



MONEY PURCHASE PENSION PLAN

2019 ANNUAL REPORT



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STAY INFORMED

In the spirit of sustainability, some sections of the Annual Report have been extracted and added to the Pension Services website.

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

- Retirement dates
- Options at retirement
- Options when leaving UVic
- Survivor Benefits
- History of the Plan

Audited financial statements and detailed portfolio holdings continue to be available on Pension Services' website.

The last two years have provided a striking example of the importance of a long-term view of Pension, or indeed any, investing. 2018 yielded a net Plan return of negative 0.4% and, in contrast, 2019 provided positive 16.1%.

The recovery last year probably surprised many pundits, since it essentially extended the longest bull market in history beginning after the crash of 2008. For the 11 year period since that crash to December 2019, the Plan has yielded annualized net returns of about 9%. Unfortunately, as I write this in early March, and with a good Plan return of 2.2% for January, the coronavirus is causing wild daily fluctuations in the markets. Clearly, the future for returns in 2020 is completely unknown at this point, but once again: remember the long-term!

Our most important indices all performed well: S&P/TSX Composite (22.9%), S&P 500 (30.4% in US\$), FTSE Canada Universe Bonds (6.9%). The modest rise in the Canadian dollar relative to the US dollar over the year reduced the S&P yield to 25.2%.

From a total plan return perspective, we continued in 2019 to perform well relative to other pension plans. We ranked at the 15th percentile of our peer universe in 2019 for our 1 year return of 16.64%; 37th percentile on a 4-year basis with a return of 7.61%; and, 14th over 10 years for our very solid 8.7% annual returns. Individual manager performance was more varied with Canadian and foreign equities above the median return of the peer universe at the 49th and 32nd percentiles respectively while fixed income performance was 84th percentile due to the portfolio being defensively positioned. Trustees remain satisfied with our manager selections on a performance basis. There is also evidence that our managers tend to perform rather better than their peers in down markets which adds some stability to our asset mix. More detailed information on the breakdown of our assets between managers and asset classes and the individual returns for those assets is included on page 10 of this report.

Among our service providers, Phillips Hager and North (PH&N) continue to manage our fixed income portfolio. As I reported last year, we have shifted our fixed investment assets from the very traditional PH&N Enhanced Total Return Bond Fund to their Core Plus Bond Fund. This fund accesses off-benchmark investments and global fixed income markets to seek yield-enhancing and diversifying opportunities beyond domestic Universe bonds. These yield-enhancing strategies, commonly known as “Plus” strategies, include the use of mortgages, private placement corporate debt, North American and global high yield bonds, and emerging market debt. It is hoped that these strategies offer both the potential to earn more while interest rates are near historic lows and further diversification in sources of incremental return. Management of the main Canadian equity assets continues to be divided roughly equally between Fiera Capital and BCI (formerly BC Investment Management Corporation). Management of the real estate assets also rests with BCI via their RealPool fund, but there have been significant changes there. BCI has taken the decision to move from a purely domestic portfolio to a more global portfolio. The ultimate aim is about 30% global (probably mostly American). For both the change in the bond fund and this real estate change, it is too early to assess results.

Many of you will already be aware of an important change in our Custodian, where we have switched, effective January 1, 2020 from RBC to Northern Trust. The Custodian provides a range of essential services including custody of our assets, reconciliation and documentation of accounts, performance reporting and, of course, payments to pensioners and provision of documentation for tax purposes. The Board is hopeful that

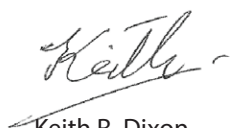
the switch in providers will offer an improved and wider range service, whilst being more cost efficient.

Going forward, the Board has initiated more detailed discussions with our managers regarding their consideration and reporting of environmental, social and governance (ESG) issues, including climate change and the associated risks. This process will lead to a new Statement of Investment Beliefs and generally closer scrutiny of our managers' policies and reporting. It will likely result in some modifications to our existing Statement of Investment Policies and Procedures.

You will recall that your Board of Trustees is composed of eight trustees, four of whom are appointed by the Board of Governors. Trustee terms are normally three years, and those terms were finished for Michael Miller and Susan Service at the end of 2019. Both of those valuable Trustees were re-selected to new three-year terms in the elections late last year so as a result there are no changes in the composition of the Board from 2019 to 2020. Many congratulations to Michael and Susan, and our thanks for agreeing to continue as Trustees.

In 2019 we had three sub-committees composed as follows, with the first named serving as Chair in each case: Investment (Lisa Hill, Ori Granot, Michael Miller, and Susan Service); Policy & Procedures (Michael Miller, David Boudinot and John Gilfoyle); and Governance (Keith Dixon, Lisa Hill, and Michael Miller). Thanks are due to all these hard-working people for agreeing to stand as Trustees. Especial plaudits are due to Lisa and Michael for undertaking the extra work of chairing sub-committees. Investment and Policy are complex and at times demanding of special skills and knowledge, so we are fortunate indeed to have these very hard-working and competent people. Michael has also continued in his role as Vice-Chair, and I thank him for his wise use of his extensive experience in University administration and for his counsel and support throughout the year.

Best wishes to all for the coming year and beyond,



Keith R. Dixon
Chair, Board of Pension Trustees

GOVERNANCE

The Money Purchase Pension Plan (the “Plan”) is governed by the Pension Board. The Pension Board is legally responsible for the investment of funds and financial management of the Plan, and to ensure the Plan is administered in accordance with the Trust Agreement, the *Income Tax Act*, and British Columbia’s *Pension Benefits Standards Act*.

There are eight Trustees on the Pension Board, who also serve as the Board for the University of Victoria Combination Pension Plan. Trustees’ terms are up to three years.

The Trustees have a fiduciary duty to act in the best financial interest of Plan beneficiaries and as a result, they have an obligation to ensure every decision made as Trustees is motivated by the aim of furthering the interest of the Plan’s beneficiaries.

2019 PENSION BOARD TRUSTEES

APPOINTED	TERM ENDING
Dr. Keith Dixon (Chair) <i>Professor Emeritus, Department of Chemistry</i>	December 31, 2020
Mr. John Gilfoyle <i>Investment & Strategy Consultant</i>	June 30, 2021
Ms. Lisa Hill <i>Senior Vice-President, Portfolio Manager, Raymond James Ltd.</i>	August 31, 2020
Ms. Kristi Simpson <i>Associate Vice-President, Financial Planning & Operations</i>	Appointed ex-officio
	TERM ENDING
Mr. David Boudinot <i>Acquisitions librarian, UVic libraries</i>	December 31, 2020
Dr. Ori Granot <i>Facility Manager, Department of Chemistry</i>	December 31, 2020
Dr. Michael Miller (Vice-Chair) <i>Professor Emeritus, Department of Computer Science</i>	December 31, 2022
Ms. Susan Service <i>Professional accountant</i>	December 31, 2022

The Trust Agreement between the University of Victoria and the Pension Board sets out the rights and responsibilities of the Pension Board, as well as the rules and procedures related to the appointment and selection of Trustees.

Additional information, including the Trust Agreement, is available at www.uvic.ca/pensions, or by request from Pension Services.

In 2019, the Plan was amended to remove the option for members on a temporary reduction of appointment after November 26, 2019 to elect to make additional contributions on the basis of the difference between their actual and deemed earnings during the reduced appointment.

PLAN AMENDMENTS

FINANCIAL HIGHLIGHTS

INVESTMENTS

MARKET VALUE OF INVESTMENTS	2017	2018	2019
Expressed in \$000's	\$	\$	\$
Balanced Fund	64,367	64,923	78,372

INVESTMENT RETURNS		2017		2018		2019	
Expressed in \$000's		\$	%	\$	%	\$	%
Balanced Fund	Gross returns	5,568	9.52	19	0.03	10,857	16.50
	Expenses	-205	-0.35	-303	-0.45	-299	-0.45
	Net returns	5,363	9.17	-284	-0.42	10,558	16.05

CONTRIBUTIONS & BENEFIT PAYMENTS

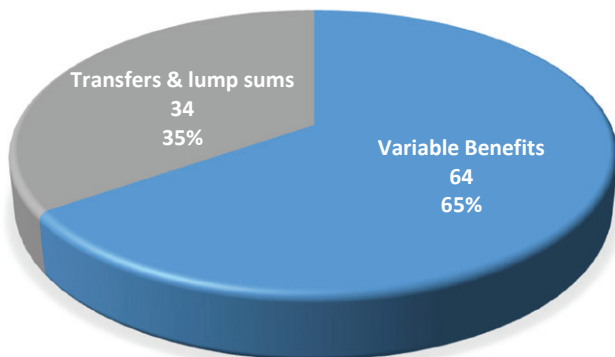
TOTAL CONTRIBUTIONS		2017	2018	2019
Expressed in \$000's		\$	\$	\$
Members	Required	907	923	963
	Voluntary	50	41	46
	Transfers in	370	391	1,599
University (Required)		2,124	2,153	2,239
Total		3,451	3,508	4,847

VALUE OF BENEFIT PAYMENTS 2019 (\$000's)

TRANSFERS & LUMP SUMS
\$1,087

VARIABLE BENEFITS
\$842

NUMBER OF BENEFIT PAYMENTS 2019



VALUE OF BENEFIT PAYMENTS	2017	2018	2019
Expressed in \$000's	\$	\$	\$
Variable Benefits (VB)	470	732	842
Transfers & lump sums	2,023	1,935	1,087
Total	2,493	2,667	1,929

FINANCIAL HIGHLIGHTS

EXPENSES

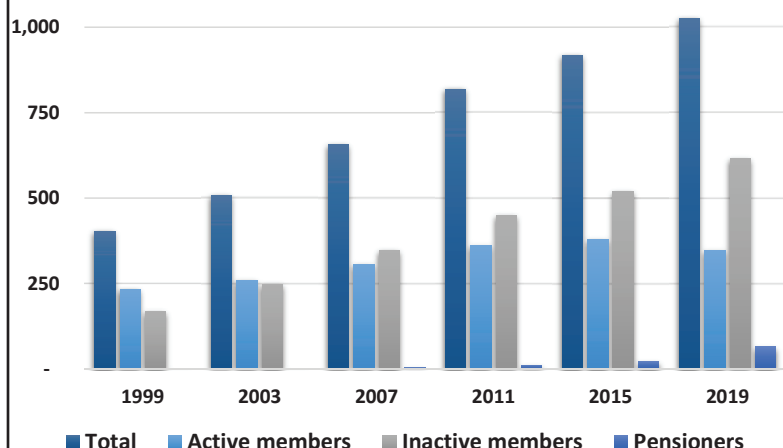
This table details the expenses incurred to invest and administer the Plan. Expenses are deducted from gross returns to determine net returns, which are distributed to members' accounts.

BALANCED FUND EXPENSES						
	2017		2018		2019	
Expressed in \$000's	\$	%	\$	%	\$	%
Investment management ¹	163	0.29	252	0.38	235	0.35
Custodial and consulting	8	0.01	8	0.01	6	0.01
Office and administration ²	27	0.04	36	0.05	37	0.06
Audit and legal	7	0.01	7	0.01	21	0.03
Total expenses	205	0.35	303	0.45	299	0.45

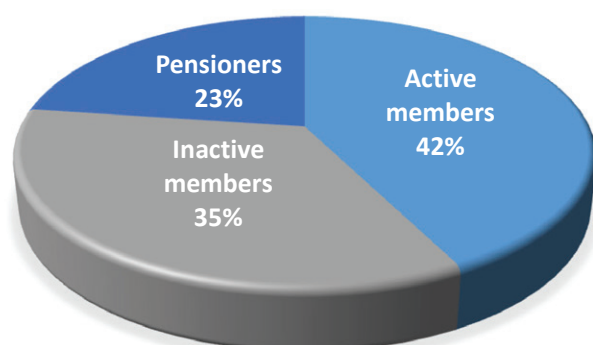
¹ The 2018 figure includes BCI's allocation of an accrued liability related to an ongoing GST/HST court case contesting the Government of Canada's challenge to the Pooled Investment Portfolios' immunity from taxation, for the period ended March 31, 2018.

² 1.52% of the 2018 office and administration expenses were for individual Trustee expenses.

MEMBERSHIP 20 YEAR HISTORY



2019 DISTRIBUTION OF ASSETS



MEMBERSHIP

These charts describe the distribution of assets in 2019 among different member groups, as well as the status and growth in Plan membership since 1999. The Money Purchase Plan comprised 1,025 members in 2019, an increase over 918 total members in 2018.

ACTIVE MEMBERS are employed by the University and contributing to the Plan. In 2019, this group comprised 346 members, down from 378 in 2015.

INACTIVE MEMBERS have transferred to another UVic plan or 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. In 2019, the number of inactive members grew to 615, compared to 519 in 2015.

PENSIONERS are members and/or beneficiaries who are drawing a monthly pension from the Plan. This option became available to members in 2006, and within the next year, 4 members took the option. There were 64 pensioners in 2019, an increase of 14 from 2018.

INVESTMENTS: POLICIES & OBJECTIVES

THE BALANCED FUND

Individual member accounts (Money Purchase Contribution Accounts, Variable Benefit Accounts and Voluntary Contribution Accounts) are held in the Balanced Fund, together with the assets of the Combination Pension Plan.

INVESTMENT POLICY AND ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS

The Pension Board has established a Statement of Investment Policies and Procedures (SIPP) to formulate those investment principles, guidelines and monitoring procedures that are appropriate to established objectives. The Policy is reviewed at least annually, and sets out the categories of permitted investments, diversification, asset mix and rate of return expectations.

Under the SIPP, investment managers are encouraged to consider environmental, social and governance (ESG) related risks. In addition, managers are required to report at least annually on how ESG factors are incorporated into their investment decision making, and the Pension Board considers this information in its evaluation of prospective investment managers.

Currently, all investment managers involved with the Balanced Fund are signatories to the United Nations-supported Principles for Responsible Investment.

RISK TOLERANCE

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.

PERFORMANCE EXPECTATIONS

Over rolling four-year periods, the minimum return expectations are:

- 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 benchmark 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 total fund benchmark for the Balanced Fund is a composite of the benchmarks for the individual asset classes.

PERFORMANCE MONITORING

The primary objective for the Fund 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.

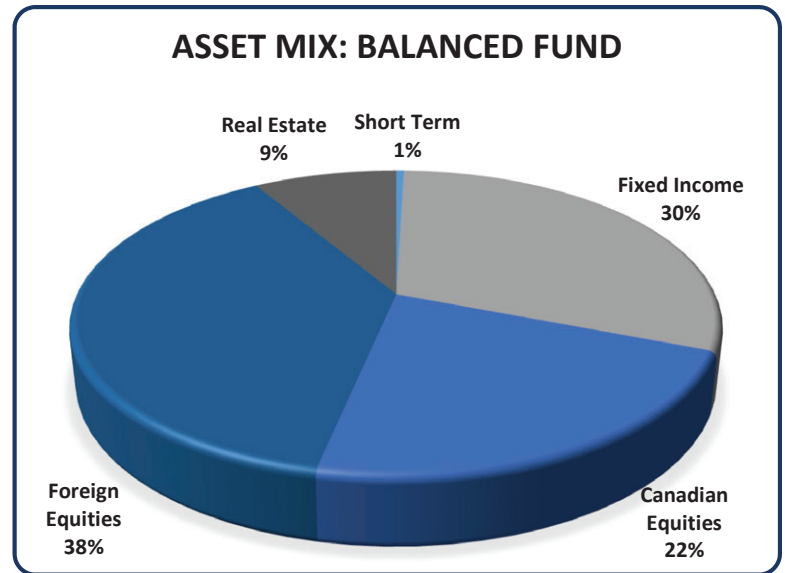
The Pension Board's Investment Sub-Committee monitors and reviews performance and reports to the Pension Board. While short-term results are of interest, it is important to recognize that an investment strategy ought to provide good results over the longer term. As a consequence, the Pension Board focuses on evaluating investment performance over rolling four-year periods.

INVESTMENTS

ASSET MIX

This chart illustrates the Fund's asset mix, as at December 31, 2019. Assets are invested with three investment managers, as described in the Service Providers section of this report. The Portfolio Holdings section of this report also provides a summary of the Fund's holdings.

2019 ASSET MIX		\$	%
Balanced Fund	Short Term	5,330	0.45
	Fixed Income	362,497	30.44
	Canadian Equities	266,971	22.42
	Foreign Equities	454,064	38.13
	Real Estate	101,915	8.56
	TOTAL MARKET VALUE	1,190,777	100.00



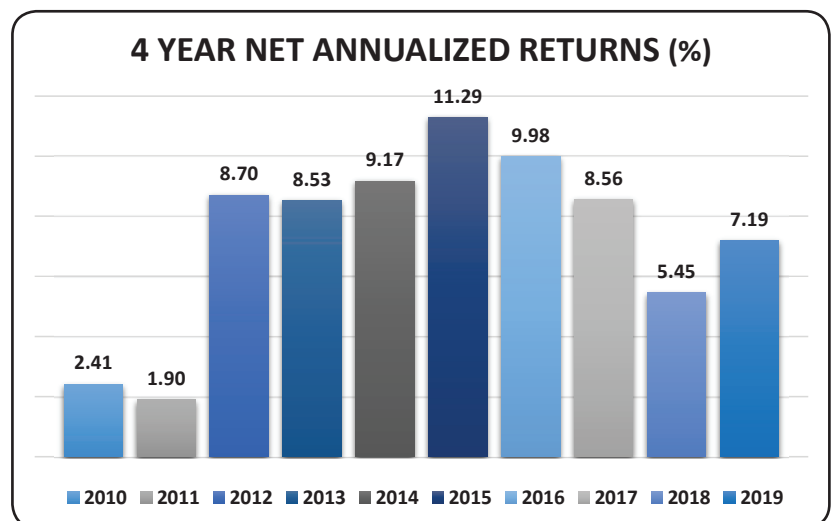
TOTAL PLAN PERFORMANCE

This table shows the annualized rates of return for the Balanced Fund portfolio over the last ten years. The four year net returns are also illustrated in the chart below.

Gross returns are calculated before expenses. Net returns are calculated after all investment and operating expenses. The net rate of return is credited to members' individual Money Purchase Contribution Accounts (MPCA), Variable Benefit Accounts (VBA) and Additional Voluntary Contribution Accounts (AVCA).

Past performance is not a reliable indicator of future performance.

BALANCED FUND ANNUALIZED RETURNS (%)				
Period ended December 31	1 YEAR		4 YEAR	10 YEAR
	Gross	Net	Net	Net
2019	16.50	16.05	7.19	8.34
2018	0.03	-0.42	5.45	8.30
2017	9.52	9.17	8.56	6.57
2016	4.98	4.63	9.98	5.92
2015	9.10	8.71	11.29	6.70
2014	12.21	11.87	9.17	7.07
2013	15.31	15.00	8.53	7.04
2012	9.98	9.69	8.70	7.01
2011	0.92	0.64	1.90	5.59
2010	9.56	9.28	2.41	5.73



INVESTMENTS

MANAGERS ALLOCATION & PERFORMANCE

The information shown here provides a snapshot of the asset mix, the allocation among the Balanced Fund's investment managers, and the associated performance returns for each asset class, compared to a set benchmark.

Please refer to the Service Providers section for a full description of the investment managers' mandates.

BALANCED FUND	Allocation (%)			Return (%)			
	Actual	Benchmark		1 YEAR	1 YEAR	4 YEAR	4 YEAR
	WEIGHT	WEIGHT	ALLOWABLE RANGE	GROSS	BENCHMARK	GROSS	BENCHMARK
SHORT-TERM							
BCI	0.2						
PH&N	0.0						
Fiera	0.2						
Total	0.5	0.0	0-21	1.2	1.7	1.2	1.0
FIXED INCOME							
PH&N	30.4	36.0	20-46	6.9	6.9	3.7	3.1
CANADIAN EQUITIES							
BCI	11.3		9-13	23.0		10.0	
Fiera	11.1			23.5		9.6	
Total	22.4	22.0	14-27	24.0	22.9	10.0	10.3
FOREIGN EQUITIES							
BCI	38.1	32.0	20-40	24.4	21.2	10.3	9.4
REAL ESTATE							
BCI	8.7	10.0	5-15	7.3	6.3	6.3	6.0
TOTAL FUND				16.6	14.9	7.6	7.1

BENCHMARKS

In 2019, the benchmarks were:

- Short term: FTSE Canada 91-day T-Bill Index
- Fixed income: FTSE Canada Universe Bond Index
- Canadian equities: Benchmark: S&P/TSX Capped Composite Index
- Foreign equities: MSCI World Ex-Canada Net \$Cdn Index
- Total fund: Composite benchmark

PORTFOLIO HOLDINGS

BALANCED FUND, AS AT DECEMBER 31, 2019

ASSET	MARKET VALUE \$
	Expressed in \$000's
SHORT-TERM INVESTMENTS (0.45%)	
CANADA TREASURY BILLS	2,705
POOLED FUNDS	2,623
CURRENCY HEDGES	2
CANADIAN BONDS (30.44%)	
POOLED BOND FUNDS	362,497
CANADIAN EQUITIES (22.42%)	
CONSUMER DISCRETIONARY	5,165
CONSUMER STAPLES	10,027
ENERGY	15,885
FINANCIALS	41,621
HEALTH CARE	0
INDUSTRIALS	18,933
MATERIALS	12,297
INFORMATION TECHNOLOGY	10,530
TELECOMMUNICATION SERVICES	3,738
UTILITIES	3,482
POOLED FUNDS	145,293
FOREIGN EQUITIES (38.13%)	
POOLED FUNDS	454,064
REAL ESTATE (8.56%)	
POOLED FUNDS	76,505
SEGREGATED FUNDS	25,193
HEDGES	217
TOTAL BALANCED FUND PORTFOLIO	1,190,777
COMBINATION PENSION PLAN	1,112,405
MONEY PURCHASE PENSION PLAN	78,372

Some inconsistencies may exist due to rounding.

A full and detailed listing of portfolio holdings can be obtained at www.uvic.ca/pensions or by contacting Pension Services.

INVESTMENT MANAGERS

BC Investment Management Corporation (BCI)

Manages one-half the Canadian equity portion, and all the foreign equity and real estate portions of the Balanced Fund.

Fiera Capital Corporation

Manages one-half the Canadian equity portion of the Balanced Fund.

Phillips, Hager & North Investment Management Limited (PH&N)

Manages the fixed income portion of the Balanced Fund.

CUSTODIAN

RBC Investor & Treasury Services

Custodian of Plan assets (excluding BCI funds) and benefit payment service.

Effective December 1, 2019

The Northern Trust Company, Canada

INVESTMENT CONSULTANT

Willis TowersWatson

PERFORMANCE MEASUREMENT

RBC Investor & Treasury Services

AUDITOR

Grant Thornton LLP

SERVICE PROVIDERS

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

Retiring members should contact Pension Services 3-6 months before their retirement date. Individual meetings are available by appointment.

The precise terms of the Plan are provided in the Plan Document, which can be obtained at www.uvic.ca/pensions, or by request from Pension Services. We make every effort to ensure that all information in this report is accurate and complete. Should any discrepancy exist, the Plan Documents, statutes, or regulations shall apply.

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

HOW TO REACH PENSION SERVICES:

EMAIL: pensions@uvic.ca

TELEPHONE: (250) 721-7030

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