

University of Victoria  
Long Term Disability Plan for Faculty and  
Administrative and Academic Professional Staff



# ANNUAL REPORT

YEAR ENDED MARCH 31, 2026

# LONG TERM DISABILITY PLAN – 2026 ANNUAL REPORT

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# LONG TERM DISABILITY PLAN – 2026 ANNUAL REPORT

## Message from the Chair

The Trustees are pleased to provide this annual report to the members of the Long Term Disability Plan (“the Plan”) for faculty and administrative and academic professional staff of the University of Victoria. The report provides an overview and update of the Plan for the year ended March 31, 2026. A statistical and historical summary of the financial status of the Plan is available on page 3.

### Financial Highlights

It was a positive year for the Plan, especially compared to the previous three years. First, the updated investment strategy appears to be working as intended and outperforming the applicable benchmarks. While the spike in interest rates in 2023 and 2024 negatively affected the medium-term performance of the PH&N Core Plus Bond Fund, the decline in interest rates over the past 24 months contributed to a 4.99% two-year annualized return on the strategy for the year ending March 31, 2026. Further, the introduction of a 20% holding of the RBC QUBE Low Volatility Canadian Equity Fund has provided additional return without taking on a significant amount of risk to do so and maintained the overall Liability Driven investment approach. This new investment fund boosted the overall Plan’s two-year annualized return on investments to 6.16%, after a particularly strong year in 2025.

The liability side of the balance sheet is driven primarily by long-term disability (“LTD”) claim experience, which coming out of the pandemic continues to be higher than the pre-pandemic experience. For example, our actuaries reported that the number people on claim at year end ranged between 47 and 56 between 2017 and 2021 compared to between 71 and 79 people on claim these past five years. The cost of funding claim benefits has grown from \$21.2 million in 2021 to \$34.7 million in 2026, whereas Plan assets have only grown from \$21.0 million to \$28.7 million over the same period.

The gap between Plan assets and liabilities led to an increase in contribution rates in 2023, the year of the last actuarial valuation. At that time, the Plan was only 76% funded. The net effect of these recent changes in contribution rates, assets and liabilities appears to have improved the funded status of the Plan to 83% funded, albeit down significantly from 100% funded in 2021.

The Trust is scheduled to undertake a triennial actuarial valuation this summer and hopes to have the results in October and decisions concerning future contribution rates in November. Fluctuations in Plan experience and economic conditions are not uncommon, and the Trust has a fiduciary responsibility to maintain adequate reserves to pay the expected cost of LTD benefits. While the recent improvement of the funded ratio is encouraging, the Trustees’ long-term goal is to return the Plan to fully funded status.

Kane Kilbey  
Chair, UVic LTD Trust  
June 15, 2026

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## Governance and Service Providers (as at April 1, 2026)

<b>Trustees Appointed by the University of Victoria Board of Governors</b>	Janice Johnson Executive Director, Financial Services  Kane Kilbey - Chair Associate Vice President, Human Resources  Freya Kodar Dean, Faculty of Law
<b>Member Trustees</b>	Chris Auld Professor, Economics  John Foxgord Senior Systems Administrator, University Systems  Carolyn Cornford Greaves Director, Faculty Relations and Academic Administration
<b>Secretary</b>	Joy Ukaha Administrative Assistant, Human Resources
<b>Investment Manager</b>	PH&N Institutional (the institutional division of RBC Global Asset Management Inc.) - Vancouver
<b>Custodial Services</b>	Northern Trust Canada – Toronto
<b>Actuarial Services</b>	Mercer (Canada) Limited – Vancouver
<b>Auditor</b>	KPMG LLP – Vancouver

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Financial information at a glance:

	March 2026	March 2025	March 2024	March 2023	March 2022	March 2021
<b>Number of Plan members</b>	2,134	2,102	2,061	2,040	1,976	1,899
<b>Number of active claims<sup>1</sup></b>	76	79	77	77	71	56
<b>Total amount of benefits paid</b>	4,847,951	5,147,277	5,295,291	3,870,661	3,671,842	2,615,657
<b>Member contributions</b>	7,615,256	7,446,906	6,323,250	5,200,396	4,519,489	4,463,648
<b>Market Value of Investments<sup>2</sup></b>	28,225,590	25,293,380	22,051,144	21,004,946	20,190,910	20,769,004
<b>Investment income</b>	1,138,406	1,829,546	656,752	(301,092)	(787,400)	1,082,979
<b>1-Year investment return</b>	4.31%	8.05%	2.99%	(1.67%)	(3.75%)	5.99%
<b>1-Year investment benchmark</b>	1.61%	7.65%	2.10%	(2.01%)	(4.52%)	1.62%
<b>Operating expenses</b>	384,539	351,916	364,550	276,980	239,591	186,488
<b>Net assets available for benefits</b>	28,786,692	25,669,021	22,234,808	21,216,483	20,702,933	20,952,445
<b>Liabilities for future benefits<sup>3</sup></b>	34,729,159	38,184,159	33,467,159	27,835,159	26,582,159	21,398,159
<b>Funded ratio</b>	83%	67%	66%	76%	78%	98%

<sup>1</sup> As stated in annual financial valuation

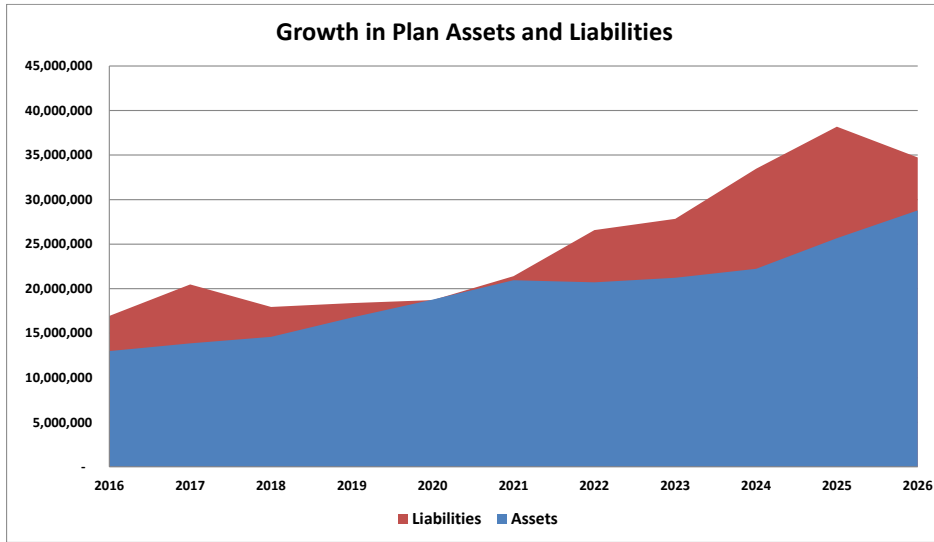
<sup>2</sup> Includes cash and equivalents.

<sup>3</sup> As estimated by the Trust's actuaries using claimant data and financial information available at February 28, 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.

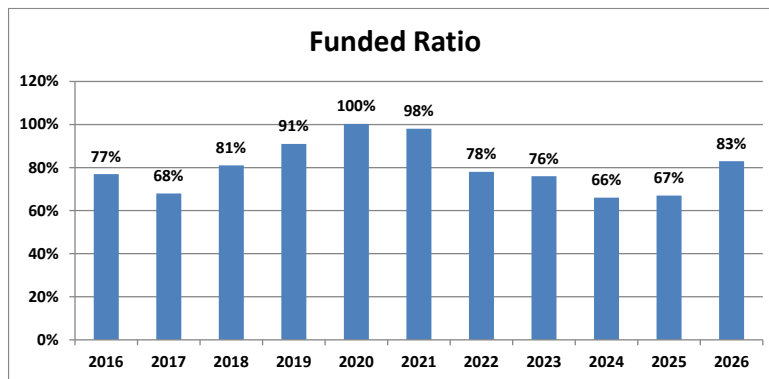
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## Key Charts and Graphs

The financial health of the plan can also be depicted with a couple of key tables. The table immediately below illustrates how plan assets have steadily grown over the last ten years, but more slowly in recent years. It also shows how the recent increase in the number of LTD claims has impacted Plan liabilities to the point that liabilities now significantly exceed Plan assets.



The Funded Ratio chart below illustrates how the ratio of assets to liabilities improved between 2017 and 2020, before declining in each subsequent year, before gaining some ground in 2026. The January 1, 2024 contribution rate increase includes an amount that is intended to eliminate the Plan deficit over a reasonable period assuming that LTD claims reflect the previous five years of claim experience and investment returns improve with declining interest rates. While investment returns improved recently, claims experience has not.



# LONG TERM DISABILITY PLAN – 2026 ANNUAL REPORT

## Introduction

The Long Term Disability Trust (“the Trust”) was established in 2007 to manage the self-insured, employee-pay-all, Long Term Disability Plan for Faculty, Librarians and Professional Employees of the University of Victoria (“the Plan”).

The Plan exists for the sole purpose of providing long-term disability benefits to Qualified Employees. The Plan is not an insurance company, and the long-term disability benefits provided through the Plan are not insured by an insurance company regulated under the British Columbia *Financial Institutions Act*. The Plan is exempt from the regulatory requirements of the *Financial Institutions Act*.

## The Trustees

The Trustees have responsibility for the administration and overall management of the Plan as outlined in the Trust Agreement between the University of Victoria (“UVic”) and the Trust. In 2019, the Trust and the UVic Board of Governors (“the Board”) approved a final set of amendments to the Long Term Disability Trust Agreement, including increasing the number of Trustees to six (6) and amending the appointment procedures to ensure that the Board-appointed Trustees represent no more than fifty percent (50%) of the total number of Trustees. This composition is similar to the trust model in place for the University of Victoria Combination Pension Plan.

The duties and powers of the Trustees include:

- Maintaining an adequate reserve for the payment of future reimbursement sums to the benefit carrier, and for future administration expenses reasonably anticipated as likely to be incurred;
- Ensuring, at intervals to be agreed with the University, that actuarial valuations are undertaken;
- Determining the contribution rate, as guided by the Funding Policy and in light of the latest actuarial valuation;
- Receiving from the University all LTD deductions from Qualified Employees’ salaries;
- Authorize and direct monthly payment to the benefit carrier for the cost of LTD claims;
- Investing and re-investing Trust fund monies remaining after reimbursement of the benefit carrier, otherwise known as reserve monies;
- Retaining such investment, legal, actuarial or other expertise or assistance as considered necessary or appropriate.

# LONG TERM DISABILITY PLAN – 2026 ANNUAL REPORT

## 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. LTD benefits payable from the Plan are reduced by the amounts of any disability benefits payable from any University or government plan providing salary continuance or disability income paid during the disability period covered by this Plan. As the Plan is 100% funded by Qualified Employees, the benefits received are not taxable.

The definition of disability in the Plan Document is: “an employee who is wholly and continuously disabled due to sickness or injury and as a result is unable to perform the duties of their normal occupation or the duties of any occupation for which they are fitted by education, training or experience.” However, given the specialized nature of plan participant roles, the long-standing practice of the Plan is that claims are adjudicated only on a Qualified Employee’s “own occupation”.

Benefits are not paid to a Qualified Employee until the employee has been totally disabled for six months.

Benefits are indexed to the lower of:

- the annual increase in the Canada Consumer Price Index (“C.P.I.”); and
- the most recent annual across-the-board general salary adjustment granted to faculty or administrative and academic professional staff, as applicable.

Benefit payments from this Plan continue until the earliest of the following:

- the Qualified Employee is no longer considered to be “totally disabled”;
- the Qualified Employee’s death; or
- June 30 coinciding with or following the Qualified Employee’s 65th birthday.

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## Contributions

The Plan is funded solely by contributions from Qualified Employees. Contribution rates are adjusted periodically to reflect the anticipated cost of new disabilities, the financial condition of the Plan, and the ongoing administration costs of the Plan. As a result of the significant change in the funded status of the Plan following the June 30, 2023 valuation results, the contribution rate was increased to 3.00% of gross salary.

In 2025, the Trust asked the University to amend the Plan Document to clearly state that coverage, and therefore contributions, terminate on the date the employee reaches their Normal Retirement Date less the Elimination Period. Such an update to the Plan Document has the added benefit of aligning with the Coverage Commencement Provisions, which do not allow an employee to join the Plan if they are over the Normal Retirement age, less the Elimination Period. These amendments were accepted by the UVic Board of Governors at the May 2025 meetings and implemented effective January 1, 2025 by the Trust.

The next full valuation will occur in 2026 and member contribution rates will be reassessed based on the actuary's observations and conclusions about the financial health of the Plan and the Trust's funding policy.

Historically, the Plan's contribution rate has been as follows:

Effective Date	Contribution Rate
January 1, 2024	3.00%
July 1, 2022	2.50%
January 1, 2021	2.20%
January 1, 2018	2.35%
January 1, 2015	2.05%
July 1, 2013	2.09%
January 1, 2009	1.93%
July 1, 2008	1.75%
July 1, 2007	1.54%
July 1, 2006	1.24%

## Funding Policy

In June 2013, the Trust and the university approved a Funding policy for the Plan that outlines key parameters the Trustees would follow in funding the Plan. In funding the Plan, the Trustees would ideally wish to accomplish four basic objectives:

1. Provide a high degree of certainty that the promised benefits will ultimately be delivered;
2. Contribution rates should be affordable for Plan members;
3. The contribution rate as a percentage of salary should be stable and consistent over time;
4. The contribution rate should provide for intergenerational equity.

These objectives can be in conflict from time to time. The challenge facing the Trustees is to operate the LTD Plan in a manner that provides a reasonable balance among these objectives.

With the maturity of the Plan, the Plan's actuary recommended, and the Trustees undertook, a full review of the Plan's Funding Policy in 2021 to ensure that the funding targets and boundaries that have guided the Trustees since 2013 are appropriate relative to an assessment of risk, especially given the volatility with our Plan experience and in financial markets generally.

The long-term cost of the LTD Plan is influenced significantly by the number of members in receipt of benefits, the termination and recovery of disabled lives, the incidence of new disabilities, and the investment policy (and associated returns). In turn, benefit security is influenced significantly by the overall level of funding achieved by the LTD Plan, resulting from member contributions, the funding policy, the investment strategy employed by the Trustees and changes in Plan liabilities. As such, the contribution rate is influenced by:

- the recent Plan experience related to incidence of disability;
- the recent Plan experience related to termination and recovery of disabled lives;
- demographic changes in the active membership;
- the overall funding target adopted by the Trustees;
- short to mid-term investment performance;
- the market value of assets;
- changes to government programs, such as Canada Pension Plan; and
- the contribution setting methods used by the Trustees upon advice from the actuary.

### **Key funding parameters include:**

- Liabilities will be valued, on a going concern basis, at least every 3 years;
- The expected annual cost of new claims should be reviewed at least once every 3 years;
- Contribution rates will be reviewed periodically in conjunction with the funded status of the Plan;
- The target funding level for the Plan is 110% of actuarial liabilities;
- A deficit funded position exists when Plan assets are below 100% of actuarial liabilities;
- Deficits (or unfunded liabilities) will be normally amortized over 7 years; and
- A surplus funded position exists when Plan assets exceed 120% of actuarial liabilities.

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## Investments

The Trustees have developed a Statement of Investment Objectives and Guidelines (“the Investment Policy”) for the Plan. It is reviewed by the Trustees on an annual basis. The purpose of the Investment Policy is to provide a framework for investment of the funds to achieve a return objective within levels of risk acceptable to the Trustees.

Given the purpose of the Plan, the Trustees have adopted an investment framework that emphasizes a Liability Driven Investment (“LDI”) approach while meeting the general investment objectives of preserving capital in real terms and generating sufficient annual cash flow to meet expenditure requirements.

The goal of an LDI strategy is to match the interest rate sensitivity of the assets to the interest rate sensitivity of the liabilities. This immunizes the Plan and its funded status from interest rate risk as asset movements will be highly correlated with movements in liabilities. As assets and liabilities change over time the Trustees continue to monitor their respective durations.

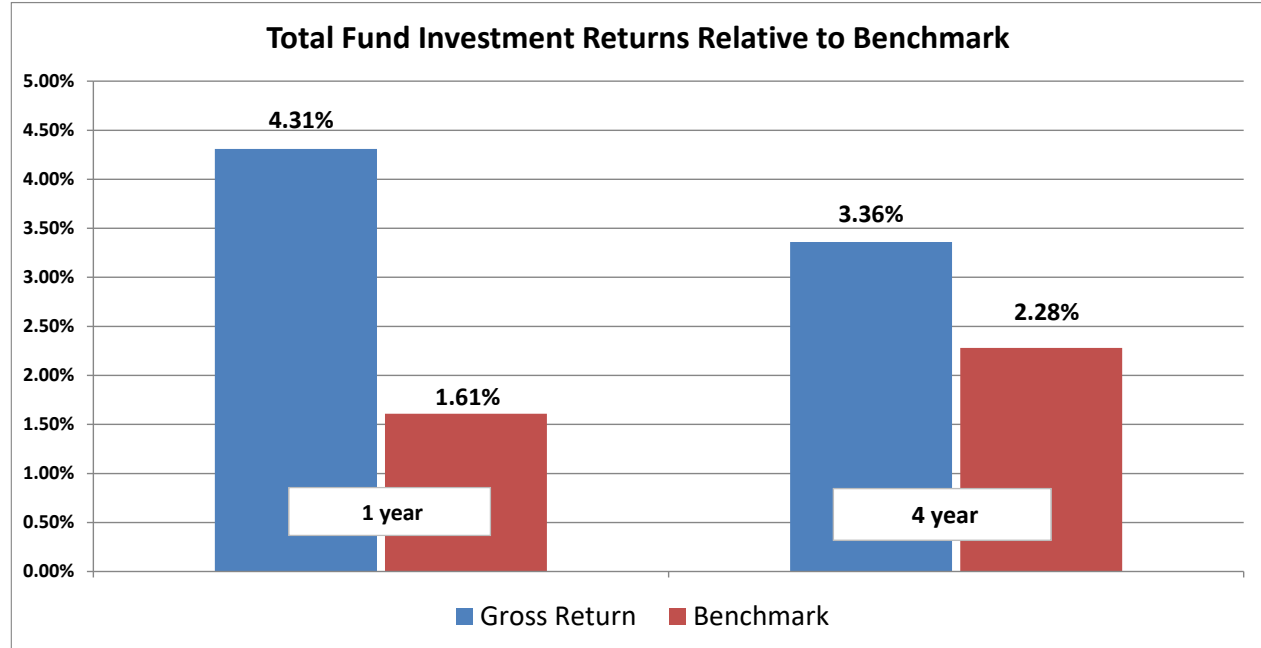
During the year, the assets of the Plan were invested in the PH&N Core Plus Bond Fund (80.1% of assets as of March 31, 2026) and the RBC QUBE Low Volatility Canadian Equity Fund (19.9% of assets as of March 31, 2026). The Core Plus Bond Fund utilizes several yield-enhancing strategies, which serve to augment and diversify universe bond holdings. The investment framework was updated in 2024 to gradually introduce a 20% holding of RBC QUBE Low Volatility Canadian Equity Fund throughout 2025 to provide additional return without taking on a significant amount of risk to do so while maintaining the overall Liability Driven approach.

The PH&N Core Plus Bond Fund is benchmarked against the FTSE Canada Universe Bond Index. While long-term investment returns have outperformed the benchmark, the recent spike in interest rates has negatively affected the short-term and medium-term performance of the fixed income market. The good news is that the total investment return for the year ending March 31, 2026 was positive at 4.31% gross of investment management fees, outperforming the 1.61% return of the benchmark. The RBC QUBE Low Volatility Canadian Equity Fund experienced a 26.71% one-year return. Continued strong performance from the new investment mix should help to improve long-term total plan returns. The four-year annualized return continues to be impacted by the higher interest rates of recent years, declining to 3.36% but still outperforming the benchmark return of 2.28%.

The chart on the next page compares the total gross return on investments to the benchmark. Despite the recent volatility in economic conditions, including high interest rates, Plan investments have consistently outperformed the benchmark.

Although the main driver of the Plan’s funded status is its claims experience, returns during the recent high interest-rate period have not helped. The changes introduced in late 2024 are intended to help address this issue. Given the trending interest rate environment, the long-term performance of the Plan’s investments should improve, mainly due to an expected better return profile for fixed income when interest rates drop. The short-term performance results are a positive reflection of that expectation.

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## Administration

Claims adjudication and benefit payment services are contracted under an Administrative Services Only (ASO) agreement to Pacific Blue Cross (PBC). Membership and general administration, including the collection of member contributions, are undertaken by the University. PBC's expenses and other administration costs are funded by the contributions to the Plan.

The Trustees have engaged Mercer Canada Limited to provide actuarial services to the Plan. In addition to a year-end estimate of Plan liabilities done each March 31 for financial reporting purposes, Mercer also provides a comprehensive actuarial valuation at least every three years. The next full valuation is scheduled for June 30, 2026.

On July 4, 2024, the Trustees posted SRFP 129 on the BC Bid website to select a vendor for financial audit services. After careful deliberation of the evaluation criteria set out in the SRFP, it was determined that KPMG provided the best value for the Trust and KPMG was awarded the contract. The 2025/26 financial statements were audited by KPMG.

## Financial Statements

The Plan's annual Financial Statements are prepared by the Accounting Office of the University of Victoria and audited by the accounting firm of KPMG LLP.

## Contact Information

Questions about the LTD benefit can be directed to Benefits Services at [benefits@uvic.ca](mailto:benefits@uvic.ca).

Questions about the LTD Trust or this Annual Report can be directed to Joy Ukaha, Secretary to the LTD Trust, at 250-721-8032 or [avphrassist@uvic.ca](mailto:avphrassist@uvic.ca).