2015
Report to Members
University of Victoria
Staff Pension Plan

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Introduction

Dear Plan Members:

The Staff Pension Plan Report to Members for the year ended December 31, 2015 provides a summary of plan provisions, membership statistics, the plan's financial health at the end of the year, and highlights of the changes that have taken place in the plan during the year. Your feedback is important to us. If you would like to suggest content for future publications, please let us know.

Investments and Administration Committee

University of Victoria Staff Pension Plan

Plan Governance

For the purposes of the British Columbia *Pension Benefits Standards Act*, the University is the "administrator" of the plan, and has ultimate legal responsibility for the administration of the plan and the investment of the Trust Fund.

To enable the University to discharge these responsibilities, the Board of Governors has constituted the Governance Committee, the Investments and Administration Committee and the Advisory Committee. The purpose of the committees are:

~ Governance Committee ~

Strategic Planning: establishment and oversight of the plan's mission, goals, and policies

~ Investment & Administration Committee ~

Oversight of investments, operations, and benefits administration

~ Advisory Committee ~

Input on member communications and administration of the plan, promote awareness and understanding of the plan amongst members, former members, and pensioners

Current membership in these committees is shown on the next page.

Plan Governance

~ Continued ~

Governance Committee	Investment & Administration Committee	Advisory Committee
* Kane Kilbey (Chair)	* Kristi Simpson (Chair)	* Kristi Simpson (Chair)
* Kristi Simpson	* Kane Kilbey	* Kane Kilbey
* Gayle Gorrill	* Andrew Coward	* Shari Winter (Exempt)
* John Gilfoyle	* Don Barnhardt	* Marina Baginski (CUPE 917)
* Susan Service (term ended January 6, 2016)	* Stefan Grbavec	* Claude Champagne (CUPE 917)
* Janet McPherson (Secretary)	* Jill Stringer	* Stefan Grbavec (CUPE 951)
	* Kathryn MacLeod	* Kara White (CUPE 951)
	* Tony Eder	* Lillian Carrie (Retiree)
	* Janet McPherson (Secretary)	* Janet McPherson (Secretary)

Plan Provisions

The following description of the University of Victoria Staff Pension Plan is a summary only.

For more complete information, reference should be made to the Plan document, which is available from Pension Services or at www.uvic.ca/financialplanning/pensions/staff

If there is a discrepancy between this publication and the Plan document, the Plan document applies.

Plan Provisions

~ Continued ~

General

The University of Victoria Staff Pension Plan is a registered Pension Plan in the Province of British Columbia (provincial registration #P085215-1). The plan is a defined benefit pension plan that covers primarily regular members of the Canadian Union of Public Employees (CUPE) locals 917, 951 and 4163 and exempt staff.

Funding

A) Member Contributions

In accordance with the plan text, members are required to contribute 4.53% of their basic salary up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($54,900 in 2016), and 6.28% of their basic salary in excess of that amount to the Basic plan to fund basic pension benefits. Members contribute an additional 0.25% of salary to the Supplementary Retirement Benefit Account.

B) Employer Contributions

A valuation for the plan was completed for the year ended December 31, 2013 and no change to the university contribution rate of 11.75% was required. The University also contributes an additional 0.25% of salary to the Supplementary Retirement Benefit Account.

C) Overall Funding Policy

If a future valuation requires contribution changes (up or down) as a result of normal cost changes, then the increase or decrease will be shared on a one-for-one basis between the University and plan members. If there is sufficient surplus in the plan and the University decides to take a contribution holiday, the employees will share equally in the surplus in the form of either a one-time benefit improvement and/or an employee contribution holiday.

Minimum contribution rates will be 10.5% for the University and 4.78% for the employee (6.53% on salary above the YMPE, except at a time when the plan has excess surplus as defined under the *Income Tax Act* and a further reduction in contributions becomes a requirement. The parties may also negotiate a one-time benefit improvement or a combination of an employee contribution holiday and one-time benefit improvement to use the employees' share of excess surplus.

Notwithstanding the above, should the University be required to make contributions as a result of a solvency and/or going concern, the University will contribute 100% of the cost and the University will then be entitled to 100% of future surplus until the amount contributed is fully recovered.

Plan Provisions

~ Continued ~

D) Plan solvency

Under the *Pension Benefits Standards Regulation (BC)*, a pension plan must undertake a plan valuation to assess the financial health of the plan at intervals not exceeding 3 years. During 2014, the plan actuary conducted a valuation as at December 31, 2013. The next valuation of the plan as at December 31, 2016 will be conducted in 2017; the results of this valuation will be available in September 2017.

The solvency valuation assumes that the plan is terminated as at the valuation date. The following table compares the results of the solvency valuation as at December 31, 2013 with the previous valuation at December 31, 2010.

	December 31, 2013	December 31, 2010
A – Solvency Assets	$208,661,091	$166,410,444
B – Solvency Liabilities	250,527,301	199,392,948
Solvency Excess/ (Deficiency) (A-B)	(41,886,210)	(32,982,504)
Solvency Ratio (A/B)	0.83	0.83

As outlined in this table, the Staff Pension Plan would have had a solvency deficit of $41.9 million if the plan were wound up at December 31, 2013. This has a significant impact on the employer funding requirements as set out below.

Section 63 of the Regulation permits a defined benefit plan to fund solvency deficiencies with a letter of credit, which the University has obtained. Therefore, contribution rates were not affected by the solvency deficiencies noted above. All costs associated with the letter of credit (interest and fees) are the responsibility of the University. In 2015 the costs totaled $70,988.

As well as carrying costs for the letter of credit, the University, as employer, also incurs costs when terminated plan members request a lump-sum (commuted value) payment from the plan. To summarize, the Regulation requires that when a letter of credit is used to fund solvency deficiencies, the employer must make a contribution into the plan of an amount that is equal to any transfer deficiency that exists (equal to 100% - 83% = 17%). For example, if the amount of a commuted value payment to a member is $10,000, the employer must contribute $1,700 into the plan to cover this deficiency. In 2015 the employer contributed $180,724 for the commuted value transfer deficiency ($284,369 in 2014).

If a subsequent actuarial valuation reveals that there is no longer a solvency deficiency, then the requirements to fund the solvency deficiency will no longer exist.

Plan Provisions

~ Continued ~

E) Normal retirement

All members are eligible for a retirement benefit. Normal retirement is the end of the month in which the member reaches age 65. Pension benefits are calculated using the following formula:

Benefit Accrual Rate x Highest Consecutive Five Year Average Salary x Years of Credited Service*

The benefit accrual rates since the plan's inception in 1972 are as follows:

	On average salary up to the average YMPE	On average salary over the average YMPE
On service up to December 31, 1989	1.65%	2.00%
On service during 1990 and 1991	1.30%	2.00%
On service from 1992 through 1999	1.50%	2.00%
On service from January 1, 2000	1.70%	2.00%

*full time equivalent

F) Early retirement

Members may elect early retirement at the end of any month following attainment of age 60 with no reduction provided that the member retired from active status. Members may retire between age 55 and 60 on a reduced pension. The reduction rates for retirement on an immediate pension are 3% for each year that the member is under age 60 when the pension commences. The reduction rates are actuarial for retirement from inactive status (deferred) and are between 5% and 6% for each year that the member is under age 65 when the pension commences.

G) Disability pensions

Prior to April 1, 2006, members who became totally and permanently disabled and were in receipt of a disability pension from Canada Pension Plan were eligible to receive a disability pension from the plan equal to the pension they would have received had they continued to contribute to the plan to normal retirement. Only those members who met disability criteria prior to April 1, 2006 are in receipt of this benefit.

H) Adjustments to pensions

Pensions are adjusted each January 1st by reference to the change in the Canadian Consumer Price Index (CPI) to a maximum of +/-3% per year since the member's last contribution date. The change in the CPI effective January 1, 2015 was 1.7%. When the change in the CPI exceeds 3%, the Investments and Administration Committee may authorize additional indexing from the Supplementary Retirement Benefit Account to pensioners who are at least age 66, provided the actuary certifies that the increase can be financed by the assets of the Supplementary Retirement Benefit Account on a sound actuarial basis.

Plan Provisions

~ Continued ~

I) Termination and portability benefits

Upon termination of employment, members may leave their contributions on deposit for a deferred pension or elect to transfer the lump sum commuted value of their pension to a Locked-in Retirement Account or another Registered Pension Plan. If the lump sum commuted value is less than 20% of the YMPE, the member may transfer the commuted value on a non-locked-in basis or receive a cash payment, less withholding tax.

J) Survivor benefits before retirement

If a member dies before retirement and has a spouse, their spouse is automatically entitled to the pension benefit unless they have completed and filed a Spousal Waiver PBSA prescribed Form 4 (pre-retirement) with Pension Services. If they do not have a spouse or their spouse has completed a waiver, the beneficiary is their estate unless they have designated another beneficiary.

For a member without a spouse, the survivor benefit is a lump sum payment, less withholding tax equal to the commuted value that would have been payable had the member terminated employment on their date of death.

For a member with a spouse, the survivor benefit is either an immediate lifetime monthly pension, but guaranteed for 120 payments in any event, which is the actuarial equivalent equal to the commuted value that would have been payable to the member; or, the lump sum commuted value of that pension transferred to a Locked-in Retirement Account, Life Income Fund or another Registered Pension Plan.

K) Survivor benefits after retirement

The survivor benefit after retirement or commencement of a disability pension is determined by the optional form selected by the member when the pension commenced. The normal form for a member who has a spouse is a joint and last survivor pension where 50% of the benefit continues to the surviving spouse. The normal form for a member who does not have a spouse is a single life pension where payments continue for the member's lifetime with a guaranteed minimum of 10 years if the member does not survive for 10 years after retirement. In addition to the normal forms, the following optional forms are also available:

- Joint and last survivor where 60%, 66.7% or 100% of the benefit continues to a surviving spouse.
- Single life where payments continue for the member's lifetime with a guaranteed minimum of 5 or 15 years.

If the member has a spouse, the member must select a form which provides at least a 60% survivor benefit unless the spouse completes a waiver.

Plan Provisions

~ Continued ~

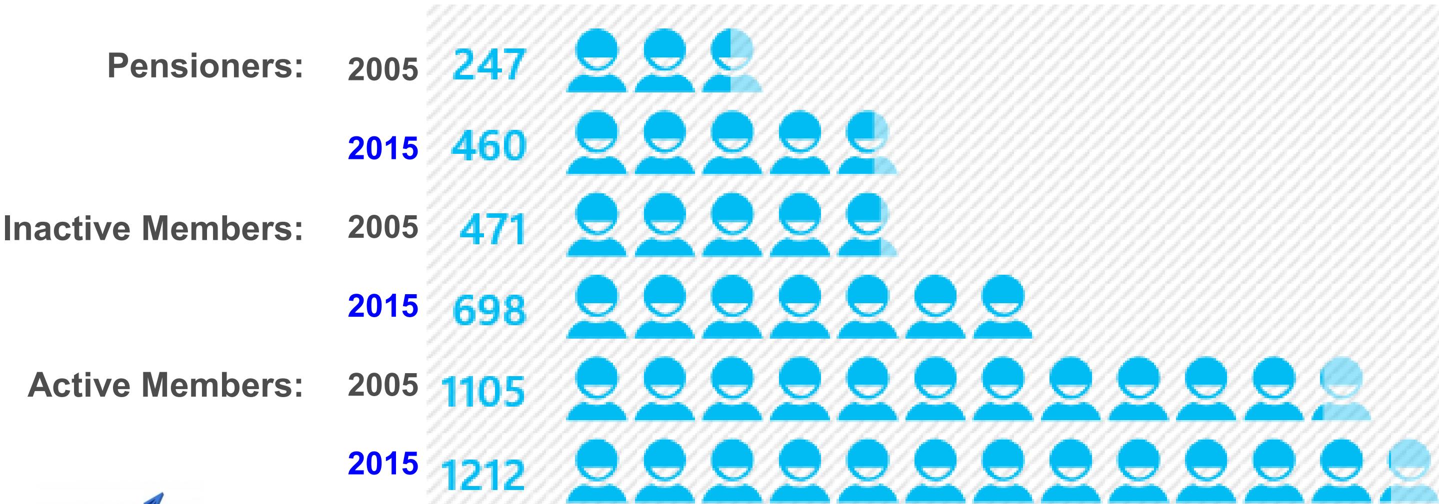
L) Income taxes

The plan is a registered pension plan as defined in the *Income Tax Act (Canada)* and is not subject to income taxes.

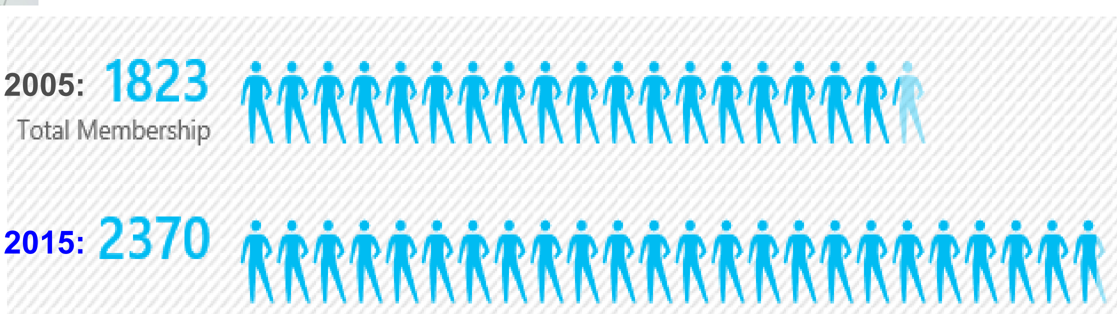
Further details about the pension plan can be found at www.uvic.ca/financialplanning/pensions/staff

Membership Data

Membership Growth: 2005 vs 2015



While the number of active members has grown 10% in the last 10 years, the number of pensioners has increased by 48%, and the total membership has grown 29%.



	2015	2014
Number of withdrawals prior to retirement and small benefit refunds at retirement	52	54
General consumer price index increase applied to pensions on January 1	1.7%	0.9 %
Supplemental increase applied to pensions on January 1	0.0%	0.0 %

Year in Review

Summary of Investment Policy

The University of Victoria Staff Pension Fund is invested in accordance with the requirements of the *Pension Benefits Standards Act* (BC). As required, the University has established a Statement of Investment Policies and Goals for the pension fund. The policy takes into account factors that may affect the funding and solvency of the plan and the ability of the plan to meet its financial obligations. The policy is reviewed at least annually by the investments and Administration Committee and is amended as required by the University's Board of Governors.

It is important to understand the nature of the obligations that are being funded. Pension plans, including this one, have long-term investment horizons and should focus on the longer term. As a result, the plan holds a diversified portfolio of debt and equity instruments that facilitates prudent management of risk. The policy sets out the categories of permitted investments, diversification, asset mix and rate of return expectations.

The long-term investment goal of the fund is to achieve a minimum annualized rate of return, after taking account of investment expenses, of three and one-half percentage points in excess of the Canadian Consumer Price Index. This 3.5% real return objective is consistent with the overall investment risk level that the fund could assume in order to meet the pension obligations of the plan, and normally will be assessed over longer time periods; i.e. over ten years or more. Progress towards this goal will be monitored on a rolling 4-year basis.

ASSET MIX		
	Benchmark Portfolio %	Approved Ranges %
Equities		
Canadian equities	13	8 - 18
Foreign equities	27	22 - 32
Debt		
Bonds	40	30 – 50
Mortgages	0	0 – 5
Short term investments	0	0 – 15
Alternatives		
Infrastructure	10	0 – 15
Real estate	10	0 – 15

To achieve this long-term investment goal, the fund has adopted an asset mix that has a bias to equity investments. Risk is controlled by investing in a well-diversified portfolio of asset classes and managers, and may include hedging of foreign currency. The fund employs an active management style. Active management provides the opportunity to outperform specific investment benchmarks.

Financial Summary

December 31, 2015 (Expressed in $000's)	**2015**	**2014**
CONTRIBUTIONS		
Members:		
Current service	2,148	2,116
Voluntary	46	59
Supplementary retirement benefit	117	114
University:		
Current service	5,513	5,365
Supplementary retirement benefit	117	115
Commuted value transfer deficiency	181	284
	8,122	8,053
Plus INVESTMENT GAIN (LOSS)	**16,426**	21,836
Minus BENEFIT PAYMENTS		
Retirement pensions	7,008	6,416
Disability pensions	186	205
Lump sum withdrawals and transfers on termination and death	1,167	2,081
	8,361	8,702
Minus OPERATING EXPENSES		
UVic administration	217	209
Actuarial fees	45	107
Consulting, audit & legal fees	51	28
Provincial registration fees	12	12
	325	356
Equals NET INCREASE IN THE FUND	15,862	20,831
Plus TOTAL FUND AT THE BEGINNING OF THE YEAR	229,492	208,661
Equals TOTAL FUND AT THE END OF THE YEAR	**245,354**	229,492
FUNDS AVAILABLE FOR BENEFITS		
Basic Plan	230,885	216,166
Supplementary Retirement Benefit Account	13,555	12,463
Members' Additional Voluntary Contribution Accounts	914	863
TOTAL FUNDS	**245,354**	229,492

Financial Summary

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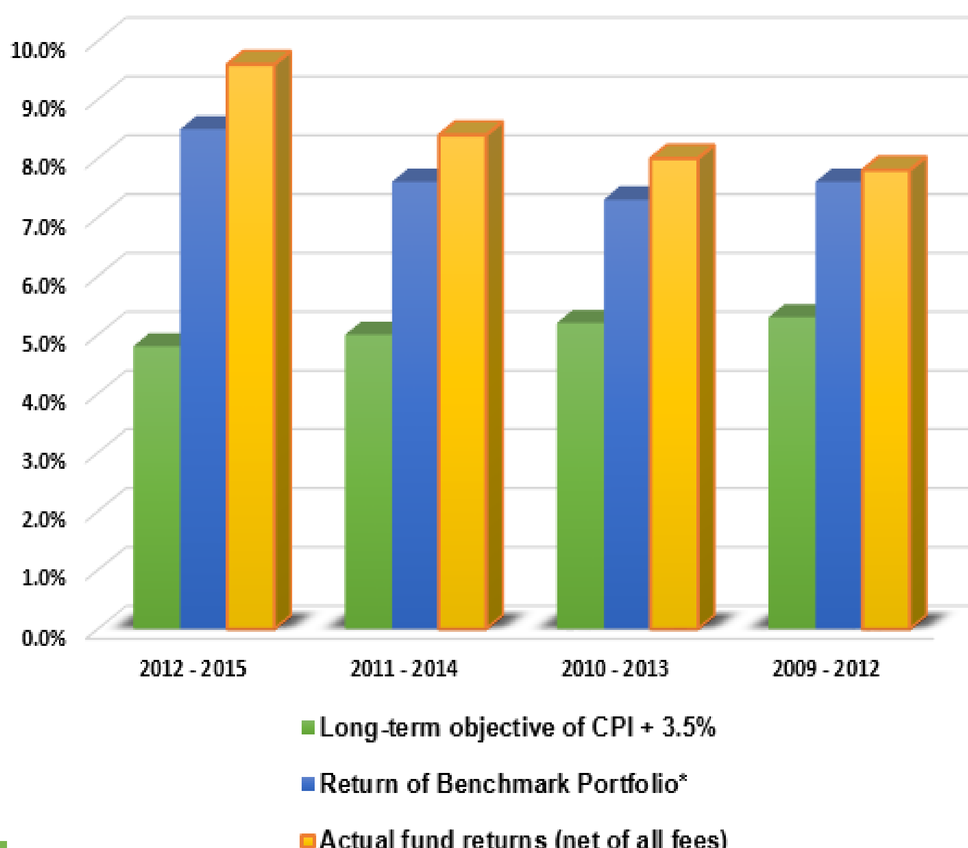
Investment

Pension funds are invested as follows:

December 31, 2015 (Expressed in $000's)	2015	2014
Cash, short term notes and accounts receivable	3,752	3,151
Bonds - Canadian	89,198	79,274
Mortgages	7,680	6,762
Currency hedging funds	(1,372)	390
Common stocks - Canadian	27,764	31,369
Common stocks - US	9,589	18,820
Common stocks - EAFE	68,651	53,462
Real estate	22,756	24,563
Infrastructure	17,336	11,704
	245,354	229,495
Investment gain after deducting all expenses	7.02%	10.31%

Four-Year Annualized Total Fund Returns



2012-2015

Actual Four-Year

Total Fund Returns : 9.60%

Benchmark Portfolio: 8.50%

Long Term Objective: 4.80%

Full financial statements are available on the Pension Services website at www.uvic.ca/financialplanning/pensions/staff or you can request a copy by contacting Pension Services.

*comprised of a composite of market indices.

Financial Summary

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Four-Year Annualized Returns
By Asset Class and Investment Manager

Asset Class	Fund Manager	Benchmark	Return of Benchmark %	Actual Portfolio Returns[1] %
Canadian Equity[2]	Burgundy Asset Management Ltd.	S&P/TSX Capped Composite Index	5.3	4.3
Foreign Equity	BC Investment Management Corp (bcIMC)	MSCI World ex-Canada Net Index (Cdn. $)	20.8	22.0
Canadian Fixed Income	Phillips, Hager & North Investment Management	FTSE TMX Universe Bond Index total return	3.6	4.4
Real Estate	BC Investment Management Corp (bcIMC)	Change in the Canadian CPI + 4% per annum	5.3	9.5
Infrastructure	Macquarie Infrastructure	Change in the Canadian CPI + 5% per annum	6.3	12.2

[1] All returns shown are gross of fees except Macquarie which are net of fees
[2] Burgundy Asset Management was hired in December 2013, replacing both SRI/PCJ and bcIMC

Summary of Plan Amendments

On May 11, 2015, the British Columbia government released the new *Pension Benefits Standards Regulation* (PBSR), which details the implementation requirements under the new *Pension Benefits Standards Act* (PBSA). This was the first comprehensive review of the Act and regulations since the original Act and Regulations came into force in 1993 and is therefore quite substantive. Plan administrators were given until December 31, 2015 to amend Plan texts so that they comply with the requirements of the new PBSA and PBSR, but the Plan must be (and has been) administered in accordance with the new legislation effective September 30, 2015.

Various other 'housekeeping' revisions that provide clarity were also incorporated into the amendment. As required under Section 30 of the PBSR in regard to disclosure, following is a summary only of the amendments that affect the member's benefits and an explanation of how those amendments affect those benefits.

A full version of the amended Plan document is available at www.uvic.ca/financialplanning/pensions/staff/

Summary of Plan Amendments

~ Continued ~

Plan Section	New Provision(s)	Effect of amendment on administrative practice or plan member
11 Death Benefit	Pre-retirement death benefit for a member with a spouse is now a lifetime benefit of the actuarial equivalent of 100% of the member's commuted value accrued to the date of death, but guaranteed for 10 years in any event.	Benefits between members with or without spouses are now more equivalent. Compliance with new PBSA requirements.
	Spouse can waive entitlement to the benefit, but cannot then be designated as the non-spousal beneficiary to receive a lump-sum payment.	
18 Miscellaneous	Change to 'small benefit threshold' for lump-sum commuted values to be now only based on lump-sum amount of anything below 20% of the current Year's Maximum Pensionable Earnings (YMPE). Transferred out lump-sum amounts above the threshold can only be accessed for pension-type benefit payments (i.e., are "locked-in"). The small benefit threshold is no longer tied to the year the member terminated employment and therefore now increases over time.	The change will result in an increased number of commuted values being transferred on a locked-in basis only.
	The Investments and Administration Committee now has discretion to require the payout of small benefits in a lump sum.	Very small pensions may not be offered as an option at retirement.
	The Plan was revised to include new unlocking provisions to comply with PBSA Sec 69 and as permitted under Section 89(2).	Under specific circumstances members may now be able to remove locked in funds due to shortened life expectancy.
21 Additional Voluntary Contributions (AVCs) (new section)	The new PBSA now requires, at a minimum, the University to allow the account holder of the AVC the option to have the University negotiate and purchase an outside annuity on behalf of the member.	Given the implications for increased administrative cost and plan risk, the AVC provisions were revised so that new contributions are no longer allowed.
22 Change in membership to other University Plans (new section)	New PBSA allows employee to commence a pension at minimum age 55 in one University pension plan while actively contributing to another (The PBSA still allows restriction of commuted values).	Previously employees were not allowed to commence a pension until termination of active membership from all University Plans. A member may now access their Staff pension while employed at UVic in a position not covered by the Staff Plan.
	New Plan provisions set parameters for reductions (subsidized vs actuarial) for commencing Staff Plan while contributing to other University of Victoria plans.	

Service Providers

For the year 2015

Investment Managers	BC Investment Management Corporation (bcIMC)	Manages the global equity and real estate portion of the fund	bcimc.com
	Phillips, Hager & North	Manages the fixed income portion of the fund	phn.com
	Burgundy Asset Management Ltd	Manages the Canadian equity portion of the fund	burgundyasset.com
	Macquarie Infrastructure	Manages the infrastructure investments of the fund	macquarie.com
Trustee of Fund	RBC Investor Services Trust	Acts as the trustee of the plan assets (under the direction of the plan) and provides payment service for pensions and lump-sum payments	rbcits.com
Consultant	Willis Towers Watson	Investment Consultant Performance Measurement Consultant Actuary	willistowerswatson.com
Auditor	Grant Thornton LLP		grantthornton.ca

Contact Us

Plan Administration

More information about the University of Victoria Staff Pension Plan can be found on our website: www.uvic.ca/financialplanning/pensions/staff

Retiring members should contact Pension Services **at least 3-6 months before** their retirement date.

General enquiries or requests for statements can be directed to Pension Services:

Email: pensions@uvic.ca
Phone: (250) 721-7030

Physical & courier address:
Pension Services
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ASB—Room B278
3800 Finnerty Road
Victoria BC V8P 5C2

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