Financial Statements of

THE UNIVERSITY OF BRITISH COLUMBIA STAFF PENSION PLAN

December 31, 2008

THE UNIVERSITY OF BRITISH COLUMBIA
STAFF PENSION PLAN
December 31, 2008

Table of contents

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Auditors' Report

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

We have audited the statement of net assets available for benefits of The University of British Columbia Staff Pension Plan (the "Plan") as at December 31, 2008 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the Plan's net assets available for benefits as at December 31, 2008 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
May 1, 2009

THE UNIVERSITY OF BRITISH COLUMBIA
STAFF PENSION PLAN
Statement of Net Assets Available for Benefits

December 31, 2008
(Expressed in thousands of dollars)

		2008		2007
ASSETS				
Assets held by RBC Dexia Investor Services Trust				
Investments (Note 4)				
Short-term notes	$	**410**	$	520
Bonds		**186,322**		241,116
Equities		**366,671**		466,271
Real estate		**89,030**		100,952
		642,433		808,859
Cash		**4,538**		7,953
Investment income receivable		**184**		522
		647,155		817,334
Contributions receivable				
University		**194**		134
Members		**106**		67
		300		201
Accounts receivable		**24**		15
	$	**647,479**	$	817,550
LIABILITIES				
Benefits payable	$	**3,119**	$	3,724
Accounts payable and accrued liabilities (Note 7)		**750**		873
		3,869		4,597
NET ASSETS AVAILABLE FOR BENEFITS (Note 5)	$	**643,610**	$	812,953

COMMITMENTS (Note 8)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Chair

A Marshall

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, 2008
(Expressed in thousands of dollars)

	2008	2007
INCREASE IN NET ASSETS		
Members' required contributions	$ **11,074**	$ 10,298
University's required contributions	**25,860**	24,092
Transfers from other plans	**97**	128
Members' additional voluntary contributions	**36**	33
	37,067	34,551
Return on investments, including changes in fair value (Note 6)	**(169,120)**	22,325
	(132,053)	56,876
DECREASE IN NET ASSETS		
Payments to or on behalf of members		
Pensions to retired members	**16,302**	14,858
Members' accounts transferred or refunded	**15,856**	15,524
Death benefits	**1,583**	396
	33,741	30,778
Operations		
Actuarial and consulting services	**471**	429
Office and administration costs	**785**	695
Legal, audit and custodian services	**137**	97
Professional services	**8**	29
	1,401	1,250
Investment transaction and administration fees (Note 7)	**2,148**	3,344
	37,290	35,372
NET (DECREASE) INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	**(169,343)**	21,504
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	**812,953**	791,449
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$ **643,610**	$ 812,953

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 for all eligible employees over age 30 who have completed three years of service following their first date of eligibility.

(b) *Funding policy*

The Plan text requires members and the University to make contributions of 5% and 10%, respectively, of basic salary up to the YBE, 3.2% and 8.2%, respectively, of basic salary between the YBE and the YMPE, and 5% and 10%, respectively, 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:

> 2% times the average of the member's three best years' pensionable earnings times pensionable service less a Canada Pension Plan benefit offset equal to 0.7% of the YMPE times the 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.

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

1. DESCRIPTION OF PLAN (Continued)

(c) Benefits (continued)

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 obligations for pension benefits are not presented in the statement of net assets available for benefits but are disclosed in Note 5.

(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 value of investments, as described in Note 2 (c) and the obligation for pension benefits. 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, bonds and publicly traded equities are valued using published market quotations.

(ii) Investments in private equities are recorded at cost for one year from the date the investment is made, unless there is a transaction within that year which establishes a different value for the investment or there is a significant change within that year in the Plan's expectations. After one year from the date of the investment, private equities are recorded at estimated fair value. Estimated fair values are determined using appropriate valuation techniques and/or appraiser's best estimates.

(iii) Real estate equities and real estate investment trusts are valued using published market quotations. The investments in partnerships are valued quarterly using a combination of internal and external appraisals to establish current market values.

Adjustments to investments due to the fluctuation of fair values are reflected as part of the return on investments in the statement of changes in net assets available for benefits. Investment transactions are recognized in the financial statements based on the settlement date. 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. ADOPTION OF NEW ACCOUNTING STANDARDS

In December, 2006 the Canadian Institute of Chartered Accountants ("CICA") issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, which are applicable for the year ended December 31, 2008. These presentation and disclosure sections for financial instruments replace Section 3861, Financial Instruments - Disclosure and Presentation. The new presentation and disclosure standards modify and increase requirements pertaining to disclosures and substantially maintain existing presentation requirements. These new sections give greater importance to disclosures in terms of the nature and scope of the risks associated with financial instruments, and the way entities manage these risks. The adoption of the new disclosure requirements does not impact the reported balances in the financial statements. The new disclosures are presented in Note 10.

CICA Section 1535, Capital Disclosures, became applicable to the Plan in 2008. This section specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv), if it has not complied, the consequences of such non-compliance. The adoption of section 1535 did not impact the reported balances in the financial statements. The new disclosures are presented in Note 11.

4. INVESTMENTS

(a) Short-term notes

Funds invested in short-term notes in 2008 and 2007 were primarily securities issued by either Canadian chartered banks or the Bank of Canada that will mature at various dates in the next fiscal year.

(Expressed in thousands of dollars)

4. INVESTMENTS (Continued)

(b) Bonds

Based on the Plan's proportionate interest in the bond funds, the Plan's investments are represented by bonds with the following characteristics:

Term to maturity	2008	2007
Government of Canada		
Less than one year	$ **2,014**	$ 5,306
After one year through five years	**17,601**	53,072
After five years	**56,228**	33,130
Canadian provincial, municipal and public authorities		
Less than one year	**23**	5,484
After one year through five years	**15,367**	7,383
After five years	**46,300**	63,945
Canadian corporate		
Less than one year	**2,515**	3,130
After one year through five years	**26,904**	46,853
After five years	**17,967**	22,813
Government of USA		
After five years	**1,403**	-
Market value	$ **186,322**	$ 241,116
Face value	$ **166,455**	$ 228,338

	2008	2007
Range of effective interest rates	**0.72% to 10.78%**	1.91% to 8.47%

(Expressed in thousands of dollars)

4. INVESTMENTS (Continued)

(c) Equities

The fair value of the equity investments, by category, is summarized as follows:

	2008	2007
Publicly traded equities		
Canadian equities		
Equities (i)	$ **27,335**	$ 46,218
Pooled equities (ii)	**50,482**	94,946
Foreign		
Pooled and common shares - global equities (iii)	**168,664**	206,399
Pooled - hedge funds (iv)	**65,869**	81,932
	312,350	429,495
Private equities (v)		
Canadian	**7,701**	-
Foreign	**46,620**	36,776
	$ **366,671**	$ 466,271

(i) Canadian equities

These comprise shares and units of investment trusts listed on the Toronto Stock Exchange.

(ii) Canadian pooled equities

These comprise mainly of Canadian equities included in the TSX Composite.

(Expressed in thousands of dollars)

4. INVESTMENTS (Continued)

(c) *Equities (continued)*

(iii) *Foreign pooled and common shares - global equities*

The composition of the global equity pooled investments, by country, is summarized as follows:

	2008	2007
United States	**63%**	53%
Japan	**8%**	5%
United Kingdom	**5%**	8%
France	**3%**	3%
Switzerland	**3%**	3%
Germany	**2%**	3%
Italy	**1%**	2%
Hong Kong	**1%**	2%
China	**1%**	- %
Other	**13%**	21%
	100%	100%

(iv) *Foreign pooled - hedge funds*

The Plan has investments in eight (2007 - nine) hedge funds with six (2007 - six) hedge fund managers. The managers invest in a number of individual hedge funds with different strategies.

(v) *Private equities*

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

(d) *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.

(Expressed in thousands of dollars)

4. INVESTMENTS (Continued)

(e) Securities lending

The Plan participates in a security lending program whereby it lends securities it owns to others. For securities lent, the Plan receives a fee as well as receiving, as collateral, securities with a minimum market value of 105% of the market value of the securities lent. The program is managed by a federally regulated financial institution, which also guarantees the Plan's exposure under the program. At December 31, 2008, the Plan had securities with an estimated market value of $Nil (2007 - $7,359) on loan and it held, as collateral, securities with an estimated market value of $Nil (2007 - $7,911).

5. OBLIGATIONS FOR PENSION BENEFITS

An actuarial valuation was made as of January 1, 2008 by Aon Consulting Inc., a firm of consulting actuaries, and was then extrapolated to December 31, 2008. The present value of accrued pension benefits was determined using the projected benefit method prorated on service, and was based on economic assumptions as of January 1, 2008 which forecast economic patterns for the next few years, gradually modifying into the long-term, and making allowance for contingent indexation at the National Consumer Price Index rate.

The actuarial present value of benefits as at December 31 and the principal components of changes in the actuarial present value during the year were as follows:

	2008	2007
Actuarial present value of accrued pension benefits, beginning of year	$ **568,004**	$ 536,519
Net valuation loss, beginning of year	**52,528**	-
Interest accrued on benefits	**41,948**	34,767
Benefits accrued	**35,578**	27,496
Benefits paid to or on behalf of members	**(33,742)**	(30,778)
Actuarial present value of accrued pension benefits, end of year	$ **664,316**	$ 568,004

The accrued pension benefits noted above do not include supplemental benefits in excess of Canada Revenue Agency's eligible maximum benefits, which are payable by the University in accordance with a related supplemental retirement arrangement.

The actuarial present value of accrued pension benefits as at December 31, 2008 includes $362 (2007 - $416) in respect of additional voluntary contributions.

(Expressed in thousands of dollars)

5. OBLIGATIONS FOR PENSION BENEFITS (Continued)

Significant actuarial assumptions used in the valuation were as follows:

Annual interest rates	6.75%
Annual rates of inflation	2.25%
Annual salary escalation rates	3.00%

6. RETURN ON INVESTMENTS

	2008	2007
Interest income	$ **19,913**	$ 19,159
Dividend income	**19,797**	22,683
Real estate income	**217**	455
Net realized (losses) gains on sale of investments	**(75,216)**	25,245
Unrealized losses on investments	**(133,831)**	(45,217)
	$ **(169,120)**	$ 22,325

7. RELATED PARTY TRANSACTIONS

The Plan reimburses UBC Investment Management Trust Inc. ("IMANT"), and entity wholly owned by the Sponsor, for its proportionate share of IMANT's operating costs. Costs for the year ended December 31, 2008, which are included in investment transaction and administration fees, totalled $424 (2007 - $542). At December 31, 2008, $138 (2007 - $Nil) of these costs is included in accounts payable and accrued liabilities.

(Expressed in thousands of dollars)

8. 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:

	2008 €	2007 €	2008 US$	2007 US$	2008 Cdn$	2007 Cdn$
Real estate	€ **2,948**	€ 4,768	$ **9,447**	$ 11,821	$ **5,660**	$ 14,452
Private equities	**-**	-	**25,197**	37,467	**6,136**	13,365
Hedge funds	**-**	-	**2,968**	7,541	**-**	-
	€ **2,948**	€ 4,768	$ **37,612**	$ 56,829	$ **11,796**	$ 27,817

At December 31, 2008, the total commitment in Canadian dollars was $62,881 (2007 - $90,849).

9. 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).

10. 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 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 ("Board"), day to day management and adherence to the policy is the responsibility of the staff of IMANT. IMANT employs 29 investment managers (2007 - 30).

The 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 fund options, asset class and manager performance against specified benchmarks and reports regularly to the Board on overall performance and compliance with the Policy.

10. FINANCIAL RISKS (CONTINUED)

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 component 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 +/- 8.4% range of an expected long-term return of roughly +6.8% (i.e. results ranging from -1.6% to + 15.2%). This is based on a Towers Perrin Asset Liability Study which was completed in 2008.

Canadian and foreign equities	+/- 18%
Bonds	+/- 5%
Real estate	+/- 8%
Private equity	+/- 35%
Low volatility hedge fund of funds	+/- 7%
Short-term holdings	+/- 2%

(Expressed in thousands of dollars)

10. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Price risk (continued)

	Market value at December 31, 2008	Percentage of investments
Securities		
Canadian equities	$ 77,817	12.11
US equities	88,412	13.76
Global equities	80,252	12.49
Canadian bonds	186,322	29.00
Real estate	89,030	13.86
Private equity	54,321	8.46
Hedge funds	65,869	10.26
Short-term investments	410	0.06
	$ 642,433	100.00

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

	Potential change in price	Impact on overall Plan's net assets (+/-)
TSX Composite Capped	+/- 18%	$ 14,007
S&P 500 Canadian Dollar	+/- 18%	15,914
MSCI EAFE ("Morgan Stanley Capital International, Europe, Australasia and Far East") Canadian Dollar	+/- 19%	15,248
DEX Universe Bond Indices	+/- 5%	9,316
IPD ("Investment Property Databank") Property	+/- 8%	7,122
Private Equity	+/- 35%	19,012
Hedge Funds	+/- 7%	4,611
DEX 91-Day T-Bill	+/- 2%	8

10. FINANCIAL INSTRUMENTS (CONTINUED)

(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 8.9 years. Therefore if interest rates increased by 1% the bond portfolio would fall in value by approximately 8.9%.

(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 non-Canadian dollars 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, 2008, roughly 46% of the Plan's assets were invested outside of Canada, and 52% of this exposure was hedged. U.S. dollar exposure accounts for 30% of the non-Canadian investment while EAFE currencies account for 16% of the exposure. A 10% strengthening/ weakening of the Canadian dollar versus the US dollar at December 31, 2008 would have decreased/increased the US equity portfolio's value by roughly $19,498. 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 short term investments and bonds and debentures are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value of $186,732. 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)

10. FINANCIAL INSTRUMENTS (CONTINUED)

(d) *Credit risk (continued)*

The overall credit ratings as a percentage of the total bonds as of December 31, 2008 held in the Plan are as follows:

AAA	47.0%
AA	28.4%
A	21.3%
BBB	2.3%
BB and mortgages	1.0%

(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 10%.

The table below analyses the Plan's financial liabilities into relevant maturity groupings based on the contractual maturity dates.

At December 31, 2008	Less than 1 month	No stated maturity
Accrued expenses	$ 578	$ -
Plan withdrawals payable to members	3,119	-
Other liabilities	-	172

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.

11. 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.