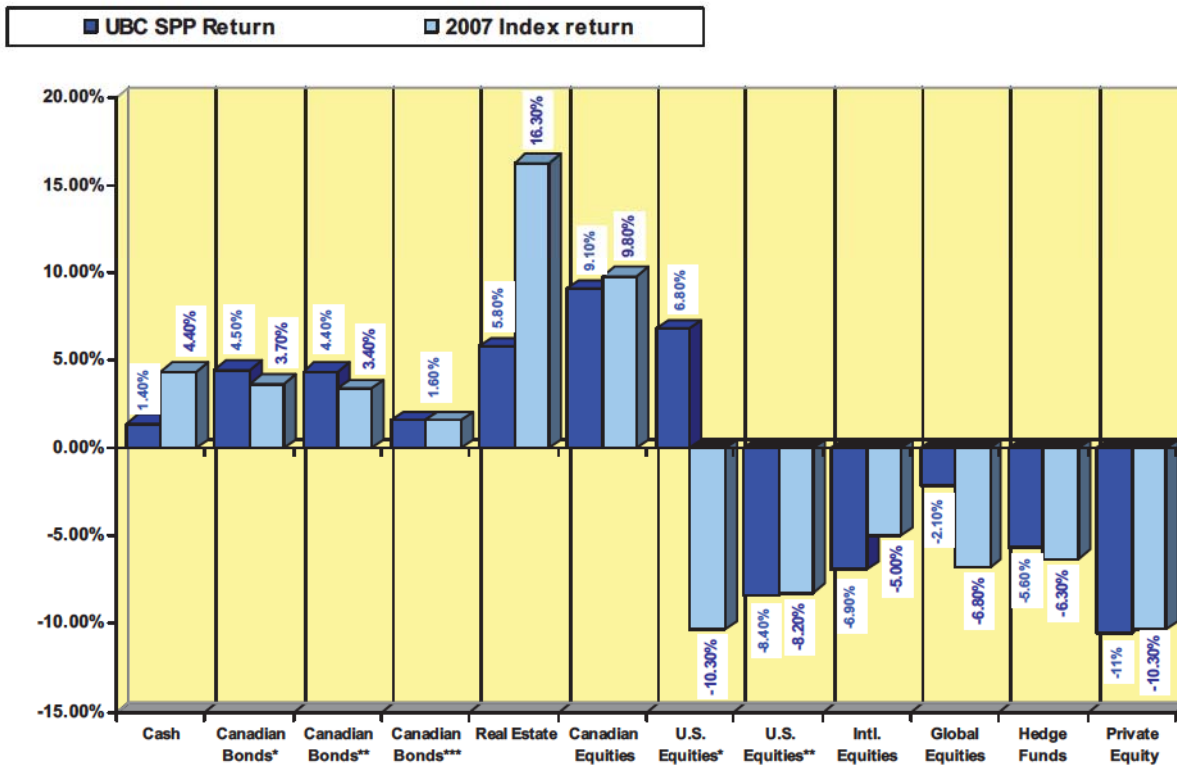
2007 Rates of Return

The following bar-graph highlights the returns of the major capital markets by asset class (the benchmark indexes) as well as SPP asset class returns. The performance of the Fund's investment managers is measured against these benchmark indexes. The investment managers' goal is to meet or exceed the relevant index.

Term: Capital market – Medium to long term investment markets of debt and equity securities including financial institutions such as banks, insurance companies, and stock exchanges

The numbers are reported in Canadian dollars, so it's particularly important to note the impact of the stronger Canadian dollar for 2007. For example, the S&P 500 Equity Index actually posted a return of 5.5% in US dollars, but for Canadian investors in the US, the return was -10.3%, without currency hedging.

2007 Rates of Return (Continued) -



Total Fund (Gross Return) = 2.8%

All Returns are based on Canadian Dollars

Fund Details:

Cash DEX 91 Day Treasury Bills	Canadian Bonds* DEX Universe Bond Index	Canadian Bonds** DEX Long Term Bond Index	Canadian Bonds*** DEX Real Return Bond Index	Real Estate Invest. Property Databank	Canadian Equities S&P/TSX Composite	U.S. Equities* S&P 500 Index (Large Cap)	U.S. Equities** S&P 400 Index (Mid Cap)	Int'l Equities (MSCI EAFE Index)	Global Equities (MSCI World Index)	Hedge Funds (HFRI Index)	Private Equity S&P 500 Index (Large Cap)
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UBC Investment Management Trust Report

While the assets of the Fund belong to the SPP members, the IMANT Board of Directors and staff are responsible for determining the asset mix, investment manager selection and allocations as well as monitoring investment performance and investment alternatives. IMANT regularly reports to UBC's Board of Governors and updates the SPP Board of Directors as required.

The Fund's Asset Mix

The process of shifting investments in the SPP to the long-term asset mix continued throughout 2007, but at a more subdued pace as we moved closer to our goal. There were fewer transactions between asset classes than in previous years and fewer changes were made to the roster of investment managers working for the SPP.

IMANT assumed investment management responsibilities for the SPP in July 2004 and approved a new long-term asset mix in November 2004. That asset mix was selected because it represented the best trade-off between the opportunities available for investing and the expected liability of the SPP.

As in previous years, the actual dollars committed to the funds for private equity and real estate investments are gradually invested over a three-to-five year period. Achieving the Fund's long term asset mix will take time. And, as a result of this funding schedule, the asset class providing the cash for the investment will remain overweight until the shift of funds is requested (capital calls) by the real estate and private equity managers.

The following table highlights the changes that were made to the asset mix during the year. It shows the asset mix approved by the IMANT Board, the actual asset mix at December 31, 2007, and for comparison purposes, the December 31, 2006 asset mix.

Asset Class		Approved Asset Mix	Asset Mix Dec. 31, 2007	Asset Mix Dec. 31, 2006
Fixed Income	Bonds (Including Cash) - Universe	25.0%	20.9%	19.7%
	Bonds - Long Bonds	5.0%	4.8%	4.8 %
	Bonds - Real Return Bonds	5.0%	4.7%	4.8%
	Total Fixed Income	35.0%	30.5%	29.3%
Equity and Alternatives	Canadian Equity	15.0%	17.6%	18.6%
	U.S. Equity	12.5%	10.3%	14.3%
	EAFE/Global - Equity	12.5%	14.7%	15.6%
	Real Estate/Infrastructure	10.0%	12.4%	11.6%
	Hedge Funds	10.0%	10.0%	8.2%
	Private Equity	5.0%	4.5%	2.4%
	Total Equity and Alternatives	65.0%	69.5%	70.7%
Total Fund		100%	100%	100%

EAFE: The Europe, Australia and Far East Index (EAFE) is an unmanaged market-value weighted index designed to measure the overall condition of overseas markets. The EAFE index is published by Morgan Stanley Capital International.

Private Equity: Equity securities of companies that have not yet "gone public" – are not yet listed on a public exchange. Private equities are generally not liquid and are thought of as a long-term investment.

In late 2008, IMANT will work with the University, SPP Board and independent consultants to review and confirm the SPP's existing strategic asset mix in light of changes in assumptions about long-term investment return and the SPP funding and liability positions.

Only three new mandates (fund managers) were added in 2007:

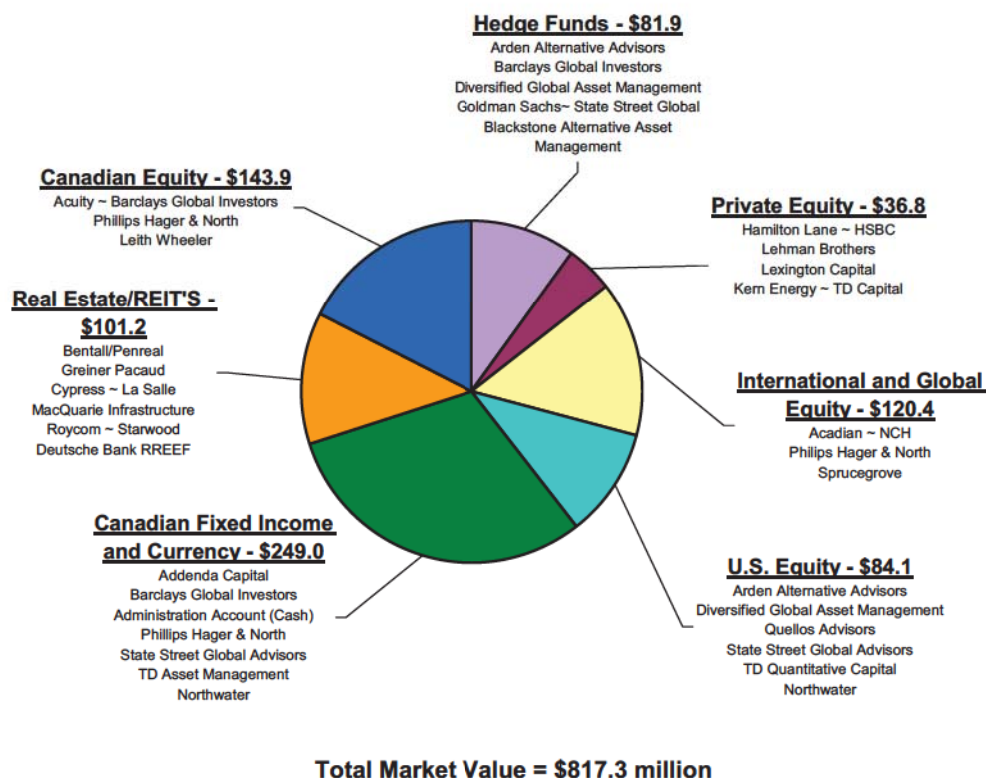
- A low-volatility market-neutral hedge fund of funds offered by Blackstone.
- The Blackstone Value Recovery Fund, a hedge fund that invests in distressed mortgage opportunities.
- A Pan-European infrastructure manager from Europe, Deutsche Bank RREEF.

Term: Infrastructure investments – facilities such as toll roads, airports, ports, and electricity/gas distribution systems

One manager, Nicholas Applegate, was dismissed as a result of significant staff turnover.

Fund Managers

The chart on the following page shows the SPP's fund managers, at December 31, 2007, along with the combined value, in millions of dollars, for each asset class.



UBC IMANT Staff (as of December 31, 2007)

- **Philip A. Falls**, President and Chief Executive Officer of UBC IMANT
- **Roger Polishak**, Director, Manager Relations and Investment Operations
- **Sharon Siu**, joined UBC IMANT as Associate, Analytics and Research in October 2007
- **Susan Bibbs**, Administration Manager

Investment Returns

The Fund ranked in the top third of funds over a four-year period of 2004-2007. The Fund's performance is assessed by the SPP's performance measurement consultant, API.

While it is too early to fully evaluate the returns of the new private equity and real estate programs, some managers are already showing promising returns, including:

- Private Equity - TD Private Equity, Kern Energy (Oil and Gas)
- Real Estate Funds – Starwood Europe, Penreal Property and GPM 10

Several mandates experienced difficulties this year.

- Barclay's Global Investors and Goldman Sachs, both global multi-strategy hedge funds and newer mandates to the SPP.
- Phillips, Hager & North, in the public equity space and one of the Fund's oldest and most experienced managers, had difficulty with its Canadian and international equity mandates.

(IMANT Report Cont. on Page 8)

Auditors' Report on Summarized Financial Statements

To the Members of The University of British Columbia Staff Pension Plan

The accompanying summarized statements of net assets available for benefits and changes in net assets available for benefits are derived from the complete financial statements of The University of British Columbia Staff Pension Plan as at December 31, 2007 and for the year then ended on which we expressed an opinion without reservation in our report dated March 25, 2008. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of the Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying summarized financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the Plan's net assets available for benefits and the changes in its net assets available for benefits, reference should be made to the related complete financial statements.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
March 25, 2008

The University of British Columbia Staff Pension Plan Summarized Statement of Net Assets Available for Benefits

December 31, 2007

(Expressed in thousands of dollars)

	2007	2006
Assets		
Assets held by RBC Dexia Investor Services Trust		
Investments		
Short-term notes	\$ 520	\$ 50
Bonds	241,116	215,007
Equities	466,271	479,422
Real estate	100,952	90,710
	808,859	785,189
Cash	7,953	5,342
Investment income receivable	522	346
	817,334	790,877
Contributions receivable		
University	134	2,006
Members	67	857
	201	2,863
Accounts receivable	15	12
Deferred costs	-	94
	\$ 817,550	\$ 793,846
Liabilities		
Benefits payable	\$ 3,724	\$ 1,774
Accounts payable and accrued liabilities	873	623
	4,597	2,397
Net assets available for benefits	\$ 812,953	\$ 791,449

The University of British Columbia Staff Pension Plan Summarized Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2007

(Expressed in thousands of dollars)

	2007		2006
Increase in net assets			
Members' required contributions	\$ 10,298	\$	9,630
University's required contributions	24,092		22,611
Transfers from other plans	128		102
Members' additional voluntary contributions	33		35
	34,551		32,378
Return on investments, including changes in fair value	22,325		91,372
	56,876		123,750
Decrease in net assets			
Payments to or on behalf of members			
Pensions to retired members	14,858		13,881
Members' accounts transferred or refunded	15,524		14,379
Death benefits	396		1,711
	30,778		29,971
Operations			
Actuarial and consulting services	429		282
Office and administration costs	695		650
Legal, audit and custodian services	97		107
Professional Services	29		34
	1,250		1,073
Investment transaction and administration fees	3,344		1,772
	35,372		32,816
Increase in net assets available for benefits	21,504		90,934
Net assets available for benefits, beginning of year	791,449		700,515
Net assets available for benefits, end of year	\$ 812,953	\$	791,449

Approved on behalf of the Board of Directors



Brian Evans, Chair



Lorna Marshall, Vice-Chair

The UBC IMANT Board of Directors (as of December 31, 2007)

Peter Webster, Chair
President and Chair
Petwyn Investments Ltd.

Byron Braley
UBC Associate Vice
President, Treasury

Tracey McVicar
Managing Director
CAI Capital Management

Terry Sumner
UBC Vice President
Administration and Finance

Philip Falls
UBC IMANT President
And Chief Executive
Officer

Nicole Byres
UBC Board of Governors
Member, Chair of the
Finance Committee
and Partner, Clark Wilson

Dale Parker
Director of CPP
Investment Board and
Corporate Director

Bob Wallis
Vice President
Chief Financial Officer and
Partner, Kal Tire

Andrew Saxton
Chair, King George
Financial Corporation

Maureen Howe
Managing Director
RBC Capital Markets

Generally, international equity managers with value-investing philosophies (rather than growth-investing philosophies) underperformed after performing well for six years. For example, Sprucegrove, a value manager of international equities, had a poor year.

Offsetting these results, Leith Wheeler and BGI both had good Canadian equity performance as did many of the Fund's bond managers.

The Net Result of Diversification

The SPP portfolio was designed to protect against downturns and has an intentional tilt to value investing. Although that tilt did not pay off last year, the Fund is well-diversified so the combined impact of all the mandates was an overall return (2.8%) that was still higher than the "average" plan return of 2.2%.

Each Fund asset class or mandate employs at least two investment managers (see the Investment Structure and Management chart on Page 5). Managers with higher expected volatilities are generally allocated smaller overall percentages of total allocation. The selected managers and mandates complement each other to diversify the overall risk of the Fund.

The benefits of this diversification carry with them the additional costs of using multiple managers. These costs are controlled by using the same manager for multiple mandates and by leveraging other University relationships – where possible, common managers are used for the SPP and the UBC Endowment Fund to reduce fees and improve operational efficiencies.

Membership Statistics

In 2007, the UBC Staff Pension Plan membership grew to:

	2007	2006
Active Members	5,677	5,600
Deferred Members	1,424	1,315
Retired Members	1,387	1,306
Total Members	8,488	8,221

Member Accounts Credited

For 2007, members' required contribution accounts will be credited with a return of 4%. The net return of the Pension Fund was 2.28%. The net rate of return is the Pension Fund's rate of return after accounting for gains, losses and expenses.

Plan Advisors

Staff Pension Plan Advisors:

Actuary	Aon Consulting
Auditors	Deloitte & Touche LLP
Communication	Mercer
Custodian	RBC Dexia Investor Services
Solicitor	Faskin Martineau DuMoulin LLP

Plan Expenses

Operating and Investment expenses in 2007 were: 0.14% and 0.38% respectively as compared to 0.14% and 0.23% respectively in 2006.

Come join the Pension Office Staff, Plan Directors and UBC IMANT for an afternoon of knowledge and refreshments at the annual

STAFF PENSION FAIR

(Open House)

May 6, 2008

11:30am-1:30pm

Arbutus Room – Ponderosa Centre (University Blvd)