



2022 STAFF PENSION PLAN REPORT TO MEMBERS

PLEASE NOTE:

The description of the University of Victoria Staff Pension Plan included in this report is intended to be a summary. For more information, please refer to the Plan Document, which is available online at www.uvic.ca/pensions, 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.

Unless otherwise indicated, all figures and data in this report are as at December 31, 2022.

Some inconsistencies may exist due to rounding.

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STAY INFORMED!

Please visit www.uvic.ca/pensions or contact Pension Services to access more information on the following:

- Early and deferred retirement benefits
- Options at retirement
- Options when leaving UVic
- Survivor Benefits
- History of the Plan

Audited financial statements are also available online: www.uvic.ca/pensions.

INTRODUCTION

The 2022 Staff Pension Plan Annual Report to Members provides a summary of the Plan's financial health at the end of the year ending December 31, 2022 — as well as key membership statistics and highlights of the activities that have been undertaken during the year.

Lingering uncertainties of the global pandemic persisted into 2022. This, combined with global market volatility, made it a challenging year for pension plans. The Staff Pension Plan was no exception, with an annual return of -12.6%. Pension plan investment requires a long term view; the four year annualized returns of 5.9% exceed the Plan's benchmark by 0.9%. The Staff Pension Plan is strategically managed to ensure the greatest stability over the long term. Full details on the asset mix, fund performance and the membership of the plan are found in this report.

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 these responsibilities, the Board of Governors created three committees, whose roles and membership (for the year ending December 31, 2022) are described below.

GOVERNANCE COMMITTEE

Kane Kilbey (Chair), Andrew Coward, John Gilfoyle, Kristi Simpson, Christa Taylor

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

INVESTMENTS & ADMINISTRATION COMMITTEE

Andrew Coward (Chair), Barbara Eccles, Sue Gaudet, Kane Kilbey, Mark Stephenson, Kara White, David Wolowicz

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

ADVISORY COMMITTEE

Andrew Coward (Chair), Kane Kilbey; Dave Chiddle, Jeff Wood (CUPE 917); Michael Rheault, Kirsten Kopp (CUPE 951); Rayael Michalski (Exempt); Teresa Rush (Retiree)

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 & INVESTMENT BELIEFS

STRATEGIC PLAN (2018–2022)

In 2018, the Committees established a list of priorities focusing on five broad strategic goals, which were described in detail in the 2017 Report to Members. Given the focus on the Plan's assets and administration in response to the global pandemic, the Strategic Plan was extended through 2022.

A summary of the Strategic Plan and its guiding principles can be found on the Staff Pension Plan website.

INVESTMENT BELIEFS

The Investments & Administration Committee is guided by the following formal set of investment beliefs as summarized below.

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.

The Investments & Administration Committee have actively worked to increase understanding and awareness of ESG. Committee members have had the opportunity to take part in ESG training and education sessions, including a session on ESG and climate change with the Canada Climate Law Initiative early in 2022. Additionally, members of the Investments & Administration Committee have joined an ESG Working Group in collaboration with members of the Pension Board of Trustees (UVic Combination Pension Plan and Money Purchase Pension Plan), in order to further assess and address these issues.

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**

FINANCIAL SUMMARY

		2021	2022
		<i>Expressed in \$000's</i>	
CONTRIBUTIONS			
Members	Current service	2,506	2,435
	Supplementary retirement benefit	128	125
University	Current service	6,211	6,027
	Supplementary retirement benefit	128	125
	CV Transfer Deficiency	430	940
TOTAL CONTRIBUTIONS		9,403	9,652
INVESTMENT RETURN		45,742	-48,354
BENEFIT PAYMENTS			
	Retirement pensions	11,058	11,960
	Disability pensions ¹	47	48
	Withdrawals and transfers on termination & death	2,002	4,524
TOTAL BENEFIT PAYMENTS		13,107	16,532
OPERATING EXPENSES			
	UVic administration	413	609
	Actuarial fees	35	91
	Consulting, Audit & Legal fees	36	45
	Provincial registration fees	21	22
TOTAL OPERATING EXPENSES		505	767
CHANGE IN NET ASSETS		41,533	-56,001
FUND AT BEGINNING OF YEAR		340,895	382,428
FUND AT END OF YEAR		382,428	326,427
FUNDS AVAILABLE FOR BENEFITS			
	Basic Plan	357,230	304,460
	Supplementary Retirement Benefit Account	24,046	21,187
	Additional Voluntary Contribution Accounts ²	1,152	780
TOTAL FUNDS		382,428	326,427

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.

PLAN FUNDING

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.

Results from the actuarial valuation completed in 2020 indicated that a small increase to contribution rates was required for the first time in over a decade. These contribution rate increases took effect on October 1, 2020.

CONTRIBUTIONS		RATE
EMPLOYEE	Below YMPE*	5.11%
	Above YMPE*	6.86%
UNIVERSITY		12.33%

*YMPE: Year's Maximum Pensionable Earnings, which was \$64,900 in 2022

ACTUARIAL VALUATION

Pension plans undergo actuarial valuations at least once every three years. A valuation of the Staff Pension Plan was most recently completed in 2020, for the period ending December 31, 2019. The next actuarial valuation, for the period ending December 31, 2022, has been underway in 2023.

VALUATION RESULTS: FOR THE PERIOD ENDED DECEMBER 31, 2019			
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 had 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>	45,732	Solvency deficiency: Assets-liabilities <i>Expressed in \$000's</i>	(87,417)
Funded ratio: Assets / liabilities	117%	Solvency ratio: Assets / liabilities	78%

On a going concern basis, a 117% 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 2019, 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 does so using a Letter of Credit.

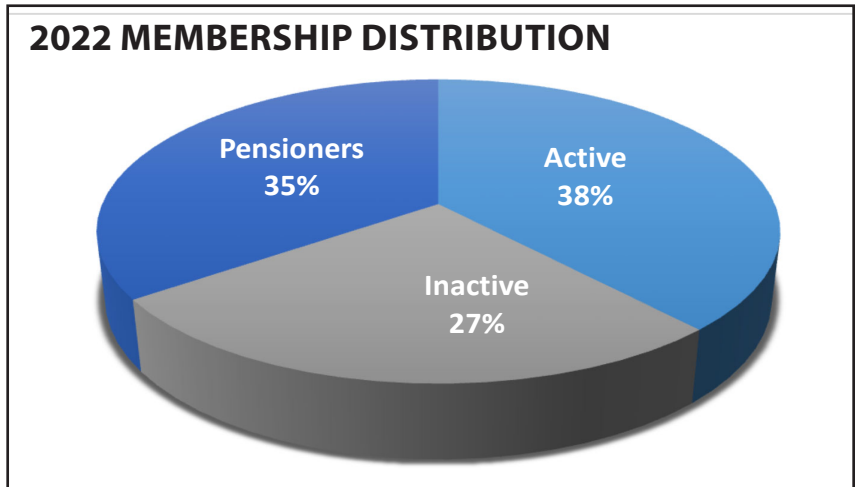
In addition to the cost of the Letter of Credit, UVic is also required to fund transfer deficiencies that occur when a member's benefit is transferred out of the Plan. In 2022, UVic paid a total of \$888,179 as a result of the Staff Plan solvency deficiency.

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. 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.

PLAN MEMBERSHIP		
	2013	2022
Active Members	1,152	1,098
Inactive Members	419	770
Pensioners	639	1001
TOTAL	2,210	2,869

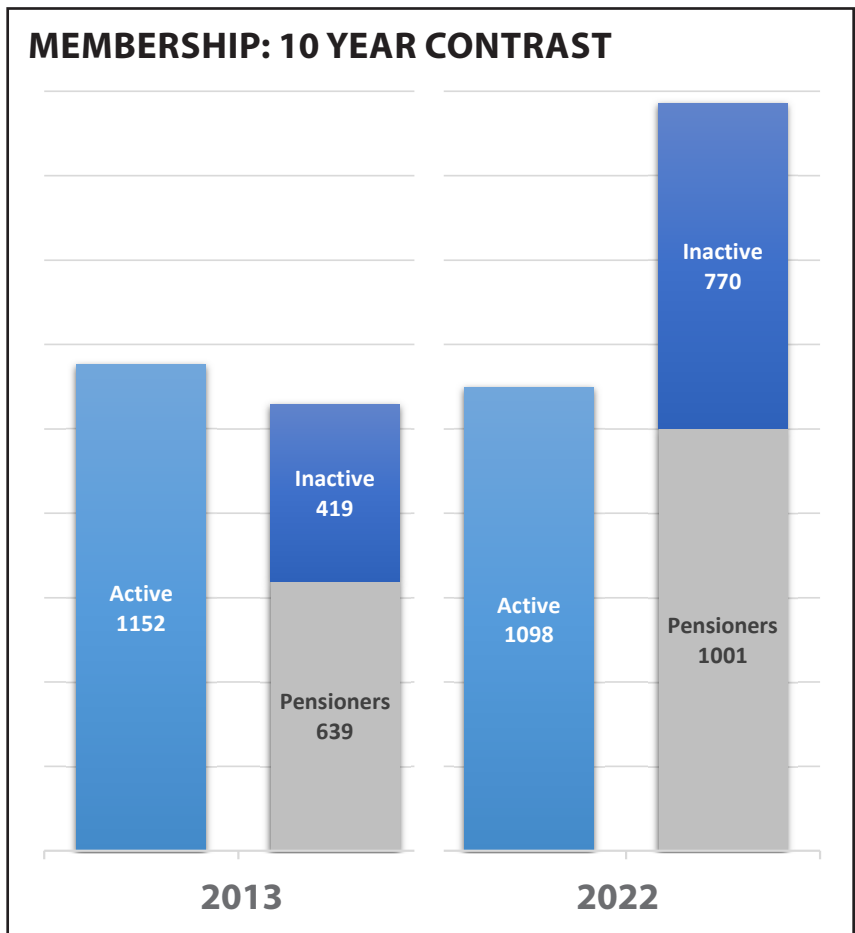


Plan membership grew to 2,869 total members in 2022.

The accompanying bar chart illustrates how the number of active members — those who are contributing to the Plan — has remained relatively consistent over the past decade. However, this group’s relative size as a percentage of Plan membership is decreasing. In 2013, active members represented 52% of total Plan membership. In 2022, active members represented only 38% of the Plan — a decrease of 3% from 2021.

By contrast, the pensioners group has seen a significant gain during the same period. The number of non-contributing members (pensioners combined with inactive members), is also growing.

These trends are closely monitored, as they are important factors when the Investments & Administration Committee is determining the appropriate asset mix for the Plan.



INVESTMENT POLICY

The Statement of Investment Policies and Procedures (SIPP) 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 SIPP and applicable legislation.

Investment Objectives

Pension plans maintain long-term investment horizons. The long-term objective 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. Progress toward this goal is monitored quarterly and assessed over four-year periods.

CPI
+4%

Asset Allocation

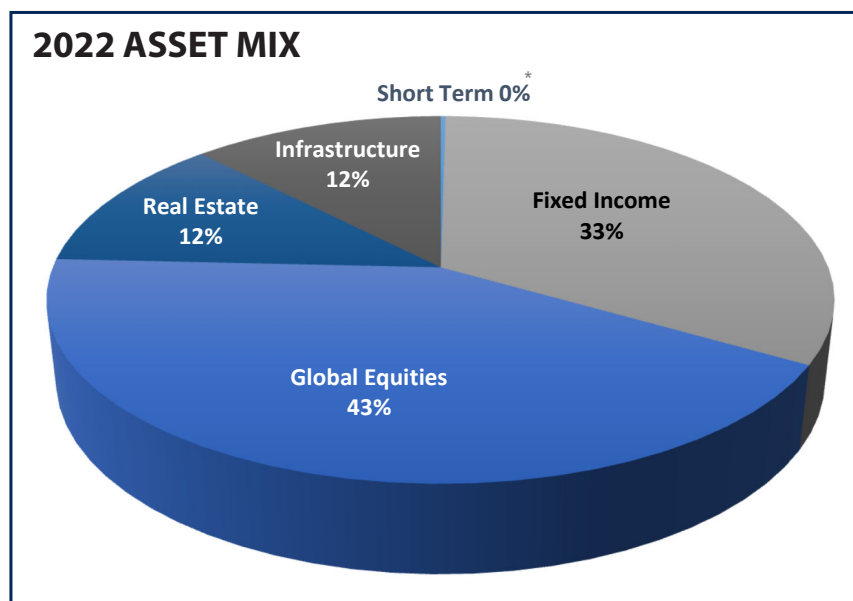
To achieve long-term investment goals and to manage risk, a well-diversified portfolio of asset classes and managers has been established.

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

ASSET ALLOCATION	ASSET CLASS	APPROVED RANGE %	BENCHMARK %	ACTUAL WEIGHT %
	Global Equities	29-51	40	43
	Fixed Income	28-42	35	33
	Infrastructure	0-20	15	12
	Real Estate	0-15	10	12

INVESTMENTS: ASSET MIX

MARKET VALUE OF INVESTMENTS	
Expressed in \$000's	
	\$
Short term	751
Fixed Income	107,742
Global Equities	137,930
Infrastructure	39,896
Real Estate	39,009
TOTAL	325,328



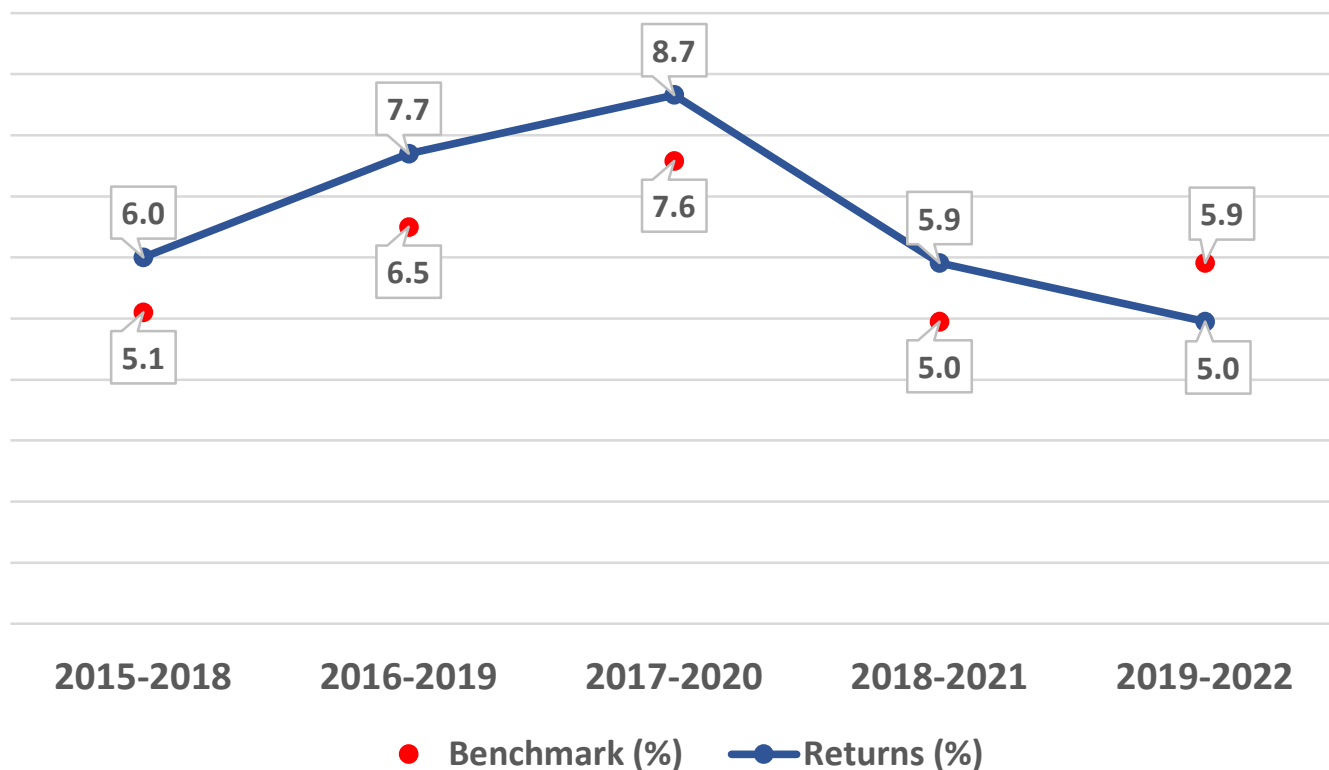
*SHORT TERM INVESTMENTS = 0.23%

INVESTMENT PERFORMANCE: SUMMARY

ANNUALIZED RETURNS BY ASSET CLASS						
%	1 YEAR			4 YEAR		
	RETURNS	BENCHMARK	DIFFERENCE	RETURNS	BENCHMARK	DIFFERENCE
Global Equity	-12.8	-12.4	-0.4	12.6	10.0	2.6
Fixed Income	-24.6	-25.8	1.2	-2.4	-3.5	1.1
Real Estate	7.7	10.6	-2.9	3.8	7.6	-3.8
Infrastructure	10.9	11.6	-0.7	11.9	8.7	3.2
TOTAL FUND¹	-12.6	-11.8	-0.8	5.9	5.0	0.9

¹ The long-term total fund target is CPI +4%. The total fund benchmark for 2022 included: 40% MSCI World ex-Canada Net Index (CAD\$), 15% FTSE Canada Universe Bond Index, 20% FTSE Canada 20+ Strips, 10% CPI +4% per annum, and 15% CPI +5% per annum.

FOUR YEAR PERFORMANCE: TOTAL FUND – 2015 THROUGH 2022



PORTFOLIO SUMMARY

ASSET		MARKET VALUE \$
		<i>Expressed in \$000's</i>
SHORT-TERM INVESTMENTS (0.23%)	POOLED FUNDS	751
FIXED INCOME – LONG-TERM (33.12%)	POOLED FUNDS	107,742
GLOBAL EQUITIES (42.40%)	POOLED FUNDS	137,930
INFRASTRUCTURE (12.26%)	GLOBAL	29,420
	EUROPEAN	2,396
	NORTH AMERICA	8,080
REAL ESTATE (11.99%)	POOLED FUNDS	36,276
	SEGREGATED FUNDS	3,063
	HEDGES	-330
TOTAL FUND PORTFOLIO		325,328

SERVICE PROVIDERS

INVESTMENT MANAGERS

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

TRUSTEE OF FUND

The Northern Trust Company, Canada	Trustee of Plan assets, payment service provider
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INVESTMENT CONSULTANT

PBI Actuarial Consultants Ltd.	Investment consultant, performance measurement
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ACTUARIAL SERVICES

Willis Towers Watson

AUDITORS

Grant Thornton LLP

Additional information about the University of Victoria Staff Pension Plan is available on the Pension Services website: www.uvic.ca/pensions.

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

Current UVic employees, please also ensure your information is up-to-date on your UVic MyPage.

Pension estimates and individual consultations are available to all Plan members. Retiring members are encouraged to contact Pension Services three to six months before their planned retirement date.

Accessibility: *If you require your annual statement in a digital format, please contact Pension Services to request a PDF version.*

UNIVERSITY OF VICTORIA PENSION SERVICES

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