UNIVERSITY OF VICTORIA COMBINATION PENSION PLAN

ANNUAL REPORT TO MEMBERS

2014

This page intentionally left blank

Contents

The information in this report is provided for the general information of members. The precise terms and conditions of the Plan are provided in the relevant plan documents. If there is a discrepancy between this report and the plan documents, the plan documents apply.

Letter from the Chair

When I came to the University of Victoria 1st July 1968, coincidentally on the very day the pension plan was created, I very much doubt that any thought of pensions was on my 28 year old mind, let alone any thought that said plan might reach one billion dollars! But, there it is: As of 31st December 2014, combined assets for the Combination Plan (including the Defined Retirement Benefit Account) and the Money Purchase Plan total $1,008,502,597, a major milestone indeed!

Looking back at the original trust documents, one sees the signatures of Jean K. Petrie, George A. Brand, Stephen A. Jennings, Donald E. Lobb, J. Trevor Matthews, Neil A. Swainson, Robert W. McQueen, and T. Rennie Warburton. The planning and foresight of these first Trustees has been a remarkable gift to us all. Regrettably, some of these individuals are no longer with us to share in the celebration, but to all of them we owe a tremendous vote of thanks.

There are, of course, many others who have contributed over the years as Trustees and in other roles. I apologize that space does not permit a full list, but a few names do stand out. Bill Pfaffenberger was Chair for 10 years 1986 to 1995 followed by Fred Fischer until 2000. This period was especially important in the development of the plans, with the introduction of new pension standards legislation in B.C. in 1993, the evolution of the Combination Plan into the hybrid structure we still have today, and in 1997 the introduction of the variable benefit option which has been selected by so many of us. Fred was a major driving force in all of these developments, no doubt aided and abetted by Trevor Matthews, whose record of a few months short of 40 years continuous service as a Trustee is likely to stand for all time!

Somewhat remarkably, on the administrative side there have been only three pension managers over the 47 year history of the plans: Dennis Davis until 1980, John Levey until 1998 (the current long service record), and Susan Service to the present day. The smooth management and progress of the plans over those years is a testament to their abilities.

Last, but certainly not least, we must acknowledge the role of the University in creating, nourishing and developing the plans. Most recently, their commitment was demonstrated by their major role in agreeing to fund increased contributions in 2011 in response to actuarial recommendations.

To all of the above and all the other Trustees who volunteered their time:

THANK YOU FROM ALL OF US!

And so to more minor matters, you will see from the tables that Susan has created for this report (pages 9 and 10), our gross returns for recent periods are: 2014 12.21%, last four years 9.47% and last ten years 7.36%. The four year number is lower because it includes the worldwide financial problems of 2008. Corresponding net returns are 11.88%, 9.18% and 7.08%, illustrating once again our extremely low operating expenses. The largest part of this expense is investment management, at 0.26% with the pension office costing only 0.05%.

As I noted in my 2013 letter: "world economies have recovered from the 2008 meltdown, but generally rather slowly." This remains true and in consequence, economists remain pessimistic about the returns to be expected for a plan such as ours. In this context we can be delighted and relieved with our 11.9% reported above. But we must remain cautious, since market volatility remains and may even be increasing with the unexpected drop in oil prices. Our new-found billion dollar status may yet be under threat but always remember that the health of a pension plan is best measured over long periods, and our annualized net ten year return at 7.1% is respectable indeed.

Information on the breakdown of our assets between managers and asset classes and the individual returns for those assets is included in the table on page 9 of this annual report. Early in 2014, the Trustees took the decision to decrease our exposure to Canadian equities (from a benchmark weight of 27% to 22%) whilst increasing the foreign equity benchmark from 27% to 32%. This move was similar to changes made by many Canadian pension funds and investment managers as concerns have deepened over the sector concentration (energy, materials and financials) and resulting high volatility of Canadian markets. Predictably our timing was not perfect, since Canadian equities did very well for a short time after our change! However, later in the year the relative market changes reversed

...cont'd

and at year end our foreign return was 15.2% compared with 12.7% for Canada. So, a good decision so far!

Fixed income investments had a remarkable year, rising 10.2% despite the universal predictions of disaster from rising interest rates. However, we must keep in mind that although the interest rate shoe did not drop this year, it will at some point. Returns on real estate were very satisfactory at 8.5%. Not quite the returns of some previous periods when valuations were rising rapidly, but this figure represents the solid cash flow from rental and lease agreements and will always provide a buffer against any losses of capital value.

Over the last several years, a new *Pension Benefits Standards Act* was developed jointly by the governments of Alberta and British Columbia and passed the B.C. legislature on 31st May 2012. The accompanying detailed regulations have still not been released but are expected shortly. The law will require the plans to develop new funding and governance policies, the former covering in more detail the management of long term objectives and risks such as those which recently led to increases in contribution rates. Many other plans have combined this sort of policy making with formalized statements of investment beliefs. These statements constitute a more generalized view of plan philosophy than the relatively factual, investment rules-based approach of our current Statement of Investment Policies and Goals, which is still required under the new law. It seems likely that drafting and approving new policies will consume much Trustee time and effort over the next few years. During this process the Trustees will continue to question our professional managers and consultants as to the most appropriate and sustainable investment choices. From recent conferences and publications it is clear that the financial management industry is moving towards accepting as best practice the incorporation of environmental, social, and governance (ESG) considerations into stock selection, and there is some initial evidence that companies which incorporate sustainability considerations into their business plans may perform better. However, it remains the view of the managers, and the Trustees, that engaging with companies and urging sustainable approaches is a better option than divestment. It remains true that the Trustees have sole legal responsibility for setting investment policy and that a well-diversified portfolio minimizes investment risk. The new Act confirms that Trustees' fiduciary duty in B.C. must remain focussed on the best "financial" interests of the members.

You will recall that our Board of Trustees is composed of four trustees elected by the membership and four appointed by the Board of Governors (BOG). Bob Worth's term as an appointed trustee ended on 30th June 2014 and he decided to decline reappointment because of other similar commitments, which include for example the Victoria Foundation. His 9 years on the Board have been very valuable to us, especially his expertise on the valuation committee and we extend our thanks for his work and our best wishes for his future endeavours. Bob was replaced by Lisa Hill, an investment manager with Raymond James, who has already proved her value on the University Foundation Board for over 10 years and acting as its Chair for 6 years. We welcome the opportunity to make use of her skills. Martin Barnes was also a BOG appointee but decided in October to resign because the pressures of his work and travel schedule were greatly reducing his attendance at meetings. His international economic expertise and probing questioning of our service providers were very valuable and we thank him for his 8 years of service. When Martin resigned the BOG took note of the expiration of my elected term scheduled for Dec 31st and asked if I would consider continuing as an appointed trustee. I was honoured by the confidence shown by the BOG in this request, and was happy to accept. In consequence, I did not stand for election in November but will continue in the new status of an appointed trustee. In the November elections there were four candidates for two trustee positions and Martha O'Brien was successful in gaining re-election. We are very pleased to have the benefit of her continued careful analysis and legal expertise. The other successful candidate in the election was Joe Sass, UVic's manager of financial accounting and training, who has already demonstrated a quick grasp of pension matters and will contribute valuable accounting and governance expertise. Deborah George has agreed to continue in the role of Vice-Chair until her appointee term ends 30th June, 2015 and I continue to value her support and wise counsel.

...cont'd

Letter from the Chair

Our committee Chairs are Kristi Simpson (Investment), Deborah George (Policy and Procedure), and myself (Governance and Communications) and a new valuation committee chair remains to be found when next that committee is active.

Finally, I look forward to meeting many of you at our Annual General Meeting on April 14th.

Best Wishes to All,

Keith R. Dixon
Chair, Board of Pension Trustees

Annual General Meeting

4:30 p.m. Tuesday, 14 April 2015
Room A104
Bob Wright Centre

This is an informal meeting at which the Pension Board reports to the membership and answers questions. The meeting will include a brief presentation. The Pension Board hopes members will be able to attend.

Governance

The Plan is governed by a Board of Trustees (the "Pension Board"). There are eight trustees on the Pension Board, four elected by plan members for terms of up to three years and four appointed by the University's Board of Governors ("BOG").

The Pension Board oversees investment of the pension fund, financial management of the Plan and ensures the Plan is administered in accordance with the trust agreement, the *Income Tax Act (Canada)* and *Pension Benefit Standards Act (BC)*.

As at 31 December 2014, the Trustees were:

Dr. Keith Dixon – CHAIR
Professor Emeritus, Department of Chemistry
Elected term from 1 January 2012 to 31 December 2014

Dr. Deborah George—VICE-CHAIR
Appointed term from 1 July 2014 to 30 June 2015

Ms. Lisa Hill
Appointed term from 1 September 2014 to 31 August 2017

Mr. Duc Le
Elected term from 1 January 2014 to 31 December 2016

Dr. Michael Miller
Associate Vice-President, Research
Elected term from 1 January 2014 to 31 December 2016

Professor Martha O'Brien
Professor, Faculty of Law
Elected term from 1 January 2012 to 31 December 2014

Ms. Kristi Simpson
Associate Vice-President, Financial Planning & Operations
Appointed ex-officio

Vacancy (BOG appointee)
Appointed term vacated by Mr. Martin Barnes October 2014;
to be filled by Dr. Keith Dixon 1 January 2015

COMMITTEES

Actuarial Valuation Committee
The next valuation will be December 2015.

Governance and Communications Committee
Dr. Keith Dixon—CHAIR
Dr. Deborah George
Ms. Kristi Simpson

Investment Committee
Ms. Kristi Simpson—CHAIR
Ms. Lisa Hill
Dr. Michael Miller

Policy and Procedures Committee
Dr. Deborah George—CHAIR
Professor Martha O'Brien
Mr. Duc Le

Investments and Returns	2012		2013		2014	
Market value of investments						
Balanced Fund	$655,370,014		$749,112,447		$826,180,033	
Defined Retirement Benefit Fund	88,768,934		110,004,904		131,524,681	
Balanced Fund		%		%		%
Gross returns	$60,095,200	9.98	$100,197,499	15.31	$91,097,873	12.21
Expenses	(1,633,285)	(0.27)	(1,979,127)	(0.30)	(2,498,417)	(0.33)
Net returns distributed to accounts	58,461,915	9.71	98,218,372	15.01	88,599,456	11.88
Defined Retirement Benefit Fund						
Gross returns	$7,808,820	10.14	$14,089,819	15.35	$14,884,463	13.30
Expenses	(308,083)	(0.40)	(300,844)	(0.32)	(419,621)	(0.38)
Net returns	7,500,737	9.74	13,788,975	15.03	14,464,842	12.92

Benefit Payments	2012	2013	2014
Lump sum payments and transfers	$7,453,666	$7,320,110	$10,796,401
Pensions			
3.5% internal variable annuities	$1,968,368	$2,341,723	$2,895,438
5% internal variable annuities	350,902	344,116	339,013
Defined benefit pensions	181,632	152,900	131,468
Defined benefit supplements	255,412	342,210	401,430
Variable benefits	14,181,481	15,102,349	17,817,378

In 1990 defined benefit pensions were replaced with a combination of the 3.5% internal variable annuity and defined benefit supplement; in 1997, the variable benefit was added; and, at the end of 2011, the 5% annuity ceased to be offered.

Contributions	2012	2013	2014
Members' required	$ 7,716,152	$ 7,896,944	$ 8,519,385
University required	16,504,099	16,963,608	18,242,231
Members' voluntary	124,060	147,541	167,786
Transfers from other plans	1,421,061	1,658,433	2,234,624

Adjustments to Pensions	2012	2013	2014
	%	%	%
Defined benefit pensions and supplements	2.9	1.2	1.1
3.5% internal variable annuities (reduction)	(4.7)	5.3	6.1
5.0% internal variable annuities (reduction)	(6.1)	3.8	4.5

Full audited financial statements are available online at: http://www.uvic.ca/financialplanning/pensions/combination/index.php. A print copy may also be requested from the Pension Office at (250) 721-7030 or by email at pensions@uvic.ca with the subject line "Combination Plan Financial Statements Print Copy".

Investments

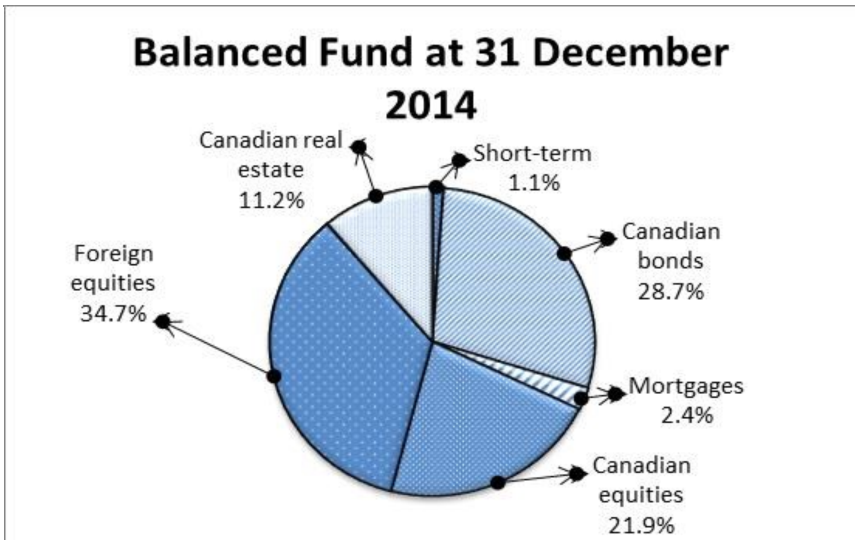
Objectives

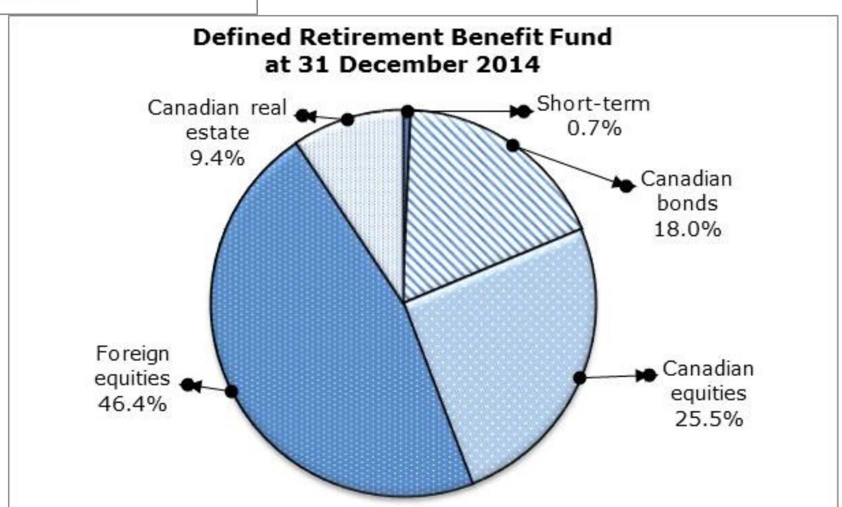
Plan assets are distributed over two funds: the Balanced Fund and the Defined Retirement Benefit Fund. Individual member accounts (Combined Contribution Accounts, Variable Benefit Accounts and Additional Voluntary Contribution Accounts of active and inactive members) are held in the Balanced Fund, together with member accounts from the Money Purchase Pension Plan. The Defined Retirement Benefit Fund holds the assets of the Defined Retirement Benefit Account from which defined benefit pensions and supplements are paid.

The main long-term investment objectives set by the Pension Board and accepted by the Plan's investment managers (refer to Appendix E) are to secure the obligation of the Plan and the University for pension benefit payments. In recognition of the Plan's current characteristics, an average degree of risk in terms of short-term variability of returns may be tolerated in the Balanced Fund's investments in pursuit of longer term returns. A higher degree of risk in terms of short-term variability of returns may be tolerated in the Defined Retirement Benefit Fund's investments in pursuit of longer term returns.

The primary objective for the Funds is to achieve a rate of return, net of investment fees and based on a four-year moving average, which is above a benchmark rate of return associated with asset mix policy. The **charts below** show each Fund's actual asset mix at 31 December 2014.

Asset Mix





Investment Returns

Investment returns are measured on a time-weighted basis. The return objectives include realized and unrealized capital gains or losses, plus income from all sources.

The Investment Committee monitors and reviews performance and reports to the Pension Board on a quarterly basis. While short-term results are of interest, it is important to recognize that an investment strategy ought to provide good results over the longer term. As a consequence, the Pension Board focuses on evaluating investment performance over rolling four-year periods. Over rolling four-year periods, the domestic managers are expected to meet the benchmark plus 0.5% per annum, plus investment management and pooled fund custodial fees. The foreign equity manager is expected to meet the standard plus 1.0% per annum, plus investment management and pooled fund custodial fees. The real estate manager is expected to return the Canadian Consumer Price Index plus 4%. The benchmark for the total fund is a composite of the benchmarks for the individual asset classes.

Balanced Fund Asset Mix and Performance as at 31 December 2014

ASSET CLASS (benchmark) Underlying manager	**Actual Weight** (%)	**Benchmark Weight (Range)** (%)	**1 year Gross Return** (%)	**1 year Benchmark Return** (%)	**4 year Gross Return** (%)	**4 year Benchmark Return** (%)
SHORT-TERM (FTSE TMX Canada 91-day T-Bill Index)						
BC Investment Management Corporation	0.1					
Fiera Capital Corporation	-					
Phillips, Hager & North Investment Management Limited	1.0					
Total	1.1	0 (0-21)	4.0	0.9	1.9	1.0
FIXED INCOME (FTSE TMX Canada Universe Bond Index)						
Phillips, Hager & North Investment Management Limited	31.1	36 (20-46)	10.2	8.8	5.9	5.1
CANADIAN EQUITIES (S&P/TSX Composite Index)						
BC Investment Management Corporation	11.0	11 each	12.7		n/a	
Fiera Capital Corporation	10.9	(9-13)	12.5		6.3	
Total	21.9	22 (14-27)	12.7	10.6	7.3	5.2
FOREIGN EQUITIES (MSCI World Ex-Canada Net, $Cdn, Index)						
BC Investment Management Corporation	34.7	32 (20-40)	15.2	14.6	14.8	14.6
REAL ESTATE (Canadian Consumer Price Index plus 4%)						
BC Investment Management Corporation	11.2	10 (0-15)	8.5	5.5	12.3	5.5
TOTAL FUND (Composite Benchmark)			**12.2**	**10.9**	**9.5**	**7.9**

Investments

Balanced Fund—annualized returns

The table below shows the annualized rates of return on the Balanced Fund portfolio over the last ten calendar years. "Gross Gain (Loss)" are returns before expenses. "Net Gain (Loss)" are returns after all investment and operating expenses. "Net Gain (Loss)" is the rate of return credited to members' individual Combined Contribution Accounts, Variable Benefit Accounts and Voluntary Contribution Accounts. Past performance is not a reliable indicator of future performance.

	1 year		**4 year**		**10 year**	
Year ended 31 December	**Gross Gain (Loss)**	**Net Gain (Loss)**	**Gross Gain (Loss)**	**Net Gain (Loss)**	**Gross Gain (Loss)**	**Net Gain (Loss)**
	%	%	%	%	%	%
2014	12.21	11.88	9.47	9.18	7.36	7.08
2013	15.31	15.01	8.82	8.54	7.32	7.06
2012	9.98	9.71	8.98	8.71	7.28	7.03
2011	0.92	0.65	2.17	1.90	5.86	5.59
2010	9.56	9.30	2.68	2.42	6.00	5.76
2009	16.01	15.72	3.44	3.18	6.31	6.07
2008	(15.05)	(15.29)	2.75	2.49	5.81	5.57
2007	2.94	2.69	10.05	9.81	8.49	8.23
2006	12.87	12.60	13.12	12.88	9.12	8.85
2005	12.91	12.63	8.70	8.47	9.69	9.41

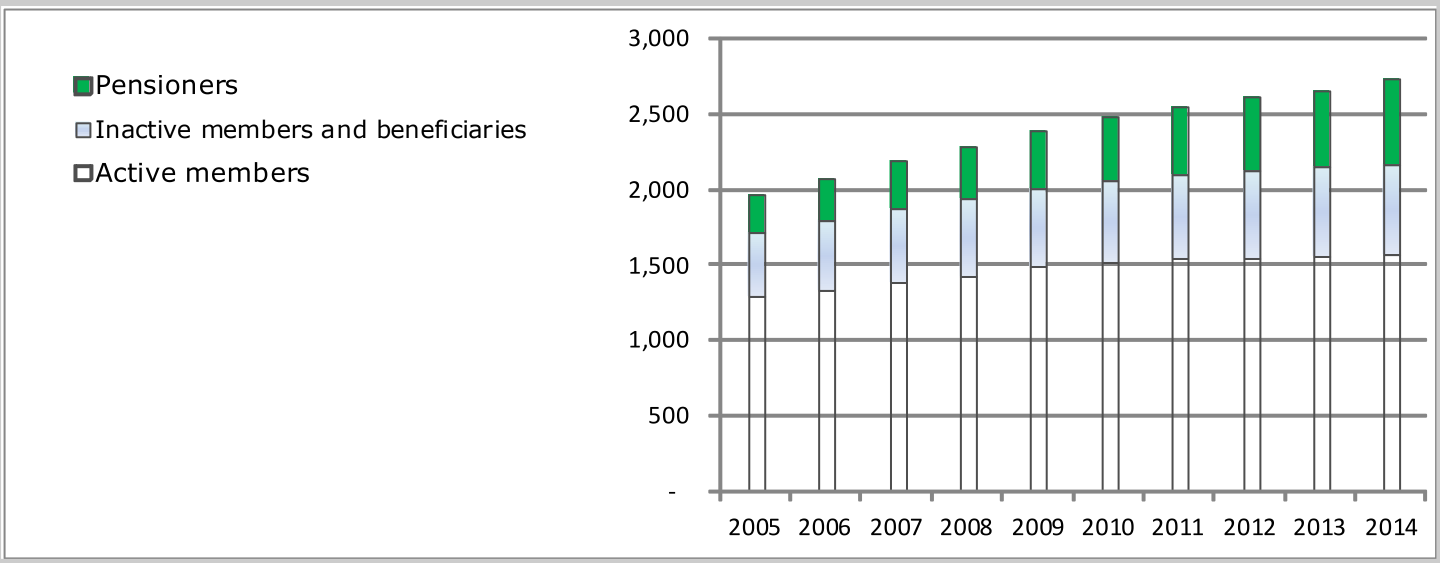
Balanced Fund—expense ratio detail

The table below provides the detail of all expenses incurred in investing and operating the pension plan. Expenses are deducted from gross gain to determine net gain. Due to the effect of compounding, over extended periods of time expenses can have a material impact on final account balances. Expenses are often described as expense ratios and expressed as basis points; 0.33% is 33 basis points.

	2012		**2013**		**2014**	
Balanced Fund		%		%		%
Investment management expenses	$1,203,691	0.20	$1,504,646	0.23	$1,982,053	0.26
Custodial and consulting expenses	145,569	0.03	138,445	0.02	127,202	0.02
Actuarial expenses	-	-	-	-	-	-
Office and administration expenses	255,241	0.04	299,942	0.05	355,428	0.05
Audit and legal expenses	28,784	-	36,094	-	33,734	-
Total expenses	$1,633,285	0.27	$1,979,127	0.30	$2,498,417	0.33

The table and chart below show the growth in plan membership over the past ten years. Active members are members who are still employed by the University and contributing to the Plan. Inactive members are members who have terminated employment but have not yet elected a benefit; the category also includes a small number of accounts held by surviving spouses of members who died before retirement. Pensioners are members and beneficiaries who are drawing a monthly pension from the Plan.

	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Active members	1,297	1,339	1,393	1,416	1,480	1,519	1,538	1,544	1,547	1,566
Inactive members	420	448	472	517	522	530	556	580	597	600
Pensioners	246	284	321	353	382	414	448	484	512	567
Total	1,963	2,071	2,186	2,286	2,384	2,463	2,542	2,608	2,656	2,733



Pensions

The table below shows the types of pensions being paid by the Plan.

	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Defined benefit pensions	20	19	17	15	14	12	11	10	9	9
Defined benefit supplements	8	8	13	16	36	41	47	76	89	107
Internal variable annuities	54	59	68	73	84	99	109	135	154	185
Variable benefits	179	216	247	277	297	320	347	362	373	398
Adjust for combinations	(15)	(18)	(24)	(28)	(49)	(58)	(66)	(99)	(113)	(132)
Total pensioners	246	284	321	353	382	414	448	484	512	567

In 1990 defined benefit pensions were replaced with a combination of the 3.5% internal variable annuity and defined benefit supplement; in 1997, the variable benefit was added; and, at the end of 2011, the 5% annuity ceased to be offered.

Understanding the Plan

What are the contributions?

Members and the University share the cost of the Plan.

Combined Contribution Account (defined contribution): For 2015, members' contributions are 4.35% of basic salary up to the YMPE (Year's Maximum Pensionable Earnings, the contributory earnings upper limit under the Canada Pension Plan) of $53,600 plus 6.35% of basic salary in excess of that amount. Members' contributions are credited to members' individual Combined Contribution Accounts (CCAs).

The University contributes to individual CCAs an amount equal to 6.02% of basic salary up to the $53,600 plus 7.65% in excess of that amount.

Total contributions to individual members' CCAs are therefore 10.37% of salary up to the $53,600 plus 14% in excess of that amount, subject to the limit that they may not exceed the lesser of 18% of the member's earnings and the annual defined contribution maximum set under the *Income Tax Act* ($25,370 in 2015).

Defined Retirement Benefit Account: The defined benefit minimum is funded by University contributions equal to 5.05% of earnings in 2015.

Voluntary: Subject to *Income Tax Act* maximums, members may elect to make additional contributions to a voluntary contribution account through payroll deduction or by transfer from another registered plan (RRSP or Canadian registered pension plan). Transfers from spousal RRSPs are not permitted.

Example of 2015 pension contributions based on an annual salary of $95,000

	Member Amount (%)	University Amount (%)	Total Amount (%)
Combined Contribution Account	$4,961 (5.22)	$6,394 (6.73)	$11,355 (11.95)
Defined Retirement Benefit Account	-	4,798 (5.05)	4,798 (5.05)
Canada Pension Plan	2,480 (2.61)	2,480 (2.61)	4,960 (5.22)
Total pension contributions	$7,441 (7.83)	$13,672 (14.39)	$21,113 (22.22)

When are members eligible for a retirement benefit?

The Combination Pension Plan provides immediate vesting, which means there are no minimum service requirements for a pension. However, there are age requirements.

Normal retirement date for a member of the Combination Pension Plan is the last day of the month in which the member attains 65 years of age. This is the date at which the defined benefit minimum is calculated without reduction.

Early retirement A member may elect to take early retirement on or after the end of the month in which the member attains 55 years of age. In this case, the defined benefit minimum (described on page 13) is reduced to its actuarial equivalent. The reductions are shown in the table on page 17.

Deferred retirement A member may defer commencement of retirement benefits until the end of the calendar year in which the member attains 71 years of age. If a member does not select a benefit by 31 October of the year they turn age 71, they will be deemed to have selected an option that does not require spousal consent or waivers and provides maximum future flexibility; non locked-in amounts that are under $107,200 are paid out in cash, less withholding tax.

What are the options at retirement?

Options at a Glance

- Purchase an internal variable annuity from the Plan (with defined benefit minimum)
- Start a variable benefit (RRIF/LIF-type option) from the Plan
- Purchase a life annuity from an insurance company
- Transfer CCA to a RRIF/LIF
- Transfer CCA to a (locked-in) RRSP
- Transfer CCA to another registered pension plan
- Leave CCA on deposit for a future pension (default option)

A member has a range of options designed to allow tailoring of retirement income to suit his or her individual situation, preferences, and financial plan. The detailed selection of any one option or a combination of options is a matter for the individual member and his or her private financial advisor, and the Plan cannot provide this type of advice. Spousal consent is required for some options. Subject to some restrictions, options may be combined for maximum flexibility.

With minor variations, there are basically two options available directly from the Plan and essentially the same two options outside the Plan. Within the Plan, a member may choose between a lifetime annuity and a variable benefit (basically similar to an external life income fund). Alternatively the member may remove his or her funds from the Plan, and choose between an external annuity, for example from an insurance company, or a registered retirement/ life income fund. Whether within the Plan, or external to it, an annuity is purchased with a member's Combined Contribution Account (CCA) balance, which means that control and ownership of the account balance is relinquished in exchange for the promise of a future lifetime income. This is in contrast to the variable benefit or a retirement income fund, where the member retains control and ownership of the account balance, and makes withdrawals within statutory limits.

If a member wishes to defer commencement of benefits, this can be accomplished (to age 71) by leaving the money within his or her CCA, or external to the Plan by making use of (locked-in) registered retirement savings plans (RRSPs).

1. Internal Variable Annuity (with defined benefit minimum)

An internal variable annuity is purchased with the balance in a member's CCA. It is basically similar to an external annuity, with the initial amount payable depending on the available CCA balance, the age of the member, and the survivor option selected. There are three main differences between an internal annuity and an external annuity.

Firstly, internal annuity payments are adjusted each 1st July to reflect the investment performance of the Plan during the prior calendar year, or that portion of the year that the annuity was being paid, relative to the 3.5% underlying earnings assumption. If the Plan earned more or less than 3.5%, the payments are adjusted accordingly. For example, if the Plan earned 6% the annuity would increase on the following 1 July by approximately 2.5%; if the Plan lost 3%, the annuity would decrease by approximately 6.5%. The performance adjustment means that the internal annuities carry somewhat more risk than an external annuity, but also the potential for benefit if the Plan does well.

Secondly, internal annuities are adjusted to reflect the longevity experience of the group of annuitants.

Thirdly, provided the member was not previously on the variable benefit, payments under the internal variable annuity option cannot fall below the minimum calculated on a defined benefit basis.

The **defined benefit minimum** at normal retirement is the sum of (A) and (B) below:

(A) 1.3% of the average of the highest consecutive five year's salary ("Final Average Earnings") up to the three year average Year's Maximum Pensionable Earnings ("Average YMPE") defined by the Canada Pension Plan
MULTIPLIED by years of credited service

(B) 2% of Final Average Earnings in excess of the Average YMPE
MULTIPLIED by years of credited service.

...cont'd

Options at retirement, internal variable annuity (defined benefit minimum) continued

The defined benefit minimum is currently limited to $2,818.89 per year of service credited after 1990 and is actuarially reduced for early retirement. The resulting single life pension is converted into the same survivor option that was selected for the variable annuity. An individualized sample calculation (single life) is provided to each member as part of the annual member statement. After retirement, the defined benefit minimum is indexed each 1 July based on the annual change in the Canadian Consumer Price Index, to a maximum of 3% per year.

If only a fraction of a member's CCA is applied to this option, there is a minimum of three times the YMPE (in 2015 the figure is 3 x $53,600); the defined benefit minimum is then reduced to the same fraction.

A table of 2015 single life annuity rates and actuarial reductions is reproduced in Appendix A of this report. Other survivor options are available but the amount of pension will differ. If the member has a spouse, a minimum 60% joint life pension is required unless the spouse waives that right.

2. **Variable Benefit**
This option is similar to an external life income fund. The funds that accumulated in a member's CCA are held in a Variable Benefit Account (VBA). The member retains ownership of the funds and each year sets the monthly retirement benefit, subject to statutory minima and maxima. The minimum does not take effect until the year the member reaches age 72 and, for a particular year after age 71, is the value of the account at the start of the year multiplied by the appropriate percentage rate from an age-based table. A member with a younger spouse may elect to use the spouse's age for purposes of determining the appropriate percentage rate for the minimum withdrawal. The maximum for a particular year only applies to the locked-in (post-1992) portion of a member's account. For pensioners who have been on the option for a full calendar year, the maximum is the greater of: (a) actual investment returns for the preceding year; and (b) the locked-in portion of the account at the start of the year multiplied by the appropriate factor from an age-based table. A booklet explaining the variable benefit in more detail is available upon request from the Pension Office. The booklet contains a table of withdrawal rate limits.

The balance remaining in a member's account after each month's withdrawal shares in the investment performance of the Balanced Fund and, when the member dies, any remaining balance forms the survivor benefit.

If the member has a spouse, spousal consent is required for the variable benefit option.

With one full calendar month of notice, a variable benefit pensioner may terminate the pension and apply the balance remaining to one or a combination of the other options, except that the defined benefit minimum is not available. If the member is over 71 years of age, the minimum withdrawal for the year must be satisfied before the funds are applied to another option. If the funds are transferred to a life income fund, no withdrawal is permitted from the new life income fund until the following calendar year.

3. **Life Annuity from a life insurance company**
Life annuities may be purchased from life insurance companies. Normally, a life annuity pays a fixed annual amount, unlike our internal annuities, which vary according to investment performance. Some companies may offer annuities with a fixed annual percentage escalation over time. As with the internal annuities, the initial payments depend on the balance available, the age of the annuitant, and the survivor option selected. Annuity rates offered are based on prevailing interest rates and other market factors, and can vary substantially from one company to another.

...cont'd

Options at retirement continued

4. **Registered Retirement and Life Income Funds (RRIFs and LIFs)**
   The portion of a member's account that is attributable to pre-1993 contributions may be transferred to a registered retirement income fund (RRIF). The remainder (post-1992) is locked-in and is only transferable to a life income fund (LIF). In both cases, the member retains ownership of the monies.

The permissible underlying investments of RRIFs and LIFs are the same as for registered retirement savings plans (RRSPs) and may be self-directed. Based on the age of the member, there are statutory annual minimums for withdrawals from RRIFs and LIFs, and a maximum for LIFs, but no maximum for RRIFs. If the member has a spouse, spousal consent is required for a transfer to a LIF.

What are the options upon termination of employment?

If a member leaves the employ of the University before earliest retirement age (55 years of age), the member is eligible for one of the following options:

- Leave Combined Contribution Account (CCA) on deposit for a future pension (default option)
- Transfer CCA to a (locked-in) RRSP
- Transfer CCA to another registered pension plan
- Purchase a deferred life annuity from an insurance company

Any portion of the member's account that is attributable to contributions made prior to 1993 is not subject to lock-in conditions and may be transferred to a regular RRSP or Registered Retirement Income Fund (RRIF) or be paid in cash less withholding tax. A member must commence a pension benefit or effect a transfer from the Plan by the end of the calendar year in which the member attains 71 years of age.

What are the survivor benefits?

The survivor benefit for a member who dies **before commencing a benefit, or for a variable benefit pensioner**, is the balance in the member's account(s).

Under the *Pension Benefits Standards Act*, the beneficiary for the survivor benefit must be the member's spouse (if the member has a spouse), unless the spouse has completed and filed a Spouse's Waiver of Pre-retirement Benefits with the Pension Office; or, in the case of the variable benefit, the member did not have a spouse at the start date of the variable benefit. The definition of spouse includes a common-law or same sex partner.

Members who have ended a marriage or marriage-like relationship are encouraged to verify that their beneficiary designation is current and valid. A person to whom you are married retains spousal status for up to two years following separation.

A beneficiary who is a spouse may elect a monthly benefit or a transfer of the member's account balance to (locked-in) RRSPs or RRIFs/LIFs. All options that are available to a member are available to a surviving spouse, with the exception that the defined benefit minimum is not available and the spouse need not have attained 55 years of age to commence a monthly benefit. The spouse must commence a pension benefit or effect a transfer from the Plan by the later of one year following the member's date of death or the end of the calendar year in which the spouse attains 71 years of age.

...cont'd

Understanding the Plan

Survivor benefits continued

Under the *Income Tax Act* a beneficiary who is not a spouse is required to withdraw the death benefit in cash as soon as is practicable. Withholding tax of up to 30% will be deducted from any cash payment. The actual tax payable depends on the beneficiary's marginal tax rate in the year in which the cash payment is issued.

The survivor benefit for a pensioner in receipt of an annuity or defined benefit (supplement) pension from the Plan is determined by the optional form selected by the member at the pension start date. The optional forms available are as follows:

- Joint life where 60%, 66.7%, 75% or 100% of the benefit continues to a surviving spouse.
- Joint life where 66.7% of the benefit continues after the first death of either the spouse or the member.
- Joint life where payments continue in full for the lifetime of the member or spouse, whoever lives longer, and with a guaranteed minimum of 10 or 15 years.
- Single life where payments continue for the member's lifetime with a guaranteed minimum of 0, 5, 10 or 15 years.

If the member has a spouse, Pensions Standards require that the member select a form which provides at least a 60% spousal survivor benefit unless the spouse completes a waiver.

Plan administration

General enquiries or requests for statements should be directed to the Pension Office at (250) 721-7030, by email to pensions@uvic.ca, or to:

Mailing address

Pension Services
University of Victoria
PO Box 1700, Stn CSC
Victoria BC V8W 2Y2

Physical address/courier

Pension Services
University of Victoria
ASB—Room B278
3800 Finnerty Rd
Victoria BC V8P 5C2

Retiring members should contact the Pension Office at least 3-6 months before their retirement date (last date on pay *vs* last day at work). The Pension Office will send the member a statement of options and the forms required for the various options. **The forms must be received in the Pension Office at least one full calendar month prior to the benefit payment date**.

Pensions are paid on the first of each month. Lump sum payments and transfers are processed at the end of each calendar month; the payment or transfer value is the market value at the end of the previous month, plus interest for the final month.

APPENDIX A: Annuity Rates and Actuarial Reduction factors

The table below shows the rates that will be used in 2015 to convert a member's Combined Contribution Account balance into a single life 3.5% internal variable annuity, and the actuarial reduction factors that are applied to the defined benefit minimum if the pension starts before normal retirement age (age 65). A single life annuity ceases on the death of the annuitant. Survivor benefits are available by selecting an optional form (joint life and guaranteed terms), but the amount payable is reduced. The optional form is selected at the time the annuity commences and, like the annuity, is irrevocable. The optional forms available from the Plan are described in the section Understanding the Plan, Survivor benefits.

Table of Rates for Annual Single Life 3.5% Annuity Commencing in 2015 Provided by $1000 of Combined Contribution Account and Actuarial Reduction Factors for Defined Benefit Minimum*

Age in Years Upon Commencement of the Annuity	Annual Annuity Rate per $1,000	Actuarial Reduction Factor for Defined Benefit Minimum
55	51.65	0.56845
56	52.50	0.59849
57	53.40	0.63070
58	54.36	0.66529
59	55.38	0.70252
60	56.46	0.74265
61	57.62	0.78601
62	58.85	0.83298
63	60.17	0.88395
64	61.59	0.93943
65	63.12	n/a
66	64.76	n/a
67	66.54	n/a
68	68.45	n/a
69	70.53	n/a
70	72.78	n/a
71	75.23	n/a

**The defined benefit minimum is determined by multiplying the results of the formula described on page 13 by the actuarial reduction factor, if applicable. A factor of 0.83298 is effectively a reduction of 16.702% (1-0.83298) .*

Example of annuity calculation for a $300,000 final account balance at age 62:
$300,000 ÷ 1,000 x 58.85 = $17,655 per year ÷ 12 = $1,471 per month

Example of the actuarial reduction applied to a defined benefit minimum at age 62, based on a defined benefit minimum of $40,000 per year at normal retirement (age 65).
$40,000 x 0.83298 = $33,319 per year ÷ 12 = $2,777 per month

APPENDIX B: Portfolio holdings at 31 December 2014, Balanced Fund

Short-term investments (1.12% of total)

	Par Value or Units	Market Value
Canada Treasury Bills	$1,285,000	$1,282,070.16
Pooled Funds		
bcIMC Canadian Money Market Fund ST2	2.15	850.87
Phillips, Hager & North Institutional STIF	847,591.858	8,475,918.58
		$9,758,839.61

Canadian bonds (28.73% of total)

	Interest Rate	Maturity Date	Par Value or Units	Market Value
Federal (government and government guaranteed)				
Canada	1.750	2019	$ 2,680,000	$ 2,729,915.00
Canada	2.500	2024	1,109,000	1,177,290.00
Canada	3.500	2045	5,239,000	6,577,234.44
Canada	5.000	2037	1,298,000	1,907,343.50
Canada Housing Trust	2.000	2019	2,261,000	2,297,042.60
Canada Housing Trust	2.000	2019	328,000	333,183.38
Canada Housing Trust	2.650	2022	553,000	577,451.45
Canada Housing Trust	3.350	2020	1,962,000	2,131,122.44
Canada Housing Trust	3.750	2020	827,000	910,555.95
Canada Housing Trust	3.800	2021	10,652,000	11,880,974.50
Canada Housing Trust	4.100	2018	4,010,000	4,410,105.77
NHA MBS #96505011 by Peoples Trust Co	4.200	2019	185,000	181,985.80
NHA MBS #96503636 by Equitable Trust Co	4.350	2018	620,000	572,438.56
Provincial (government and government guaranteed)				
Manitoba	4.050	2045	456,000	526,775.76
New Brunswick - Sinking Fund Debenture	2.850	2023	384,000	394,227.46
New Brunswick - Sinking Fund Debenture	3.550	2043	357,000	367,445.82
New Brunswick - Sinking Fund Debenture	3.800	2045	776,000	837,351.34
New Brunswick	4.800	2041	625,000	778,593.13
Ontario - residual strip	0.000	2041	1,548,000	638,316.25
Ontario	3.450	2045	12,135,000	12,561,326.82
Ontario	3.500	2043	6,379,000	6,641,993.41
Ontario	3.500	2024	8,054,000	8,655,142.51
Ontario	4.600	2039	609,000	744,288.74
Ontario	4.700	2037	413,000	507,721.96
Ontario	5.600	2035	335,000	453,813.11
Ontario	5.850	2033	1,326,000	1,817,631.74
Ontario	6.200	2031	1,414,000	1,980,093.49
Ontario	6.500	2029	13,999,000	19,687,073.68
Ontario	7.600	2027	9,193,000	13,754,401.13
Ontario	8.000	2026	505,000	761,013.79
Ontario	8.100	2023	3,094,000	4,451,894.72
Ontario	8.500	2025	1,715,000	2,640,837.61
Ontario Hydro	8.250	2026	2,286,000	3,489,325.25
Quebec - residual strip	0.000	2041	1,080,000	429,101.28
Quebec	4.250	2043	685,000	799,079.90
Quebec	6.000	2029	1,302,000	1,753,597.40
Quebec	8.500	2026	2,369,000	3,643,770.75
Quebec	9.375	2023	1,516,000	2,283,256.70
Municipal (government and government guaranteed)				
Municipal Finance Authority BC	3.350	2022	139,000	148,649.94
South Coast BC Transportation	3.800	2020	705,000	768,106.67

Canadian bonds continued

	Interest Rate	Maturity Date	Par Value or Units	Market Value
Corporate				
CBC Monetization Trust	4.688	2027	$139,531	$ 159,591.79
CDP Financial Inc	4.600	2020	138,000	155,950.49
Hospital for Sick Children	5.217	2049	330,000	409,822.05
Pooled Funds				
Phillips, Hager & North High Yield Bond Fund			271,940.925	3,107,876.86
Phillips, Hager & North Investment Grade Corp Bond Trust			11,933,314.590	120,193,537.88
				$251,228,252.82

Mortgages (2.42% of total)

	Units	Market Value
Phillips, Hager & North Mortgage Pension Trust Fund	1,977,268.020	$21,174,958.68

Canadian equities (21.84% of total)

	Shares	Market Value
Consumer Discretionary		
Cineplex Inc	28,803	$1,291,238.49
Dollarama Inc	33,798	2,007,601.20
Gildan Activewear Inc	44,242	2,906,699.40
Magna International Inc	17,231	2,169,210.59
Consumer Staples		
Alimentation Couche-Tard Inc Class B Sub-Vtg	80,492	3,919,155.48
Energy		
Arc Resources Ltd	57,852	1,455,556.32
Canadian Natural Resources Ltd	62,286	2,237,313.12
Canadian Energy Services & Technology Corp	100,015	635,095.25
Inter Pipeline Ltd	49,824	1,790,674.56
Keyera Corp	12,567	1,018,806.69
Paramount Resources Ltd	39,807	1,119,372.84
ShawCor Ltd	25,793	1,093,623.20
Suncor Energy Inc	77,987	2,877,720.30
Tourmaline Oil Corp	38,610	1,494,207.00
Vermilion Energy Inc	27,141	1,547,037.00
Financials		
Bank of Nova Scotia	74,458	4,937,309.98
Brookfield Asset Management Inc Class A Ltd Vtg	65,887	3,835,941.14
Brookfield Property Partners LP	54,001	1,428,326.45
Element Financial Corp	147,746	2,089,128.44
Manulife Financial Corp	199,527	4,425,508.86
Onex Corp Sub-Vtg	20,289	1,368,695.94
Royal Bank of Canada	81,826	6,565,718.24
Toronto-Dominion Bank	117,068	6,498,444.68
Health Care		
Catamaran Corp	27,522	1,654,622.64
Industrials		
Canadian National Railway Co	66,068	5,286,761.36
TransForce Inc	67,236	1,989,513.24

APPENDIX B: Portfolio holdings at 31 December 2014, Balanced Fund continued

Canadian equities continued

	Shares	Market Value
Materials		
Agrium Inc	14,225	$ 1,564,750.00
Franco-Nevada Corp	43,617	2,495,328.57
Lundin Mining Corp	156,204	893,486.88
Methanex Corp	20,692	1,104,332.04
West Fraser Timber Co Ltd	43,681	2,903,476.07
Information Technology		
CGI Group Inc Class A Sub-Vtg	38,735	1,715,573.15
Open Text Corp	29,273	1,979,147.53
Telecommunication Services		
Telus Corp	59,806	2,505,273.34
Utilities		
Brookfield Infrastructure Partners LP	25,162	1,222,203.56
Pooled Funds		
bcIMC Active Canadian Equity Fund	9,727.182	95,792,920.73
Fiera Canadian Equity Small Cap Core Fund	52,706.757	11,144,569.69
		$190,964,343.97

Foreign equities (34.58% of total)

	Units	Market Value
bcIMC Active US Equity Fund	5.436626	$ 41,628,165.71
bcIMC Active US Small Cap Equity Fund	3.176618	7,303,800.05
bcIMC Indexed US Equity Fund	0.440994	3,204,041.41
bcIMC Active Asian Equity Fund	3.017972	7,825,155.22
bcIMC Indexed Asian Equity Fund	0.846871	1,165,826.44
bcIMC Active European Equity Fund	6.870370	11,921,013.18
bcIMC Indexed European Equity Fund	1.039745	1,831,404.99
bcIMC Active Emerging Markets Equity Fund	2.165740	2,591,502.35
bcIMC Active Global Equity Fund	70.165090	121,613,432.05
bcIMC Indexed Global Equity Fund	57.832898	103,364,564.81
		$302,448,906.21

Currency hedges (0.07% of total)

	Units	Market Value
Net Currency Forward Contracts	n/a	$(17,544.10)
bcIMC Euro Currency Hedging Fund	0.617576	615,216.00
		$597,671.90

Real estate (11.24% of total)

	Units	Market Value
bcIMC Realpool Investment Fund	11.819823	$98,267,623.63

Total Balanced Fund investment portfolio at market value	**$874,440,596.82**
Portion held by the University of Victoria Combination Pension Plan (94.48%)	**$826,180,033.15**

APPENDIX C: Portfolio holdings at 31 December 2014, Defined Retirement Benefit Fund

Short-term investments (0.67% of total)

	Units	Market Value
bcIMC Canadian Money Market Fund ST2	0.139	$549.87
Phillips, Hager & North Institutional STIF	88,229.947	882,299.47
		$882,849.34

Canadian bonds (18.20% of total)

	Units	Market Value
Phillips, Hager & North Enhanced Total Return Bond Fund	2,344,188.330	$23,935,569.37

Canadian equities (25.32% of total)

	Shares	Market Value
Consumer Discretionary		
Dollarama Inc	5,000	$297,000.00
Gildan Activewear Inc	3,000	197,100.00
Magna International Inc	3,300	415,437.00
Restaurant Brands International Inc	3,704	168,532.00
Shaw Communications Inc Class B Non-Vtg	6,500	203,775.00
Thomson Reuters Corp	8,000	374,960.00
Consumer Staples		
Alimentation Couche-Tard Inc Class B Sub-Vtg	11,700	569,673.00
Empire Company Ltd Class A Non-Vtg	2,300	201,526.00
Loblaw Companies Ltd	2,800	174,076.00
Saputo Inc	3,800	132,696.00
Energy		
Arc Resources Ltd	18,400	462,944.00
Cameco Corp	11,200	213,360.00
Canadian Natural Resources Ltd	28,500	1,023,720.00
Cenovus Energy Inc	29,032	695,897.04
Crescent Point Energy Corp	18,800	505,908.00
Enbridge Inc	22,800	1,362,072.00
Encana Corp	24,832	401,533.44
Keyera Corp	1,600	129,712.00
MEG Energy Corp	3,100	60,605.00
PrairieSky Royalty Ltd	1,800	55,080.00
Precision Drilling Corp	22,700	160,262.00
Seven Generations Energy Ltd	2,900	50,721.00
Suncor Energy Inc	27,520	1,015,488.00
Talisman Energy Inc	17,900	162,890.00
Tourmaline Oil Corp	3,300	127,710.00
TransCanada Corp	14,100	805,110.00
Financials		
Bank of Montreal	8,600	706,748.00
Bank of Nova Scotia	29,700	1,969,407.00
Brookfield Asset Management Inc Class A Ltd Vtg	15,700	914,054.00
Brookfield Property Partners LP	2,200	58,190.00
Canadian Imperial Bank of Commerce	4,300	429,312.00
CI Financial Corp	5,100	164,679.00
Industrial Alliance Insurance and Financial Services Inc	4,500	199,935.00
Intact Financial Corp	2,300	192,855.00
Manulife Financial Corp	49,800	1,104,564.00
Manulife Financial CRP Sub RCT	6,600	146,124.00
Power Corporation of Canada Sub-Vtg	7,000	222,320.00
Royal Bank of Canada	30,200	2,423,248.00
Sun Life Financial Inc	2,700	113,184.00
Toronto-Dominion Bank	45,100	2,503,501.00

Canadian equities continued

	Shares or Units	Market Value
Health Care		
Catamaran Corp	5,400	$ 324,648.00
Valeant Pharmaceuticals International Inc	6,700	1,114,411.00
Industrials		
Canadian National Railway Co	15,800	1,264,316.00
Finning International Inc	11,900	300,237.00
SNC-Lavalin Group Inc	7,200	319,032.00
Information Technology		
CGI Group Inc Class A Sub-Vtg	9,200	407,468.00
Open Text Corp	2,100	141,981.00
Materials		
Agrium Inc	3,400	374,000.00
First Quantum Minerals Ltd	10,500	173,355.00
Potash Corporation of Saskatchewan Inc	16,300	669,441.00
Teck Resources Ltd Class B Sub-Vtg	8,300	131,804.00
Turquoise Hill Resources Ltd	20,030	71,907.70
Telecommunication Services		
Rogers Communications Inc Class B Non-Vtg	9,000	406,530.00
Telus Corp	13,800	578,082.00
Utilities		
Fortis Inc	5,100	198,696.00
Pooled Funds		
iShares S&P/TSX 60 Index ETF	8,700	196,789.00
Phillips, Hager & North Institutional Gold & Precious Metals Fund	327,423.479	1,450,715.21
Phillips, Hager & North Small Float Fund	163,671.254	4,066,756.02
		$33,296,077.41

Foreign equities (46.29% of total)

	Units	Market Value
bcIMC Active US Equity Fund	0.675701	$5,173,832.29
bcIMC Active US Small Cap Equity Fund	0.346535	796,767.44
bcIMC Indexed US Equity Fund	0.363469	2,640,783.15
bcIMC Active Asian Equity Fund	0.412134	1,068,603.34
bcIMC Indexed Asian Equity Fund	0.192898	265,548.91
bcIMC Active European Equity Fund	1.187063	2,059,712.65
bcIMC Indexed European Equity Fund	0.097582	171,881.31
bcIMC Active Emerging Markets Equity Fund	0.266180	318,508.37
bcIMC Active Global Equity Fund	17.444134	30,234,992.83
bcIMC Indexed Global Equity Fund	10.155302	18,150,541.51
		$60,881,171.80

Currency hedges (0.09% of total)

	Units	Market Value
bcIMC Euro Currency Hedging Fund	0.121692	$121,226.59

Real estate (9.43% of total)

	Units	Market Value
bcIMC Realpool Investment Fund	1.492433	$12,407,786.66

Total Defined Retirement Benefit Fund investment portfolio at market value **$131,524,681.17**

APPENDIX D: History of the Plan

Pension plans are of two major types: defined benefit and defined contribution. Under the typical defined benefit plan, a member's pension is determined by a formula based on years of service, salary and age at retirement. Pension payments to the member during his or her retirement remain constant, except for any cost-of-living adjustments. In a defined contribution plan, the contributions of the member and his or her employer, together with net investment earnings or losses, accumulate throughout the member's career. At retirement, the accumulated sum is used to purchase a pension. In a defined contribution plan, net investment returns are obviously of great importance to the member, particularly if the pension is paid in the form of a variable annuity adjusted each year during his or her retirement according to the Plan's performance.

Original Plan provides greater of defined contribution or defined benefit. When the pension plan was established in 1968 to replace the earlier TIAA-CREF money purchase contracts, it retained the defined contribution features for payments at death, before retirement, or on termination of employment, but pensions were to be calculated under a defined benefit formula based on years of service and final average salary to compensate the long-service employees of that time for the inadequacy of earlier University of Victoria pension plans. In 1972, in order to qualify for registration under the *Income Tax Act* and still retain the advantages of the defined contribution features for members who leave the University before retirement, the Plan was amended so that pensions would also be determined on a defined contribution basis. It was possible to retain the defined benefit as a minimum benefit, but the Plan became in essence and intent a defined contribution plan with the expectation that the majority of members would receive a variable annuity that would exceed the defined benefit.

Amendments in 1980s allow members to choose between defined contribution and defined benefit. In 1983 the Plan was amended to permit members, who are eligible to receive a defined contribution pension, to purchase an annuity from a life insurance company. A further amendment in 1985 permitted the selection at retirement of a defined contribution pension even when the initial amount was smaller than the defined benefit.

Income Tax Reform in 1990. In 1991 the Plan was segregated into a **Money Purchase Pension Plan** and a **Combination Pension Plan.** The **Money Purchase Pension Plan** is a defined contribution pension plan for members of the faculty and administrative and academic professional staff holding term appointments or regular (continuing) appointments of 50% or more of full time but less than full time and for assistant teaching professors and sessional lecturers. The **Combination Pension Plan** is for full time continuing members of the faculty and administrative and academic professional staff.

Also in 1991, contributions to member accounts became limited to the defined contribution maximum permitted under the *Income Tax Act*, initially $12,500. In 1994, in response to these limits, the Supplemental Benefit Arrangement (SBA) was created. The SBA is a complement to the Combination Pension Plan. It provides money purchase benefits and, since 2000, defined benefits that can not be provided under the registered pension plan.

Introduction of pension standards in 1993. On 1 January 1993, minimum pension standards legislation became effective in BC. The most significant impact this had on members of the Combination Pension Plan is that contributions made on or after 1 January 1993 must be locked-in to provide a lifetime retirement income. Contributions made prior to 1993 were restricted under the plan document. The restrictions did not amount to full lock-in under pension standards and were removed effective 1 June 2006.

Member contribution rates. Members of the Combination Pension Plan contribute an amount equal to:

(a) 3% of basic salary up to the contributory earnings upper limit for the Canada Pension Plan (the "Year's Maximum Pensionable Earnings" - YMPE), plus
(b) 5% on the salary in excess of that limit, plus
(c) one-third of the amount by which, if any, the University's defined benefit contribution exceeds 1% (1.35% effective 1 May 2011).

Employee contributions are directed to individual Combined Contribution Accounts (CCAs). The CCA balances provide the main part of a member's final pension entitlement in the same way as a defined contribution account.

University contribution rates. Up to 31 December 1990 the University contributed 10% of basic salary minus its Canada Pension Plan contribution. Of this amount, 12% of basic salary less the member's contribution, was directed to each individual's CCA, and the remaining employer contribution was directed into the Defined Retirement Benefit Account (DRBA).

In 1991, to comply with new Income Tax Act rules, the University contributions to individual members' CCAs were revised to equal:

(a) 10.37% of basic salary up the YMPE, plus
(b) 14% of basic salary in excess of the YMPE, less
(c) the individual member's contribution, plus
(d) up to an additional 1% if, on the advice of the actuary, the 1% is not required to fund the defined benefit minimum.

At the same time, University contributions to fund the

...cont'd

defined benefit minimum were revised to equal:

(a) 1% of salary, which at the discretion of the Pension Board acting on the advice of the actuary, could be directed in whole or in part to member's CCAs, plus

(b) such additional contributions as are recommended by the plan actuary to maintain the Defined Retirement Benefit Account on a sound actuarial basis (4.05% of salary effective 1 May 2011).

From 1 January 1991 to 30 June 1993, and from 1 July 1998 to 31 December 2001, the 1% contribution was not required for the defined benefit minimum and, on the advice of the plan actuary, was redirected to members' CCAs. Since that time, plan actuaries have recommended that the 1% of salary be gradually returned to its original purpose, namely to fund the defined benefit minimum (registered plan and/or the Supplemental Benefit Arrangement). Consequently, for 2002, the Pension Board changed the allocations to 0.8% to CCAs and 0.2% to the defined benefit minimum. For 2003 and 2004, the corresponding allocations were 0.7% and 0.3% and, effective 1 January 2005, the full 1% was allocated to accounts funding the defined benefit minimum. The 1% was increased to 5.05% effective 1 May 2011.

Immunization options. A Canadian Government Treasury Bill Fund was created in 1991 and a Short Term Bond and Mortgage Fund was added in 2003. These investment options were removed in 2010 due to lack of use and onerous regulatory requirements. A GIC option was similarly available from 1995 to 2002.

Variable Benefit. On 1 January 1997, the variable withdrawal plan was added as an option for retiring members. The variable withdrawal plan is essentially an income fund operated by the pension plan. It provides members with a regular but flexible retirement income. It was renamed the variable benefit in 2006.

On 1 January 2012, the 5% internal variable annuity ceased to be offered. The change did not affect pensioners already in receipt of the annuity.

APPENDIX E: Service providers

Service providers at the end of December 2014	
Investment Managers	BC Investment Management Corporation (bcIMC) • manages one-half the Canadian equity portion, and all the foreign equity and real estate portions of the Balanced Fund • Manages the foreign equity and real estate portions of the Defined Retirement Benefit Fund Fiera Capital Corporation • manages one-half the Canadian equity portion of the Balanced Fund Phillips, Hager & North Investment Management Limited • manages the fixed income portion of the Balanced Fund and the domestic portion of the Defined Retirement Benefit Fund
Custodian	RBC Investor Services Trust • custodian of plan assets, excluding bcIMC funds • payment service for pensions and taxable lump sums
Investment consultant	Towers Watson
Performance measurement	RBC Investor Services Limited
Actuary	Mercer (Canada) Limited
Auditor	Grant Thornton LLP