As most of you will be aware, the Pension Plan is required by law to have an actuarial valuation every three years to ensure the long-term financial health of the Plan. Our actuaries, Mercer Human Resource Consulting, have now completed a valuation showing the state of the Plan as of 31st December 2009. You will also be aware of the extreme turmoil experienced by world financial markets during the last several years, and, as noted in the Plan’s annual report for 2009, of the continuing increase in longevity of our members. In these circumstances, the Trustees felt it important to inform members of the preliminary findings of the valuation report and of actions which may emerge from its detailed consideration.

Firstly, it is important to note that strong market results in 2009 certainly improved the Plan’s funded status relative to the preceding year, and from the legal perspective, which requires the plan to be valued on a “wind-up” or “solvency” basis taking into account current assets and currently accrued benefits, the Plan is solvent, with a surplus of approximately $50 million. That said, the widespread expectations of lower market returns in the future, coupled with the improved longevity of our members, do raise concerns about the long-term sustainability of the current contribution rates and future benefits of the Plan. The calculations are complex and very dependent on the assumptions employed. To quote just one number, when the valuation basis is changed from current solvency to a so-called “aggregate going concern” basis, meaning that all future contributions and benefit accruals are taken into account, the Plan shows a deficit of about $40 million. These numbers should be viewed in the context of the overall assets of the Plan of about $620 million and the large variation illustrates the sensitivity to methodology and assumptions. It is also important to note that our concerns are far from unique among Canadian University plans and we continue to place well relative to our peers.

In these circumstances, the Trustees believe it important to begin consideration of the future direction of the Plan and we have informed the University of our view. The actuary advises that to maintain the current minimum defined benefit, increased contributions would be required, and under the current plan document, these costs would be shared one-third / two-thirds between active members of the Plan and the University. The alternative would be to consider some modification of future Plan benefits.

Before any changes are implemented, it is important that Plan members are fully informed about the funding issue and aware of possible options. To this end, the University and the Board of Trustees would like to discuss with, and obtain input from, Plan members to determine which options are in the collective best interests of both members and the institution.

More information on this process will be provided to Plan members in the coming weeks.
ELIMINATION OF MANDATORY RETIREMENT LEADS TO PLAN AMENDMENTS

This notice is to provide you with a description of changes to the University of Victoria Combination Pension Plan effective 01 January 2011. Most of the changes result from the elimination of mandatory retirement.

Definition of “Normal Retirement Date”

“Normal Retirement Date” is now only significant in that it establishes the age at which a member is eligible for an unreduced minimum formula benefit. It is therefore being changed from June 30th following the member’s 65th birthday to the end of the month in which the member reaches age 65. The change is effective 01 January 2011.

The change effectively moves the date at which a member is eligible for an unreduced minimum formula benefit forward 6 months. Under the former definition, members would average age 65 years 6 months at normal retirement date compared to age 65 under the new definition.

The rationale for the June 30th date was likely to provide consistency between the pension plan provisions and the University’s employment policies which allowed faculty to continue working to the end of the academic year in which they reached age 65. However it created some unusual situations. For instance, under the former definition, a member born April 1st would be age 65 years 3 months at normal retirement date. A member born July 1st would be age 66 at normal retirement date. If the second member chose to retire September 30th at age 65 years and 3 months that would be considered 9 months early, resulting in the minimum formula benefit being actuarially reduced by approximately 5%. The first member would have no such reduction to the minimum formula benefit even though the two members retired at exactly the same age (65 years, 3 months).

Please note that this change is only applicable to pensions. It does not change the definition “normal retirement date” in agreements or contracts between the University and its employees.

Minimum formula benefit for members who work beyond “Normal Retirement Date”

Effective 01 January 2011, the minimum formula benefit calculation is being changed so that:

1) credited service will now include all periods when a member works and contributes, not just the years of service credited to normal retirement date; AND

2) pensions that commence after normal retirement date will no longer be actuarially increased.

The changes will only impact members, who choose to work beyond normal retirement or defer commencement of their pension beyond normal retirement, who select the 3.5% internal variable annuity AND for whom the minimum formula benefit is higher than the 3.5% internal variable annuity. This is because the formula benefit is paid in the form of a supplement to the annuity; if the annuity is higher than the minimum formula benefit the supplement is zero. If the member selects any other pension option, the formula benefit is not applicable.

Most plans, including the University’s Staff Pension Plan, do not actuarially increase defined benefit pensions that commence after normal retirement, particularly if a member has the opportunity to continue to contribute and accrue a higher defined benefit through additional years of service and also a potentially higher average salary, one that will be applied against all years of service.
Indexing of the minimum formula benefit

The indexing provisions have been updated but the changes are not expected to be material.

The provisions are now non-reducing. This means that if the change in Canadian Consumer Price Index (CPI) is negative, the negative will be carried forward and applied to a future positive year. The maximum adjustment remains 3% with changes in CPI that exceed 3% continuing to be carried forward for use in a year when the change in CPI is less than 3%. The first indexing adjustment will be pro-rated based on the adjustment given to existing pensioners, i.e., 1/12th of the amount for each month that has elapsed from the pension start date to the adjustment date (previously the document only contemplated January and July pension start dates). The Trustees recognized the beginning and end-date sensitivity of the year over year methodology and removed this wording in the new provisions. The intention is to provide a policy that replaces the year over year methodology with an averaging approach, effective the first July 1st when the averaging approach produces a higher result. Finally, pensions are now indexed from the later of start date and normal retirement date, not the earlier of the two dates. This is to comply with Income Tax Act requirements and to avoid the possibility of indexing a benefit for a period that may already reflect a higher average salary due to the member continuing to work and contribute beyond normal retirement.

Optional forms of pension

The level benefit option has been eliminated.

The level benefit option provided for members to elect greater payments on the 3.5% internal variable annuity (and minimum formula benefit) before age 65 than after 65 in order to have approximately level income throughout retirement. The intention of the option was to bridge the period from retirement to age 65 when Canada Pension Plan and Old Age Security benefits would become payable. However, Canada Pension Plan has provided for early start dates for at least a decade and this provision has not been used for at least 12 years. If a member requested a benefit under this provision it would impose costs on the plan because the calculation would need to be done by the plan actuary.

Where can I read the full plan text?

The full plan text is available on the following webpage:


The right hand side of the webpage has links to the University of Victoria Combination Pension Plan Trust Agreement (trust provisions) and Schedule A (plan rules).
**TRUSTEE ELECTION**

**Call for Nominations** – terms are expiring at the end of the year for two of the elected Trustees on the Board of Trustees for the University of Victoria Combination Pension Plan. Enclosed is a Call for Nominations form. Information on being a Trustee is on the back of the nomination form.

To avoid any delay in payment of your pension benefits, we request that you contact the Pension Office **at least 6 months in advance of your retirement date**. This gives the Pension Office time to prepare a detailed retirement package outlining your pension options as required by BC Pension Standards. It also gives you time to consider the complexity of the options, consequences of different choices, and to ask any questions you may have before making a decision.

To pay your pension benefits, the Pension Office needs your decision and all documentation at least one full calendar month before the first payment.

To request a retirement package, please contact Shirley Omelchuk at 472-5309 or through email at shirleyo@uvic.ca.

To request an appointment to discuss your pension options, please contact Trevor Oppelt at 472-4107 or through email at toppelt@uvic.ca.

---

**UNIVERSITY OF VICTORIA**  
**PENSION SERVICES**

PO BOX 1700 STN CSC  
VICTORIA BC V8W 2Y2

ASB - ROOM B278  
3800 FINNERTY ROAD  
VICTORIA BC V8P 5C2

Phone: 250-721-7030  
Fax: 250 853-3854  
E-mail: pensions@uvic.ca

**Reminder to Upcoming Retirees**

To avoid any delay in payment of your pension benefits, we request that you contact the Pension Office **at least 6 months in advance of your retirement date**. This gives the Pension Office time to prepare a detailed retirement package outlining your pension options as required by BC Pension Standards. It also gives you time to consider the complexity of the options, consequences of different choices, and to ask any questions you may have before making a decision.

To pay your pension benefits, the Pension Office needs your decision and all documentation at least one full calendar month before the first payment.

To request a retirement package, please contact Shirley Omelchuk at 472-5309 or through email at shirleyo@uvic.ca.

To request an appointment to discuss your pension options, please contact Trevor Oppelt at 472-4107 or through email at toppelt@uvic.ca.

---

The information contained in this bulletin is a summary only and is provided for the general information of members. If any difference in meaning between this outline and the plan is found, the plan meaning will prevail.