Financial Statements of

THE UNIVERSITY OF BRITISH COLUMBIA STAFF PENSION PLAN

December 31, 2010

THE UNIVERSITY OF BRITISH COLUMBIA
STAFF PENSION PLAN
December 31, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of The University of British Columbia Staff Pension Plan, which comprise the statement of net assets available for benefits as at December 31, 2010 and the statement of changes in net assets available for benefits for the year then ended, and the notes to the financial statements. The financial statements have been prepared by management of The University of British Columbia Staff Pension Plan based on Section 9(7) of the Pension Benefits Standards Act and the regulations thereto ("financial reporting framework").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for determining that the financial reporting framework is acceptable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of The University of British Columbia Staff Pension Plan as at December 31, 2010 and the changes in net assets available for benefits for the year then ended in accordance with the financial reporting framework.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist The University of British Columbia Staff Pension Plan to meet the requirements of the Financial Institutions Commission of British Columbia. As a result, the financial statements may not be suitable for another purpose.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
July 28, 2011

THE UNIVERSITY OF BRITISH COLUMBIA
STAFF PENSION PLAN
Statement of Net Assets Available for Benefits
December 31, 2010
(Expressed in thousands of dollars)

		2010		2009
ASSETS				
Assets held by RBC Dexia Investor Services Trust				
Investments (Note 4)				
Short-term notes	$	7	$	222
Derivative-related, net		**2,446**		2,081
Bonds		**252,976**		211,879
Equities		**474,305**		424,732
Real estate		**57,267**		58,445
Infrastructure		**23,102**		15,995
		810,103		713,354
Cash		**12,631**		12,498
Investment income receivable		**-**		91
		822,734		725,943
Contributions receivable				
University		**198**		210
Members		**142**		132
		340		342
Accounts receivable		**53**		22
	$	**823,127**	$	726,307
LIABILITIES				
Benefits payable	$	**2,429**	$	1,598
Accounts payable and accrued liabilities		**856**		529
		3,285		2,127
NET ASSETS AVAILABLE FOR BENEFITS	$	**819,842**	$	724,180

COMMITMENTS (Note 7)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Chair

Vice-Chair

See accompanying notes to the financial statements.

THE UNIVERSITY OF BRITISH COLUMBIA
STAFF PENSION PLAN
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2010
(Expressed in thousands of dollars)

		2010		2009
INCREASE IN NET ASSETS				
Members' required contributions	$	**22,490**	$	16,961
University's required contributions		**30,075**		28,615
Transfers from other plans		**176**		89
Members' additional voluntary contributions		**24**		30
		52,765		45,695
Investment income, including changes in fair value (Note 5)		**78,681**		67,442
		131,446		113,137
DECREASE IN NET ASSETS				
Payments to or on behalf of members				
Pensions to retired members		**18,669**		17,598
Members' accounts transferred or refunded		**12,998**		10,988
Death benefits		**733**		734
		32,400		29,320
Operations				
Actuarial and consulting services		**239**		345
Office and administration costs		**968**		847
Legal, audit and custodian services		**170**		253
Professional services		**18**		20
		1,395		1,465
Investment transaction and administration fees (Note 6)		**1,989**		1,782
		35,784		32,567
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS		**95,662**		80,570
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR		**724,180**		643,610
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$	**819,842**	$	724,180

See accompanying notes to the financial statements.

1. DESCRIPTION OF PLAN

The following description of The University of British Columbia Staff Pension Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan text, which is available from The University of British Columbia (the "University" or the "Sponsor") Pension Administration Office.

(a) General

The Plan is a defined benefit plan with fixed member and employer contributions. The Plan provides that benefits may be adjusted depending on the Plan's funded status. The Plan is open to all eligible full-time and part-time monthly-paid staff, and compulsory after three years of service.

(b) Funding policy

The Plan text requires members to make contributions of 6.5% of basic salary and the University to make contributions of 10% of basic salary up to the YBE, 8.2% of basic salary between the YBE and the YMPE, and 10% of basic salary over the YMPE. YBE is the "year's basic exemption" and the YMPE is the "year's maximum pensionable earnings" under the Canada Pension Plan requirements. University contributions received by the Plan are net of benefits paid by the University in accordance with a related supplemental retirement arrangement.

Members are permitted to make additional voluntary contributions, if they elected to do so before January 1, 2000 and have not subsequently withdrawn the full balance. Additional voluntary contributions can be withdrawn only if the full balance is withdrawn.

(c) Benefits

Pension benefits are calculated using the following formula:

> For service earned to June 30, 2009, 2% times the average of the member's three best years' pensionable earnings times such pensionable service less a Canada Pension Plan benefit offset equal to 0.7% of the YMPE times such pensionable service. For service earned beginning July 1, 2009, the benefit is a flat 1.8% of average pensionable earning times such pensionable service. Calculated benefits in excess of Canada Revenue Agency's allowable eligible maximum benefit are paid in accordance with a supplemental retirement arrangement, if the member is eligible. Cost of living increases are calculated each year based on the Consumer Price Index for Canada and added to pension benefits, subject to the Plan's ability to pay.

1. DESCRIPTION OF PLAN (Continued)

(c) Benefits (continued)

Additional voluntary contributions will be paid as a lump sum on the date the member's pension commences.

Termination benefits are payable on retirement or termination of employment, and death benefits are paid in the event of death prior to retirement.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the Sponsor and Plan members. The financial statements are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal year. The statement of net assets available for benefits shows the assets under control of the Trustee of the Plan, and does not purport to show their adequacy to meet the obligations of the Plan. The financial statements are prepared in accordance with Section 9(7) of the Pension Benefit Standards Act of British Columbia and its regulations (the "Act"). The Act requires pension plan financial statements to be prepared in accordance with Canadian generally accepted accounting principles with the exception of information respecting the pension benefit obligation.

(b) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of increases and decreases in net assets available for benefits for the reporting period. The most significant estimates relate to the fair values of investments, as described in Note 2 (c). Actual results could differ from those estimates.

(c) Investments

Investments are recorded on a settlement date basis and at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments (continued)

Fair values for investments are determined using the following methods:

(i) Short-term notes

Domestic money market securities are stated at cost plus accrued income which approximates market value.

(ii) Pooled funds - Bonds and equities

Pooled fund values are provided by the investment managers and are generally based on the quoted market price of the underlying investments. The underlying investments include publicly traded equities and bonds.

(iii) Private equities

Private equity investments are stated at values determined by the external managers and their estimated fair values are based on appropriate valuation methods on a quarterly basis. Valuation methods include the market approach (i.e. observable valuation measures for comparable companies) and the income approach (i.e. discounted cash flow model), with consideration for factors such as expected liquidation value, leverage, and economic conditions.

(iv) Real estate

Real estate investments are stated at values based on the most recent external manager valuations or appraisals of the underlying properties. A combination of internal and external appraisals are used to establish current market values.

(v) Infrastructure

Infrastructure investments are stated based on most recent external managers' valuations of the underlying infrastructure assets. Methods used by external fund managers include but are not limited to discounted cash flow models, the income approach or recent market transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments (continued)

(vi) Derivatives - currency forward contracts

Currency forward contracts are valued based on market closing forward rates from independent sources.

Adjustments to investments due to the fluctuation of fair values are reflected as part of investment income in the statement of changes in net assets available for benefits. Realized gains and losses are calculated based on the average cost of the investments. Investment income is recognized on an accrual basis.

(d) Members' accounts transferred or refunded

Members' accounts transferred or refunded are recognized as a decrease in net assets on the accrual basis.

3. FUTURE ACCOUNTING CHANGES

In April 2010, the Canadian Institute of Chartered Accountants ("CICA") issued a new accounting framework applicable to pension plans. Effective for fiscal years beginning on or after January 1, 2011, pension plans are required to adopt the accounting standards set out in Part IV of the CICA handbook.

4. INVESTMENTS

(a) Short-term notes

Funds invested in short-term notes in 2010 and 2009 were primarily securities issued by either Canadian chartered banks or the Bank of Canada that mature at various dates in the next fiscal year.

(b) Fair value measurements

CICA Handbook Section 3862, *Financial Instruments - Disclosures*, establishes a three-tier hierarchy as a framework for disclosing fair values based on inputs used to value the Plan's investments. The hierarchy of inputs is summarized below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(Expressed in thousands of dollars)

4. INVESTMENTS (Continued)

(b) Fair value measurements (continued)

- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), or assets with quoted prices in a less active market (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) or assets with a low degree of liquidity due to redemption restrictions (Level 3).

The following is a summary of the inputs used as of December 31, 2010 in valuing the Plan's cash and investments:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and short-term notes				
Cash	$ 12,631	$ -	$ -	$ 12,631
Short-term notes	-	7	-	7
Derivative-related, net	-	2,446	-	2,446
Bonds	-	252,976	-	252,976
Equities				
Canadian Equities	-	134,099	-	134,099
US Equities	-	101,804	-	101,804
Foreign Equities (i)	-	94,477	5,343	99,820
Hedge Funds (ii)	-	-	76,587	76,587
Private Equities (iii)	-	-	61,995	61,995
Real estate (iv)	-	-	57,267	57,267
Infrastructure (v)	-	-	23,102	23,102
Total investments	$ 12,631	$ 585,809	$ 224,294	$ 822,734

(Expressed in thousands of dollars)

4. INVESTMENTS (Continued)

(b) Fair value measurements (continued)

The following is a summary of the inputs used as of December 31, 2009 in valuing the Plan's cash and investments:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and short-term notes				
Cash	$ 12,498	$ -	$ -	$ 12,498
Short-term notes	-	222	-	222
Derivative-related, net	-	2,081	-	2,081
Bonds	-	211,879	-	211,879
Equities				
Canadian Equities	-	108,992	-	108,992
US Equities	-	48,434	-	48,434
Foreign Equities (i)	-	105,515	4,363	109,878
Hedge Funds (ii)	-	-	99,260	99,260
Private Equities (iii)	-	-	58,168	58,168
Real estate (iv)	-	-	58,445	58,445
Infrastructure (v)	-	-	15,995	15,995
Total investments	$ 12,498	$ 477,123	$ 236,231	$ 725,852

The following table provides the changes during the year for financial instruments for which Level 3 inputs were used in determining fair value:

	Hedge funds	Private equities	Foreign equities	Infrastructure	Real estate	Total
Beginning balance, January 1, 2010	$ 99,260	$ 58,168	$ 4,363	$ 15,995	$ 58,445	$ 236,231
Purchases	15	8,043	-	6,194	743	14,995
Sales	(26,489)	(8,096)	-	(431)	(3,650)	(38,666)
Realized (losses) gains	(3,082)	1,409	-	353	4,575	3,255
Net transfers into and/or out of Level 3	(254)	(1,503)	-	(401)	(4,645)	(6,803)
Change in unrealized appreciation	7,137	3,974	980	1,392	1,799	15,282
Ending balance, December 31, 2010	$ 76,587	$ 61,995	$ 5,343	$ 23,102	$ 57,267	$ 224,294

4. INVESTMENTS (Continued)

(b) Fair value measurements (continued)

Level 3 investments consist of the following:

(i) Foreign equities

These comprise shares and units of investment trusts listed on global stock exchanges.

(ii) Hedge funds

The Plan has investments in six (2009 - seven) hedge funds with four (2009 - five) hedge fund managers. The managers invest in a number of individual hedge funds with different strategies.

(iii) Private equities

Private equities consist of investments in limited liability partnerships that have invested in private equities.

(iv) Real estate

Real estate investments consist of investments in equities, real estate investment trusts and limited liability partnerships investing in real estate. Real estate investments are primarily in North American and Asian properties.

(v) Infrastructure

Infrastructure investments consist of investment in limited partnerships investing in infrastructure assets. These investments are primarily in Canada, the United States, Australia and Europe.

(Expressed in thousands of dollars)

4. INVESTMENTS (Continued)

(c) *Geographical allocation*

The composition of the entire portfolio of investments, by country or region, is summarized as follows:

	2010	2009
Canada	**56%**	54%
United States	**29%**	30%
United Kingdom	**4%**	3%
Europe	**6%**	9%
Asia	**5%**	4%
	100%	100%

5. INVESTMENT INCOME

	2010	2009
Interest income	**$ 12,779**	$ 6,599
Dividend income	**10,549**	9,144
Real estate income	**564**	626
Infrastructure	**461**	91
Net realized gains on sale of investments	**9,591**	19,541
Unrealized gain on investments	**44,737**	31,441
	$ 78,681	$ 67,442

6. RELATED PARTY TRANSACTIONS

The Plan reimburses UBC Investment Management Trust Inc. ("IMANT"), an entity wholly owned by the Sponsor, for its proportionate share of IMANT's operating costs. Costs for the year ended December 31, 2010, which are included in investment transaction and administration fees, totalled $514 (2009 - $423).

(Expressed in thousands of dollars)

7. COMMITMENTS

In addition to investments already made in the following asset classes, the Plan is committed to invest the following amounts as at December 31:

		2010		2009		2010		2009		2010		2009
		€		€		US$		US$		Cdn$		Cdn$
Real estate	€	-	€	-	$	**696**	$	2,484	$	**1,652**	$	2,465
Infrastructure		**2,022**		2,424		**657**		1,184		-		-
Private equities		-		-		**15,074**		20,969		**5,115**		4,212
Hedge funds		-		-		**960**		1,989		-		-
	€	**2,022**	€	2,424	$	**17,387**	$	26,626	$	**6,767**	$	6,677

At December 31, 2010, the total commitment in Canadian dollars was $26,750 (2009 - $38,180).

8. FINANCIAL INSTRUMENTS

The fair values of the Plan's cash, investment income receivable, contributions receivable, accounts receivable, benefits payable and accounts payable are considered by management to approximate their carrying values due to the short-term nature of these financial instruments.

The Plan's investments are carried at fair value in accordance with the significant accounting policy disclosed in Note 2 (c).

9. RISK MANAGEMENT

The Plan's investment activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. As a pension plan, the Plan is fundamentally concerned with the management of risk. The Plan's overall risk management program seeks to maximize the returns derived for the level of risk to which the Plan is exposed and seeks to minimize potential adverse effects on the Plan's financial performance. The risk exposure is set to achieve the overall liability requirements of the Plan design.

The assets of the Plan are managed by a wholly-owned subsidiary of the University, IMANT. The Plan employs a Statement of Investment Policies and Procedures ("Policy") to identify, assess, manage and monitor its financial risks. The Policy provides asset mix ranges and limitations on the quality and concentration of investments the Plan is to hold. The policy is overseen by the Board of Directors of IMANT and day to day management and adherence to the policy is the responsibility of the staff of IMANT. IMANT employs 24 investment managers (2009 - 27) across 40 mandates (2009 - 42).

(Expressed in thousands of dollars)

9. RISK MANAGEMENT (Continued)

The Plan's Board oversees the management of the Plan with a view of promoting effective plan design, governance, investment policy, financing, administration and legal compliance. IMANT staff monitors the investment performance of the fund, including asset class and manager performance against specified benchmarks and reports regularly to the Plan's Board on overall performance and compliance with the Policy.

A majority of the Plan's assets are invested in pooled funds. Pooled funds provide a more cost effective means of achieving diversification within selected asset classes. The manager of the investment fund shall be governed by the manager's own investment policy for the pooled fund. IMANT staff is responsible for ensuring that the detailed investment policy statement setting out the investment constraints for the managers of such segregated accounts is prepared and agreed to by the managers.

(a) Price risk

The Plan is exposed to price risk. This arises from investments held by the Plan for which prices in the future are uncertain. The value of the various holdings in the funds may move up or down, sometimes rapidly. The Plan manages price risk by allocating its assets across a number of different investment managers with different mandates and investment styles. Different types of investments have historically reflected higher levels of risk, as measured by their volatility of returns.

Given the overall asset class holdings of the Plan, we would expect most annual returns to be within a +/- 8% (2009 - +/- 8%) range of an expected long-term return of roughly +7% (2009 - +7%) (i.e. results ranging from -2% to + 15%). This is based on a Towers Perrin Asset Liability Study which was completed in 2008. While there may be some changes to the expected return from year to year of the individual asset classes, these changes will not be significant as the expected returns and volatilities are based on long-term results. The range of expected annual returns are based on the following asset class volatility figures:

	2010	2009
Canadian and foreign equities	**+/- 18%**	+/- 18%
Bonds	**+/- 5%**	+/- 5%
Real estate	**+/- 8%**	+/- 8%
Infrastructure	**+/- 13.6%**	+/- 13.6%
Private equity	**+/- 35%**	+/- 35%
Low volatility hedge fund of funds	**+/- 7%**	+/- 7%

(Expressed in thousands of dollars)

9. RISK MANAGEMENT (Continued)

(a) Price risk (continued)

	Market value at December 31, 2010	**Percentage of investments**	Market value at December 31, 2009	Percentage of investments
Securities				
Canadian equities	**$ 134,099**	**17**	$ 108,992	15
US equities	**101,804**	**13**	48,434	7
Foreign equities	**99,820**	**12**	109,878	15
Canadian bonds	**252,976**	**31**	211,879	30
Real estate	**57,267**	**7**	58,445	9
Infrastructure	**23,102**	**3**	15,995	2
Private equity	**61,995**	**7**	58,168	8
Hedge funds	**76,587**	**10**	99,260	14
Short-term notes	**7**	**0**	222	0
	$ 807,657	**100**	$ 711,273	100

(Expressed in thousands of dollars)

9. RISK MANAGEMENT (Continued)

(a) Price risk (continued)

Based on the estimated range of volatility by asset class this would equate to the following dollar amounts, with all other variables held constant:

	2010 Potential change in price	**2010** Impact on overall Plan's net assets (+/-)	2009 Potential change in price	2009 Impact on overall Plan's net assets (+/-)
TSX Composite Capped	+/- 18%	$ **24,137**	+/- 18%	$ 19,619
S&P 500 Canadian Dollar	+/- 18%	**18,325**	+/- 18%	8,718
MSCI EAFE ("Morgan Stanley Capital International, Europe, Australasia and Far East") Canadian Dollar	+/- 19%	**18,966**	+/- 19%	20,877
DEX Universe Bond Indices	+/- 5%	**12,649**	+/- 5%	10,594
IPD ("Investment Property Databank") Property	+/- 8%	**4,581**	+/- 8%	4,676
30% Dex Real Return Bond/ 30% MCSI World Index net	+/- 13.6%	**3,141**	+/- 13.6%	2,175
Private Equity	+/- 35%	**21,698**	+/- 35%	20,359
Hedge Funds	+/- 7%	**5,361**	+/- 7%	6,948
DEX 91-Day T-Bill	+/- 2%	**-**	+/- 2%	4

(b) Interest rate risk

The Plan is subject to interest rate risk. Interest rate risk is the risk that fixed-income securities will decline in value because of changes in market interest rates. Rising interest rates cause a decrease in bond prices.

Duration is the most common measure of this risk and quantifies the effect of changes in bond prices due to a change in interest rates. The bond portfolio has an average duration of roughly 8.6 years (2009 - 8.7 years). Therefore, if interest rates increased by 1%, the bond portfolio would fall in value by approximately 9% (2009 - 9%).

9. RISK MANAGEMENT (Continued)

(c) Currency risk

Currency risk is the risk that the value of non-Canadian investments, reported in Canadian dollars, will decrease because of unfavorable changes in currency exchange rates. The Plan has significant investments denominated in foreign currencies across a majority of the asset classes including U.S. and international equities, real estate and hedge funds. The Plan's investment policy includes a benchmark target requirement to hedge 50% (range of 30% - 70%) of this exposure. In addition to direct hedging by some of the investment managers, the Plan retains an external manager to implement a rolling 3 month currency forward program to achieve the 50% hedging target. This program includes hedging of U.S., Euro, Japanese Yen and Pound Sterling investments. As of December 31, 2010, roughly 44% (2009 - 46%) of the Plan's assets were invested outside of Canada, and 49% (2009 - 48%) of this exposure was hedged. U.S. dollar exposure accounts for 29% (2009 - 30%) of the non-Canadian investment while EAFE currencies account for 15% (2009 - 16%) of the exposure. A 10% strengthening/weakening of the Canadian dollar versus the U.S. dollar at December 31, 2010 would have decreased/increased the U.S. dollar exposure by roughly $23,391 (2009 - $22,007). This amount would be reduced by roughly half through the currency hedging program. This assumes that all other variables remain constant.

(d) Credit risk

Credit risk is the risk of financial loss to the Plan if a counterparty to a financial instrument fails to meet its contractual obligations. The Plan's investments in cash, short-term investments and bonds are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value of $265,614 (2009 - $226,679). The Plan manages the risk by limiting the credit exposure allowed by the fixed income managers. The investment policies of the various bond managers provide limits to the credit exposure and/or set a minimum overall average portfolio quality allowed by each manager. The Plan also invests in derivative strategies to replicate equity index exposure and to hedge foreign currency exposure. Counterparties for these investments are restricted to a minimum credit rating of "A" or "A2".

(Expressed in thousands of dollars)

9. RISK MANAGEMENT (Continued)

(d) Credit risk (continued)

The overall credit ratings as a percentage of the total bonds as of December 31, 2010 held in the Plan are as follows:

	2010	2009
AAA	**42%**	41%
AA	**29%**	29%
A	**23%**	24%
BBB	**4%**	4%
BB and mortgages	**2%**	2%

(e) Liquidity risk

Liquidity risk for the Plan refers to the likelihood of any potential loss from a large percentage request for redemptions by Plan members. The percentage of the Plan's assets with Deferred Members that could withdraw their funds on short notice is roughly 5.4% (2009 - 10%).

All of the Plan's liabilities are due within one year.

Most of the Plan's assets are invested in large pooled funds of which the Plan is just one of many parties invested in these pooled funds which provides a high degree of liquidity. The Plan's managers typically invest in equities and bonds that are very marketable and that have a high degree of liquidity should they need to be sold in a relatively short timeframe.

Liquidity risk for the investment program refers to the risk that the Plan may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The investments are exposed to monthly settlement of swap agreements and quarterly settlement of currency forwards as well cash calls related to the private equity and real estate investments. The sources of funding for these settlements are from the liquid portion of the Plan, the public market securities.

Investments in real estate, private equity and hedge funds have more restrictive liquidity constraints than public securities. Real estate and private equity investments are made through limited partnership agreements typically with contractual 10 year terms. Investments in the real estate and private equity funds occur over four to five year periods and redemptions are at the investment manager's discretion. For hedge fund investments, redemptions are on a quarterly or semi-annual basis and require 90 days' notice.

10. CAPITAL MANAGEMENT

The Plan's objectives when managing capital are to safeguard the ability to continue as a going concern, so that the Plan can provide sufficient benefits to the Plan members.

The Plan manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust the capital structure, the Plan may sell assets to meet immediate obligations where appropriate. The Plan is not subject to externally imposed capital requirements.

The UBC Board of Governors is responsible for monitoring and evaluating the Plan's performance on a regular basis.

11. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year's presentation.