a place of mind
THE UNIVERSITY OF BRITISH COLUMBIA

Staff Pension Plan 2013 Year In Review

Contents

About This Report

This report provides a summary of the major highlights and events that occurred over the course of 2013 for the Staff Pension Plan of the University of the British Columbia. The report also includes a brief plan overview, membership and financial statistics, and an investment review from the Plan's investment manager.

Plan Purpose

The purpose of the UBC Staff Pension Plan is to provide stable lifetime retirement pensions for its members.

Plan Overview

The Staff Pension Plan (SPP), established January 1, 1972, is a Defined Benefit pension plan that provides retirement, termination, and death benefits for eligible staff of the University of British Columbia and related employers. The Plan is funded by fixed contributions from Plan members and the University. Beyond these contributions, neither have any further financial responsibility to fund the Plan. Members contribute 6.5% of their salary, and the University contributes 10% of the member's salary less a 1.8% CPP offset, which on average represents 8.7% of member salaries.

As of July 1, 2009, pensions for new members entering the Plan are calculated according to a formula of 1.8% of salary multiplied by years of pensionable service. Members who also have service prior to July 1, 2009 will have their pension calculated using the pre-July 1, 2009 and post-July 1, 2009 formulas. Retirement pensions are indexed subject to the SPP Board's approval and the Plan's ability to pay. If there is not adequate funding, the Plan's policy for balancing benefits and funding requires a reduction of benefits, starting with future indexing. The Plan's Actuary determines if there is adequate funding based on the results of the latest Actuarial Valuation report. The Actuarial Valuation commenced on December 31, 2013, making 2014 a valuation year.

The University has delegated the day-to-day administration of the Plan to the SPP Board, and administration services are provided by the Pension Administration Offi ce (PAO) in Human Resources. Amendments to the Plan Text are recommended by the SPP Board, reviewed by the University Administration and approved by the UBC Board of Governors. The SPP also employs several advisors and consultants to provide expertise and advice on specific areas.

Balancing assets and liabilities is critical to providing stable lifetime retirement pensions. The SPP funds ($1,091.2M as at December 31, 2013) are invested in accordance with the Statement of Policies and Procedures (SIPP). The SIPP is prepared by the SPP Board with the assistance of the Plan's investment consultant, PBI Actuarial Consultants (PBI) Ltd. and input of the investment manager, UBC Investment Management Trust (IMANT) Inc., and is approved by the UBC Board of Governors.

The Plan's British Columbia Registration Number is P085439-1 and CRA Registration Number is 0572362.

2013 in Summary

It was a year of growth for the UBC Staff Pension Plan in both membership and Plan assets. As of December 31, 2013, the Plan had $1,091.2M in assets and total membership grew by 6.8% in 2013. Below is a summary of the major events that occurred over the course of 2013:

Progress in Plan Governance
The year 2013 was the Plan's second year under the new governance policy, which was approved on February 2, 2012. The Executive Director of the Plan on behalf of the SPP Board reported to the UBC Board of Governors three times in 2013. The SPP Board completes an annual governance report for each calendar year and presents the report to the UBC Board of Governors in April of the following year. These reports are available on the Plan's website in the Plan Governance section.

Actuarial Valuation as at December 31, 2013
Every three years, the Plan is required to undergo a financial checkup called an Actuarial Valuation, conducted by the Plan`s actuary. The key impact of the actuarial valuation for Plan members is that the valuation determines the level of benefits that the Plan can support for the years following the valuation. If there is a shortfall in funding, the Pension Board will examine options for adjusting benefits.

The last valuation that occurred as at December 31, 2010 revealed that the Plan could support indexing of pensions at 50% of inflation (CPI), which was applied to retiree pensions at the beginning of 2012, 2013 and 2014. The indexing adjustment at January 1, 2015 will depend on the results of the new valuation.

The Pension Board expects the valuation report to be presented at its September 2014 meeting. At that time, the Board will review the actuarial valuation and the actuary's recommendations and a communication will go to members in the November 2014 SPP Update newsletter.

New Pension Benefits Standards Act (PBSA)
The B.C. Government introduced a new PBSA that received royal assent on May 31, 2012. It was anticipated that it would become law by January 1, 2014. The Plan received news in 2013 that the regulations were delayed and may not be released until sometime in 2015. The Pension Board will continue to work with the UBC Board of Governors and the University and the Plan`s advisors in preparation for these new regulations. We anticipate that these new regulations will be helpful in the administration of the Plan as they will specifically address the Plan`s unique design. Updates on the new regulations will be provided on the Plan's website and newsletter when they become available.

CUPE 116 Hourly Employees
Effective April 1, 2013, the University changed the eligibility rules for the UBC Staff Pension Plan and 300 CUPE 116 hourly employees became eligible to join the Plan. Many people at UBC worked very hard to make all the changes necessary to welcome these employees into the Staff Pension Plan. We would like to acknowledge the work of Payroll, Human Resources and CUPE 116 staff. In the month of April, 250 CUPE 116 employees were enrolled in to the Plan. By the end of year, 290 or 97% of eligible employees had elected to join the Plan. This group accounts for approximately 25% of enrollments in 2013.

2013 in Summary cont'd

Additional Voluntary Contributions (AVC)
On May 14, 2013, the Pension Board amended the Plan Text to remove the Additional Voluntary Contribution (AVC) option (referred to as Voluntary Contribution Account in the Plan Text). Effective June 1, 2013, no further AVCs would be accepted in the Plan. The Plan Text amendment also required existing AVC account balances to be transferred out of the Plan.

The AVC option has been closed to new participants since January 1, 2000; however, those members who were already making AVCs or had balances prior to this date were permitted to continue participation. Since 2000, the number of members with AVCs has declined and the Plan now has very few members with this option. The Pension Board carefully considered the additional administrative efforts and costs associated with administering AVCs and decided to not continue the option. Members with AVCs were given six months` notice and all accounts were transferred by the end of 2013.

SPP Board Membership
There was one new Director appointed to the SPP Pension Board in 2013. Mike Leslie was appointed by the UBC Board of Governors for a four-year term beginning January 1, 2013. Mr. Leslie is the Executive Director of Investments for the UBC Faculty Pension Plan.

Effective January 1, 2014, the UBC Board of Governors re-appointed Mr. Harry Satanove as the Independent Non-Voting Chair of the SPP Board for a second two-year term. Mr. Satanove is an actuary and a Chartered Financial Analyst and owns a pension and investment consulting firm. Jay Parker was also re-appointed by the Board of Governors to a four-year term beginning January 1, 2014. Mr. Parker is the Executive Director of the UBC Staff Pension Plan.

2014 is an election year for elected Directors on the SPP Board. There are two elected Directors on the Board. Every two years, there are elections to elect two Directors to each serve a four-year term. Mr. Brian Evans and Mr. George McLaughlin's current four-year terms end on December 31, 2014. Elections will be held in the fall of 2014 for two elected Directors.

Pension Administration Office (PAO)
The year 2013 was a busy year for the PAO. There were two longtime staff who retired in 2013 and new staff were hired and trained to assume their positions. Plan membership has grown considerably (71%) since 2001; as a result, new positions were added in 2013 in the areas of communication and administration.

Over the last year, senior management from both the Staff and Faculty Plans have worked together on a succession plan for the Pension Administration Office. This succession plan will consider upcoming retirements and how to best serve both pension plans and their members over the coming years.

Membership and Financial Highlights

MEMBERSHIP HIGHLIGHTS

as at December 31, 2013

3.7%

Over the past 5 years, total membership has grown on average 3.7% annually.

Average age
44.9 yrs

7,164 Active Members

6.8% increase from 2012

38.8 yrs

The average age of new enrollees in the Plan is 38.8 years.

Average age
47.0 yrs

1,646 Deferred Members

5.1% increase from 2012

43.3%

1,138 New Enrollments in 2013, 43.3% increase from 2012

Average age
62 yrs

1,890 Retired Members

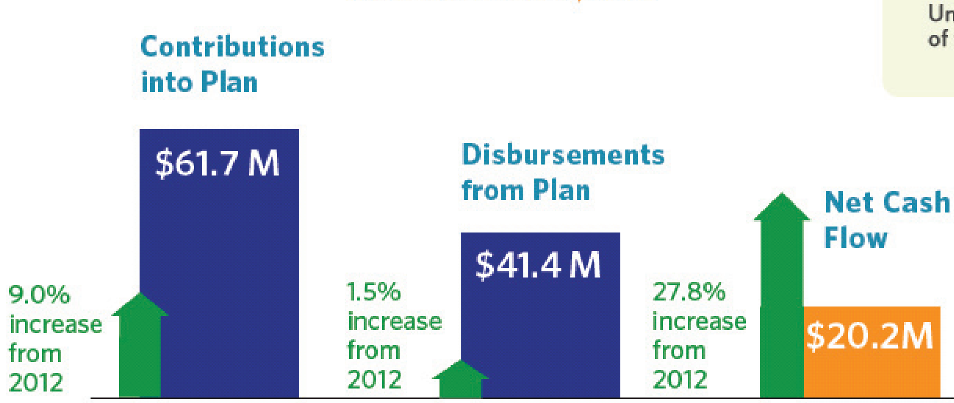
7.8% increase from 2012

FINANCIAL HIGHLIGHTS

as at December 31, 2013

$1,091.2M

Unaudited Market Value of the Funds at year-end



Membership Statistics

The Plan's membership numbers are never constant; there are always employees joining and leaving the Plan. It is important to maintain or increase the number of members joining the Plan, as contributions made by these members go towards funding the Plan. These funds, along with investment returns and employer contributions, provide pension benefits for members retiring from the Plan.

Growth in Plan Membership

Membership Statistics as of December 31 for Years 1971 to 2013 illustrates that since 2001 total membership has grown by 71%. Total membership includes Active (contributing members), Deferred (members no longer contributing and have not yet elected an option from the Plan), and Retired members. The Staff Pension Plan provides retirement, termination, and death benefits for these groups as well as for staff of related employers.

Membership Statistics as of December 31 for Years 1971 to 2013

Membership	**1971	**1981	1991	2001	2011	2013
Active	*1006	2272	3002	4327	6484	7164
Deferred			765	890	1728	1646
Retired	0	298	710	1057	1650	1890
Total	**1006**	**2570**	**4477**	**6274**	**9862**	**10700**

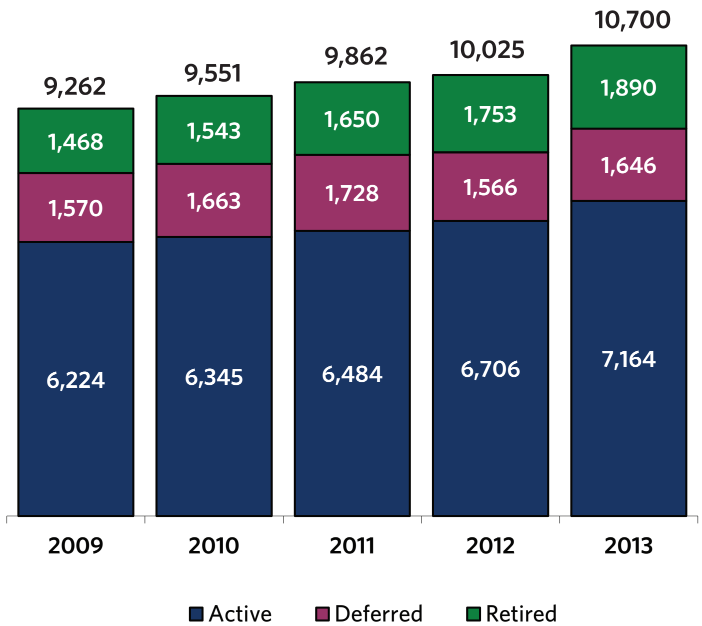
* There were 1006 individuals as at December 31, 1971 who were part of a prior UBC pension plan. These individuals became members of the SPP when the Plan was established in 1972.

** For years 1971 to 1981, Active and Deferred members are combined.

Membership Statistics cont'd

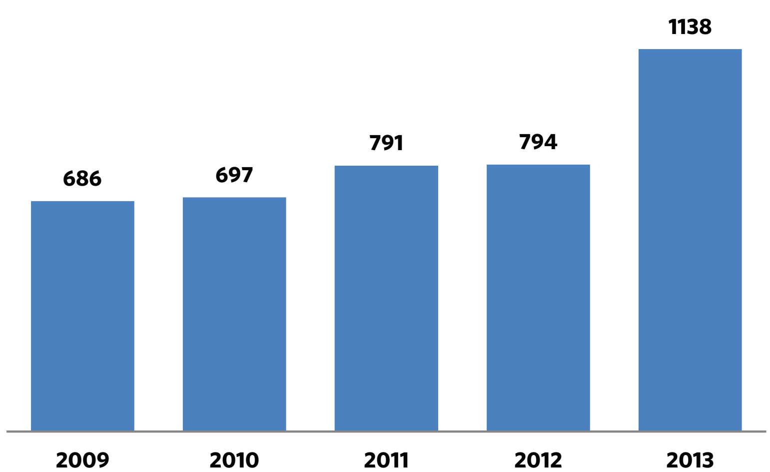
Number of Members as at December 31

The following graph shows the number of members in the Plan at year-end for the last five years. In 2013, Active, Deferred and Retired members grew by 6.8%, 5.1%, and 7.8% respectively.



New Enrollments as at December 31

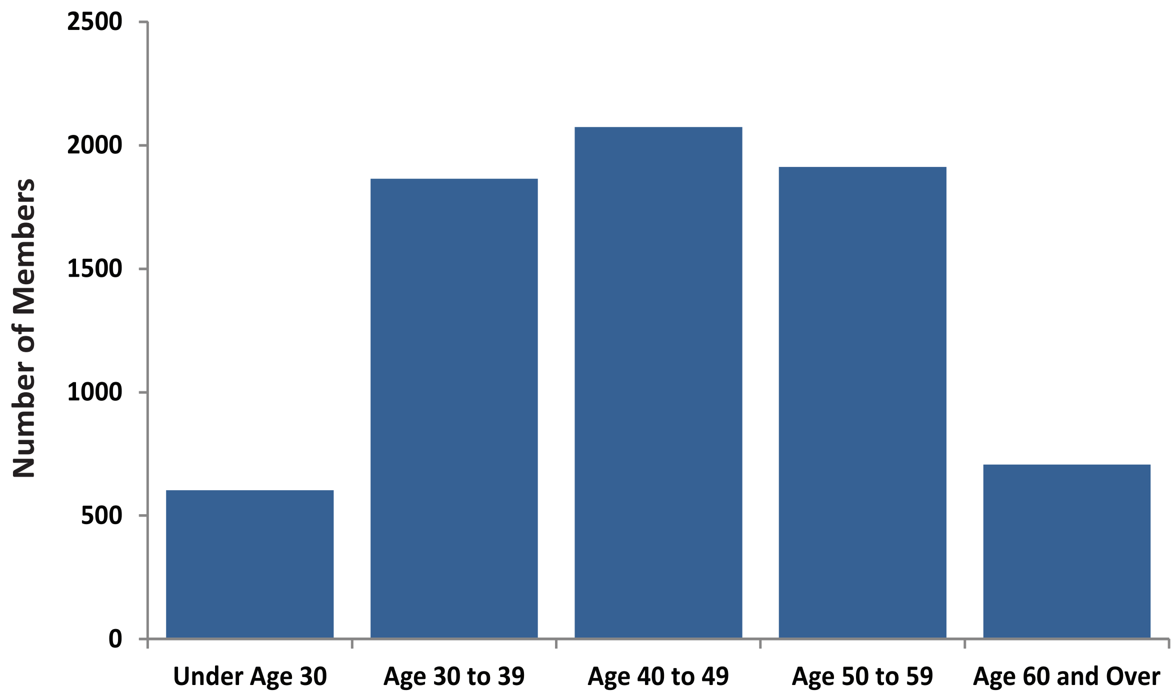
There were 1,138 new enrollments into the Plan in 2013, which was an increase of 43.3% from 2012. This increase is largely due to changes to the Plan's eligibility rules, which allowed hourly CUPE 116 employees to join the Plan as of April 1, 2013. In 2013, 290 CUPE 116 members joined the Plan, which accounted for approximately 25% of enrollments in that year.



Membership Statistics cont'd

Active Members by Age

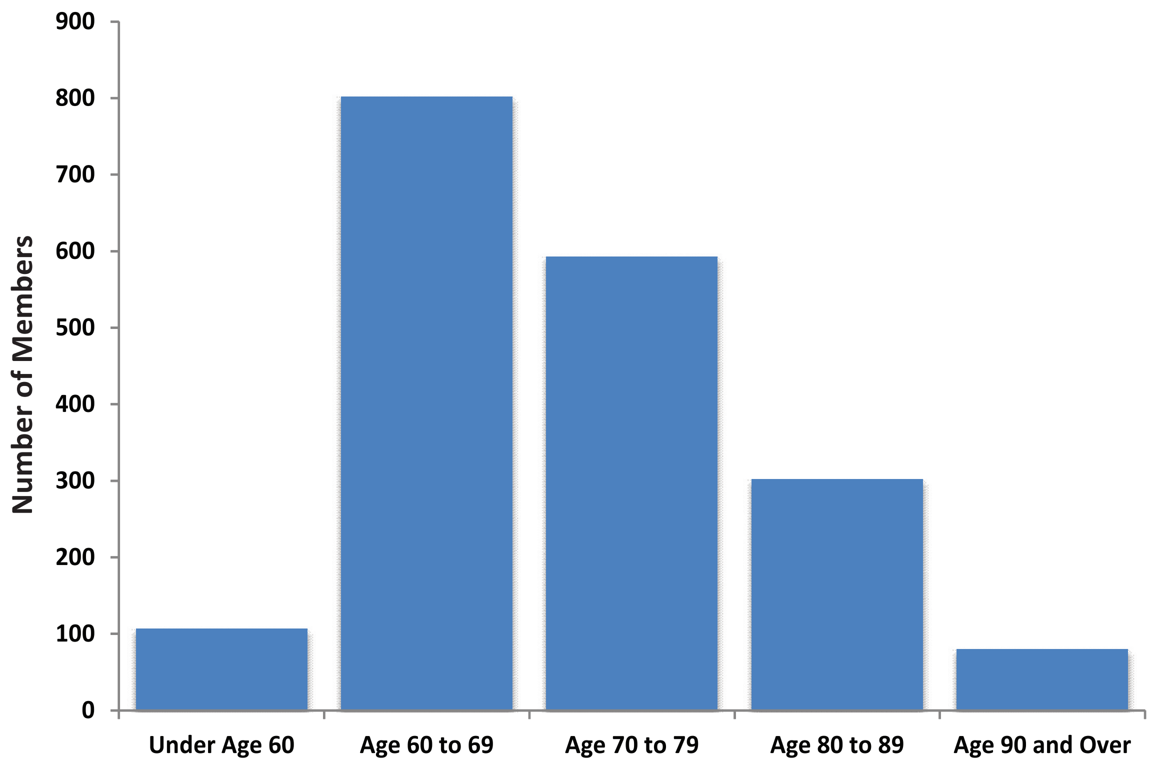
Active members are members who are making contributions into the Plan. The average age of Active members in 2013 was 44.9 years, with a median age of 45 years. The financial health of a pension plan, like the UBC Staff Pension Plan, is somewhat dependent on there being new members entering the Plan to help finance the pension benefits of retiring members.



Membership Statistics cont'd

Retirees by Age

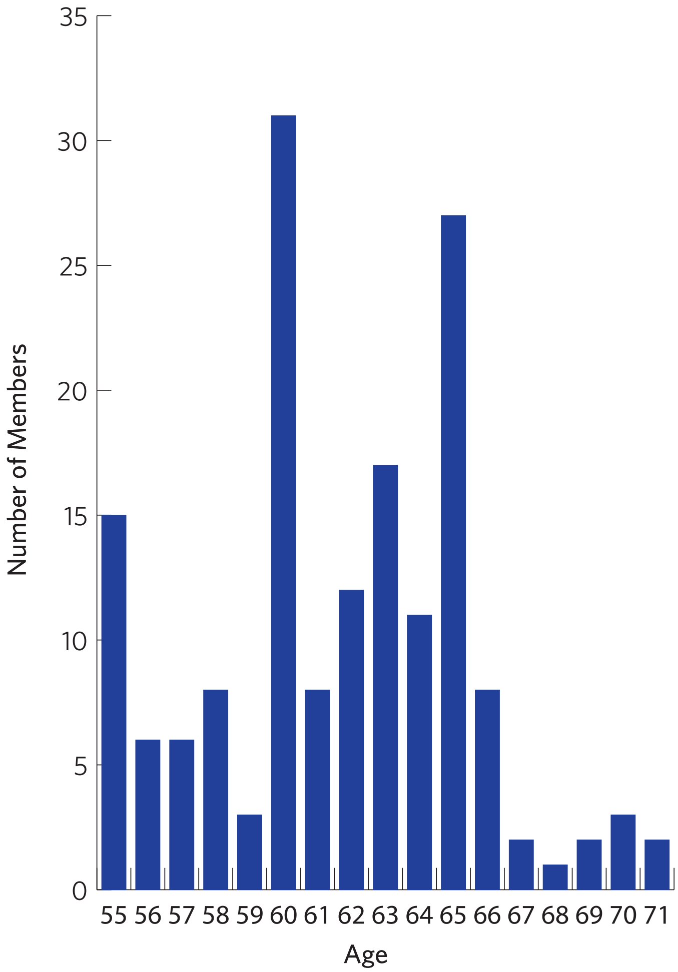
The following graph, Retirees by Age, illustrates the age distribution of the Plan's Retired members. These members are receiving a pension from the Plan. Since members age 55 and over must elect a pension option from the Plan (unless they qualify for a small pension lump sump payout), we will see growth in this group as more members will be receiving pensions from the Plan. Also, retirees are living longer because of longer life expectancies.



Membership Statistics cont'd

2013 Retirements by Age

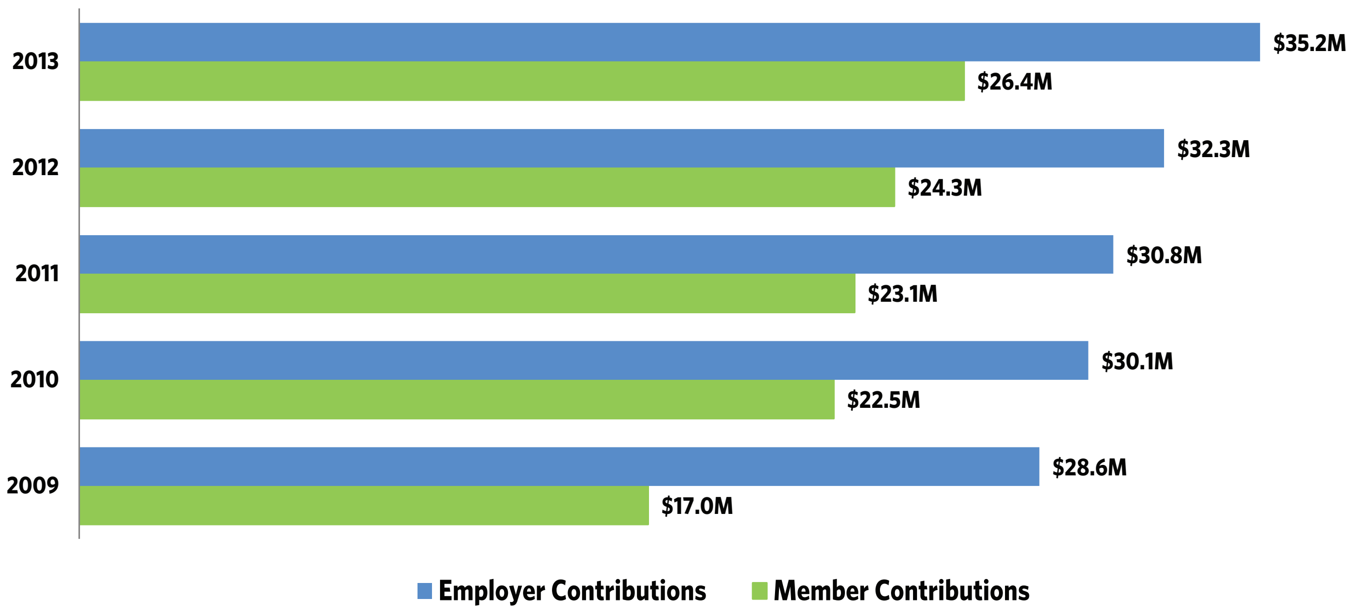
The graph below illustrates that, in 2013, the greatest number of retirements (19%) occurred at age 60. These retirees took a Monthly Lifetime Pension or Monthly Lifetime Pension with a Lump Sum as their retirement option.



Financial Statistics

Member and Employer Contributions as at December 31 ($ Millions)

The Staff Pension Plan provides for fixed contributions levels (from both the Plan members and the University and its related employers) to provide a certain level of benefit - a target benefit (known as your SPP basic benefit). For more information on Plan contributions, please refer to the SPP at a Glance page on the Plan's website.



Employer Contributions *includes contributions from the University and its related employers*

Operating and Investment Expenses as at December 31

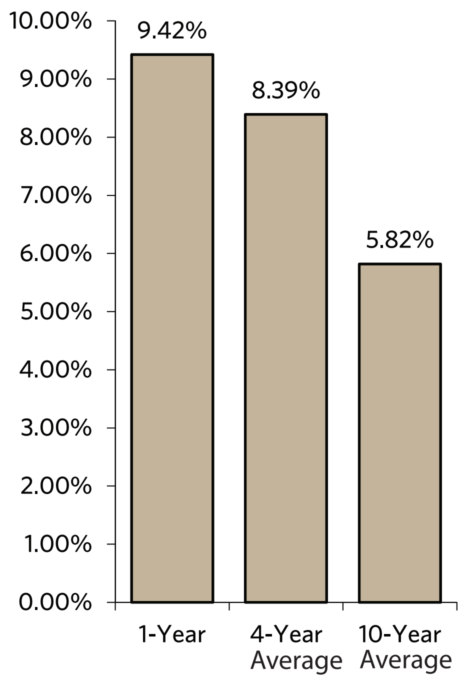
The following table shows the Plan's operating and investment expenses for the last five years.

Year	Operating Expenses	% per Assets	Investment Expenses	% per Assets
2009	$1,452,994	0.21%	$2,000,265	0.30%
2010	$1,313,353	0.18%	$1,780,267	0.24%
2011	$1,647,705	0.20%	$2,107,281	0.26%
2012	$1,596,866	0.18%	$2,544,239	0.29%
2013	$1,836,692	0.19%	$4,188,636	0.43%

- The fee percentages for operating and investment expenses are calculated based on average market value.
- UBC IMANT has been responsible for investing the funds since July 1, 2004.
- The Plan's investment expenses in 2013 are higher than previous years for two reasons. Further efforts were made in 2013 to explicitly record investment management fees for most alternative investments which are typically netted by managers from the funds. In addition, as part of the new Long Term Asset Policy mix (see page 16 of the 2013 Investment Review), the Plan is now investing in more alternative investments such as real estate and infrastructure equity, which have higher investment management fee structures.

Financial Statistics cont'd

SPP Fund Net Rate of Return (net of all fees)



To view the Plan's Net Rate of Return for the last 10 years, visit the Net Rate of Return page at the Plan's website.

Investment Review

The following **2013 Investment Review** *has been provided by the Plan's investment manager, UBC Investment Management Trust (IMANT) Inc. UBC IMANT is responsible for implementing the Plan's approved asset mix policy, under the direction of the Plan's investment consultant, PBI Actuarial Consultants Ltd.*

Market Commentary

In 2013, equities outperformed bonds by one of the largest margins in a calendar year, with some equity indices hitting record highs. Canadian long bond yields increased by 80 basis points (0.8%), resulting in a negative return of -6.2%. U.S. Equities had a tremendous year, returning 41.5% in Canadian dollar terms, even in the midst of a government shutdown caused by fiscal issues. The U.S. S&P 500 index has almost doubled in the last five years, recovering losses incurred during the financial crisis. Analysts estimate about one-third of the increase comes from increased valuations (price-to-earnings multiple expansion) and the rest from improved earnings. Recovery continues in the U.S. and Europe while concerns linger over the easy monetary policy of the U.S. Federal Reserve and the stability of the European Union; meanwhile, emerging market equities struggled with tempered growth outlooks, inflation pressures, as well as currency weakness. As a commodity currency, the Canadian dollar weakened against most developed currencies in 2013, except relative to the Japanese yen. The stimulative economic policy of "Abenomics" in Japan has ushered in an era of yen depreciation.

Index Returns to December 31, 2013 (Canadian Dollars)

Asset Class	Index	1 Year	2 Year	4 Year	10 Year
Cash	DEX 91 Day T-Bills	1.0%	1.0%	0.9%	2.1%
Universe Bonds	DEX Universe Bond	-1.2%	1.2%	4.6%	5.2%
Long Bonds	DEX Long Bond	-6.2%	-0.6%	7.0%	6.7%
Real Return Bonds	DEX Real Return Bond	-13.1%	-5.4%	4.1%	6.1%
Mortgages	DEX Mortgage	3.1%	4.0%	4.4%	5.9%
Canadian Equities	S&P/TSX	13.0%	10.1%	6.8%	8.0%
U.S. Equities	S&P 500	41.5%	26.7%	16.2%	5.3%
International Equities	MSCI EAFE	31.3%	22.7%	8.4%	4.8%
Emerging Market Equities	MSCI Emerging Markets	4.1%	9.7%	3.1%	9.0%
Private Equity	Cambridge Assoc. Private Equity	22.6%	15.4%	14.8%	11.3%
Real Estate	IPD Canada	12.5%	13.8%	11.7%	11.7%
Hedge Fund of Funds	HFRI FOF: Conservative	15.1%	8.3%	3.6%	0.7%
	Consumer Price Index	1.2%	1.0%	1.7%	1.7%

Note: IPD Canada and Cambridge Assoc. Private Equity returns are shown to September 30, 2013. Foreign indices are converted from USD to CAD using Bank of Canada, close of business exchange rates.

In alternative investments, many private equity funds took advantage of the strong equity markets and valuations to make successful exits for underlying portfolio companies. Interest in commercial real estate remains high although with higher interest rates and rising interest rate expectations, real estate income trusts produced a -5.5% return and have been more cautious to make new acquisitions in 2013. Infrastructure equity transactions remain slow and highly competitive.

Investment Review cont'd

Transition to the Long Term Policy

The SPP's assets are invested to provide stable lifetime retirement pensions in accordance with the Statement of Policies and Procedures approved by the UBC Board of Governors. The following table contains the actual asset mixes at the end of December 2012 and December 2013 along with the revised long term policy asset mix adopted in April 2013.

Transition to the Long Term Policy as at December 31, 2013

Asset Mix	Prior Policy	December 2012	December 2013	Revised Long Term Policy
Cash and Net Currency Forwards	1.0%	1.3%	1.7%	1.0%
Long Bonds	24.0%	25.4%	23.3%	24.0%
Real Return Bonds	5.0%	4.7%	3.6%	5.0%
Mortgages	5.0%	5.0%	4.3%	5.0%
Infrastructure Debt	10.0%	4.6%	9.2%	10.0%
Total Fixed Income	**45.0%**	**40.9%**	**42.2%**	**45.0%**
Canadian Equities	15.0%	15.6%	15.8%	10.0%
Global Equities (including U.S. and International)	15.0%	22.2%	17.8%	10.0%
Emerging Market Equities	0.0%	0.2%	4.8%	5.0%
Total Equities	**30.0%**	**38.1%**	**38.3%**	**25.0%**
Private Equity	5.0%	6.6%	5.8%	5.0%
Real Estate	8.0%	9.3%	8.7%	12.5%
Infrastructure Equity	12.0%	4.2%	4.5%	12.5%
Hedge Fund of Funds	0.0%	1.0%	0.5%	0.0%
Total Alternatives	**25.0%**	**21.1%**	**19.5%**	**30.0%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

In the revised long term policy asset mix, U.S. equities (7.5%) and international equities (7.5%) allocations were combined to create a 10% Global equities allocation and a 5% Emerging Market equities allocation. The previous 15% Canadian equities allocation was reduced to 10%. The Real Estate (8%) and Infrastructure Equity (12%) allocations were both increased to 12.5%.

The long term policy asset mix was revised to further strengthen the security of the basic pension benefit. With the new allocation to Emerging Market equities, the SPP portfolio will benefit from the emerging market countries' higher expected economic growth and higher expected equity returns relative to developed market equities. With the increased allocations to Real Estate and Infrastructure Equity, the portfolio will benefit from investments that have inflation adjusted cash flows and better matching characteristics to pension liabilities.

The SPP continued its multi-year transition to its long term investment policy in 2013. In fixed income, the long term infrastructure debt allocation was funded by the overweight from long bonds and is close to fully invested at a weight of 9.2%. In equities, the new 5% Emerging markets equities allocation was implemented and two-thirds invested with a fundamental manager and one-third with a low volatility manager.

Investment Review cont'd

In alternative asset classes, investments will occur over time as commitments made to external managers are drawn. As funds are drawn for additional infrastructure equity and real estate investments, they will be funded by selling Canadian and Global equity investments, which will reduce to their long term policy weights over time. In the private equity program, $22 million was received in net distributions, bringing down the asset class weight to 5.8% versus a long term policy weight of 5%. This will allow capacity for new commitments to be made. In real estate, $4 million was received in net distributions and no new commitments were made in 2013. Actual real estate investments now account for 8.7% of the Fund (9.7% including outstanding commitments) versus a new long term policy weight of 12.5%.

In the infrastructure equity portfolio, a $50 million commitment was made to the B.C. Investment Management Corporation infrastructure program, which will serve as a core component of the SPP's infrastructure program. In addition, a $15 million commitment was made to an open ended global infrastructure fund. At the end of 2013, actual investments to infrastructure equity totaled 4.5% of the Fund (12.1% including outstanding commitments) versus a new long term policy weight of 12.5%.

During the year, redemptions from hedge fund of funds continued with $5 million in proceeds received by the Fund. Approximately 0.5% of the total Fund remains in this asset class.

Performance of the Fund

For the year ending December 31, 2013, the Staff Pension Plan portfolio returned 9.7% net of external investment management fees. This return compares favourably to the long term discount rate of 6.0% determined by the Plan Actuary for the Fund. (The long term discount rate is the expected long term return on pension plan assets and is used to convert future pension payments into present day dollars.)

Fund Return versus Investment Policy Benchmark

	1 Year	2 Year	4 Year	10 Year
Fund Return	9.7%	9.7%	8.7%	5.9%
Investment Policy Benchmark	7.5%	8.8%	7.5%	5.9%
Value Added	2.2%	0.9%	1.1%	0.0%

Note: Returns are presented net of external investment management fees starting January 2010.

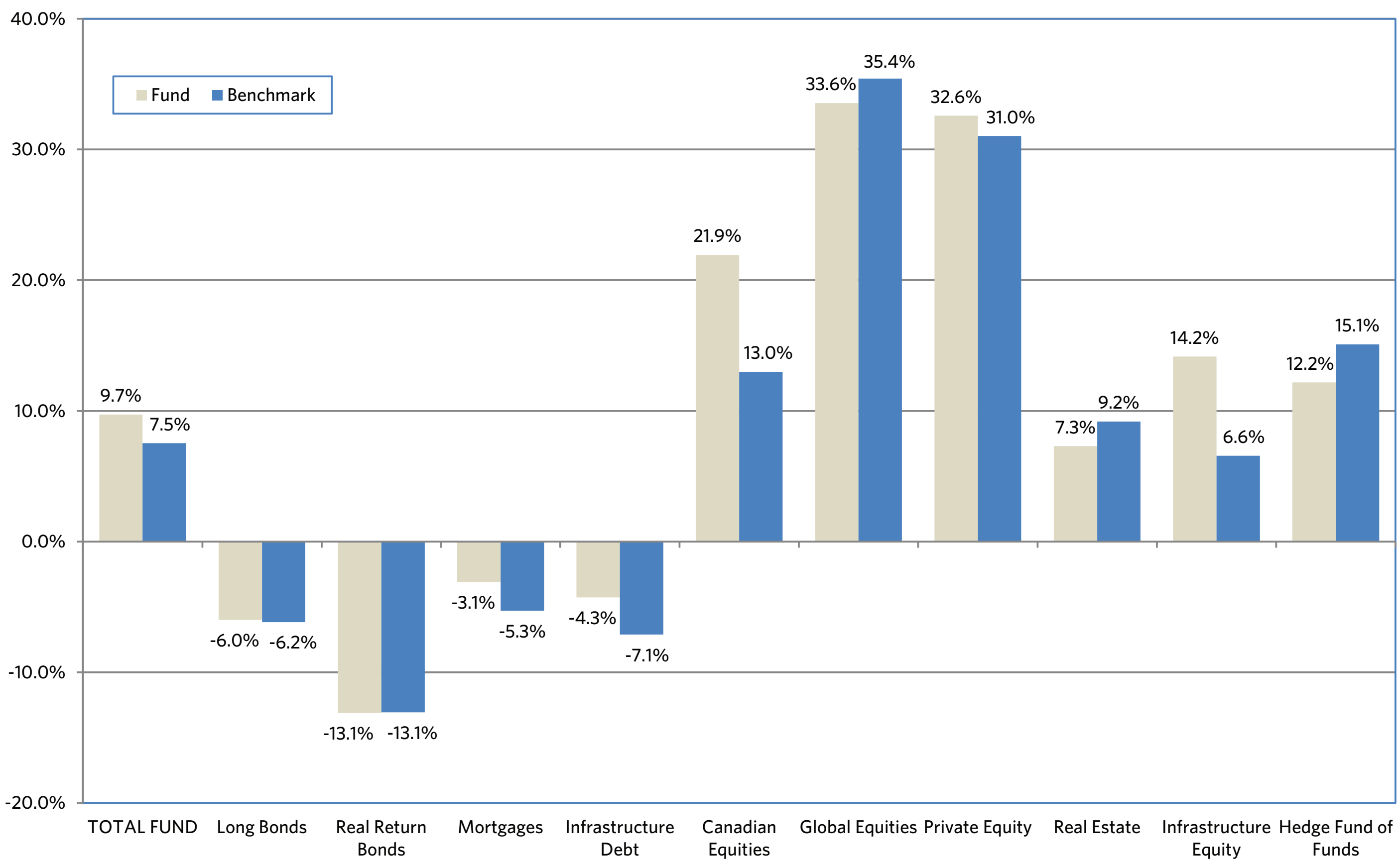
The table above shows the Fund return against the policy benchmark return for one year to ten year periods ending December 31, 2013. The policy benchmark portfolio serves as a proxy for a passively invested portfolio and is made up of asset class benchmarks, weighted by their long term policy weights (or transition policy weights during the transition period). For example, for Canadian equities, the commonly quoted public market index S&P/TSX Composite index is used. For alternative investments, where investable indices are not available, other industry indices or combinations of relevant public indices may be used for the asset class benchmarks (e.g. MSCI World + 2% for private equity).

Versus its policy benchmark return of 7.5%, the SPP portfolio outperformed by 2.2% for the one year period ending December 31, 2013. Over a four year period, the Fund outperformed the benchmark portfolio by 1.1%. Over a ten year period, the Fund returned the same as the benchmark portfolio.

Investment Review cont'd

The outperformance in 2013 came from a variety of sources. An underweight in long bonds and overweight in equities added value to the portfolio as Canadian bonds experienced negative returns while most equity markets performed strongly. SPP's Canadian equity value and dividend managers performed very well again in 2013 against the S&P/TSX benchmark. However, this was partially offset by disappointing results from some of the foreign equity managers. In alternative investments, private equity investments were helped by strong equity markets and returned a net $22 million in distributions to the Fund. Infrastructure equity investments outperformed the asset class benchmark with steady cash flows and were boosted by foreign currency appreciation against the Canadian dollar. Below is a graph of one year asset class returns versus benchmarks.

One Year Asset Class Returns versus Benchmarks



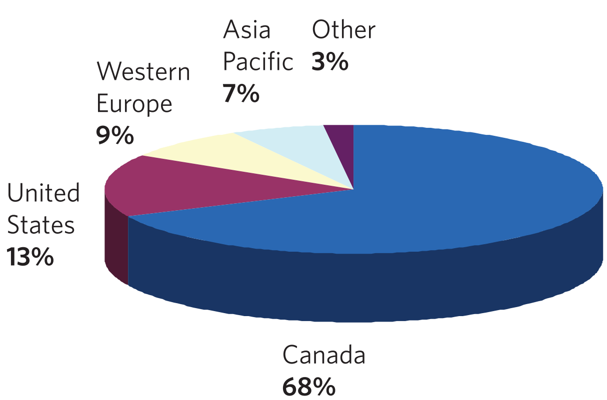
Notes: Emerging market equities returns are not shown as the asset class does not have a one year history. Global Equities combines US equities, International equities and Global equities and are compared to the MSCI World Index. Asset class benchmarks presented: Long Bonds: DEX Long Bond Index; Real Return Bonds: DEX Real Return Bond Index; Mortgages: 65%/35% DEX Long/ Mid Federal Government Index + 1.35%; Infrastructure Debt: DEX Long Federal Government Index + 1.9%; Canadian Equities: S&P /TSX Composite Index; Global Equities: MSCI World Net Index (CAD); Private Equity: MSCI World Net Index (CAD) +2% (lagged 3 months); Real Estate: CPI + 4.0% since April 2013 (previously IPD Canada lagged 3 months); Infrastructure Equity: CPI + 4.5% (previously 30% DEX Real Return Bond/70% MSCI World Index Net (CAD) (lagged 3 months); Hedge Fund of Funds: HFRI Fund of Funds: Conservative Index (CAD).

Investment Review cont'd

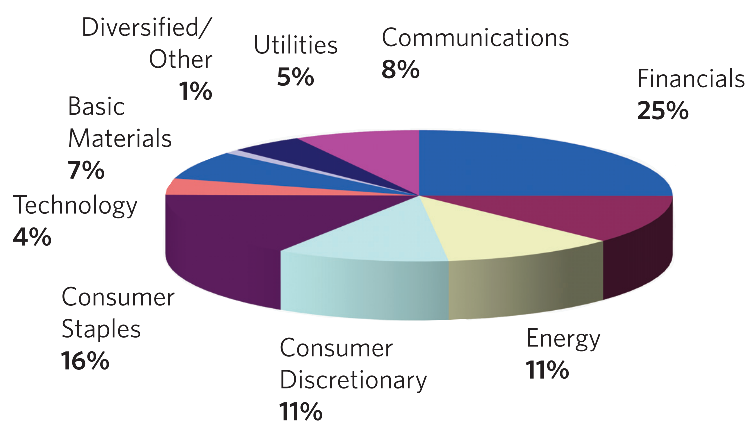
Portfolio Breakdown by Geography, Sector, and Credit Ratings

As part of UBC IMANT's risk assessment and management of the SPP portfolio, information on underlying holdings in external manager pooled funds is collected and aggregated to provide a more thorough picture of portfolio exposures and to confirm that portfolio risk characteristics are in line with the investment policy. Exposures in the SPP's equity and fixed income portfolio at December 31, 2013 are provided below for information.

Entire Portfolio by Geographic Region



Public Equity Exposure by Sector



Fixed Income Exposure by Credit Rating

Credit Rating	
AAA	25%
AA	21%
A	25%
BBB	6%
Other (unrated, mortgages and infrastructure debt)	23%

Fixed Income Exposure by Borrower