



Financial Statements

University of Victoria
Combination Pension Plan

December 31, 2023

Contents

	Page
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Changes in Net Assets Available for Benefits	4
Notes to the Financial Statements	5-17

Independent Auditor's Report

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To the Trustees of the University of Victoria Combination Pension Plan

Opinion

We have audited the financial statements of the University of Victoria Combination Pension Plan, which comprise the statement of financial position as at December 31, 2023, and the statements of changes in net assets available for benefits for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University of Victoria Combination Pension Plan as at December 31, 2023, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 47 of the Pension Benefits Standards Regulation (PBSR) (the "Financial Reporting Framework").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the University of Victoria Combination Pension Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Trustees of the University of Victoria Combination Pension Plan to meet regulations of Section 47 of the Pension Benefits Standards Regulation (PBSR). As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Framework, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University of Victoria Combination Pension Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University of Victoria Combination Pension Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University of Victoria Combination Pension Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Victoria Combination Pension Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University of Victoria Combination Pension Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University of Victoria Combination Pension Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Victoria, Canada
May 14, 2024

Grant Thornton LLP
Chartered Professional Accountants

University of Victoria Combination Pension Plan

Statement of Financial Position

December 31 (expressed in \$000's)	2023	2022
Assets		
Cash	\$ <u>7,744</u>	\$ <u>4,567</u>
Investments (Note 4)		
Short-term	4,482	3,837
Canadian bonds	529,051	487,094
Canadian equities	377,533	339,190
Foreign equities	604,664	542,182
Real estate	168,621	176,349
	<u>1,684,351</u>	<u>1,548,652</u>
Receivables		
Accrued interest and dividend income	3,895	261
Transactions to be settled and other	79	52
	<u>3,974</u>	<u>313</u>
	<u>1,696,069</u>	<u>1,553,532</u>
Liabilities		
Accounts payable and accrued liabilities	<u>6,629</u>	<u>755</u>
Net assets available for benefits (Note 7)		
Available for defined contribution benefits	1,327,616	1,234,655
Available for defined benefit pensions and supplements	361,824	318,122
	<u>1,689,440</u>	<u>1,552,777</u>

Approved by the Board of Pension Trustees

_____ Chair _____ Vice-Chair

See accompanying notes to the financial statements.

University of Victoria Combination Pension Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31 (expressed in \$000's)	2023	2022
Changes in net assets		
Net return on investments (Note 5)		
Interest income	\$ 22,925	\$ 17,264
Dividend income	5,682	5,976
Net realized and unrealized gain on investments	137,213	(160,657)
Investment administration costs	<u>(3,841)</u>	<u>(5,275)</u>
	<u>161,979</u>	<u>(142,692)</u>
Contributions (Note 1)		
Members' required	12,643	11,120
Members' additional voluntary	272	281
University's required		
Combined contribution accounts	16,870	15,079
Defined retirement benefit account	9,847	8,814
Transfers from other plans	<u>1,238</u>	<u>998</u>
	<u>40,870</u>	<u>36,292</u>
Payments to or on behalf of members		
Pensions to retired members or beneficiaries	(49,404)	(49,261)
Members' accounts transferred and refunded, and death benefits (Note 15)	<u>(15,587)</u>	<u>(14,826)</u>
	<u>(64,991)</u>	<u>(64,087)</u>
Operating expenses		
Office and administrative costs	(807)	(707)
Actuarial fees	(264)	(132)
Audit, registration and legal fees	<u>(124)</u>	<u>(113)</u>
	<u>(1,195)</u>	<u>(952)</u>
Increase (decrease) in net assets	136,663	(171,439)
Net assets available for benefits, beginning of year	<u>1,552,777</u>	<u>1,724,216</u>
Net assets available for benefits, end of year	<u>\$ 1,689,440</u>	<u>\$ 1,552,777</u>

See accompanying notes to the financial statements.

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

1. Description of plan

The following description of the University of Victoria Combination Pension Plan (“the Plan”) is a summary only. Plan assets are distributed over two funds: the Balanced Fund and the Defined Retirement Benefit Fund. Individual member accounts (Combined Contribution Accounts, Variable Benefit Accounts, and Additional Voluntary Contribution Accounts) are held in the Balanced Fund. The Defined Retirement Benefit Fund holds the assets of the Defined Retirement Benefit Account (“DRBA”) from which defined benefit pensions and supplements are paid. For more complete information, reference should be made to the Trust Agreement.

(a) General

The Plan is a defined contribution pension plan which contains, subject to eligibility and member choice, a defined benefit supplement to bring a retirement pension up to a minimum calculated under a defined benefit formula. The Plan covers all full-time research stream faculty, librarians, academic and professional staff holding regular appointments.

(b) Funding policy

In accordance with the Trust Agreement, Funding Policy, and subject to agreement of the plan actuary, members are required to contribute 4.00% of their basic salary up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) (\$66,600 in 2023), and 6.00% of the basic salary in excess of that amount. The contributions are directed to the members' Combined Contribution Accounts.

The University contributes 6.37% of basic salary up to the YMPE, and 8.00% of the basic salary in excess of that amount. The contributions are directed to the members' combined contribution accounts. The University contributes an additional 4.00% of basic salary to the Defined Benefit Retirement Fund to fund the defined benefit minimum. In the event that the actuary recommends additional contributions to fund the defined benefit minimum, the plan document provides for one-third and two-thirds sharing between members and the University.

The total combined member and University contributions to a member's combined contribution account in a calendar year are limited to the Income Tax Act (Canada) maximum (\$31,560 in 2023).

Subject to Income Tax Act (Canada) maximums, members may elect to make additional contributions to a voluntary contribution account through payroll deduction or by transfer from other registered vehicles.

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

1. Description of plan (continued)

(c) Investment options

Members' combined contribution accounts and additional voluntary accounts are invested in the Balanced Fund.

(d) Retirement

All members are eligible for a retirement benefit. Normal retirement is the end of the month in which the member attains age 65. Members may elect early retirement any time after attaining the age of 55, or postpone retirement benefits until December 1st of the calendar year in which the member attains age 71.

(e) Retirement options

At retirement, members can apply the balance in their Combined Contribution Accounts to one or a combination of the following forms of benefits:

- Internal variable annuity with, subject to eligibility, a defined benefit supplement. The defined benefit supplement is the amount, if any, by which the defined benefit minimum exceeds the internal variable annuity. The defined benefit minimum at normal retirement is 1.3% of the member's final average earnings up to the three year average YMPE, multiplied by years of service; plus 2.0% of the member's final average earnings that are in excess of the three year average YMPE, multiplied by years of service. The final average earnings are calculated as the member's average for the highest consecutive five years. The defined benefit minimum is limited to \$3,506.67 per year of service credited after 1990 and is actuarially reduced for early retirement.
- External annuity from a life insurance company.
- Variable benefit.
- Transfer to a locked-in retirement account.
- Transfer to a combination of registered retirement income funds and life income funds.

(f) Termination and portability benefits

Upon termination of employment, members may retain the balance in their Combined Contribution Account or transfer it to a locked-in retirement account or to another registered pension plan that will accept the transfer.

Active members may transfer pension entitlements from other registered pension plans into a voluntary account in the Plan.

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

1. Description of plan (continued)

(g) Survivor benefits

A spouse is automatically entitled to the pre-retirement survivor benefit unless they waive that right by completing a Spousal Waiver (Pension Benefits Standards Regulation BC). The survivor benefit for a spouse is 100% of the benefit accrued by the member. The surviving spouse is entitled to any of the options that are available to the member, with the exception that the spouse need not have attained 55 years of age to commence a monthly benefit and the spouse's defined benefit minimum is the actuarial equivalent of the member's defined benefit minimum. A surviving spouse must commence a pension benefit or elect a transfer from the plan by the later of one year following the member's date of death or the end of the calendar year in which the spouse attains 71 years of age.

The survivor benefit for a beneficiary who is not a spouse is the balance accumulated in the Combined Contribution Account (CCA) and, if applicable, Voluntary Contribution Account(s), payable in a cash lump sum, less applicable withholding tax.

The survivor benefit for a variable benefit pensioner is the total in the member's Variable Benefit Account.

The survivor benefit for a pensioner in receipt of an internal variable annuity pension from the Plan is determined by the optional form selected by the member immediately prior to commencement of the annuity. If the member has a spouse, the member must select a form which provides at least a lifetime 60% survivor benefit unless the spouse completes a waiver.

(h) Adjustments to pensions

Internal variable annuities are adjusted each July 1st based on the investment performance of the underlying net assets for the preceding calendar year. As at July 1, 2023 the 3.5% and 5.0% internal variable annuities were decreased for investment performance by 11.69% (2022: 10.59% increase) and 12.95% (2022: 9.01% increase), respectively. In accordance with the Plan Document these annuities are then subject to adjustment arising from the longevity experience of the annuitant group. As at July 1, 2023 the internal variable annuities were reduced by 0.45% (2022: 0.12% reduction) to reflect the annual adjustment for net mortality loss.

Defined benefit pensions and the defined benefit minimum for eligible 3.5% annuitants, are adjusted each July 1st, by reference to the annual change in the Canadian Consumer Price Index (CPI) to a maximum of 3.0% per year since the commencement date of the pension. The maximum adjustment in any one year is also 3.0%. The increase in the CPI was 6.6% from 2022 to 2023 resulting in an adjustment to defined benefit pensions and minimum benefits on July 1, 2023 of 3.0% (2022: 3.0%).

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

1. Description of plan (continued)

(i) Income taxes

The Plan is a registered pension plan as defined in the Income Tax Act (Canada) and is not subject to income taxes, but is subject to indirect taxes including British Columbia provincial sales tax (PST) and goods and services tax (GST). The Plan receives a 33% rebate of the GST paid.

2. Basis of accounting

These financial statements have been prepared in accordance with the accounting policies set out in note 3 to comply with the financial reporting provisions of Section 47 Pension Benefits Standards Regulation (PBSR) (the "Financial Reporting Framework").

The basis of accounting used in these financial statements materially differs from Canadian accounting standards for pension plans because it excludes the pension obligation of the Plan. Consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet the Plan's pension obligations.

The accounting policies adopted in the preparation of these financial statements have been prepared on the basis of Part IV of the CPA Canada Handbook, Canadian accounting standards for pension plans (the "Handbook"), except for the exclusion of the pension obligation as noted above.

The Plan has adopted International Financial Reporting Standards in connection with any balances or transactions outside of the scope of Part IV of the Handbook.

3. Summary of significant accounting policies

(a) Investments

Investments are stated at fair value. Fair value is determined using market values where available. Fair value for international investments, held by BC Investment Management Corporation are estimated based on preliminary market values supplied by the BC Investment Management Corporation, and any differences between the estimated values and final market values are adjusted in the subsequent period. Where listed market values are not available, estimated values are calculated by discounted cash flows or based on other approved external pricing sources. Price comparison reports are used to compare the prices of the bonds and publicly traded equities held in pooled funds against a secondary source. Real estate investments are valued quarterly by BC Investment Management Corporation's real estate investment managers and, at least once every ten to eighteen months, by accredited independent appraisers to establish current market values. At the end of each quarter BC Investment Management Corporation uses financial statements

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

3. Summary of significant accounting policies (continued)

(a) Investments (continued)

provided by the external managers and general partners or valuation reports to calculate the share values and the unit values for the externally managed holding corporations and limited partnerships. Investment sales and purchases are recorded on trade date.

(b) Investment income

Investment income is recorded on the accrual basis. Any adjustments to investments due to the fluctuation of market prices are reflected as part of the return on investments in the statement of changes in net assets available for benefits.

(c) Contributions

Contributions for current service are recorded in the year in which the related payroll costs are incurred.

Contributions for approved leaves of absence without pay are recorded in the year in which the leave without pay occurred. Special payments and transfer deficiency payments are recorded in the year to which they relate.

(d) Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for pension plans, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of investments.

(e) Foreign currency translation

Transactions denominated in foreign currencies are translated at the rates of exchange at the date of the transaction. Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Unrealized exchange gains or losses on foreign currency are included in the change in fair value of investments.

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

4. Investments (fair value)

Except for the assets of the DRBA, the assets of the Plan are pooled for investment purposes with the assets of the University of Victoria Money Purchase Pension Plan. At December 31, 2023, 92.65% (2022: 92.83%) of the assets held in the Balanced Fund were in respect of the University of Victoria Combination Pension Plan

The Plan's investments are recorded at fair value or at amounts that approximate fair value. Fair value is the amount at which the investment could be exchanged in a current financial transaction between willing parties. The investments are categorized according to a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs that are not observable for the asset or liability.

The Plan's proportionate share of investments in each fund, categorized according to the fair value hierarchy, is as follows:

(Expressed in \$000's)	2023			2022
	Balanced Fund	DRBA	Total	Total
Short-term notes - Level 1	\$ 1,504	814	\$ 2,318	\$ 2,332
Short-term notes - Level 2	2,163		2,163	1,505
Canadian bonds - Level 1	454,671	74,380	529,051	487,094
Canadian equities - Level 1	136,334	90,539	226,873	206,269
Canadian equities - Level 2	150,661	-	150,661	132,921
Foreign equities - Level 2	439,105	165,559	604,664	542,182
Real estate - Level 3	136,439	32,183	168,622	176,349
	<u>\$ 1,320,877</u>	<u>\$ 363,475</u>	<u>\$ 1,684,352</u>	<u>\$ 1,548,652</u>
Fair value hierarchy				
Level 1	\$ 592,509	\$ 165,733	\$ 758,242	\$ 695,695
Level 2	591,929	165,559	757,488	676,608
Level 3	136,439	32,183	168,622	176,349
	<u>\$ 1,320,877</u>	<u>\$ 363,475</u>	<u>\$ 1,684,352</u>	<u>\$ 1,548,652</u>

University of Victoria Combination Pension Plan Notes to the Financial Statements

December 31, 2023

4. Investments (fair value) (continued)

The following table summarizes the changes in the fair value of the Plan's financial instruments classified as level 3 investments, this includes the hedges that were entered into within the scope of the real estate program which houses all level 3 investments:

(Expressed in \$000's)

	Balanced		
	Fund	DRBA	Total
Beginning balance, January 1, 2023	\$ 142,911	\$ 33,438	\$ 176,349
Purchases	5,188	1,394	6,582
Sales	(5,112)	(1,374)	(6,486)
Realized and unrealized gains	(6,548)	(1,275)	(7,823)
Ending balance, December 31, 2023	\$ 136,439	\$ 32,183	\$ 168,622
Beginning balance, January 1, 2022	\$ 125,871	\$ 19,317	\$ 145,188
Purchases	42,044	17,836	59,880
Sales	(31,466)	(5,376)	(36,842)
Realized and unrealized gains	6,462	1,661	8,123
Ending balance, December 31, 2022	\$ 142,911	\$ 33,438	\$ 176,349

Short-term notes consist of Canadian money market securities maturing in 12 months or less and include treasury bills and guaranteed investment certificates. Canadian bonds consist of government and corporate bonds and debentures. Equities consist of publicly traded shares. Real estate investments consist of diversified Canadian and Global income-producing properties. Investments may be segregated or consist of units of pooled investment portfolios of the investment managers.

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

5. Net return on investments

Net investment returns less operating expenses are distributed to members' accounts at the end of each month. The Balanced Fund realized a gross return of 10.66% (2022: loss 7.87%) and a net gain of 10.34% (2022: loss 8.23%). The Defined Retirement Benefit Account realized a net gain of 10.99% (2022: loss 9.05%). Net investment returns by fund are as follows:

(Expressed in \$000's)	2023			2022
	Balanced Fund	DRBA	Total	Total
Interest				
Cash and short-term notes	\$ 123	23	\$ 146	\$ 4
Bonds	17,291	5,488	22,779	17,260
Dividends				
Canadian equities	4,964	718	5,682	5,976
Net realized gains	92,295	25,322	117,617	74,916
Net unrealized gains	14,567	5,029	19,596	(235,573)
	<u>129,240</u>	<u>36,580</u>	<u>165,820</u>	<u>(137,417)</u>
Investment costs				
Management fees	2,961	731	3,692	5,091
Custodial fees	80	21	101	112
Other	48	-	48	72
	<u>3,089</u>	<u>752</u>	<u>3,841</u>	<u>5,275</u>
Total net investment return	\$ <u>126,151</u>	\$ <u>35,828</u>	\$ <u>161,979</u>	\$ <u>(142,692)</u>

6. Investment income by investment type

	Income	Net unrealized and realized gains (losses)	Total
Short-term notes	\$ 146	\$ -	\$ 146
Canadian bonds	22,779	22,192	44,971
Canadian equities	5,682	31,104	36,786
Foreign equities	-	94,778	94,778
Real estate	-	(10,861)	(10,861)
	<u>\$ 28,607</u>	<u>\$ 137,213</u>	<u>\$ 165,820</u>

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

7. Net assets available for benefits

The net assets available for benefits as at December 31 are allocated as follows:

(Expressed in \$000's)	<u>2023</u>	<u>2022</u>
Combined contribution accounts ("CCA")	\$ 571,324	\$ 540,807
Variable benefit accounts ("VBA")	495,370	471,834
Additional voluntary contribution accounts ("AVC")	20,985	20,235
Defined retirement benefit account ("DRBA")	361,824	318,123
Internal variable annuity account ("IVAA")	<u>239,937</u>	<u>201,778</u>
	<u>\$ 1,689,440</u>	<u>\$ 1,552,777</u>

8. Combined contribution accounts ("CCA")

Each member of the plan who is not a pensioner has a CCA which is reported annually to the member. CCAs are invested in the Balanced Fund.

9. Variable benefit accounts ("VBA")

Each member of the plan in receipt of a variable benefit pension has a VBA. VBAs are invested in the Balanced Fund.

10. Additional voluntary contribution accounts ("AVC")

Additional voluntary contribution accounts are divided into restricted voluntary accounts ("RVA") and unrestricted voluntary accounts ("UVA"). Transfers from other pension plans that have restrictions imposed by the exporting plans are placed in RVA. Contributions made by members on a voluntary basis and transfers that are unrestricted are placed in UVA. All RVA and UVA are invested in the Balanced Fund as follows:

(Expressed in \$000's)	<u>2023</u>	<u>2022</u>
Restricted voluntary accounts	\$ 8,021	\$ 8,265
Unrestricted voluntary accounts	<u>12,964</u>	<u>11,970</u>
	<u>\$ 20,985</u>	<u>\$ 20,235</u>

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

11. Defined retirement benefit account (“DRBA”)

The DRBA is a reserve to fund existing defined benefit pensions and supplements and to offset future obligations for defined benefit supplements.

12. Internal variable annuity account (“IVAA”)

The IVAA provides benefits to members who elected to take internal variable annuities with all or part of their CCA, VBA and AVC. The IVAA is invested in the Balanced Fund.

13. Risk management

The Plan’s investments are recorded at fair value. Other financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values. Fair values of investments are exposed to market risk, liquidity risk and credit risk.

Market risk

Market risk is comprised of currency risk, interest rate risk, and other price risk.

Currency risk: Currency risk relates to the possibility that the investments will change in value due to future fluctuations in US, Euro and other international foreign exchange rates. For example, a 5% strengthening (weakening) of the Canadian dollar against foreign currencies at December 31, 2023 would have decreased (increased) investments held in foreign currencies by approximately \$30.2 million (2022: \$27.1 million).

Currency risk associated with foreign equities may be hedged at the discretion of global equity managers, in order to protect the value of foreign equity investments from the impact of an appreciating Canadian dollar (relative to the foreign currency).

The Fixed Income Manager may purchase US Treasury Bonds, provided the foreign currency exposure is hedged through the purchase of currency contracts.

Interest rate risk: Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Duration is an appropriate measure of interest rate risk for fixed-income securities (bonds, mortgages and short-term notes) as a rise in interest rates will cause a decrease in the price of fixed income securities – the longer the duration, the greater the effect. At December 31, 2023, the average duration of the fixed income securities in the Balanced Fund was 7.31 years (2022: 7.09 years). Therefore, if nominal interest rates were to increase by 1%, the value of the Balanced Fund fixed income securities would drop by 7.31% (2022: 7.09%).

Other price risk: Other price risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. This risk is reduced by the investment policy provisions approved by the Board of Pension Trustees for a structured asset mix to be followed

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

13. Risk management (continued)

Market risk (continued)

by the investment managers, the requirement for diversification of investments within each asset class and credit quality constraints on fixed income instruments. Other price risk can be measured in terms of volatility, the standard deviation of change in the value of a financial instrument within a specific time horizon.

	Volatility %
Short-term holdings	+/- 2.4
Bonds and mortgages	+/- 5.4
Canadian equities	+/- 19.5
Foreign equities	+/- 16.2
Real estate	+/- 10.1

Benchmark for investments	% change	Net impact on market value	
		Balanced Fund	Defined Retirement Benefit Fund
FTSE TMX Canada 91-day Treasury Bill Index	+/- 2.4	\$88	\$20
FTSE TMX Canada Universe Bond Index	+/- 5.4	24,553	4,017
S&P/TSX Capped Composite Index	+/- 19.5	55,964	17,655
MSCI World Net Index	+/- 16.2	71,059	26,821
Canadian Consumer Price Index plus 4% (real estate)	+/- 10.1	13,780	3,250

Other price risk is managed by diversification of the portfolio, both by investment managers (three) with differing investment styles and mandates and by allocation of equities across a range of sectors and companies. Based on the current asset class holdings, the estimated volatility of the Balanced Fund return is +/- 9.2%, and the estimated volatility of the Defined Retirement Benefit Fund return is +/- 11.6%.

Liquidity risk

Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost effective manner in order to meet commitments as they come due. The primary liabilities in the Plan are defined contribution entitlements, internal variable annuities, future defined benefit obligations and operating expenses. Liquidity requirements are managed through income generated by monthly contributions and investing in sufficiently liquid equities, pooled funds and other easily marketable instruments.

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

13. Risk management (continued)

Credit risk

Credit risk relates to the possibility that a loss may occur from failure of a fixed income security issuer to meet its debt obligations. At December 31, 2023, the maximum risk exposure for this type of investment is \$458.3 million (2022: \$424.7 million) in the Balanced Fund and \$75.2 million (2022: \$66.2 million) in the Defined Retirement Benefit Fund.

The Plan limits credit risk by investing only in short term debt rated R1 or higher and other debt rated BBB or higher, as rated by the Dominion Bond Rating Service or equivalent. Debt rated below BBB is only permitted in the case of a high yield bond fund which has been specifically approved for investment by the Board of Pension Trustees.

The following shows the percentage of bond holdings in the portfolio by credit rating.

Rating	Balanced Fund	Defined Retirement Benefit Fund
AAA	28.1%	28.1%
AA	28.6%	28.6%
A	16.9%	16.9%
BBB	19.9%	19.9%
BB and below	6.3%	6.3%
Unrated	0.2%	0.2%

14. Capital disclosures

The purpose of the Plan is to provide pension benefits to plan members. As such, when managing capital, the objective is to preserve assets in a manner that provides the Plan with the ability to continue as a going concern, to have sufficient assets to meet future obligations for benefits and to have sufficient liquidity to meet all benefit and expense payments.

In accordance with regulatory requirements, the Board of Pension Trustees has established a Statement of Investment Policies and Procedures ("SIP&P") which sets out the investment principles, guidelines and monitoring procedures that are appropriate to the needs and objectives of the Plan. The SIP&P sets out benchmarks and asset allocation ranges that are intended to best secure the obligations for pension benefits and result in reasonable risk-adjusted return on investment. Individual investment decisions are delegated to investment managers subject to the constraints of the SIP&P and individual manager mandates. As required, the Board of Pension Trustees reviews the SIP&P and manager structure at least annually, and makes such changes to the SIP&P and/or mandates as it deems necessary. With the assistance of an outside consultant, the Board of Pension Trustees and the Pension Services regularly monitor the asset mix of each manager and fund to ensure compliance with the SIP&P and mandates.

University of Victoria Combination Pension Plan

Notes to the Financial Statements

December 31, 2023

14. Capital disclosures(continued)

The benchmark and ranges for the funds are as follows:

	Balanced Fund		DRBA	
	Benchmark	Range	Benchmark	Range
Cash and equivalents	0%	0-21%	0%	0-20%
Canadian bonds	36%	20-46%	20%	15-25%
Canadian equities	22%	14-27%	25%	15-35%
Foreign equities	32%	20-40%	45%	40-50%
Real estate	10%	5-15%	10%	5-15%

The Plan is also subject to the Pension Benefits Standards Act (BC) and Regulations, which require that solvency and going concern actuarial valuations are performed every three years, at which time the Plan must take measures to eliminate any funding deficiencies that may arise.

15. Death benefits

During the year, the Plan paid out a total of \$4,860,041 in death benefits to beneficiaries, and \$10,727,198 in account transfers or refunds to members.
