

Financial Statements of

LONG TERM DISABILITY TRUST

And Independent Auditor's Report thereon

Year ended March 31, 2026



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Long Term Disability Trust

Opinion

We have audited the financial statements of Long Term Disability Trust (the "Trust"), which comprise:

- the statement of financial position as at March 31, 2026
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in accrued benefit obligation for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2026 and its changes in net assets available for benefits and its changes in accrued benefit obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Vancouver, Canada
June 22, 2026

LONG TERM DISABILITY TRUST

Statement of Financial Position

March 31, 2026, with comparative information for 2025

	Notes	2026	2025
Assets			
Restricted cash		\$ 467,400	\$ 371,200
Accrued interest and other receivables		29,622	5,543
Investments	4	28,225,590	25,293,380
Due from University of Victoria	9	642,803	631,217
		29,365,415	26,301,340
Liabilities			
Accounts payable and accruals		578,723	632,319
Net assets available for benefits		28,786,692	25,669,021
Accrued benefit obligation	5	(34,729,159)	(38,184,159)
Deficit		\$ (5,942,467)	\$ (12,515,138)

See accompanying notes to financial statements.

Approved on behalf of the Board of Trustees:

_____ Trustee

_____ Trustee

LONG TERM DISABILITY TRUST

Statement of Changes in Net Assets Available for Benefits

Year ended March 31, 2026, with comparative information for 2025

	Notes	2026	2025
Increase (decrease) in net assets available for benefits:			
Investment income:			
Interest and dividend income		\$ 1,079,070	\$ 999,145
Realized gains (losses)		125,207	(3,638)
Unrealized gains (losses)		(65,871)	834,039
Employee contributions		7,615,256	7,446,906
		8,753,662	9,276,452
Decrease in net assets available for benefits:			
Benefit carrier claims		4,847,951	5,147,277
Operating expenses:			
Income taxes	8	403,501	343,046
Benefit carrier administration fees		270,958	239,714
Investment management fees		67,119	58,659
Audit expense		29,169	31,673
Actuarial fees		8,410	8,400
Custodial fees		6,910	5,534
Financial administration fees	9	1,000	1,000
Interest expense		973	2,131
Legal fees		-	4,805
		5,635,991	5,842,239
Net increase in net assets available for benefits during the year		3,117,671	3,434,213
Net assets available for benefits, beginning of year		25,669,021	22,234,808
Net assets available for benefits, end of year		\$ 28,786,692	\$ 25,669,021

See accompanying notes to financial statements.

LONG TERM DISABILITY TRUST

Statement of Changes in Accrued Benefit Obligation

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Accrued benefit obligation, beginning of year	\$ 38,184,159	\$ 33,467,159
Experience loss (gain)	(4,389,000)	267,000
Current service cost	5,521,000	7,931,000
Interest cost	1,049,000	870,000
Benefits paid	(5,636,000)	(4,351,000)
	(3,455,000)	4,717,000
Accrued benefit obligation, end of year	\$ 34,729,159	\$ 38,184,159

See accompanying notes to financial statements.

LONG TERM DISABILITY TRUST

Notes to Financial Statements

Year ended March 31, 2026

1. Description of the Trust:

The following is a summary of the Long Term Disability Trust ("the Trust").

(a) General:

The Trust was established in July 2007 to administer a self-funded long term disability plan covering all faculty, administrative and academic professional staff holding regular appointments of 50%, or more, of full time at the University of Victoria.

(b) Funding policy:

Members contribute 3% of basic salary, which is deducted by the University semi-monthly, and remitted to the Trust. The Trust holds these contributions and pays the plan benefit carrier for benefit payments made to qualifying employees. The contribution rate is set by the Trustees referencing actuarial valuations, and covers the normal cost of providing benefits, plus an amount required to build a reserve against estimated future liabilities of the plan.

(c) Plan benefits:

Long term disability benefits are calculated at 80% of monthly "net earnings", plus the amount required to maintain employee and University Pension Plan contributions. Benefits are indexed to the lower of:

- the annual increase in the Canada CPI index, and
- the most recent annual across-the-board general salary adjustment.

As this is an employee-pay-all plan, benefits paid to qualifying employees are tax-free.

(d) Commencement and Duration of Benefits

If approved, LTD benefit payments commence following completion of six months of continuous disability, and following receipt of proof of total disability. Benefits continue until the earliest of the following:

- no longer considered to be totally disabled,
- start work at any occupation for wage or profit except as permitted under the Trust
- fail to furnish proof of continuous disability,
- no longer under the care of a qualified physician, or fail to follow prescribed medical treatment, or participate in a recommended rehabilitation program,
- death,
- normal retirement date.

(e) Investments

The assets of the Trust are invested in the Phillips, Hager and North Core Plus Bond Fund and RBC QUBE Low Volatility Canadian Equity Fund.

LONG TERM DISABILITY TRUST

Notes to Financial Statements

Year ended March 31, 2026

2. Basis of preparation:

These financial statements are prepared in accordance with the CPA Canada Handbook - Accounting, Part IV, Accounting Standards for Pension Plans. These financial statements are prepared on a going concern basis and present as a separate reporting entity independent of University of Victoria and Trust members. They are prepared to assist Trust members and others in reviewing the activities of the Trust, but they do not portray the benefit security of individual Trust members.

Canadian accounting standards for pension plans require the Trust, in selecting or changing accounting policies that do not relate to its investments or accrued benefit obligation, to comply on a consistent basis with either IFRS Accounting Standards in Part I of the CPA Canada Handbook - Accounting, or Canadian accounting standards for private enterprises ("ASPE") in Part II of the CPA Canada Handbook - Accounting. The Trust has elected to apply ASPE in Part II of the CPA Canada Handbook for its accounting policies not related to its investments or accrued benefit obligation.

3. Material accounting policies:

(a) Financial instruments:

Financial assets and financial liabilities are recognized when the Trust becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

All financial assets and financial liabilities are initially measured 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.

Financial assets and financial liabilities are subsequently measured as described below.

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(c) Use of estimates:

The preparation of financial statements requires the Trustees of the Trust to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets and liabilities reported in the statement of financial position. Significant areas of estimation relate to the amount of the accrued benefit obligation, which is further described in note 5. Actual results could differ materially from these estimates.

LONG TERM DISABILITY TRUST

Notes to Financial Statements

Year ended March 31, 2026

3. Material accounting policies (continued):

(c) Use of estimates (continued):

Fair value of financial instruments: management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

(d) Cash and cash equivalents:

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash within three months, are recorded at fair value.

Restricted cash is cash held on deposit with benefit carrier.

(e) Investment assets:

Investments are measured at fair value. Purchases and sales of investments are recorded as of the trade date. Transaction costs on the purchase and sale of investments are expensed as incurred.

(f) Investment income:

Distributions from pooled funds are recognized in the period earned.

Realized gains or losses on sale of investments are the difference between the proceeds received and the average cost of investments sold.

Unrealized gains or losses on investments represent the differences between carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

(g) Contributions:

Contributions from the members are recorded on an accrual basis.

(h) Net assets available for benefits:

Net assets available for benefits are amounts available for the servicing of future claims under the Trust agreement, and terms of the Trust.

LONG TERM DISABILITY TRUST

Notes to Financial Statements

Year ended March 31, 2026

3. Material accounting policies (continued):

(i) Income taxes:

The Trust has elected to account for income taxes using the taxes payable method. The taxes payable and provision for income taxes are based on the trust income tax returns filed. There is no adjustment for income taxes related to temporary differences and no recognition of the benefit of income tax losses carried forward.

4. Investments:

Fair value information:

The Trust's investments are recorded at fair value. The investments are categorized according to a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs that are unobservable for the asset or liability.

Valuation methodologies:

The fair value of investments in pooled funds is estimated based on the Trust's interest in the net asset value of the respective funds.

Investments are reported at fair value and are as follows:

	2026		2025	
	Cost	Fair value	Cost	Fair value
Phillips Hager and North (Level 1):				
Core Plus Bond Fund, Series O	\$ 24,856,957	\$ 22,616,055	\$ 26,879,237	\$ 24,937,706
RBC QUBE Low Volatility (Level 1):				
Canadian Equity Fund, Series O	5,371,677	5,609,535	351,315	355,674
	\$ 30,228,634	\$ 28,225,590	\$ 27,230,552	\$ 25,293,380

LONG TERM DISABILITY TRUST

Notes to Financial Statements

Year ended March 31, 2026

4. Investments (continued):

Pooled funds are valued at the unit value supplied by the pooled fund administrator, and which represents the Trust's proportionate share of underlying net assets at fair value determined using closing bid prices.

5. Accrued benefit obligation:

An actuarial valuation was made as of June 30, 2023 by Mercer Human Resource Consulting, a firm of consulting actuaries. Salary figures used in the actuarial analysis are based on annual salary increases effective June 30, 2023. The next triennial valuation is scheduled for June 30, 2026.

The actuarial liability is the actuarial present value of the disability benefits expected to be paid in the future to members who were disabled at the valuation date. This liability is divided into two components: the Disabled Life Reserve (DLR) for individuals in receipt of benefits at the valuation date, and the Incurred But Not Reported (IBNR) reserve for individuals who are disabled but not reported at the valuation date and who have not completed the six-month elimination period. The estimated liability as at March 31, 2026 is based on a separate actuarial calculation performed by Mercer.

The financial position of the Trust as at March 31 is as follows:

	2026	2025
Net assets available for benefits	\$ 28,786,692	\$ 25,669,021
Accrued benefit obligation:		
DLR	32,922,159	36,365,159
IBNR	1,807,000	1,819,000
	34,729,159	38,184,159
Deficit	\$ (5,942,467)	\$ (12,515,138)
Funded ratio	83%	67%

The assumptions used in determining the actuarial value of accrued disability benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used were:

	2026	2025
Discount rate	2.90%	2.80%
Cost of living adjustment	2.00%	1.90%
Retirement age assumption	65	65

LONG TERM DISABILITY TRUST

Notes to Financial Statements

Year ended March 31, 2026

6. Risk management

The Trust's investments are recorded at fair value. Other financial instruments consist of restricted cash, due from University of Victoria, accrued interest and other receivables, and accounts payable and accruals. The fair value of these financial instruments approximates their carrying values. Fair values of investments are exposed to market risk, liquidity risk and credit risk.

(a) Market risk

Market risk is comprised of currency risk, interest rate risk, and other price risk.

(i) Currency risk:

Currency risk relates to the possibility that the investments will change in value due to future fluctuations in US, Euro and other international foreign exchange rates.

The Trust's investment is composed of Canadian equity and bond funds, which are denominated in Canadian dollars. As a result, the Trust is not exposed to currency risk from foreign exchange fluctuations.

(ii) Interest rate risk:

Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Duration is an appropriate measure of interest rate risk for fixed income funds as a rise (fall) in interest rates will cause a decrease (increase) in bond prices - the longer the duration, the greater the effect. At March 31, 2026, the modified duration of the bond funds was 7.09 years (2025 – 7.25 years).

Therefore, if interest rates were to increase by 1% across all maturities, the value of the bond funds would decrease by 7.09%, conversely if interest rates were to decrease by 1% across all maturities, the value of the bond funds would increase by 7.09%.

(iii) Other price risk:

Other price risk relates to the possibility that the investments will change in value due to future fluctuations in market prices (other than those arising from currency risk or interest rate risk). This risk is reduced by the investment policy provisions approved by the Board of Trustees for a structured asset mix to be followed by the investment managers, and the requirement for diversification of investments within each asset class. The Trust's investments in equity pooled funds are exposed to other price risk through changes in the prices of their underlying investments and other market factors. On March 31, 2026, the impact of an immediate 10% change in investment prices, with all other variables held constant, would result in an estimated corresponding change in the statement of changes in net assets available for benefits of approximately \$560,954 (2025 - \$35,567).

LONG TERM DISABILITY TRUST

Notes to Financial Statements

Year ended March 31, 2026

6. Risk management (continued):

(b) Liquidity risk:

Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost-effective manner in order to meet commitments as they come due. The primary liabilities in the Trust are future benefit obligations and accounts payable and accruals. Liquidity requirements are managed through income generated by contributions and investing in sufficiently liquid assets and other easily marketable instruments.

(c) Credit risk:

The value of bond funds depends, in part, on the perceived ability of the issuer that issued the securities to pay the interest and to repay the original investments. Credit risk relates to the possibility that a loss may occur from failure of a fixed income security issuer to meet its debt obligations. At March 31, 2026, the maximum risk exposure for this type of investment is \$22,616,055.

The credit risk is also mitigated by the credit rating and issuer analysis. Table 1 below shows the percentage of fixed income holdings in the bond funds by credit rating as of March 31, 2026 and 2025. Table 2 below shows the percentage of fixed income holdings by type of issuer as of March 31, 2026 and 2025.

Table 1

Ratings summary	2026	2025
AAA	13.2%	29.7%
AA	28.7%	24.9%
A	16.0%	14.4%
BBB	18.4%	15.9%
BB	12.1%	6.7%
Unrated	1.9%	1.7%
Mortgages	3.7%	3.7%
Foreign exchange	0.0%	0.8%
Cash	6.0%	2.2%

Table 2

Issuer analysis	2026	2025
Federal bonds	9.9%	29.3%
Provincial bonds	28.4%	25.9%
Corporate bonds	35.0%	30.6%
Emerging markets	4.8%	2.5%
Mortgages	3.7%	3.7%
High yield	9.1%	5.7%
Cash and short term	6.0%	2.1%
U.S. Treasury	3.1%	0.2%

LONG TERM DISABILITY TRUST

Notes to Financial Statements

Year ended March 31, 2026

7. Capital disclosures:

The purpose of the Trust is to provide benefits to members on long term disability. The Trust's objectives when managing its capital are to protect the value of the funds against inflation and provide stability in benefit distributions. With the assistance of an investment consultant, the Trust's Board of Trustees regularly monitors the Trust's investments to ensure that immediate and long-term obligations can be met within an acceptable level of risk.

8. Income taxes:

The Trust accounts for income taxes using the taxes payable method, under which income tax expense represents taxes payable based on taxable income for the year. The Trust is subject to income taxes on its net investment income, calculated as investment income less eligible expenses, while employee contributions and benefit payments are not taxable. Income tax expense for the year ended March 31, 2026 was \$403,501 (2025 – \$343,046). Any income taxes receivable at year-end are included in accrued interest and other receivables. As the Trust applies the taxes payable method, no future income tax assets or liabilities are recognized.

9. Related party transaction:

The Trust receives accounting and administrative services from the University of Victoria and was charged a fee of \$1,000 for the year (2025 - \$1,000).

The amount due from the University of Victoria represents March 2026 employees' contribution to be transferred to the Trust shortly after fiscal year-end.