



# **2020** STAFF PENSION PLAN **REPORT TO MEMBERS**

## **PLEASE NOTE:**

The description of the University of Victoria Staff Pension Plan included in this report is only a summary. For more information, please refer to the Plan Document, which is available on the Pensions website at **[www.uvic.ca/pensions](http://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. However, should any discrepancy exist between this report and the Plan Documents or regulations, the latter will apply.

# TABLE OF CONTENTS

Introduction	4
Plan Governance	4
Strategic Updates	5
Actuarial Valuation	6
Investment Policy	7
Membership Highlights	8
Financial Summary	9
Performance Summary	10
Asset Mix	11
Service Providers	11
Contacting Pension Services	12

## STAY INFORMED:

In the spirit of sustainability, some sections of this report have been extracted and added to Pension Services' website. Please visit **[www.uvic.ca/pensions](http://www.uvic.ca/pensions)** 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 website: **[www.uvic.ca/pensions](http://www.uvic.ca/pensions)**.

# INTRODUCTION

The Staff Pension Plan Report to Members for the year ended December 31, 2020 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.

Despite the volatility of markets and the general uncertainty of the global pandemic that dominated 2020, your Staff Pension Plan performed well, returning 11.1%, which is 1.4% over the benchmark. Full details on the asset mix, fund performance and the membership of the plan can be found in the following pages.

Your feedback is important to us. If you would like to suggest content for future publications, please let us know using the contact information 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 of Victoria is the Administrator of the Staff Pension 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 (for the year ending December 31, 2020) are described below.

### Governance Committee

*Kane Kilbey (Chair), Andrew Coward, John Gilfoyle, Gayle Gorrill, Kristi Simpson*

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, Kane Kilbey, Mark Stephenson, David Wolowicz*

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

### Advisory Committee

*Kristi Simpson (Chair), Kane Kilbey*

CUPE 917: *Dave Chiddle, Jeff Wood*  
EXEMPT: *Shari Winter*

CUPE 951: *Kara White, Kirsten Kopp*  
RETIREE: *Teresa Rush*

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

## MISSION STATEMENT

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

# STRATEGIC UPDATES

## STRATEGIC PLAN (2018–2021)

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. Given the focus on the Plan's assets and administration in response to the global pandemic, the Strategic Plan was extended through to 2021.

A summary of the Strategic Plan and its guiding principles can be found on the Staff Plan website.

## INVESTMENT BELIEFS

The Investments & Administration Committee is guided by the following formal set of investment beliefs as summarized below. The IAC will continue to work on formulating other beliefs.

### 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.

### 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.

### 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.

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.

**DEFINED  
BENEFIT  
PLAN**

# ACTUARIAL VALUATIONS

There are two types of valuations: going concern and solvency. The results of the last valuations, for the period ending December 31, 2016 was reported in the 2017 Report to Members. A valuation was most recently completed in 2020, for the period ending December 31, 2019.

VALUATION: FOR THE PERIOD ENDED DECEMBER 31, 2019			
GOING CONCERN VALUATION		SOLVENCY VALUATION	
<ul style="list-style-type: none"> <li>Assumes the Plan will continue to exist</li> <li>Allows to determine the appropriate contribution rate for the following three years</li> <li>Contribution rates had been stable since 2011</li> </ul>		<ul style="list-style-type: none"> <li>Assumes the Plan is terminated on the valuation date</li> <li>Required under BC pension legislation</li> </ul>	
Actuarial surplus: Assets-liabilities <i>Expressed in \$000's</i>	<b>45,732</b>	Solvency deficiency: Assets-liabilities <i>Expressed in \$000's</i>	<b>(87,417)</b>
Funded ratio: Assets / liabilities	<b>117%</b>	Solvency ratio: Assets / liabilities	<b>78%</b>

On a going concern basis, a 117% 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 2019, 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, using a Letter of Credit.

In addition to the cost of the Letter of Credit, UVic is also required to fund transfer deficiencies that occur when a member's benefit is transferred out of the Plan. In 2020, UVic paid a total of \$341,000 as a result of the Staff Plan solvency deficiency.

## MEMBER CONTRIBUTION RATES

Contribution rates are dependent on actuarial valuation results. As per collective agreements with CUPE locals, normal cost changes to the Plan as a result of a valuation are shared equally between the University and Plan members.

Results from the valuation completed in 2020 indicated that a small increase to contribution rates was required, for the first time in over a decade. This was largely due to increased expenses to the plan resulting from factors such as: overall retirement earlier than expected; members working longer at UVic and therefore having more years of service in the plan; and, pensioners living longer. Required contribution rate increases took effect on October 1, 2020.

CONTRIBUTION RATES		RATE TO SEPTEMBER 30, 2020	RATE FROM OCTOBER 1, 2020
EMPLOYEE	Below YMPE*	4.78%	5.11%
	Above YMPE*	6.53%	6.86%
UNIVERSITY		12.00%	12.33%

\*YMPE: Year's Maximum Pensionable Earnings, which was \$58,700 in 2020.

## 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. Solvency requirements have since been updated. In 2019 the pension legislation was changed such that the minimum funding of a solvency deficiency is 85%, as opposed to 100%.



# INVESTMENT POLICY

A Statement of Investment Policies and Procedures (SIPP) 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 SIPP and applicable legislation. Please visit the Staff Pension Plan website for more information.

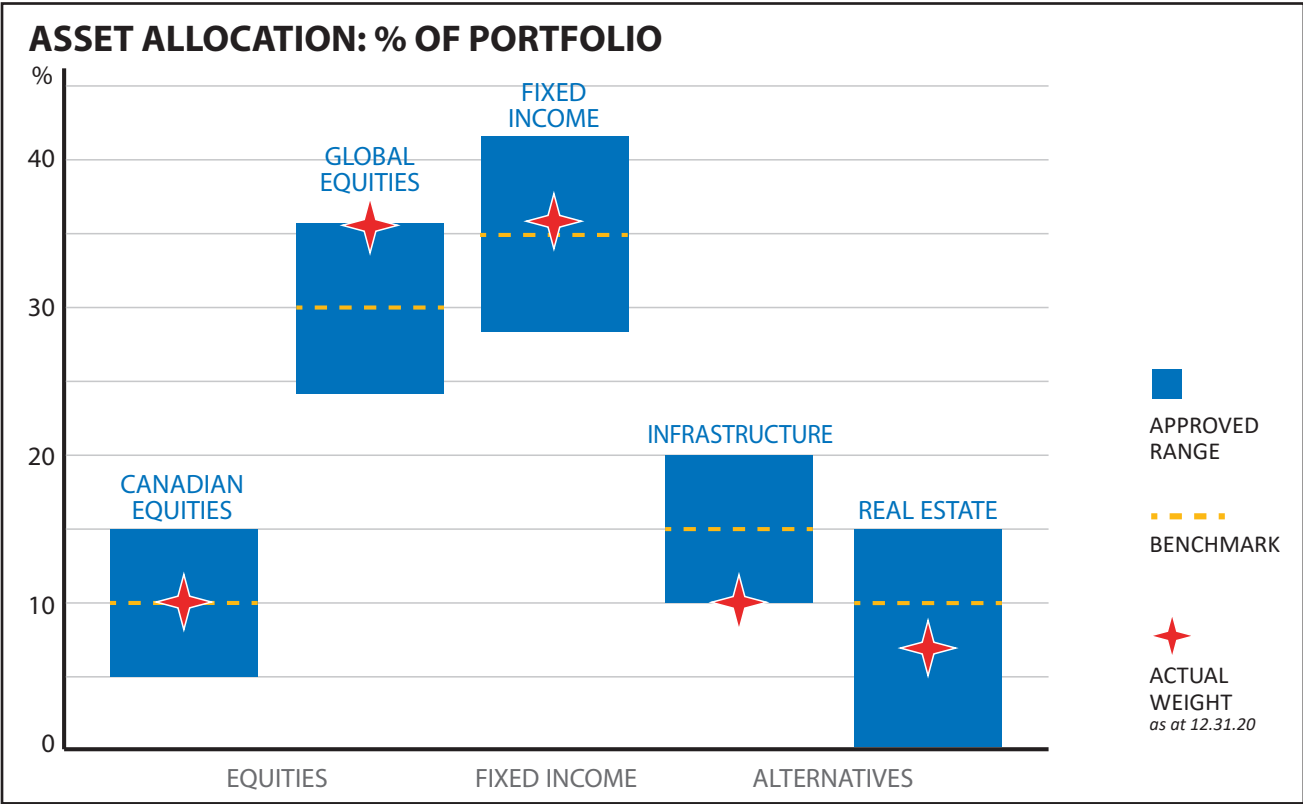
## Investment Objectives

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.

CPI  
+4%

## Asset Allocation as at December 31, 2020

To achieve this long-term investment goal and to manage risk, a well-diversified portfolio of asset classes and managers has been established. As per the requirements of the SIPP, the Fund’s asset allocation is monitored against established allowable ranges for each asset class. Investment managers are monitored carefully, and regularly report to the Investments and Administration Committee on investment performance and strategy, responsible investing, and other topics.



ASSET ALLOCATION	%	APPROVED RANGE	ACTUAL WEIGHT*
Canadian Equities		5-15	10
Global Equities		24-36	36
Fixed Income		28-42	36
Infrastructure		10-20	9
Real Estate		0-15	8

\*AS AT DECEMBER 31, 2020

# MEMBERSHIP HIGHLIGHTS

The Staff Pension Plan primarily covers 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 plans or left UVic. They are no longer contributing, but are not yet receiving a pension.
- PENSIONERS:** Members and beneficiaries who are receiving a monthly pension from the Plan.

MEMBERSHIP GROWTH		
	2011	2020
Active Members	1218	1181
Inactive Members	422	633
Pensioners	592	892
<b>TOTAL</b>	<b>2232</b>	<b>2706</b>

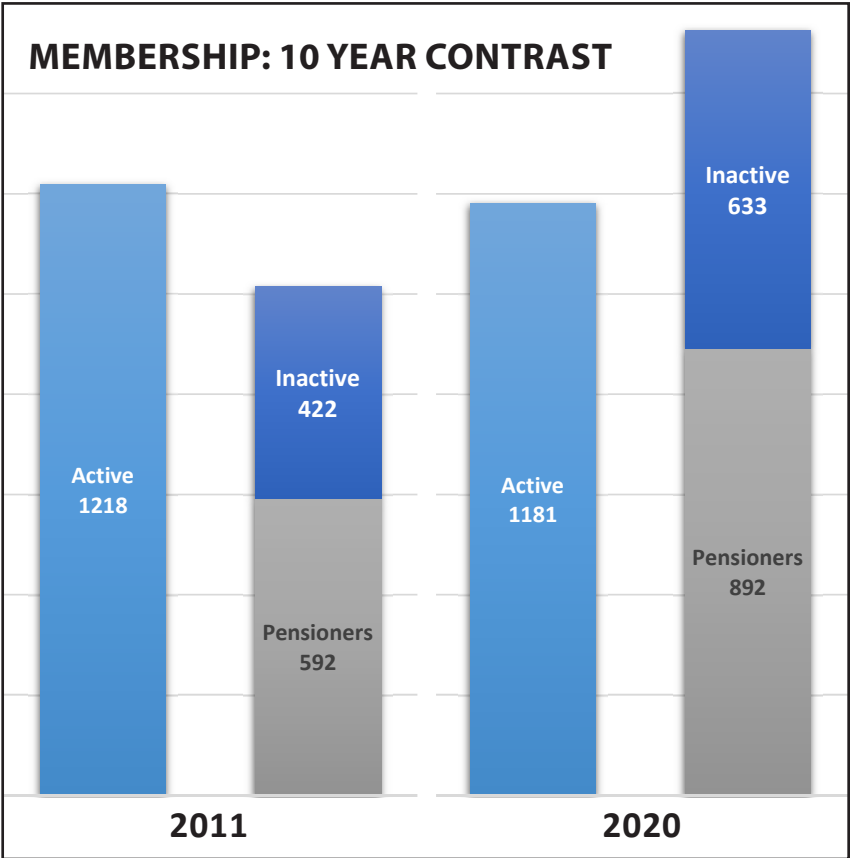
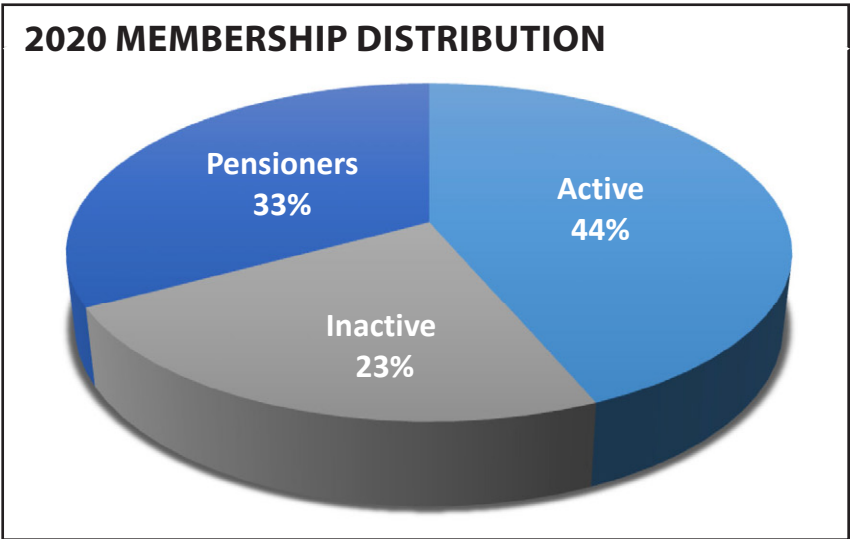
The table above reports on the Plan’s membership in 2020, compared to 2011.

Plan membership grew to 2706 total members in 2020. 1181 of those are active members, representing 44% of membership overall.

The accompanying bar chart illustrates how the number of active members — those who are contributing to the Plan — has remained relatively stable since 2011. However, this group’s relative size, as a percentage of total membership, is decreasing over time.

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 the number of active members.

These trends are regularly reviewed and are important factors when the Investments & Administration Committee is determining the appropriate asset mix for the Plan.





# FINANCIAL SUMMARY

		Expressed in \$000's	2019	2020
<b>CONTRIBUTIONS</b>				
<b>Members</b>	Current service		2,278	2,391
	Supplementary retirement benefit		125	128
<b>University</b>	Current service		5,855	6,078
	Supplementary retirement benefit		125	128
	CV Transfer Deficiency		237	297
<b>TOTAL CONTRIBUTIONS</b>			<b>8,620</b>	<b>9,022</b>
<b>INVESTMENT GAIN</b>			<b>38,698</b>	<b>32,895</b>
<b>BENEFIT PAYMENTS</b>				
	Retirement pensions		(9,786)	(10,415)
	Disability pensions <sup>1</sup>		(56)	(45)
	Withdrawals and transfers on termination & death		(1,336)	(1,484)
<b>TOTAL BENEFIT PAYMENTS</b>			<b>(11,178)</b>	<b>(11,944)</b>
<b>OPERATING EXPENSES</b>				
	UVic administration		(407)	(402)
	Actuarial fees		(11)	(119)
	Consulting, Audit & Legal fees		(48)	(37)
	Provincial registration fees		(14)	(14)
<b>TOTAL OPERATING EXPENSES</b>			<b>(480)</b>	<b>(572)</b>
<b>NET INCREASE IN THE FUND</b>			<b>35,660</b>	<b>29,401</b>
FUND AT BEGINNING OF YEAR			275,833	311,493
<b>FUND AT END OF YEAR</b>			<b>311,493</b>	<b>340,894</b>
<b>FUNDS AVAILABLE FOR BENEFITS</b>				
	Basic Plan		291,749	318,825
	Supplementary Retirement Benefit Account		18,778	20,986
	Additional Voluntary Contribution Accounts <sup>2</sup>		966	1,084
<b>TOTAL FUNDS</b>			<b>311,493</b>	<b>340,895</b>

SOME INCONSISTENCIES MAY APPEAR DUE TO ROUNDING.

<sup>1</sup> Only members who met the criteria prior to April 1, 2006, are in receipt of this benefit.

<sup>2</sup> As of December 2015, Voluntary Contributions are no longer allowed but previous contributions remain in the Plan until paid.

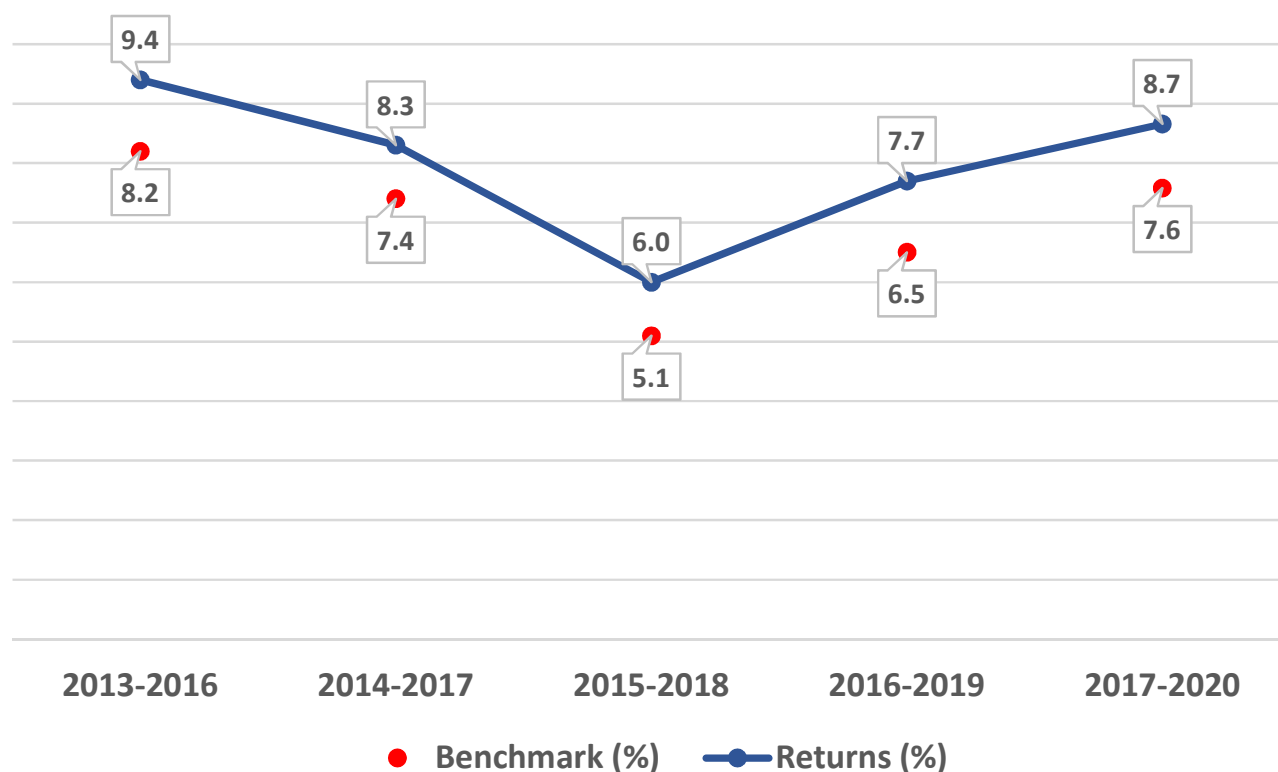
Complete financial statements are available at [www.uvic.ca/pensions](http://www.uvic.ca/pensions) or by request from Pension Services.

# INVESTMENT PERFORMANCE: SUMMARY

ANNUALIZED RETURNS BY ASSET CLASS						
%	1 YEAR			4 YEAR		
	RETURNS	BENCHMARK	DIFFERENCE	RETURNS	BENCHMARK	DIFFERENCE
Canadian Equity	0.9	5.6	( 4.75)	2.2	6.6	( 4.42)
Global Equity	18.6	14.3	4.4	15.8	12.2	3.6
Fixed Income	11.0	8.7	2.3	5.5	4.8	0.6
Real Estate	( 0.7)	4.8	( 5.4)	2.6	5.8	( 3.2)
Infrastructure	6.6	5.8	0.9	11.1	6.8	4.3
<b>TOTAL FUND<sup>1</sup></b>	<b>11.1</b>	<b>9.7</b>	<b>1.4</b>	<b>8.7</b>	<b>7.6</b>	<b>1.1</b>

<sup>1</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%

## FOUR YEAR PERFORMANCE: TOTAL FUND – 2013 THROUGH 2020

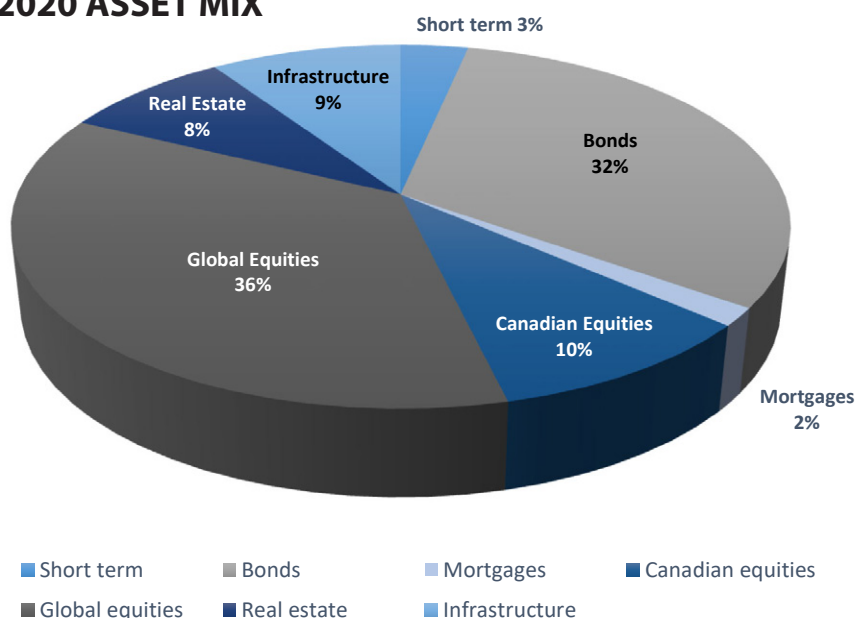


# INVESTMENTS: ASSET MIX

MARKET VALUE OF INVESTMENTS	
<i>Expressed in \$000's</i>	
Short term	11,383
Bonds	107,740
Mortgages	5,406
Canadian equities	33,642
Global equities	122,986
Real estate	28,494
Infrastructure	32,166
<b>TOTAL</b>	<b>\$ 341,817</b>

*As at December 31, 2020*

## 2020 ASSET MIX



# SERVICE PROVIDERS

## INVESTMENT MANAGERS

<b>BC Investment Management Corporation</b>	Global equity, Real estate
<b>Burgundy Asset Management</b>	Canadian equity
<b>JP Morgan Asset Management</b>	Infrastructure
<b>Macquarie Infrastructure</b>	Infrastructure
<b>Phillips, Hager &amp; North Investment Management</b>	Fixed Income

## TRUSTEE OF FUND

<b>The Northern Trust Company, Canada</b>	Trustee of Plan assets, payment service provider
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## INVESTMENT CONSULTANT

<b>PBI Actuarial Consultants Ltd.</b>	Investment consultant, performance measurement
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## ACTUARIAL SERVICES

**Willis Towers Watson**

## AUDITORS

**Grant Thornton LLP**

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

We provide free pension estimates and individual consultations are also available by appointment. Retiring members should contact Pension Services 3-6 months before their retirement date.

**Additional information about the University of Victoria Staff Pension Plan can be obtained on the Pension Services’ website: [www.uvic.ca/pensions](http://www.uvic.ca/pensions)**

## CONTACT US

### UNIVERSITY OF VICTORIA PENSION SERVICES:

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**[www.uvic.ca/pensions](http://www.uvic.ca/pensions)**