



2021 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 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. However, should any discrepancy exist between this report and the Plan Documents or regulations, the latter will apply.

**Unless otherwise indicated, all figures and data in this report are as at December 31, 2021.
Some inconsistencies may exist due to rounding.**

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STAY INFORMED!

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

- Early and deferred retirement benefits
- Options at retirement
- Options when leaving UVic
- Survivor Benefits
- History of the Plan

Audited financial statements are also available online: **www.uvic.ca/pensions**.

INTRODUCTION

The 2021 Staff Pension Plan Annual Report to Members provides a summary of the Plan's financial health at the end of the year ending December 31, 2021 — as well as key membership statistics and highlights of the activities that have been undertaken during the year.

Despite the volatility of markets and the general uncertainty of the global pandemic that persisted from 2020 into 2021, your Staff Pension Plan performed well, returning 13.5%, which is 2.5% over the benchmark. Full details on the asset mix, fund performance and the membership of the plan can be found on the following pages.

Your feedback is important. 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 these responsibilities, the Board of Governors created three committees, whose roles and membership (for the year ending December 31, 2021) are described below.

GOVERNANCE COMMITTEE

Kane Kilbey (Chair), Andrew Coward, John Gilfoyle, 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

Andrew Coward (Chair), Don Barnhardt, Tony Eder, Amy Errington (to 09/2021), Kane Kilbey, Mark Stephenson, David Wolowicz

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

ADVISORY COMMITTEE

Andrew Coward (Chair), Kane Kilbey; Dave Chiddle, Jeff Wood (CUPE 917); Kara White, Kirsten Kopp (CUPE 951); Shari Winter (Exempt); Teresa Rush (Retiree)

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 & INVESTMENT BELIEFS

STRATEGIC PLAN (2018–2022)

In 2018, the Committees established a list of priorities focusing on five broad strategic goals, which were described in detail 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 has been extended through 2022.

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

INVESTMENT BELIEFS

The Investments & Administration Committee is guided by the following formal set of investment beliefs as summarized below.

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.

The Investments & Administration Committee have actively worked to increase understanding and awareness of ESG. In 2021, committee members had the opportunity to take part in two ESG training and education sessions co-hosted by BCI; as well as a session on ESG and climate change with the Canada Climate Law Initiative early in 2022. Additionally, members of the Investments & Administration Committee have joined an ESG Working Group in collaboration with members of the Pension Board of Trustees (UVic Combination Pension Plan and Money Purchase Pension Plan), in order to further assess and address these issues.

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**

FINANCIAL SUMMARY

		2020	2021
		<i>Expressed in \$000's</i>	
CONTRIBUTIONS			
Members	Current service	2,391	2,506
	Supplementary retirement benefit	128	128
University	Current service	6,078	6,211
	Supplementary retirement benefit	128	128
	CV Transfer Deficiency	297	430
TOTAL CONTRIBUTIONS		9,022	9,403
INVESTMENT GAIN		38,698	45,742
BENEFIT PAYMENTS			
	Retirement pensions	10,415	11,058
	Disability pensions ¹	45	47
	Withdrawals and transfers on termination & death	1,484	2,002
TOTAL BENEFIT PAYMENTS		11,944	13,107
OPERATING EXPENSES			
	UVic administration	402	413
	Actuarial fees	119	35
	Consulting, Audit & Legal fees	37	36
	Provincial registration fees	14	21
TOTAL OPERATING EXPENSES		572	505
NET INCREASE IN THE FUND		29,401	41,533
FUND AT BEGINNING OF YEAR		311,493	340,895
FUND AT END OF YEAR		340,894	382,428
FUNDS AVAILABLE FOR BENEFITS			
	Basic Plan	318,825	357,230
	Supplementary Retirement Benefit Account	20,986	24,046
	Additional Voluntary Contribution Accounts ²	1,084	1,152
TOTAL FUNDS		340,895	382,428

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

² 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.

PLAN FUNDING

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 actuarial valuation completed in 2020 indicated that a small increase to contribution rates was required for the first time in over a decade. These contribution rate increases took effect on October 1, 2020.

CONTRIBUTIONS		RATE (SINCE OCTOBER 1, 2020)
EMPLOYEE	Below YMPE*	5.11%
	Above YMPE*	6.86%
UNIVERSITY		12.33%

*YMPE: Year's Maximum Pensionable Earnings, which was \$61,600 in 2021

ACTUARIAL VALUATION

Pension plans undergo actuarial valuations at least once every three years. A valuation of the Staff Pension Plan was most recently completed in 2020, for the period ending December 31, 2019. The next actuarial valuation will be undertaken in 2023.

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

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, and does so 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 2021, UVic paid a total of \$485,000 as a result of the Staff Plan solvency deficiency.

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.

PLAN MEMBERSHIP		
	2012	2021
Active Members	1,191	1,152
Inactive Members	423	721
Pensioners	612	938
TOTAL	2,226	2,811

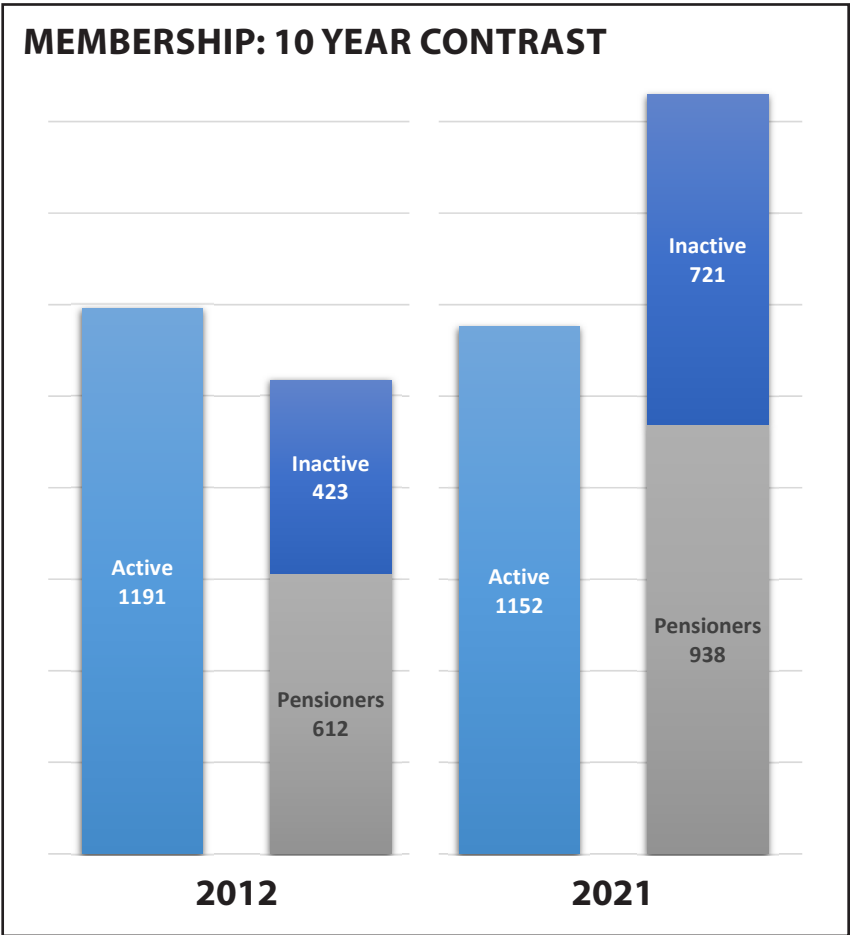
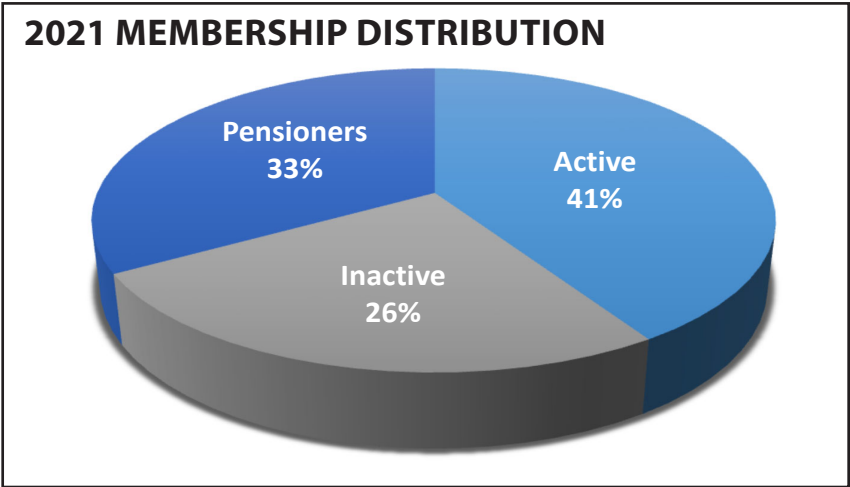
The table above reports on the Plan’s membership in 2021, compared to 2012.

Plan membership grew to 2,811 total members in 2021. 1,152 of those are active members, representing 41% of membership overall.

The accompanying bar chart illustrates how the number of active members — those who are contributing to the Plan — has remained relatively level since 2012. However, this group’s relative size as a percentage of total membership is decreasing over time.

By contrast, the pensioners group has seen a significant gain during the same period. The number of non-contributing members (pensioners combined with inactive members), is growing faster than the number of active members.

These trends are closely monitored, as they are important factors when the Investments & Administration Committee is determining the appropriate asset mix for the Plan.



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.

Investment Objectives

Pension plans maintain long-term investment horizons. The long-term objective 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. Progress toward this goal is monitored quarterly and assessed over four-year periods.

CPI
+4%

Asset Allocation

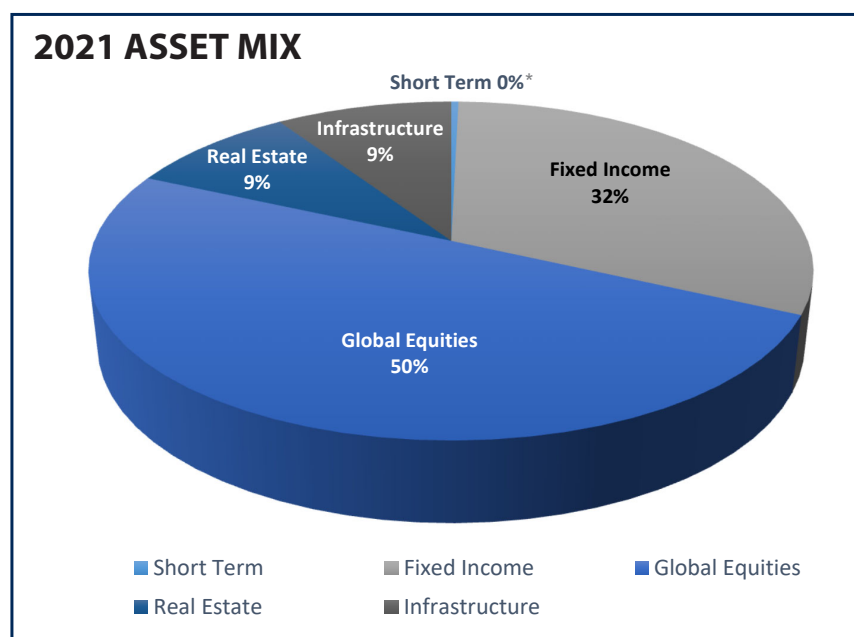
To achieve long-term investment goals and to manage risk, a well-diversified portfolio of asset classes and managers has been established. In 2020, the Investments & Administration Committee made the decision to phase out investment in Canadian Equities as an asset class, and over 2021, funds were strategically migrated out of the asset class. As a result of this change, adjustments have been made to ranges for the remaining asset classes.

As per the requirements of the SIPP, 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	ASSET CLASS	APPROVED RANGE %	BENCHMARK %	ACTUAL WEIGHT %
	Global Equities	29-51	40	50
	Fixed Income	28-42	35	32
	Infrastructure	0-20	15	9
	Real Estate	0-15	10	8

INVESTMENTS: ASSET MIX

MARKET VALUE OF INVESTMENTS	
	\$
	<i>Expressed in \$000's</i>
Short term	1,427
Fixed Income	119,731
Global Equities	189,422
Real Estate	34,096
Infrastructure	35,417
TOTAL	\$ 380,093



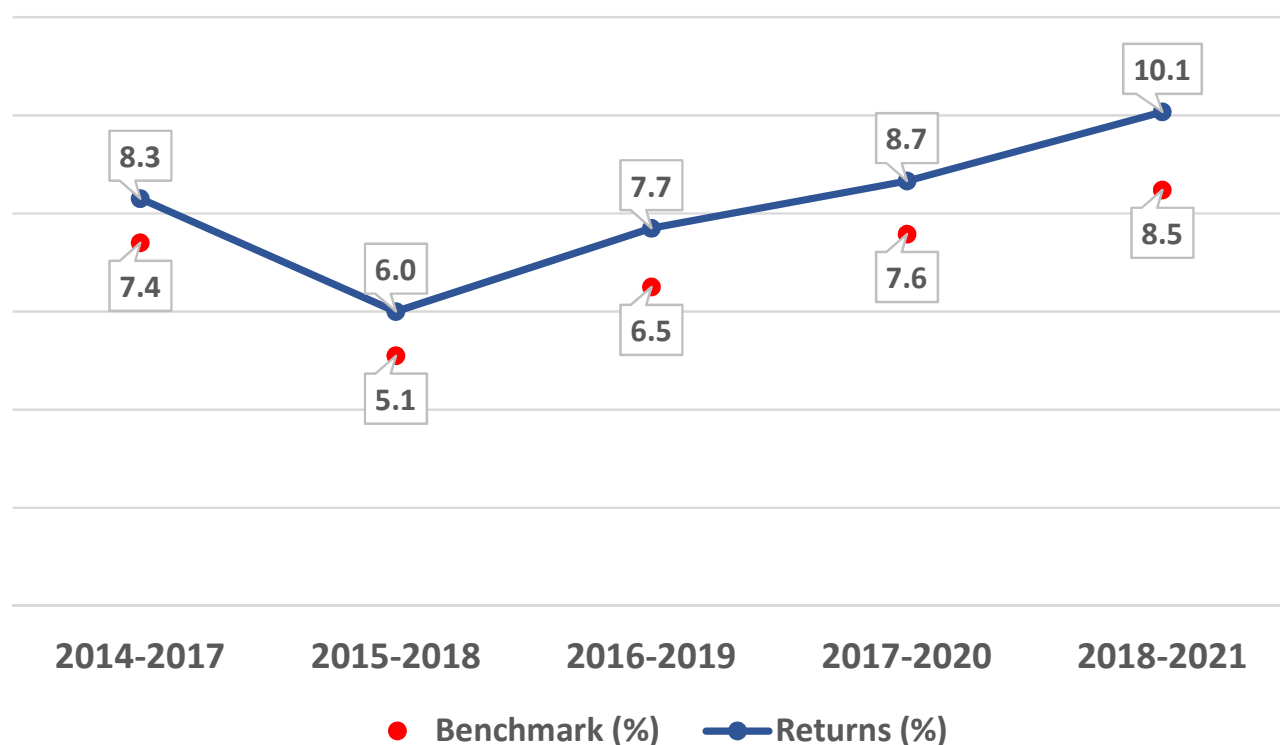
*SHORT TERM INVESTMENTS = 0.37%

INVESTMENT PERFORMANCE: SUMMARY

ANNUALIZED RETURNS BY ASSET CLASS						
%	1 YEAR			4 YEAR		
	RETURNS	BENCHMARK	DIFFERENCE	RETURNS	BENCHMARK	DIFFERENCE
Global Equity	21.5	20.7	0.8	16.9	13.7	3.2
Fixed Income	1.6	-2.5	4.2	5.2	3.5	1.7
Real Estate	13.2	9.0	4.2	4.4	6.5	-2.1
Infrastructure	14.5	10.0	4.5	12.3	7.5	4.8
TOTAL FUND¹	13.5	11.0	2.5	10.1	8.5	1.6

¹ The long-term total fund target is CPI +4%. The total fund benchmark for 2021 included: 40% MSCI World ex-Canada Net Index (CAD\$), 15% FTSE Canada Universe Bond Index, 20% FTSE Canada 20+ Strips, 10% CPI +4% per annum, and 15% CPI +5% per annum.

FOUR YEAR PERFORMANCE: TOTAL FUND – 2014 THROUGH 2021



PORTFOLIO SUMMARY

ASSET		MARKET VALUE \$
		<i>Expressed in \$000's</i>
SHORT-TERM INVESTMENTS (0.37%)	POOLED FUNDS	1,427
FIXED INCOME – LONG-TERM (31.50%)	POOLED FUNDS	119,731
GLOBAL EQUITIES (49.84%)	POOLED FUNDS	189,422
INFRASTRUCTURE (9.32%)	GLOBAL	25,951
	EUROPEAN	2,324
	NORTH AMERICA	7,142
REAL ESTATE (8.97%)	POOLED FUNDS	23,233
	SEGREGATED FUNDS	10,931
	HEDGES	-68
TOTAL FUND PORTFOLIO		380,093

SERVICE PROVIDERS

INVESTMENT MANAGERS

BC Investment Management Corporation	Global equity, Real estate
JP Morgan Asset Management	Infrastructure
Macquarie Infrastructure	Infrastructure
Phillips, Hager & North Investment Management	Fixed Income

TRUSTEE OF FUND

The Northern Trust Company, Canada	Trustee of Plan assets, payment service provider
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INVESTMENT CONSULTANT

PBI Actuarial Consultants Ltd.	Investment consultant, performance measurement
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ACTUARIAL SERVICES

Willis Towers Watson

AUDITORS

Grant Thornton LLP

Additional information about the University of Victoria Staff Pension Plan is available on the Pension Services website: www.uvic.ca/pensions.

Please review your statement and contact Pension Services with any updates to your information.
Current UVic employees, please also ensure your information is up-to-date on your UVic MyPage.

We provide pension estimates and individual consultations are also available by appointment. Retiring members are encouraged to contact Pension Services three to six months before their planned retirement date.

Accessibility: *If you require your annual statement in a digital format, please contact Pension Services to request a PDF version.*

CONTACT US

UNIVERSITY OF VICTORIA PENSION SERVICES

EMAIL:	pensions@uvic.ca
TELEPHONE:	(250) 721-7030
OFFICE ADDRESS & COURIER ADDRESS:	Pension Services University of Victoria Michael Williams Building, 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

www.uvic.ca/pensions