Dear Pension Plan Members,

In March 2011, the University distributed a questionnaire to all active Combination Plan members seeking their input on the need, in the near term, to address the financial sustainability of the plan.

This questionnaire was a follow-up to two bulletins (which can be found under quick links at http://web.uvic.ca/vpfin/financialplanning/pension/pensionmain.htm) and two public forums held by the Pension Board of Trustees in January 2011. In the forums, and in the questionnaire, five options were identified to address the financial sustainability issue:

1. Increase member contribution rates by 1.35% and University contribution rates by 2.7%, as outlined in the plan trust documents;
2. Eliminate the defined benefit minimum for all future service;
3. Change the defined benefit minimum formula by reducing the accrual rate;
4. Eliminate automatic inflation indexing of the defined benefit minimum for members who have not yet commenced their pension; and
5. Implement a combination of increasing contributions and reducing either the accrual rate or the amount of the automatic indexing.

In the questionnaire, members were asked to rank the above options in order of preference. A total of 442 plan members or ~30% of those surveyed responded to the questionnaire, with 69% ranking option 1, increase contribution rates, as their preferred option. Eliminate the defined benefit minimum for all future service (option 2) was second at 17% and eliminate automatic indexing (option 4) was third at 10%.

Given this result, the University will take the necessary steps to move ahead with implementing the contribution rate increase, as provided for in the plan trust document, effective May 1, 2011. This will result in the following contribution rates:

<table>
<thead>
<tr>
<th></th>
<th>Employee to CCA¹</th>
<th>University to CCA²</th>
<th>Total to CCA</th>
<th>University to DRBF² &amp; 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>New</td>
<td>Current</td>
<td>New</td>
</tr>
<tr>
<td>On salary up to the YMPE³</td>
<td>3%</td>
<td>4.35%</td>
<td>7.37%</td>
<td>6.02%</td>
</tr>
<tr>
<td>On salary over the YMPE</td>
<td>5%</td>
<td>6.35%</td>
<td>9%</td>
<td>7.65%</td>
</tr>
</tbody>
</table>

These rate increases are the best estimate of the contribution increase required to maintain the current defined benefit minimum on a sound actuarial basis as at the valuation date of December 31, 2009. Over the next 12-18 months, we will be assessing the long term financial sustainability of the plan with a view to determining how best to mitigate future risk. The next valuation is required effective December 31, 2012.

Thank you for your input on this important issue.

Gayle Gorrill
Vice-President Finance and Operations

¹ CCA = Combined Contribution Account. See October bulletin on the website noted above for details
² DRBF = Defined Retirement Benefit Fund. See October bulletin
³ YMPE = Yearly maximum pensionable earnings
⁴ The University contribution decreased 1.35% for CCA and increased 4.05% for DRBF for a net increase of 2.7% (see website for additional details)