



# **Staff Pension Plan 2018 Report to Members**





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## **\*\* NEW \*\***

In the spirit of sustainability, some sections of this report have been extracted and added to Pension Services' new and improved website. Please visit the Staff Plan website or contact Pension Services to access the following information:

- Pension formula & adjustments
- Survivor benefits & optional forms
- Leaving UVic & changes to your employment

Audited financial statements continue to be available on the Staff Plan website.



Photo credit: [3dman\\_eu](#)

# INTRODUCTION

Dear Plan members:

The Staff Pension Plan Report to Members for the year ended December 31, 2018 provides a summary of the Plan's financial health at the end of the year, membership statistics, and highlights of the activities that have taken place during the year.



This year, the plan benefit information that was previously included in this report have been moved to the Staff Plan website, where it can be more easily accessed when needed. Your feedback is important to us. If you would like to suggest content for future publications, please let us know (contact information is included at the end of this report).

Investments & Administration Committee  
University of Victoria Staff Pension Plan

## PLAN GOVERNANCE



For the purposes of the British Columbia *Pension Benefits Standards Act*, the University 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 carry out its responsibilities, the Board of Governors has constituted three committees, whose roles and membership are described below.

### GOVERNANCE COMMITTEE

KANE KILBEY (CHAIR), JOHN GILFOYLE, GAYLE GORRILL,  
KRISTI SIMPSON, CHRISTA TAYLOR

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

### INVESTMENTS & ADMINISTRATION COMMITTEE

KRISTI SIMPSON (CHAIR), DON BARNHARDT, ANDREW COWARD, TONY EDER,  
AMY ERRINGTON (FROM APRIL 2018), KANE KILBEY, TOM PHIPPS (TO JUNE 2018),  
MARK STEPHENSON, DAVID WOLOWICZ (FROM OCTOBER 2018)

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

### ADVISORY COMMITTEE

KRISTI SIMPSON (CHAIR), KANE KILBEY  
CUPE 917: CLAUDE CHAMPAGNE, JODI MCLEAN  
CUPE 951: KARA WHITE, KIRSTEN KOPP (FROM JULY 2018)  
EXEMPT: SHARI WINTER  
RETIREE: LILLIAN CARRIE (TO MAY 2018)

This Committee provides input on member communications and on the administration of the Plan and promotes awareness and understanding of the Plan among members

# STRATEGIC UPDATES

## Strategic plan (2017 - 2019)

In 2018, the Committees established a list of priorities focusing on five broad strategic goals, which were described in more details in the 2017 Report to Members. A summary of the Strategic Plan and its guiding principles can be found on the Staff Plan website.


### MISSION STATEMENT

To provide sound governance and prudent oversight of the management of the plan assets and administration so that current and retired plan members are assured a secure pension.

## 2018 Asset Liability Modeling Study (ALM)

An ALM is a risk management tool that provides a thorough assessment of the Fund's assets and liabilities based on a number of different scenarios.

An ALM was completed in 2018 and as a result, the Investments & Administration Committee (IAC) recommended some adjustments to the Fund's asset allocation to help improve outcomes. These changes are shown in the accompanying table, and will be implemented in 2019.

Change	Asset	2018 target	2019 target
	Global equities	27%	30%
	Infrastructure	10%	15%
	Canadian equities	13%	10%
	Fixed income	40%	35%

## 2018 Investment beliefs

The IAC began developing a formal set of investment beliefs to address such topics as currency hedging, portfolio management, and responsible investing, as summarized below. The IAC will continue to work on formulating other beliefs in 2019 and 2020.

### PORTFOLIO MANAGEMENT

- Active investment management will add value relative to its benchmark net of fees;
- The number of mandates within an asset class should be dictated by the size of the mandate, the size of the investable universe and the ability to achieve the diversification benefits within an asset class with multiple managers; and
- Diversification is a core portfolio management strategy.

### CURRENCY HEDGING

Over the long term, investment returns are not materially affected by currency fluctuations; however, short term variability of returns can arise from these positions.

### RESPONSIBLE INVESTING

- As a long term investor, responsible investing and taking environmental, social and governance (ESG) factors into consideration, can have a positive effect on long term performance;
- Measures consistent with the United Nations Principles for Responsible Investing (UNPRI) are applied in the evaluation and monitoring of current and prospective investment managers; and
- All existing managers provide regular reporting on ESG factors and, if applicable, proxy voting.



# INVESTMENT POLICY

A Statement of Investment Policies and Goals (SIP&G) sets out the investment objectives, asset mix, and categories of permitted investments for the Staff Plan. The Plan's investment managers invest in accordance with the requirements of the SIP&G and applicable legislation.

Please visit the Staff Plan website for more information.

## Investment objectives

### LONG TERM OBJECTIVE:

**CPI + 4%**

Pension plans have long-term investment horizons. The long term objective of the Fund is to achieve a net annualized return of four percentage points in excess of the Consumer Price Index (CPI). This real return objective is consistent with the level of risk assumed to ensure the Plan's obligations can be met, and progress toward this goal is monitored quarterly and assessed over four-year periods.

### A defined benefit plan!

Investment performance is an important mechanism for funding the Plan's benefits.

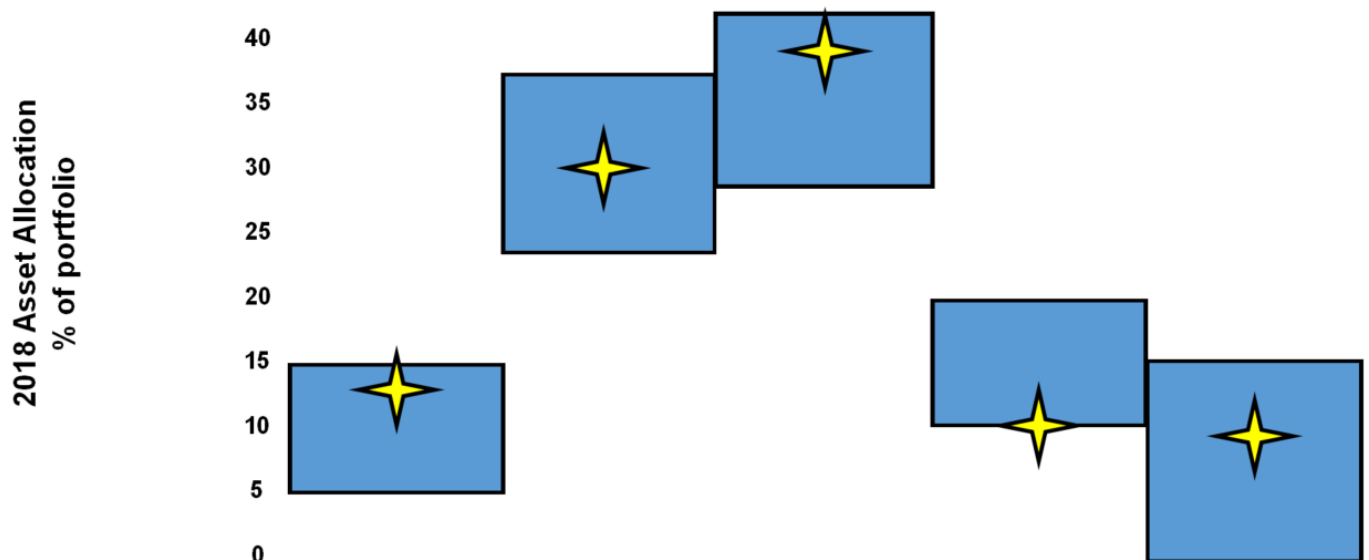
However, as the Staff Pension Plan is a defined benefit plan, investment performance does not directly affect members' monthly pensions.

## 2018 asset allocation

To achieve this long-term investment goal and to manage risk, a well-diversified portfolio of asset classes and managers was established.

As per the requirements of the SIP&G, the Fund's asset allocation is monitored against established allowable ranges for each asset class. The investment managers are monitored carefully, and they regularly report to the Investments and Administration Committee on investment performance and strategy, responsible investing, and other important topics.

The 2018 asset allocation is reflected in the chart below. As reported on the previous page, the Fund portfolio was revised in January 2019 as a result of an Asset Liability Modeling Study completed in 2018.



Asset class	Canadian equities	Global equities	Fixed income	Infrastructure	Real estate
Actual	12	30	39	10	9
Allowable range	5-15	24-36	28-42	10-20	0-15

# ACTUARIAL VALUATIONS

Actuarial valuations assess the financial health of a Plan and determine the contribution requirements. They are completed at least once every three years. The next valuations will be completed in 2020 (for the 2016 to 2019 period).

There are two types of valuations: going concern and solvency. The results of the last valuations were reported in more detail in the 2017 Report to Members. In summary:

Valuations (for the period ended December 31, 2016)			
Going Concern valuation		Solvency valuation	
Assumes the Plan will continue to exist. Allows to determine the appropriate contribution rate for the following three years. Contribution rates have been stable since 2011.		Assumes the Plan is terminated on the valuation date. Required under BC pension legislation.	
<b>Actuarial surplus</b> Assets-liabilities. Expressed in \$000's	46,033	<b>Solvency deficiency</b> Assets - liabilities. Expressed in \$000's	(64,803)
<b>Funded ratio</b> Assets / liabilities	122%	<b>Solvency ratio</b> Assets / liabilities	80%

On a going concern basis, 122% funded ratio is considered healthy, and the assumption that the Plan will continue to operate is reasonable.

On the other hand, the solvency deficiency tells us that, if the Plan had terminated at the end of 2016, the value of the Plan's assets would not have been sufficient to cover the benefits at that time. However unlikely this scenario may be, UVic is required to fund the solvency deficiency, and a Letter of Credit was secured to do so for 2018. UVic is also required to fund transfer deficiencies that occur when inactive members elect to transfer out of the Plan.

In 2018, UVic paid a total of \$417,144 as a result of the Staff Plan solvency deficiency.

## POSSIBLE REFORM TO SOLVENCY REQUIREMENTS

In 2018, the BC Ministry of Finance released a consultation paper to review the current solvency funding framework, and set out several possible reforms with related questions.

UVic engaged in the consultation process, and an update from the Ministry is expected in 2020.

## PLAN AMENDMENT

Following a cyclical review by the Canada Revenue Agency (CRA) of the Plan's compliance with the *Income Tax Act*, the CRA requested amendments to two sections of the Staff Plan Document. In both cases, these changes were housekeeping in nature and did not have any effect on the Plan benefits or the administration of the Plan.

The amended Plan Document was approved by the Board of Governors in 2019, with an effective date of November 2018, as requested by the CRA.

Please visit the Staff Plan website to obtain a copy of the Staff Pension Plan Document.



Photo credit: [3dman\\_eu](#)

# 2018 MEMBERSHIP HIGHLIGHTS

The Staff Pension Plan covers primarily regular members of the Canadian Union of Public Employees (CUPE) locals 917, 951 and 4163 and exempt staff.

## ACTIVE MEMBERS

are currently employed by the University and actively contributing to the Plan.

## INACTIVE MEMBERS

have changed pension plan or left UVic. As a result, they are no longer contributing but are not yet receiving a pension.

## PENSIONERS

are members and beneficiaries who are receiving a monthly pension from the Plan.

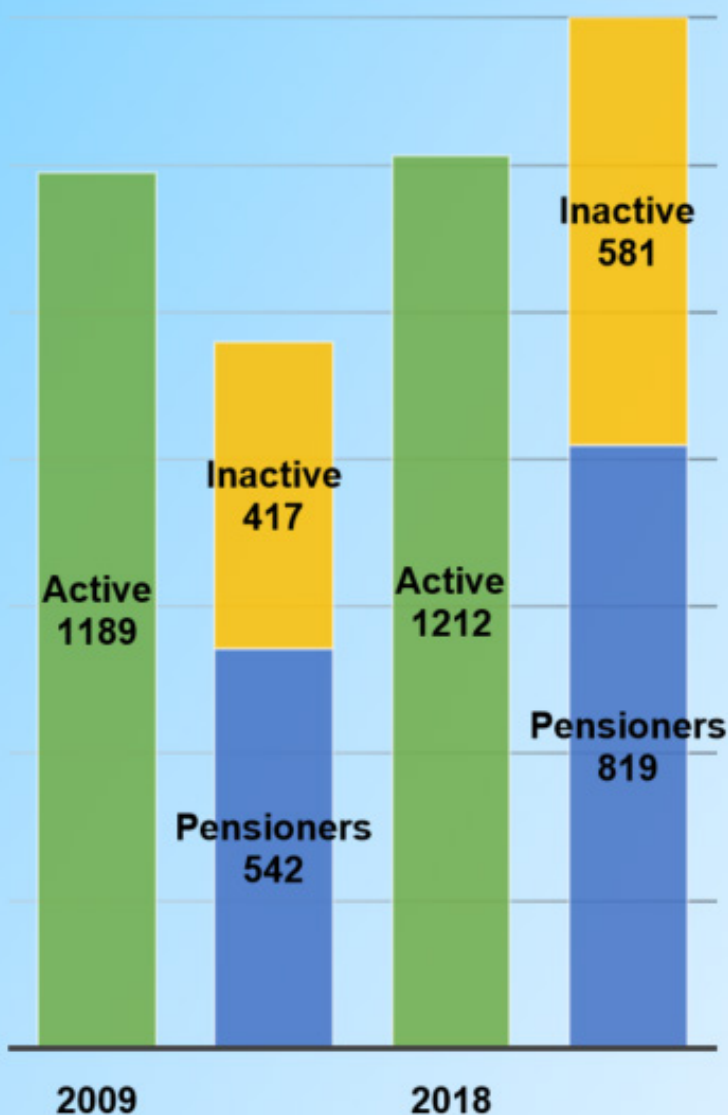
Membership growth		
Year	2009	2018
Active	1189	1212
Inactive	417	581
Pensioners	542	819
Total	2148	2612

The table above reports on the Plan's membership in 2018, compared to 2009. Of note, the Plan membership grew to 2612 members in 2018, which represents a net gain of 464 over the last 10 years.

The accompanying chart illustrates how the number of active members, who are contributing to the Plan, has remained relatively stable since 2009. However, this group's relative size, as a percentage of total membership, is decreasing over time (from 55% in 2009, to 47% in 2018).

In contrast, pensioners have experienced a significant gain during the same period, and the number of non-contributing members (pensioners combined with inactive members), is growing faster than active members.

Distribution of membership  
10 years at a glance





# 2018 FINANCIAL SUMMARY<sup>1</sup>

	2018	2017
	Expressed in \$000's	
<b>CONTRIBUTIONS</b>		
Members Current service	2,259	2,209
Voluntary	0	0
Supplementary retirement benefit	124	121
University Current service	5,813	5,671
Supplementary retirement benefit	124	121
CV Transfer Deficiency	299	393
<b>Total contributions</b>	<b>8,619</b>	<b>8,515</b>
<b>INVESTMENT GAIN/(LOSS)</b>	<b>3,648</b>	<b>18,508</b>
<b>BENEFIT PAYMENTS</b>		
Retirement pensions	(8,968)	(8,153)
Disability pensions <sup>2</sup>	(102)	(134)
Withdrawals and transfers on termination and death	(1,503)	(2,354)
<b>Total benefit payments</b>	<b>(10,573)</b>	<b>(10,641)</b>
<b>OPERATING EXPENSES</b>		
Pension Services	(363)	(275)
Actuarial	(10)	(130)
Consulting, Audit & Legal	(28)	(39)
Provincial registration	(13)	(13)
<b>Total operating expenses</b>	<b>(414)</b>	<b>(457)</b>
NET INCREASE (DECREASE) IN THE FUND	1,280	15,925
FUND AT BEGINNING OF YEAR	274,553	258,628
<b>FUND AT END OF YEAR</b>	<b>275,833</b>	<b>274,553</b>
<b>FUNDS AVAILABLE FOR BENEFITS</b>		
Basic Plan	258,574	257,713
Supplementary Retirement Benefit Account	16,266	15,852
Additional Voluntary Contribution Accounts <sup>3</sup>	993	988
<b>Total funds</b>	<b>275,833</b>	<b>274,553</b>

Complete financial statements are available on the Staff Pension Plan website ([www.uvic.ca/pensions/staff-plan/governance/reports](http://www.uvic.ca/pensions/staff-plan/governance/reports)) or by request from Pension Services.

1 Some inconsistencies may exist due to rounding.

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

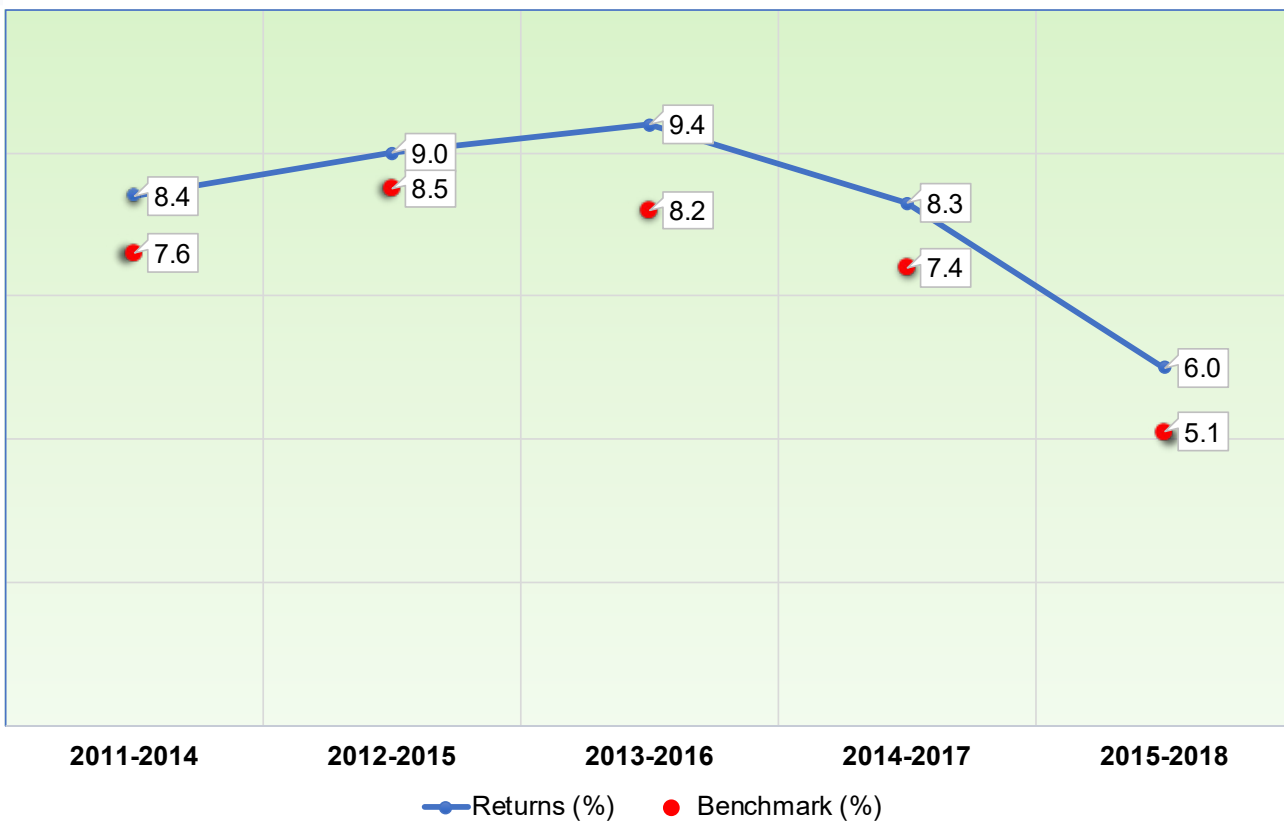
3 As of December 2015, Voluntary Contributions are no longer allowed but previous contributions remain in the Plan until paid.

# 2018 PERFORMANCE SUMMARY<sup>1</sup>

## Annualized returns by asset class

	1 year			4 year		
	%			%		
	Returns	Benchmark	Difference	Returns	Benchmark	Difference
Canadian equity	(7.9)	(8.9)	1.0	1.2	2.5	(1.3)
Foreign equity	1.6	(0.1)	1.7	10.1	9.1	1.0
Fixed income	1.5	1.4	0.1	2.8	2.3	0.5
Real estate	6.9	6.1	0.8	6.0	5.8	0.2
Infrastructure	12.7	7.1	5.6	12.2	6.8	5.4
<b>Total Fund<sup>2</sup></b>	<b>2.1</b>	<b>0.7</b>	<b>1.4</b>	<b>6.0</b>	<b>5.1</b>	<b>0.9</b>

## Four year performance (total fund, 2011 to 2018)

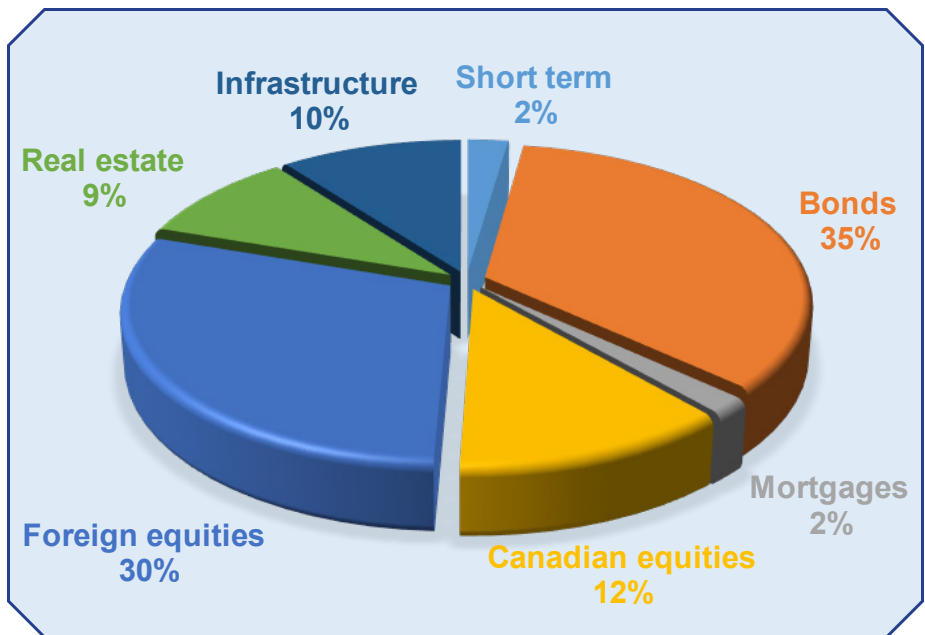


<sup>1</sup> Source: Willis Towers Watson Performance Monitoring Report for the period ended December 31, 2018

<sup>2</sup> The long term total fund target is CPI + 4%. The total fund benchmark includes:  
 10.0% S&P/TSX Capped Composite Index + 30.0% MSCI World ex-Canada Net +  
 35.0% FTSE TMX Universe Bond + 10.0% CPI+4% + 15.0% CPI+5%.

# 2018 ASSET MIX

2018 Market value of investments <sup>1</sup>	
Expressed in \$000's	
Short term	6,310
Bonds	95,176
Mortgages	4,731
Canadian equities	33,456
Foreign equities	81,693
Real estate	26,054
Infrastructure	28,542
<b>Total</b>	<b>275,962</b>



<sup>1</sup> As at December 31, 2018.

## 2018 SERVICE PROVIDERS

<b>Investment managers</b>	BC Investment Management Corp (BCI)	Foreign equity, Real estate
	Phillips, Hager & North	Fixed income
	Burgundy Asset Management Ltd.	Canadian equity
	Macquarie Infrastructure	Infrastructure
	J.P. Morgan Asset Management	Infrastructure
<b>Auditors</b>	Grant Thornton LLP	
<b>Actuary</b>	Willis Towers Watson	
<b>Consultant</b>	Willis Towers Watson	<ul style="list-style-type: none"> <li>Investment consultant</li> <li>Performance measurement</li> <li>Actuary</li> </ul>
<b>Trustee of Fund</b>	RBC Investor & Treasury Services Trust	<ul style="list-style-type: none"> <li>Trustee of Plan assets</li> <li>Payment service provider</li> </ul>



Photo credit: [3dman\\_eu](#)

# CONTACT US

Thinking about retirement? Questions about your pension? Please contact Pension Services!

We provide free pension estimates and individual consultations are also available by appointment.

**Phone:** (250) 721-7030

**Email:** [pensions@uvic.ca](mailto:pensions@uvic.ca)

**Website:** [www.uvic.ca/pensions/staff-plan](http://www.uvic.ca/pensions/staff-plan)

**Address:**

Pension Services  
University of Victoria  
Michael Williams Building  
(Formerly ASB) Room B278  
Victoria BC V8P 5C2

**Mailing address:**

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



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## DISCLAIMER

The description of the University of Victoria Staff Pension Plan included in this report is a summary only.  
For more information, please refer to the Plan Document, which is available on the Staff Plan website, or by request from Pension Services.

We make every effort to ensure that all information in this report is accurate and complete. However, should any discrepancy exist between this report and the Plan Documents or regulations, the latter will apply.

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