



THE UNIVERSITY OF BRITISH COLUMBIA
PENSION ADMINISTRATION OFFICE

TO: Members of the UBC
Supplemental Arrangement

FROM: UBC Advisory Committee on
the Supplemental Arrangement

DATE: February 1, 2007

Supplemental Arrangement Update as at December 31, 2006

General Information on the Supplemental Arrangement (SA)

The assets of the Supplemental Arrangement (SA) were administered by London Life and are invested by Phillips, Hager & North (PHN) in the Phillips, Hager & North Balanced Pension Trust Fund. The PHN Balanced Pension Trust Fund is composed of the assets of the PHN Money Market Fund, Bond Fund and Equity Funds (Canadian, including Small Float Fund and Foreign Funds). PHN will make adjustments to the asset mix of the Fund as market conditions dictate. The unit value of the PHN Balanced Pension Trust is published regularly in the financial section of major newspapers (PHN Bal Pens Tr). As at December 31, 2006, total assets in the SA were \$40.7million, and there were 1000 members.

At December 31st, the PHN Balanced Pension Trust had a unit value of \$17.4452 (after distribution).

The timing and amount of contributions are unique; your personal return is dependent on the actual contributions and the timing of subsequent investment in the PHN Balance Pension Trust Fund.

Membership and Contribution

For the year 2006, the *Income Tax Act* allowed maximum aggregate contributions—employee and employer—in the amount of \$19,000. Members who earned more than \$135,930.61 reached their contribution limit to either the Faculty Pension Plan or Sun Life and the employer contributions in excess were re-directed to their Supplemental Arrangement accounts.

For the year 2007, the *Income Tax Act* has raised the contribution limit to \$20,000 and members will not reach their aggregate maximum until they have earned \$142,981.44.

Administrative Matters

Members who have general inquiries regarding the Supplemental Arrangement, such as beneficiary designation and withdrawal procedures, should contact Jim Loughlean at (604) 822-8987 in the Pension Administration Office.

If you have any questions regarding investment information please contact Roger Polishak at (604) 681-7858.

At December 31, 2006 the Supplemental Arrangement (SA) was structured as follows; the investment results are gross of investment management fees (fees are 0.18% per annum):

Asset Mix\Unit Values and Returns to December 31, 2006

	SA Fund Market Value (\$ 000's)	% of Total Assets	1 Year Return	2 Year Return	3 Year Return	4 Year Return	Major Market Indices	1 Year Return
PHN Canadian Equity Funds	12,328	30.3%					S&P/TSX	17.3%
PHN U.S. Equity Fund	6,184	15.2%					S&P 500*	15.4%
PHN International Trust	5,411	13.3%					MSCI EAFE*	25.9%
PHN Bond Fund	13,630	33.5%					SC Universe Bond	4.1%
PHN Money Market Fund + Cash	3,133	7.7%					SC 30-Day T-Bills	3.9%
PHN Balanced Pension Trust	40,686	100.0%	12.4%	11.2%	10.9%	11.8%	(* In Cdn \$)	

PHN Balanced Fund Unit
Value (1)

\$17.4452

(1) This value will vary slightly from the published value, which can be found in the financial section of major newspapers (PHN Group – Bal Pens Tr). The variation between the two unit values is due to administrative fees.

Summary of Operating Results

For the year, January 1, 2006 to December 31, 2006, the operating results of the SA Fund are:

Investment returns	
1 year return	<u>12.4%</u>
(gross of fees)	
Expenses	
Administrative fees	0.40%
(internal and external)	
Investment fees	<u>0.18%</u>
Total fees	<u>0.58%</u>

Administrative fees primarily include custody and recordkeeping charges. The investment management fees are 0.18% per annum based on the average quarterly market value of the Fund.

Advisory Committee

Members of the Advisory Committee are:

Roger Polishak, UBC IMANT
Cheryl Neighbour, Faculty Pension Plan

(604) 681-7858
(604) 822-8112