2016
Report to Members
University of Victoria
Staff Pension Plan

University of Victoria

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An electronic version of this document is available by request from Pension Services or at www.uvic.ca/financialplanning/pensions/staff/reports

Introduction

Dear Plan Members:

The Staff Pension Plan Report to Members for the year ended December 31, 2016 provides a summary of the Plan's 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

The following description of the University of Victoria Staff Pension Plan (Registration #P085215) 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 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. Membership to these committees is detailed on the following page.

Plan Governance

Staff Plan Committee Members

~ Governance Committee ~

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

- Kane Kilbey (Chair)
- John Gilfoyle
- Gayle Gorrill
- Susan Service
  (term ended January 6, 2016)
- Kristi Simpson
- Christa Taylor
  (as of January 3, 2017)
- Janet McPherson (Secretary)

~ Investment & Administration Committee ~

Oversight of investments, operations, and benefits administration

- Kristi Simpson (Chair)
- Don Barnhardt
- Andrew Coward
- Tony Eder
- Stefan Grbavec
- Kane Kilbey
- Kathryn MacLeod
  (term ended March 2017)
- Tom Phipps
  (as of March 2017)
- Mark Stephenson
  (as of November 2016)
- Jill Stringer
  (term ended September 2016)
- Janet McPherson (Secretary)

~ Advisory Committee ~

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

- Kristi Simpson (Chair)
- Kane Kilbey
- Janet McPherson (Secretary)

CUPE 917:

- Marina Baginski
  (term ended May 2016)
- Claude Champagne
- Jodie McLean
  (as of January 2017)

CUPE 951:

- Stefan Grbavec
- Kara White

STAFF EXEMPT:

- Shari Winter

RETIREE:

- Lillian Carrie

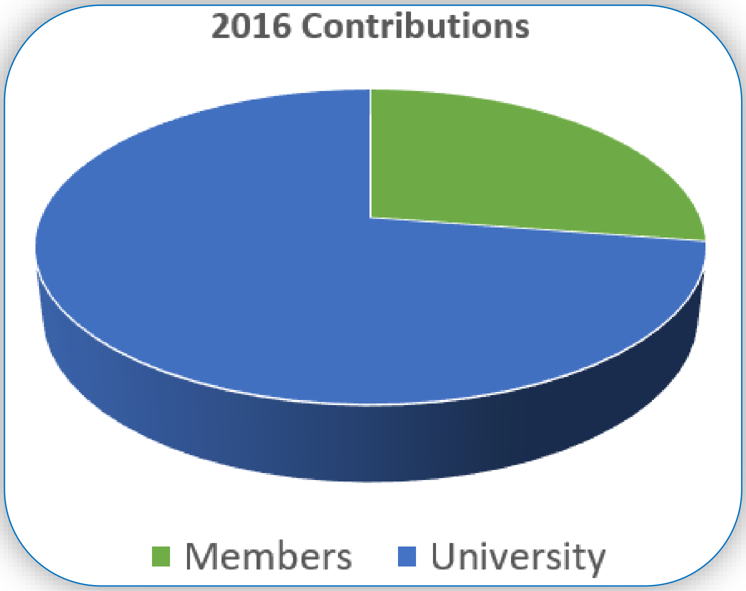
Plan Provisions

Eligibility

The University of Victoria Staff Pension Plan is a registered Pension Plan in the Province of British Columbia. 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.

Contributions

Members are required to contribute 4.53% of their basic salary up to the Canada Pension Plan [Year's Maximum Pensionable Earnings](#) (YMPE), and 6.28% of their basic salary in excess of that amount. The University contributes 11.75 % of members' basic salary.



In addition, members and the University both contribute an additional 0.25% to the Supplementary Retirement Benefit Account which, funds permitting, allows an annual adjustment for eligible pensioners based on changes to the Consumer Price Index (CPI). This process is described in more details in the Pension Benefits section of this report.

The Staff Pension Plan's Funding Policy guides the evaluation of contribution rates, which are set based on actuarial valuations (completed at least every three years). Please refer to the Overall Funding section of this report for more information.

Defined Benefit

In a defined benefit pension plan such as this one, benefits are determined by a formula that indicates the amount members will receive when they retire. This formula is based on average salary, age at retirement, years of service, and the pension accrual rate. Therefore, contributions and investment returns do not determine the final benefit; they are merely a funding mechanism.

A summary of retirement benefits is included in the following pages. For more complete information and additional details, please visit the Staff Pension Plan website at www.uvic.ca/financialplanning/pensions/staff

Pension Benefits

A summary of pension benefits is provided below. Please visit the Staff Pension Plan website to access the Plan Document, which provides details on Plan membership, benefits, survivor benefits, and other provisions (which can be accessed here: www.uvic.ca/financialplanning/pensions/staff).

Normal Retirement

All Plan members are eligible to receive a retirement benefit. The normal retirement age is 65, and the benefits are calculated using the following formula:

Pension Accrual Rate x Highest Consecutive Five Year Average Salary[1] x Years of Credited Service

If applicable, early retirement reductions and adjustments resulting from optional survivor benefit selections are applied to the result of the above formula. An individualized projection is included in the Member Statement that is issued annually with this report.

The pension accrual rates vary based on when service was credited to the member. Detailed rates are available on the Staff Pension Plan website.

Early Retirement

Members can retire on a reduced pension between age 55 and age 60 (there is no reduction once a member reaches age 60[2]). A 3% reduction rate is applied for each year of difference between the member's age at retirement and age 60. For example, if the member is 58 years old, the reduction is 3% x (60-58) = 6%.

The reduction rates are significantly larger if the member had already left the employ of the University prior to age 55: in such cases, a reduction is applied, generally up to 6% for each year of difference between the member's age at retirement and age 65[3].

Disability Pensions

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

Annual Adjustment to Pensions

Pensions are adjusted each January 1st, based on the Consumer Price Index (CPI) increase, to a maximum of +3% per year since the member's last contribution date. The change in the CPI effective January 1, 2016 was 1.3%.

In addition, when the change in the CPI exceeds 3%, additional indexing from the Supplementary Retirement Benefit Account may be available to pensioners who are at least age 66[4].

[1] Full Time Equivalent (FTE)
[2] Provided that the member retired from active status
[3] Reduction rates are based on the member's age at retirement. Detailed rates are available on the Staff Pension Plan website
[4] Funds permitting

Pension Benefits

Options on Termination (Leaving the Plan)

A member who leaves the Plan, usually by leaving his or her employment at the University, may elect one of the following options:

- Leave their contributions on deposit for a deferred pension
- Transfer the commuted value to a Locked-in Retirement Account (LIRA) or another Registered Pension Plan.
- If the commuted value is less than 20% of the YMPE, the member may transfer it on a non-locked-in basis or receive a cash payment, less withholding tax.

Survivor Benefits Before Retirement

Survivor benefits are paid to a surviving spouse or beneficiary in the event of the member's death.

Spouses are automatically entitled to the survivor benefits. Other beneficiaries can only be designated if the spouse chooses to waive this entitlement by submitting a waiver to Pension Services.

A surviving spouse has the following options:

- Receive an immediate lifetime monthly pension (with single life guarantee of 10 years) from the Plan; or
- Transfer the commuted value of the pension (in a lump sum) to a Locked-in Retirement Account (LIRA), Life Income Fund (LIF) or another Registered Pension Plan.

A beneficiary or, if there are no beneficiaries, the estate would receive the survivor benefit if the member does not have a spouse, or if the spouse has waived his or her entitlement. In this case, the survivor benefit is the lump sum commuted value that would have been payable had the member left his or her employment on their date of death (less withholding tax).

Survivor Benefits After Retirement

The survivor benefit after retirement is determined by the option selected by the member at retirement (the member's monthly pension amount will differ based on the survivor benefit selected):

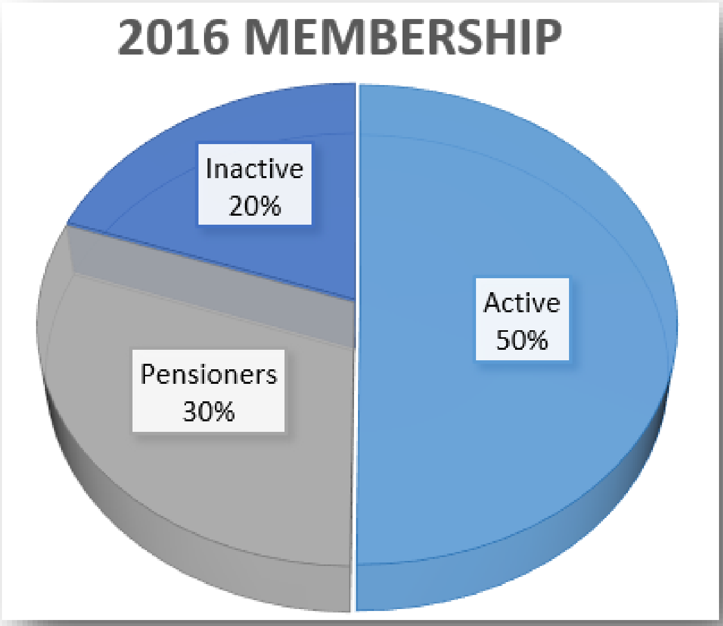
Option[1]	Description	Note
Joint Life	Payments continue for the member's lifetime, but a selected percentage of the benefit will continue to the spouse for his or her lifetime (if pre-deceased by the member).	Percentages available: 50%, 60%, 66.7%, or 100%
Single Life	Payments continue for the member's lifetime, with a guarantee period during which a survivor benefit would be paid to a beneficiary designated by the member or their surviving beneficiary. If the member lives beyond the guarantee period, there is no survivor benefit.	Guaranteed minimum period: 5, 10 or 15 years

[1] If the member has a spouse, the member must select a form which provides at least a lifetime 60% survivor benefit unless the spouse chooses to waive that right.

Membership at a Glance

Active members are members who are still employed by the University and contributing to the Plan. Inactive members are members who have transferred to another plan or terminated employment but have not yet elected a benefit. Pensioners are members and beneficiaries who are drawing a monthly pension from the Plan.

	2007	2016
Active	1137	1221
Pensioners	513	736
Inactive	359	476



Membership Highlights

The Staff Pension Plan's total membership has grown approximately 20% in the last 10 years.

In 2016, Active members represented approximately 50% of members in the Plan. This group has grown 7% in the last 10 years. In contrast, the Pensioners and Inactive Members group (combined) has grown 38% over the same period.

Total Membership	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	2009	2099	2148	2191	2232	2229	2210	2300	2370	2433

OVERALL FUNDING

Funding Policy

Under the *Pension Benefits Standards Regulation (BC)*, a pension plan must undertake an actuarial valuation at least every three years. This type of valuation determines, among other things, whether the contribution rates are adequate. If a future valuation requires contribution changes (up or down), then the difference will be shared between the University and Plan members.

Minimum contribution rates will be 10.5% for the University and 4.78% for the employee (6.53% on salary above the YMPE), unless the Plan has excess surplus and a reduction in contributions becomes a requirement[1]. Additional terms are outlined in the Plan document, which is available on the Staff Pension Plan website: www.uvic.ca/financialplanning/pensions/staff

Solvency Valuation

A solvency valuation is an actuarial valuation that assumes the unlikely scenario where the Plan is terminated as at the valuation date. The following table provides the results of the last solvency valuation completed as at December 31, 2013. The next valuation of the Plan will be conducted in 2017 (as at December 31, 2016).

December 31, 2013	(expressed in $000's)
A = Solvency Assets	$208,661
B = Solvency Liabilities	250,527
A –B = Excess (Deficiency)	**(41,886)**
A/B = Solvency Ratio	**0.83**

As outlined in this table, the Staff Pension Plan would have had a solvency deficit of $41.9 million if the Plan was wound up at December 31, 2013. An employer is required to fund a solvency deficit, and this has a significant impact on the University funding requirements, as set out below. 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.

Funding Requirements

- **Letter of Credit**

A defined benefit plan is permitted to fund solvency deficiencies with a letter of credit, which the University has obtained. All costs associated with the letter of credit (interest and fees) are the responsibility of the University. In 2016, the costs totaled $68,837.

- **Commuted Value Transfer Deficiency**

The University, as employer, also incurs costs when terminated Plan members request a lump-sum (commuted value) payment from the Plan. 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.

The solvency transfer deficiency is calculated as: (1- solvency ratio) x amount transferred. For example, if the amount of a transfer to a member is $10,000, the employer must contribute (1- 0.83) x $10,000 = $1,700 into the Plan to cover this deficiency. In 2016 the University contributed $377,051 for the commuted value transfer deficiency.

[1] To use the employees' share of excess surplus, the parties may negotiate a one-time benefit improvement or combine the same with an employee contribution holiday. 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 will then be entitled to 100% of future surplus until the amount contributed is fully recovered.

Financial Summary

As at December 31, 2016 (Expressed in $000's)		2016	2015
Contributions			
Members -	Current Service	$ 2,179	$ 2,148
	Voluntary[1]	0	46
	Supplementary Retirement Benefit	119	117
University -	Current Service	5,591	5,513
	Supplementary Retirement Benefit	119	117
	Commuted Value Transfer Deficiency	377	181
		8,385	**8,122**
Investment Gain / (Loss)		**15,192**	**16,426**
Benefit Payments			
Retirement Pensions		(7,568)	(7,008)
Disability Pensions[2]		(153)	(186)
Lump Sum Withdrawals and Transfers		(2,263)	(1,167)
		(9,984)	**(8,361)**
Operating Expenses			
UVic Administration		(267)	(217)
Actuarial Fees		(6)	(45)
Consulting, Audit & Legal fees		(33)	(51)
Provincial Registration Fees		(13)	(12)
		(319)	**(325)**
Net Increase (Decrease) in the Fund		**13,274**	**15,862**
Fund at Beginning of Year		245,354	229,492
Fund at End of Year		**$ 258,628**	**$ 245,354**
Funds Available for Benefits			
Basic Plan		$ 243,105	$ 230,885
Supplementary Retirement Benefit Account		14,601	13,555
Members' Additional Voluntary Contribution Accounts		922	914
Total Funds		**$ 258,628**	**$ 245,354**

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

[1] As of December 2015, Voluntary Contributions are no longer allowed but previous contributions remain in the Plan until paid.
[2] Only members who met the criteria prior to April 1, 2006, are in receipt of this benefit.

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 amended when required by the Board of Governors.

The Staff Pension Plan is a defined benefit plan, which means investment returns do not determine the members' benefits; they are merely a funding mechanism.

Investment Objectives

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 investment expenses, of four percentage points in excess of the Canadian Consumer Price Index (CPI)[1]. This 4% 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.

Policy Asset Mix

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.

POLICY ASSET MIX	Benchmark Portfolio %	Approved Ranges %
Equities		
Canadian Equities	13	8 - 18
Foreign Equities	27	22 - 32
Fixed Income		
Bonds	40	30 – 50
Mortgages	0	0 – 5
Short Term Investments	0	0 – 15
Alternatives		
Infrastructure	10	0 – 15
Real Estate	10	0 – 15

[1] 2016 CPI: 1.4. 2015 CPI: 1.1.

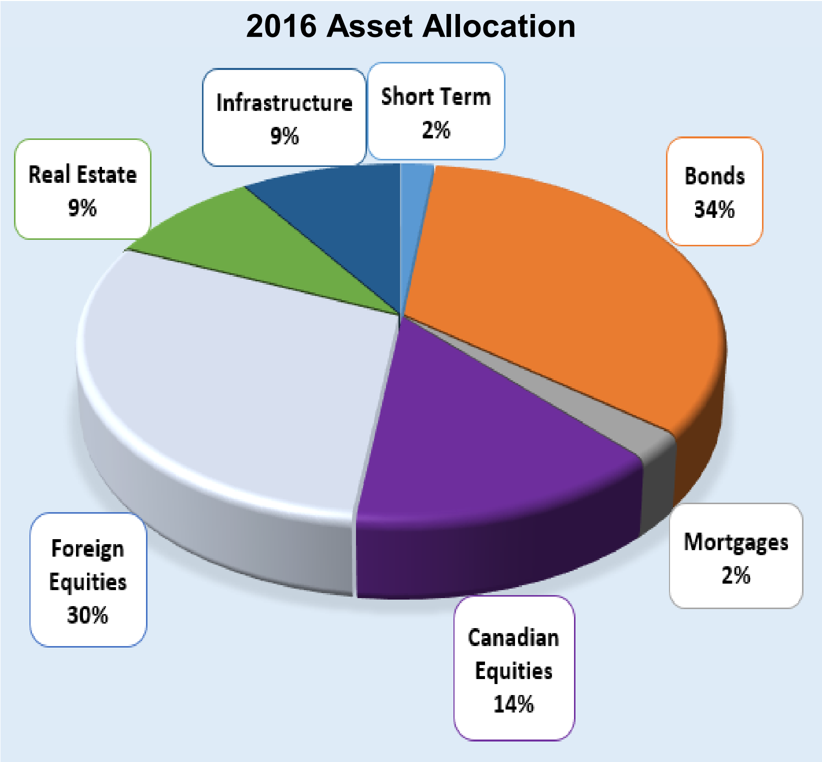
PERFORMANCE SUMMARY

Actual Asset Mix

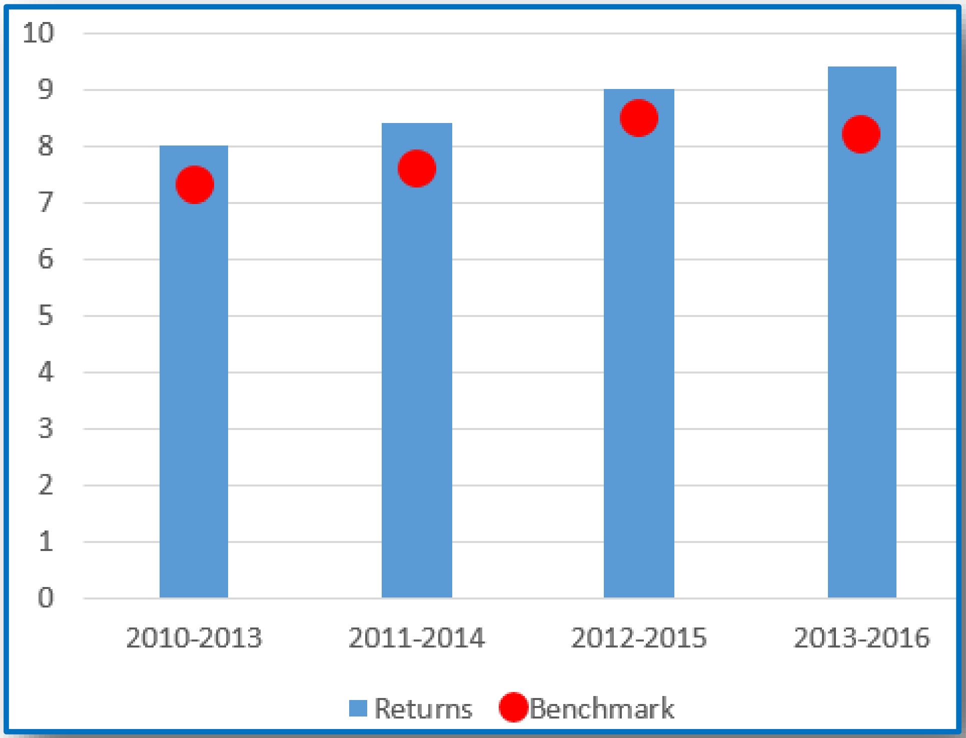
Pension funds are invested as follows[1]:

	2016	2015
Short Term	4,815	3,752
Bonds - Canadian	87,724	89,198
Mortgages	6,190	7,680
Currency Hedging Funds		(31)
Canadian Equities	35,758	27,764
Foreign Equities	76,758	78,240
Real Estate	23,239	22,756
Infrastructure	24,144	15,994
Total	**258,628**	**245,354**

1 Expressed in $000's. Some inconsistencies may exist due to rounding



Four-Year Annualized Total Fund Returns



2013-2016
Actual Four-Year
Total Fund Returns : 9.4%
Total Fund Benchmark: 8.2%

2012-2015
Actual Four-Year
Total Fund Returns : 9.6%
Total Fund Benchmark: 8.5%

Performance Summary

Annualized Returns By Asset Class

Asset Class	Benchmark	1 year Benchmark %	1 year Returns %	4 year Benchmark %	4 year Returns %
Canadian Equity	S&P/TSX Composite Index	21.1	28.8	8.5	8.7
Foreign Equity	MSCI World ex-Canada Net Index (Cdn. $)	3.3	1.0	18.0	17.9
Fixed Income	FTSE Canada TMX Universe Bond Index total return	1.7	3.1	3.1	4.0
Real Estate	Change in the Canadian CPI + 4% per annum	5.6	5.7	5.5	6.9
Infrastructure	Change in the Canadian CPI + 5% per annum	6.6	16.2	6.5	11.7
Total Fund	Composite Benchmark[1]	5.5	6.8	8.2	9.4

[1] Long term total fund target is CPI + 4%

Service Providers

Auditor	Grant Thornton LLP	
Investment Managers	BC Investment Management Corp (bcIMC)	Foreign Equity, Real Estate
	Phillips, Hager & North Investment Management	Fixed Income
	Burgundy Asset Management Ltd.	Canadian Equity
	Macquarie Infrastructure J.P. Morgan Asset Management[1]	Infrastructure
Consultant	Willis Towers Watson	• Investment Consultant • Performance Measurement • Actuary
Trustee of Fund	RBC Investor & Treasury Services Trust	• Acts as the trustee of the Plan assets (under the direction of the Plan) • Provides payment service for pensions and lump-sum payments

[1] Funds invested in 2017

Contact Us

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
University of Victoria
MWB (formerly ASB) Room B278
3800 Finnerty Road
Victoria BC V8P 5C2

Mailing address:
Pension Services
University of Victoria
PO Box 1700, STN CSC
Victoria BC V8W 2Y2

Glossary

Actuarial valuation: An assessment of the financial position of a pension plan. The valuation provides information on the adequacy of the employee and employer contribution rates; it is also to be used for filing purposes with the regulatory authorities, and for accounting purposes in a plan's financial statements. An actuary prepares a plan valuation at least once every three years.

Commuted value: The lump sum amount of money that needs to be set aside today, at current market interest rates, to provide enough funds to pay for a pension when a plan member retires. The lower the current interest rates, the higher the commuted value will be, because it is assumed that the amount today will earn less from now until retirement; and, conversely, the higher the current interest rates, the lower the commuted value.

Consumer price index (CPI): A measure of the average price of consumer goods and services purchased by households. A consumer price index measures a price change for a constant market basket of goods and services from one period to the next. For more information: www.statcan.gc.ca

Deferred pension: A pension benefit that is not payable until a later date, either because the member has terminated employment prior to earliest retirement age, or because the member chooses to defer the pension in order to receive an unreduced pension.

Pension accrual rate: The rate at which pension rights accumulate for each year of credited service. See the Pension Benefits section of this report for information about accrual rates in the plan, or refer to the Pension Services website at www.uvic.ca/financialplanning/pensions/staff/retirement

Year's Maximum Pensionable Earnings (YMPE): Maximum salary limit for contributions to the Canada Pension Plan, set by Canada Revenue Agency each year according to a formula based on average wage levels. In 2017, this amount was $55,300. For more information: www.cra-arc.gc.ca

2016

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