



STAFF PENSION PLAN
2019
REPORT
TO MEMBERS

Disclaimer

The description of the University of Victoria Staff Pension Plan included in this report is a summary only. For more information, please refer to the Plan Document, which is available on the Pensions website, or by request from Pension Services.

We make every effort to ensure that all information in this report is accurate and complete. However, should any discrepancy exist between this report and the Plan Documents or regulations, the latter will apply.

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STAY INFORMED:

In the spirit of sustainability, some sections of this report have been extracted and added to Pension Services' website. Please visit www.uvic.ca/pensions or contact Pension Services to access the following information:

- Pension formula & adjustments
- Survivor benefits & optional forms
- Leaving UVic & changes to your employment

Audited financial statements continue to be available on the website: www.uvic.ca/pensions.

INTRODUCTION

The Staff Pension Plan Report to Members for the year ended December 31, 2019 provides a summary of the Plan's financial health at the end of the year, membership statistics, and highlights of the activities that have taken place during the year.

Your feedback is important to us. If you would like to suggest content for future publications, please let us know using the contact information included at the end of this report.

*Investments & Administration Committee
University of Victoria Staff Pension Plan*

PLAN GOVERNANCE

For the purposes of the British Columbia *Pension Benefits Standards Act*, the University of Victoria is the Administrator of the Staff Pension Plan, and has ultimate legal responsibility for the administration of the Plan and the investment of the Trust Fund.

To carry out its responsibilities, the Board of Governors has constituted three committees, whose roles and membership are described below.

Governance Committee

Kane Kilbey (Chair), John Gilfoyle, Gayle Gorrill, Kristi Simpson, Christa Taylor

This Committee is tasked with strategic planning. As such, it is responsible for establishing and overseeing the Plan's mission, goals, and policies.

Investments & Administration Committee

Kristi Simpson (Chair), Don Barnhardt, Andrew Coward, Tony Eder, Amy Errington, Kane Kilbey, Mark Stephenson, David Wolowicz

This Committee is responsible for overseeing investments, operations, and benefit administration.

Advisory Committee

Kristi Simpson (Chair), Kane Kilbey

CUPE 917: Claude Champagne, Jodi McLean

EXEMPT: Shari Winter

CUPE 951: Kara White, Kirsten Kopp

RETIREE: Teresa Rush

This Committee provides input on member communications and on the administration of the Plan and promotes awareness and understanding of the Plan among members

MISSION STATEMENT

To provide sound governance and prudent oversight of the management of the Plan assets and administration so that current & retired plan members are assured a secure pension.

STRATEGIC UPDATES

STRATEGIC PLAN (2017 - 2019)

In 2018, the Committees established a list of priorities focusing on five broad strategic goals, which were described in more details in the 2017 Report to Members. A summary of the Strategic Plan and its guiding principles can be found on the Staff Plan website.

Actuarial valuation is currently underway for the period ending December 31, 2019 (for the years from 2016 to 2019), and will be completed in 2020. Actuarial valuations assess the financial health of a Plan and determine the contribution requirements. They are completed at least once every three years. More information on valuations can be found on the following pages.

INVESTMENT BELIEFS

The Investments & Administration Committee is guided by the following formal set of investment beliefs as summarized below. The IAC will continue to work on formulating other beliefs.

Portfolio management

- Active investment management will add value relative to its benchmark net of fees;
- The number of mandates within an asset class should be dictated by the size of the mandate, the size of the investable universe and the ability to achieve the diversification benefits within an asset class with multiple managers; and,
- Diversification is a core portfolio management strategy.

Responsible investing

- As a long term investor, responsible investing and taking environmental, social and governance (ESG) factors into consideration, can have a positive effect on long term performance;
- Measures consistent with the United Nations Principles for Responsible Investing (UNPRI) are applied in the evaluation and monitoring of current and prospective investment managers; and,
- All existing managers provide regular reporting on ESG factors and, if applicable, proxy voting.

Currency hedging

- Over the long term, investment returns are not materially affected by currency fluctuations; however, short term variability of returns can arise from these positions.

Investment performance is an important mechanism for funding the Plan's benefits. However, as the Staff Pension Plan is a defined benefit plan, investment performance does not directly affect members' monthly pensions.

**DEFINED
BENEFIT
PLAN**

INVESTMENT POLICY

A Statement of Investment Policies and Goals (SIP&G) sets out the investment objectives, asset mix, and categories of permitted investments for the Staff Plan. The Plan’s investment managers invest in accordance with the requirements of the SIP&G and applicable legislation. Please visit the Staff Plan website for more information.

Investment Objectives

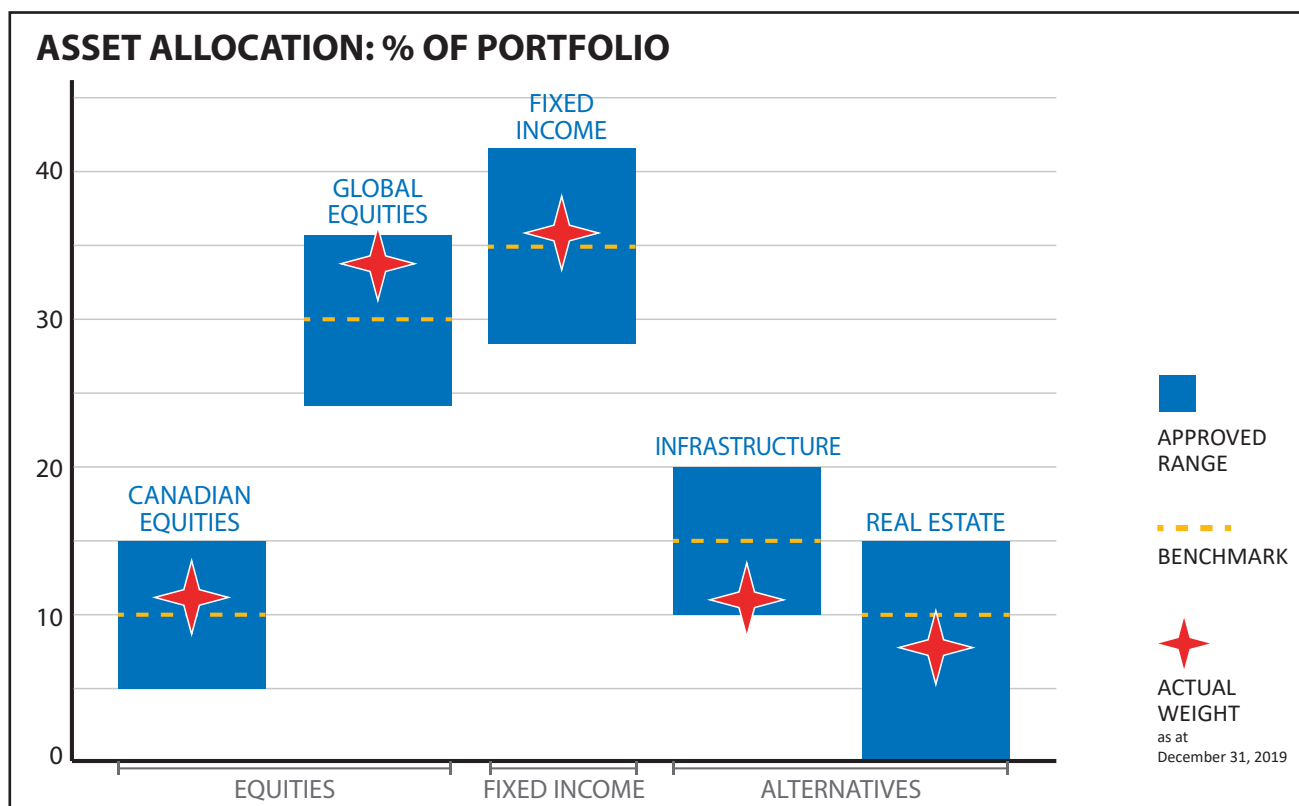
**CPI
+4%**

Pension plans have long-term investment horizons. The long term objective of the Fund is to achieve a net annualized return of four percentage points in excess of the Consumer Price Index (CPI). This real return objective is consistent with the level of risk assumed to ensure the Plan’s obligations can be met, and progress toward this goal is monitored quarterly and assessed over four-year periods.

Asset Allocation as at December 31, 2019

To achieve this long-term investment goal and to manage risk, a well-diversified portfolio of asset classes and managers was established.

As per the requirements of the SIP&G, the Fund’s asset allocation is monitored against established allowable ranges for each asset class. Investment managers are monitored carefully, and regularly report to the Investments and Administration Committee on investment performance and strategy, responsible investing, and other topics.



ASSET ALLOCATION	%	APPROVED RANGE	ACTUAL WEIGHT*
Canadian Equities		5-15	11
Global Equities		24-36	34
Fixed Income		28-42	36
Infrastructure		10-20	11
Real estate		0-15	8

*AS AT DECEMBER 31, 2019

ACTUARIAL VALUATIONS

There are two types of valuations: going concern and solvency. The results of the last valuations, for the period ending December 31, 2016 were reported in more detail in the 2017 Report to Members. A valuation is underway in 2020, for the period ending December 31, 2019.

In summary:

VALUATIONS FOR THE PERIOD ENDED DECEMBER 31, 2016			
GOING CONCERN VALUATION		SOLVENCY VALUATION	
<ul style="list-style-type: none"> Assumes the Plan will continue to exist Allows to determine the appropriate contribution rate for the following three years Contribution rates have been stable since 2011 		<ul style="list-style-type: none"> Assumes the Plan is terminated on the valuation date Required under BC pension legislation 	
Actuarial surplus: Assets-liabilities <i>Expressed in \$000's</i>	46,033	Solvency deficiency: Assets-liabilities <i>Expressed in \$000's</i>	(64,803)
Funded ratio: Assets / liabilities	122%	Solvency ratio: Assets / liabilities	80%

On a going concern basis, a 122% funded ratio is considered healthy, and the assumption that the Plan will continue to operate is reasonable.

On the other hand, the solvency deficiency tells us that, if the Plan had terminated at the end of 2016, the value of the Plan's assets would not have been sufficient to cover the benefits at that time. However unlikely this scenario may be, UVic is required to fund the solvency deficiency, and a Letter of Credit was secured to do so for 2019.

UVic is also required to fund transfer deficiencies that occur when inactive members elect to transfer out of the Plan. In 2019, UVic paid a total of \$379,000 as a result of the Staff Plan solvency deficiency.

MEMBER CONTRIBUTION RATES

Contribution rates are dependent on actuarial valuation results. As per collective agreements with CUPE locals, normal cost changes to the Plan as a result of a valuation are shared equally between the University and Plan members.

Preliminary results from the valuation underway in 2020 indicate that a small increase to contribution rates will be required, for the first time in over a decade. This is largely due to increased expenses to the plan resulting from factors such as: overall retirement earlier than expected; members working longer at UVic and therefore having more years of service in the plan; and, pensioners living longer.

Any changes to contribution rates will be implemented and communicated as required by the *BC Pension Benefits Standards Act* and the collective agreements.

REFORM TO SOLVENCY REQUIREMENTS

In 2018, the BC Ministry of Finance released a consultation paper to review the current solvency funding framework, and set out several possible reforms with related questions. UVic engaged in the consultation process. Solvency requirements have since been updated and will be incorporated in the upcoming actuarial valuation. It is unlikely this will materially change the solvency position of the plan.

2019 MEMBERSHIP HIGHLIGHTS

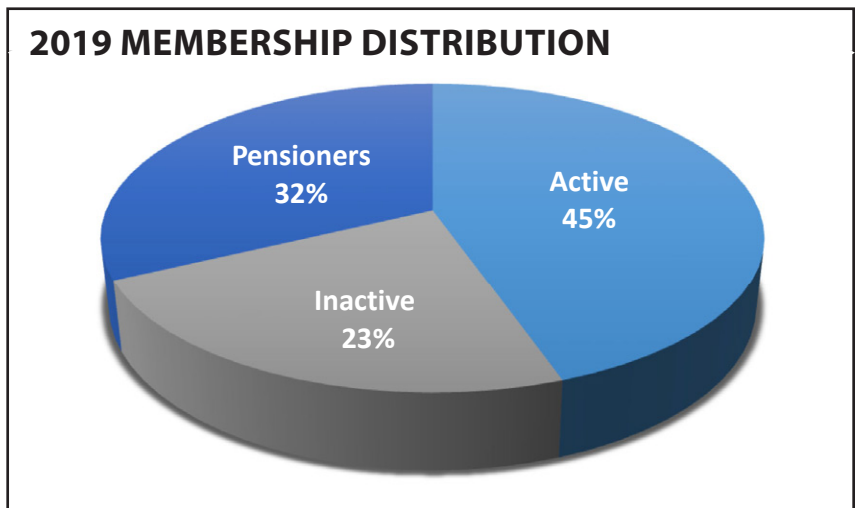
The Staff Pension Plan primarily covers regular members of the Canadian Union of Public Employees (CUPE) locals 917, 951 and 4163, and exempt staff.

ACTIVE MEMBERS: Are currently employed by the University and actively contributing to the Plan.

INACTIVE MEMBERS: Have changed pension plans or left UVic. As a result, they are no longer contributing, but are not yet receiving a pension.

PENSIONERS: Members and beneficiaries who are receiving a monthly pension from the Plan.

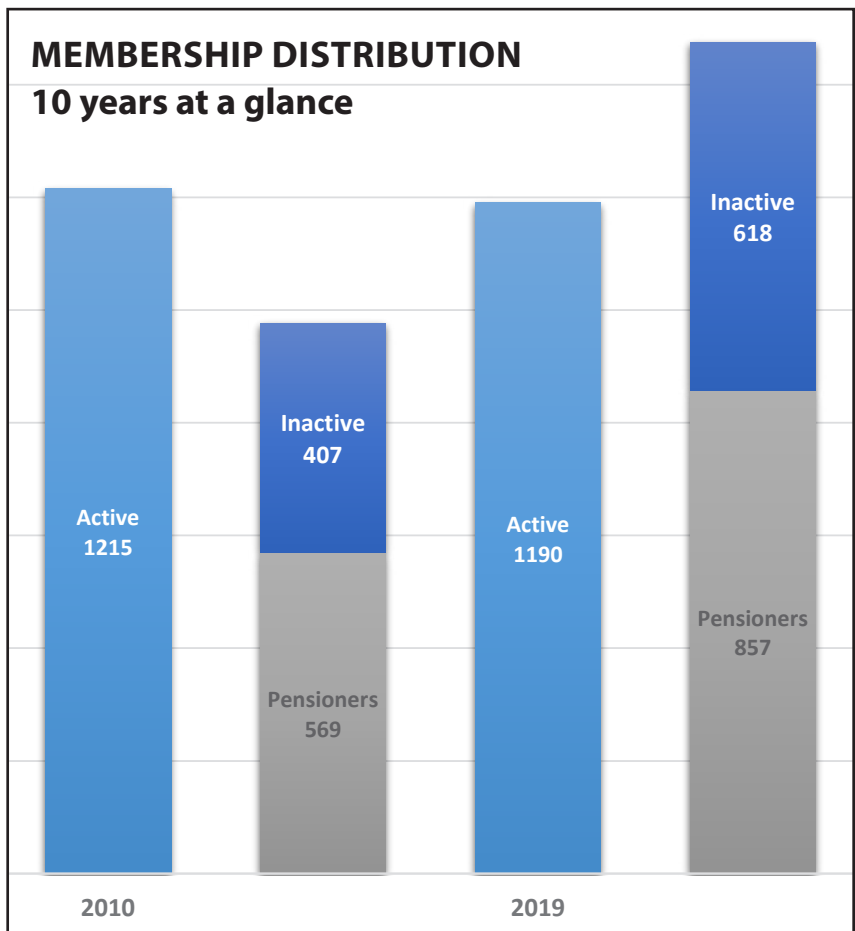
MEMBERSHIP GROWTH		
	2010	2019
Active Members	1215	1190
Inactive Members	407	618
Pensioners	569	857
TOTAL	2191	2665



The table above reports on the Plan’s membership in 2019, compared to 2010. Of note, the Plan membership grew to 2665 members in 2018, representing a net gain of 474 over the last 10 years.

The accompanying bar chart illustrates how the number of active members, who are contributing to the Plan, has remained relatively stable since 2010. However, this group’s relative size, as a percentage of total membership, is decreasing over time (from 55% in 2010, to 45% in 2019).

In contrast, pensioners have experienced a significant gain during the same period, and the number of non-contributing members (pensioners combined with inactive members), is growing faster than active members.



2019 FINANCIAL SUMMARY

Expressed in \$000's		2018	2019
CONTRIBUTIONS			
Members	Current service	2,259	2,278
	Supplementary retirement benefit	124	125
University	Current service	5,813	5,855
	Supplementary retirement benefit	124	125
	CV Transfer Deficiency	299	237
TOTAL CONTRIBUTIONS		8,619	8,620
INVESTMENT GAIN		3,648	38,698
BENEFIT PAYMENTS			
	Retirement pensions	(8,968)	(9,786)
	Disability pensions ¹	(102)	(56)
	Withdrawals and transfers on termination & death	(1,503)	(1,336)
TOTAL BENEFIT PAYMENTS		(10,573)	(11,178)
OPERATING EXPENSES			
	UVic administration	(363)	(407)
	Actuarial fees	(10)	(11)
	Consulting, Audit & Legal fees	(28)	(48)
	Provincial registration fees	(13)	(14)
TOTAL OPERATING EXPENSES		(414)	(480)
NET INCREASE IN THE FUND		1,280	35,660
FUND AT BEGINNING OF YEAR		274,553	275,833
FUND AT END OF YEAR		275,833	311,493
FUNDS AVAILABLE FOR BENEFITS			
	Basic Plan	258,574	291,749
	Supplementary Retirement Benefit Account	16,266	18,778
	Additional Voluntary Contribution Accounts ²	993	966
TOTAL FUNDS		275,833	311,493

SOME INCONSISTENCIES MAY APPEAR DUE TO ROUNDING.

¹ Only members who met the criteria prior to April 1, 2006, are in receipt of this benefit.

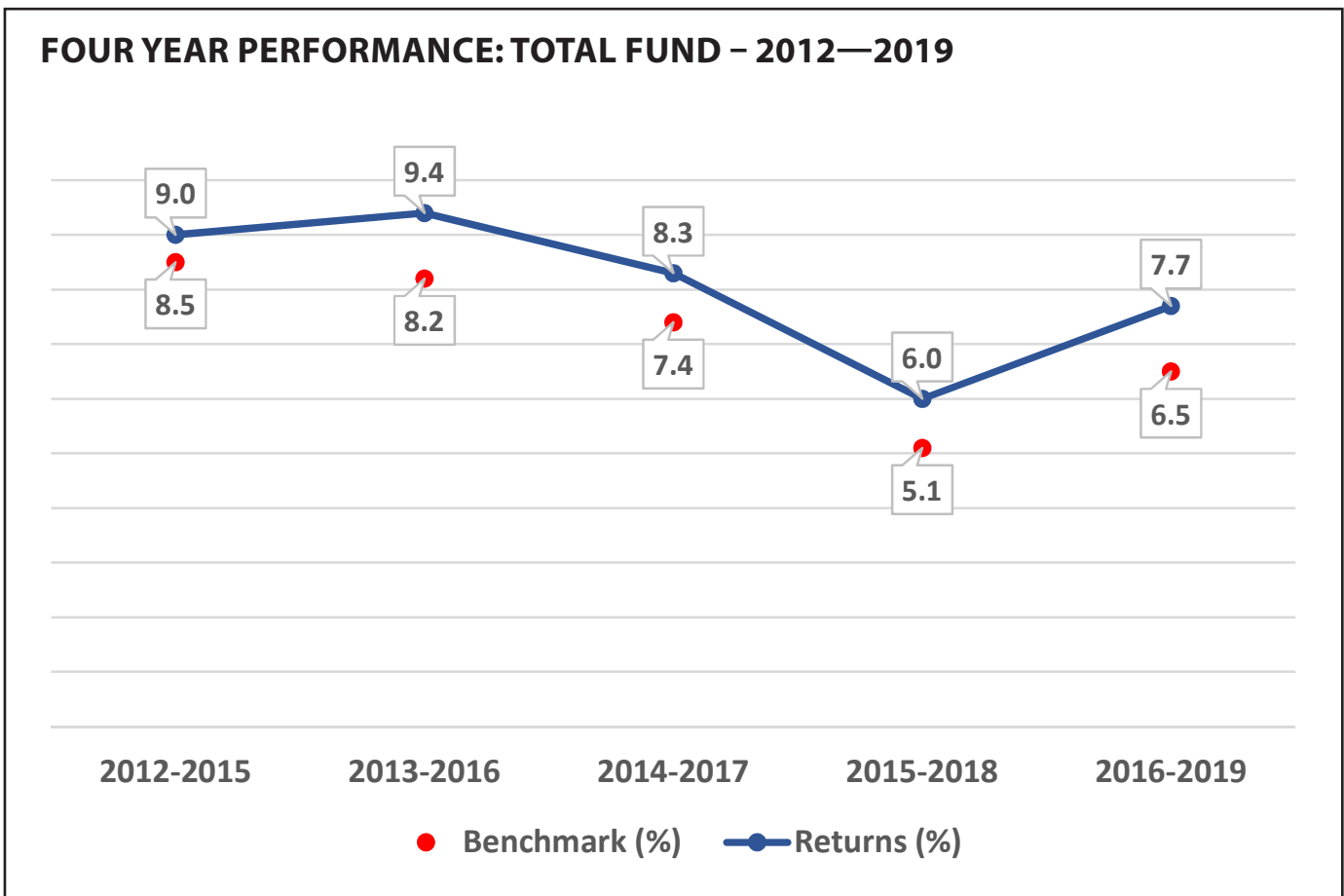
² As of December 2015, Voluntary Contributions are no longer allowed but previous contributions remain in the Plan until paid.

Complete financial statements are available at www.uvic.ca/pensions or by request from Pension Services.

2019 PERFORMANCE SUMMARY

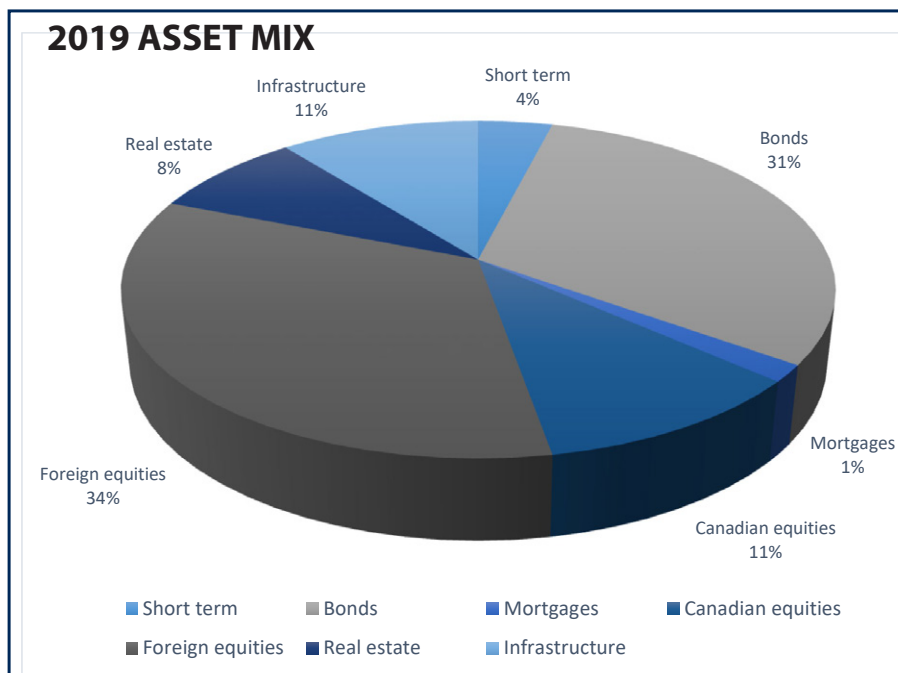
ANNUALIZED RETURNS BY ASSET CLASS						
%	1 YEAR			4 YEAR		
	RETURNS	BENCHMARK	DIFFERENCE	RETURNS	BENCHMARK	DIFFERENCE
Canadian equity	15.4	22.9	(7.50)	8.6	10.3	(1.70)
Foreign equity	25.2	21.2	4.0	10.9	9.4	1.5
Fixed income	6.9	6.9	0.0	3.5	3.1	0.4
Real estate	8.0	6.3	1.7	6.6	6.0	0.6
Infrastructure	13.4	6.9	6.5	12.9	6.9	6.0
TOTAL FUND¹	14.3	12.9	1.4	7.7	6.5	1.2

¹ The long term total fund target is CPI + 4%. The total fund benchmark includes: 10.0% S&P/TSX Capped Composite Index + 30.0% MSCI World ex-Canada Net + 35.0% FTSE TMX Universe Bond + 10.0% CPI+4% + 15.0% CPI+5%



2019 ASSET MIX

MARKET VALUE OF INVESTMENTS	
<i>Expressed in \$000's</i>	
Short term	12,398
Bonds	95,799
Mortgages	4,990
Canadian equities	33,402
Foreign equities	104,817
Real estate	25,801
Infrastructure	33,319
TOTAL	\$ 310,526



SERVICE PROVIDERS

INVESTMENT MANAGERS

BC Investment Management Corporation	Foreign equity, Real estate
Burgundy Asset Management	Canadian equity
JP Morgan Asset Management	Infrastructure
Macquarie Infrastructure	Infrastructure
Phillips, Hager & North Investment Management	Fixed Income

TRUSTEE OF FUND

RBC Investor & Treasury Services	Trustee of Plan assets, Payment service provider
<i>Effective December 1, 2019</i>	
The Northern Trust Company, Canada	

INVESTMENT CONSULTANT

Willis Towers Watson	Investment consultant, performance measurement
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ACTUARY

Willis Towers Watson

AUDITORS

Grant Thornton LLP

Please review your statement and contact Pension Services with any required updates to your information.

We provide free pension estimates and individual consultations are also available by appointment. Retiring members should contact Pension Services 3-6 months before their retirement date. Individual meetings are available by appointment.

Additional information about the University of Victoria Staff Pension Plan can be obtained on the Pension Services' website: www.uvic.ca/pensions

CONTACT US

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