UNIVERSITY OF VICTORIA COMBINATION PENSION PLAN

ANNUAL REPORT TO MEMBERS

2013

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Contents

The information in this report is provided for the general information of members. The precise terms and conditions of the Plan are provided in the relevant plan documents. If there is a discrepancy between this report and the plan documents, the plan documents apply.

Letter from the Chair

Sometime in 1996, Fred Fischer asked me if I would stand for election as a Trustee of the Combination Pension Plan. I might not have agreed so readily had I known that 18 years later I would find myself writing my 14th letter to you as Chair of the Plan. In the event the time has been an amazing second education for me, and the Plan also seems to have survived the experience in very good shape! Thank you all, especially those who have contributed directly as Trustees or with other assistance, for your continued help and support, without which my role would have been impossible. A special thank-you is also well deserved for Susan Service, our Secretary. Without her tireless work and attention to detail the work of the Trustees would be impossible and we can congratulate John Levy on finding such an able successor.

As you will see from the tables that Susan has created for this report (pages 9 and 10), our gross returns for the last five years, following the worldwide financial problems of 2008, average 10.4%. Expenses (average 0.28%) are extremely low by comparison with other plans (according to a recent survey, 0.5% is the average for plans of this size) for an average net return of 10.1%. World economies have recovered from the 2008 meltdown, but generally rather slowly. In consequence, economists have remained pessimistic about the returns to be expected for a Plan such as ours. Predictions for 2013 were low and remain so for the future. In this context we can be delighted, relieved, and cautious with our 15.0% net return for the year. The health of a pension plan is best measured over long periods, and our annualized net return has been a respectable 7% over the past 10 years. Clearly, world economies still face significant difficulties, and to expand what I said in this letter last year "*we can only hope that the forces (strong corporate profitability and low interest rates) which drove equity markets higher in 2012 and 2013 will remain in place this year and that the global economy will improve rather than worsen.*"

In previous years, this letter has included a breakdown of our assets between managers and asset classes and the individual returns for those assets. This information is now included in the table on page 9 of this annual report. Highlights include the returns on our world market investments (35.8%) relative to Canadian (17.5%), more modest but very steady and satisfactory returns on our real estate (7.9%), and the poor performance of our fixed income investments (-0.4%). These relative performances are not unexpected given the previous out-performance of Canadian stocks against the rest of the world, and the effect on bond markets of historically low interest rates beginning to rise.

The target distributions of our funds among various asset classes remained largely unchanged during 2013 except that in October, the Trustees accepted two recommendations from our managers and consultants. Our Defined Retirement Benefit Account (DRBA) bond holdings were switched from real return bonds, which have given mixed results, to a more general "universe" bond strategy, and the foreign equity holdings of the DRBA were increased to 45% (from 27%) with a corresponding decrease in Canadian equity (to 25%) and fixed income (to 20%). The intent is to more closely align the mix with market trends and the long term objectives of the DRBA.

In considering asset mix, the Trustees are, of course, aware of various divestment initiatives being pursued around the world. Assessment of the effects of societal forces on investment returns is one important reason for using professional managers and consultants. The Trustees will continue to question these service providers as to the most appropriate and sustainable investment choices. In this context it is important to note that the Trustees have sole legal responsibility for setting investment policy and that a well-diversified portfolio minimizes investment risk. The law in BC on Trustees' fiduciary duty remains focussed on the best "financial" interests of the members and no new case law is available in this area.

In 2013, much of the Trustees' work centred on the most recent valuation which used data to 31 December 2012. Members will recall that as a result of the 2009 valuation, contribution rates for the Defined Retirement Benefit Account (DRBA) were increased from 1% of salary to 5.05%. The improvements effected by this change and by market performance over the last three years are reflected in an increase in the assets available for defined benefits from approximately $62 million to $88 million. For 2012, our

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actuary recommended several changes to the assumptions used in 2009. The most significant of these include reduction of the assumed real (net of inflation) rate of return from 3.75% to 3.5%, and a simplification of salary assumptions for the faculty group. The reduced rate of return assumption reduces the future value of assets and increases the liabilities, thereby partially negating the improvement in current asset values. Adding to the complexity of the valuation process is the actuary's use of three different methods, differing mainly in the extent to which future service for present and new plan members are considered. For this letter, suffice it to say that the results of the different calculations range from the most conservative (deficit $58 million) to a wind-up valuation (surplus $50 million). The good news is that there is no evidence that further increases in contribution rates are needed at this time.

As always, there are some conservative assumptions and some risk factors in the valuation and hopefully these will balance. However, it is important to remember the sensitivity of a valuation to the assumptions. For example, an increase of one year in average retirement age reduces required contribution rates by 0.7% and a decrease of 0.25% in returns increases contribution rates by 1.2%. Another risk (or benefit depending on your point of view!) is that longevity continues to increase and a revised mortality assumption will probably be recommended by the actuary at the next valuation.

The valuation generated a heavy work-load for our Valuation Committee, chaired by Bob Worth with Kristi Simpson and Kenneth Stewart as the other members. We all owe them a vote of thanks for their efforts on this complex problem.

BC has introduced three pieces of new legislation which will affect our policies and procedures. A new *Pension Benefits Standards Act* was passed in 2012 and will become fully effective when the associated regulations are produced, probably not until 2015. There is a new *Family Law Act* which came into force in 2013 to replace the previous *Family Relations Act* with some significant changes to regulations governing division of pensions on the breakdown of a relationship. Lastly, a new *Wills, Estates and Succession Act* comes into force 31 March 2014 and will change some of the rules for designation of beneficiaries.

In Trustee news, the membership of the Board of Trustees for 2014 has one change from last year. Kenneth Stewart decided not to stand for re-election when his term ended in December. We have appreciated his work and economic expertise over the last several years. Kenneth has been replaced by Duc Le. Duc is the CFO of Ocean Networks Canada within the University. His financial expertise and experience with the McMaster pension plan will be most valuable. I was re-elected as Chair at the January meeting of the Trustees and would like to extend my personal thanks to the Trustees for their continued confidence and support. Michael Miller has expanded University duties, which make it necessary for him to relinquish the Vice-Chair. Thank you Mike for all your help over the last couple of years. Fortunately, we have an able replacement in Deborah George who has assumed the role of Vice-Chair for 2014. I look forward to her support and wise counsel. Our committee Chairs are Kristi Simpson (Investment), Deborah George (Policy and Procedure), Bob Worth (Valuation) and myself (Governance and Communications).

Finally, I look forward to meeting many of you at our Annual General Meeting on April 29th.

Best Wishes to All,

Keith R. Dixon
Chair, Board of Pension Trustees

Annual General Meeting

4:30 p.m. Tuesday, 29 April 2014
Room A104
Bob Wright Centre

This is an informal meeting at which the Pension Board reports to the membership and answers questions. The meeting will include a brief presentation. The Pension Board hopes members will be able to attend.

Governance

The Plan is governed by a Board of Trustees (the "Pension Board"). There are eight trustees on the Pension Board, four elected by plan members for terms of up to three years and four appointed by the University.

The Pension Board oversees investment of the pension fund, financial management of the Plan and ensures the Plan is administered in accordance with the trust agreement, the *Income Tax Act (Canada)* and *Pension Benefit Standards Act (BC)*.

As at 31 December 2013, the Trustees were:

Mr. Martin Barnes
Chief Economist, BCA Research
Appointed term from 1 July 2012 to 30 June 2015

Dr. Keith Dixon – CHAIR
Professor Emeritus, Department of Chemistry
Elected term from 1 January 2012 to 31 December 2014

Dr. Deborah George
Appointed term from 1 July 2011 to 30 June 2014

Dr. Michael Miller—VICE-CHAIR
Associate Vice-President, Research
Elected term from 1 January 2011 to 31 December 2013

Professor Martha O'Brien
Professor, Faculty of Law
Elected term from 1 January 2012 to 31 December 2014

Dr. Kenneth Stewart
Associate Professor, Department of Economics
Elected term from 1 January 2011 to 31 December 2013

Ms. Kristi Simpson
Associate Vice-President, Financial Planning & Operations
Appointed ex-officio

Mr. Robert Worth
Appointed term from 1 July 2012 to 30 June 2014

COMMITTEES

Actuarial Valuation Committee
Mr. Robert Worth—CHAIR
Ms. Kristi Simpson
Dr. Kenneth Stewart

Governance and Communications Committee
Dr. Keith Dixon—CHAIR
Dr. Deborah George
Ms. Kristi Simpson

Investment Committee
Ms. Kristi Simpson—CHAIR
Dr. Martin Barnes
Dr. Michael Miller
Mr. Robert Worth

Policy and Procedures Committee
Dr. Deborah George—CHAIR
Professor Martha O'Brien
Dr. Kenneth Stewart

Investments and Returns	2011		2012		2013	
Market value of investments						
Balanced Fund	$602,878,769		$655,370,014		$749,112,447	
Defined Retirement Benefit Fund	74,913,440		88,768,934		110,004,904	
Balanced Fund		%		%		%
Gross returns	$5,665,161	0.92	$60,095,200	9.98	$100,197,499	15.31
Expenses	(1,661,221)	(0.27)	(1,633,285)	(0.27)	(1,979,127)	(0.30)
Net returns distributed to accounts	4,003,940	0.65	58,461,915	9.71	98,218,372	15.01
Defined Retirement Benefit Fund						
Gross returns (losses)	$ (60,807)	(0.08)	$7,808,820	10.14	$14,089,819	15.35
Expenses	(226,137)	(0.28)	(308,083)	(0.40)	(300,844)	(0.32)
Net returns (losses)	(286,944)	(0.36)	7,500,737	9.74	13,788,975	15.03

Benefit Payments	2011	2012	2013
Lump sum payments and transfers	$10,027,827	$7,453,666	$7,320,110
Pensions			
3.5% internal variable annuities	$ 1,568,827	$1,968,368	$2,341,723
5% internal variable annuities	377,105	350,902	344,116
Defined benefit pensions	179,644	181,632	152,900
Defined benefit supplements	173,338	255,412	342,210
Variable benefits	13,079,992	14,181,481	15,102,349

In 1990 defined benefit pensions were replaced with a combination of the 3.5% internal variable annuity and defined benefit supplement; in 1997, the variable benefit was added; and, at the end of 2011, the 5% annuity ceased to be offered.

Contributions	2011	2012	2013
Members' required	$ 6,920,824	$ 7,716,152	$ 7,896,944
University required	14,846,215	16,504,099	16,963,608
Members' voluntary	137,597	124,060	147,541
Transfers from other plans	1,563,497	1,421,061	1,658,433

Adjustments to Pensions	2011	2012	2013
	%	%	%
Defined benefit pensions and supplements	3.0	2.9	1.2
3.5% internal variable annuities (reduction)	3.6	(4.7)	5.3
5.0% internal variable annuities (reduction)	2.1	(6.1)	3.8

Full audited financial statements are available online at: http://web.uvic.ca/vpfin/financialplanning/pension/pensionmain.htm A print copy may also be requested from the Pension Office at (250) 721-7030 or by email at pensions@uvic.ca with the subject line "Combination Plan Financial Statements Print Copy".

Investments

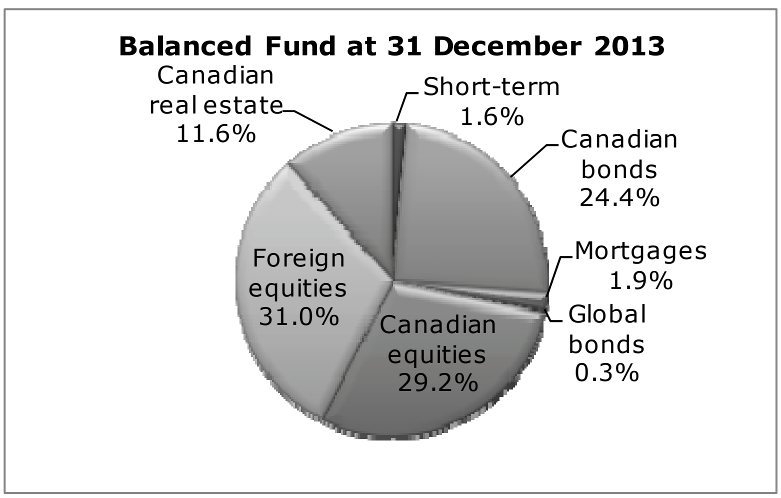
Objectives

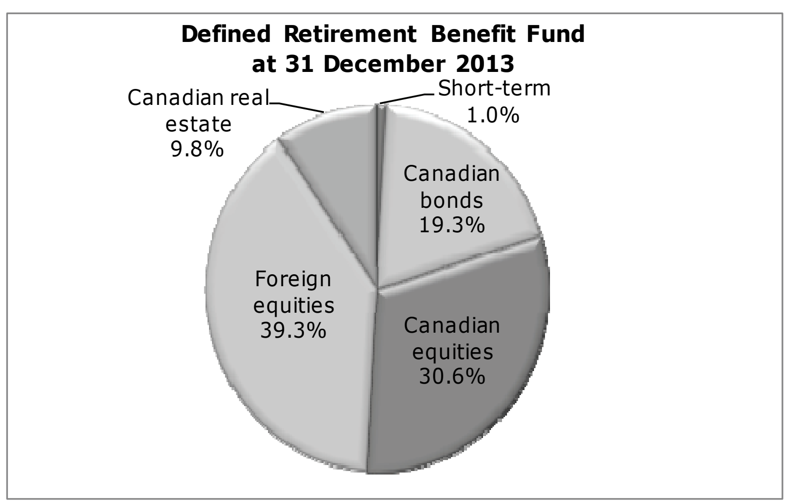
Plan assets are distributed over two funds: the Balanced Fund and the Defined Retirement Benefit Fund. Individual member accounts (Combined Contribution Accounts, Variable Benefit Accounts and Additional Voluntary Contribution Accounts of active and inactive members) are held in the Balanced Fund, together with member accounts from the Money Purchase Pension Plan. The Defined Retirement Benefit Fund holds the assets of the Defined Retirement Benefit Account from which defined benefit pensions and supplements are paid.

The main long-term investment objectives set by the Pension Board and accepted by the Plan's investment managers (refer to Appendix E) are to secure the obligation of the Plan and the University for pension benefit payments. 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. A higher degree of risk in terms of short-term variability of returns may be tolerated in the Defined Retirement Benefit Fund's investments in pursuit of longer term returns.

The primary objective for the Funds 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 **charts below** show each Fund's actual asset mix at 31 December 2013.

Asset Mix





Investment Returns

Investment returns are measured on a time-weighted basis. The return objectives include realized and unrealized capital gains or losses, plus income from all sources.

The Investment Committee monitors and reviews performance and reports to the Pension Board on a quarterly basis. 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. Over rolling four-year periods, 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 standard 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 benchmark for the total fund is a composite of the benchmarks for the individual asset classes.

Balanced Fund Asset Mix and Performance as at 31 December 2013

ASSET CLASS (benchmark)	**Actual Weight**	**Benchmark Weight (Range)**	**1 year Gross Return**	**1 year Benchmark Return**	**4 year Gross Return**	**4 year Benchmark Return**
Underlying manager	(%)	(%)	(%)	(%)	(%)	(%)
<u>*SHORT-TERM (DEX 91-day T-Bill Index)*</u>						
BC Investment Management Corporation	0.2					
Fiera Capital Corporation	-					
Phillips, Hager & North Investment Management Limited	1.4					
Total	1.6	0 (0-18)	1.5	1.0	1.1	0.9
FIXED INCOME (DEX Universe Bond Index)						
Phillips, Hager & North Investment Management Limited	26.6	36 (24-48)	-0.4	-1.2	5.3	4.6
CANADIAN EQUITIES (S&P/TSX Capped Composite Index)						
BC Investment Management Corporation	15.0	13.5 each	18.4		n/a	
Fiera Capital Corporation	14.2	(9.5-17.5)	16.3		7.4	
Total	29.2	27 (17-37)	17.5	13.0	7.7	6.8
FOREIGN EQUITIES (MSCI World Ex-Canada Net, $Cdn, Index)						
BC Investment Management Corporation	31.0	27 (23-31)	35.8	36.3	12.6	12.3
REAL ESTATE (Canadian Consumer Price Index plus 4%)						
BC Investment Management Corporation	11.6	10 (0-15)	7.9	5.3	12.2	5.7
TOTAL FUND (Composite Benchmark)			**15.3**	**12.6**	**8.8**	**7.6**

Investments

Balanced Fund—annualized returns

The table below shows the annualized rates of return on the Balanced Fund portfolio over the last ten calendar years. "Gross Gain (Loss)" are returns before expenses. "Net Gain (Loss)" are returns after all investment and operating expenses. "Net Gain (Loss)" is the rate of return credited to members' individual Combined Contribution Accounts, Variable Benefit Accounts and Voluntary Contribution Accounts. Past performance is not a reliable indicator of future performance.

	1 year		**4 year**		**10 year**	
Year ended 31 December	**Gross Gain (Loss)**	**Net Gain (Loss)**	**Gross Gain (Loss)**	**Net Gain (Loss)**	**Gross Gain (Loss)**	**Net Gain (Loss)**
	%	%	%	%	%	%
2013	15.31	15.01	8.82	8.54	7.32	7.06
2012	9.98	9.71	8.98	8.71	7.28	7.03
2011	0.92	0.65	2.17	1.90	5.86	5.59
2010	9.56	9.30	2.68	2.42	6.00	5.76
2009	16.01	15.72	3.44	3.18	6.31	6.07
2008	(15.05)	(15.29)	2.75	2.49	5.81	5.57
2007	2.94	2.69	10.05	9.81	8.49	8.23
2006	12.87	12.60	13.12	12.88	9.12	8.85
2005	12.91	12.63	8.70	8.47	9.69	9.41
2004	11.81	11.63	6.04	5.83	9.97	9.68

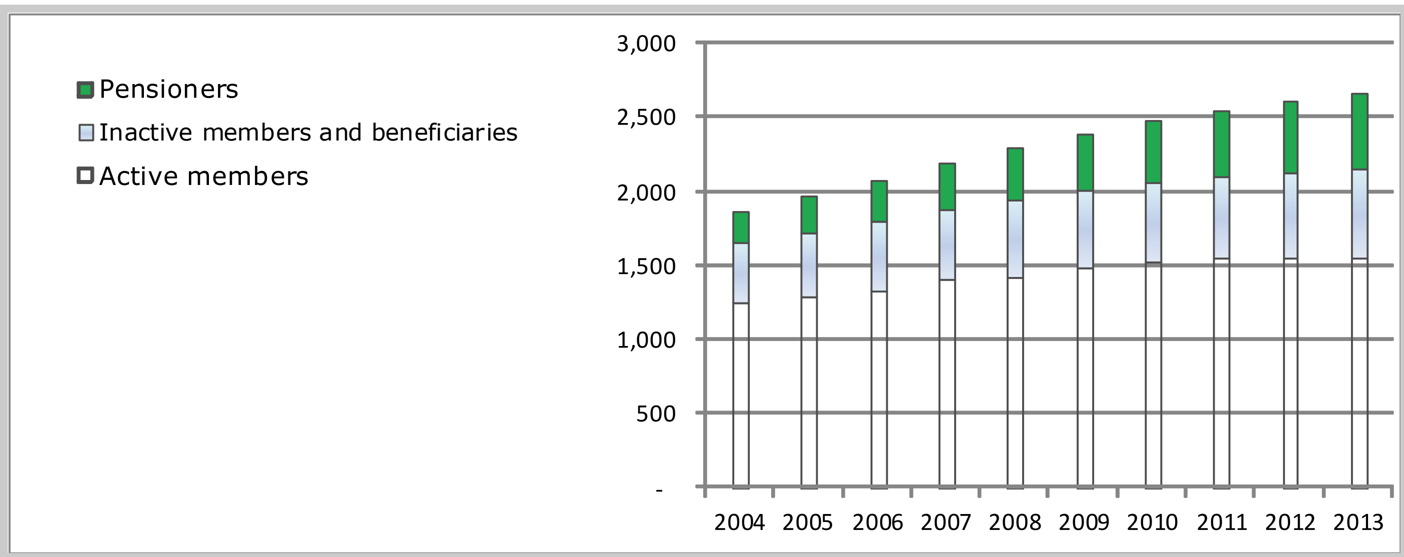
Balanced Fund—expense ratio detail

The table below provides the detail of all expenses incurred in investing and operating the pension plan. Expenses are deducted from gross gain to determine net gain. Due to the effect of compounding, over extended periods of time expenses can have a material impact on final account balances. Expenses are often described as expense ratios and expressed as basis points; 0.30% is 30 basis points.

	2011		**2012**		**2013**	
Balanced Fund		%		%		%
Investment management expenses	$1,187,864	0.19	$1,203,691	0.20	$1,504,646	0.23
Custodial and consulting expenses	116,874	0.02	145,569	0.03	138,445	0.02
Actuarial expenses	-	-	-	-	-	-
Office and administration expenses	322,868	0.05	255,241	0.04	299,942	0.05
Audit and legal expenses	33,615	0.01	28,784	-	36,094	-
Total expenses	$1,661,221	0.27	$1,633,285	0.27	$1,979,127	0.30

The table and chart below show the growth in plan membership over the past ten years. Active members are members who are still employed by the University and contributing to the Plan. Inactive members are members who have 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. Pensioners are members and beneficiaries who are drawing a monthly pension from the Plan.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Active members	1,251	1,297	1,339	1,393	1,416	1,480	1,519	1,538	1,544	1,547
Inactive members	393	420	448	472	517	522	530	556	580	597
Pensioners	217	246	284	321	353	382	414	448	484	512
Total	1,861	1,963	2,071	2,186	2,286	2,384	2,463	2,542	2,608	2,656



Pensions

The table below shows the types of pensions being paid by the Plan.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Defined benefit pensions	21	20	19	17	15	14	12	11	10	9
Defined benefit supplements	9	8	8	13	16	36	41	47	76	89
Internal variable annuities	51	54	59	68	73	84	99	109	135	154
Variable benefits	151	179	216	247	277	297	320	347	362	373
Adjust for combinations	(15)	(15)	(18)	(24)	(28)	(49)	(58)	(66)	(99)	(113)
Total pensioners	217	246	284	321	353	382	414	448	484	512

In 1990 defined benefit pensions were replaced with a combination of the 3.5% internal variable annuity and defined benefit supplement; in 1997, the variable benefit was added; and, at the end of 2011, the 5% annuity ceased to be offered.

What are the contributions?

Members and the University share the cost of the Plan.

Combined Contribution Account (defined contribution): For 2014, members' contributions are 4.35% of basic salary up to the YMPE (Year's Maximum Pensionable Earnings, the contributory earnings upper limit under the Canada Pension Plan) of $52,500 plus 6.35% of basic salary in excess of that amount. Members' contributions are credited to members' individual Combined Contribution Accounts (CCAs).

The University contributes to individual CCAs an amount equal to 6.02% of basic salary up to the $52,500 plus 7.65% in excess of that amount.

Total contributions to individual members' CCAs are therefore 10.37% of salary up to the $52,500 plus 14% in excess of that amount, subject to the limit that they may not exceed the lesser of 18% of the member's earnings and the annual defined contribution maximum set under the *Income Tax Act* ($24,930 in 2014).

Defined Retirement Benefit Account: The defined benefit minimum is funded by University contributions equal to 5.05% of earnings in 2014.

Voluntary: Subject to *Income Tax Act* maximums, members may elect to make additional contributions to a voluntary contribution account through payroll deduction or by transfer from another registered plan (RRSP or Canadian registered pension plan). Transfers from spousal RRSPs are not permitted.

Example of 2014 pension contributions based on an annual salary of $90,000

	Member Amount	(%)	University Amount	(%)	Total Amount	(%)
Combined Contribution Account	$4,665	(5.18)	$6,029	(6.70)	$10,694	(11.88)
Defined Retirement Benefit Account	-		4,545	(5.05)	4,545	(5.05)
Canada Pension Plan	2,426	(2.70)	2,426	(2.70)	4,852	(5.40)
Total pension contributions	$7,091	(7.88)	$13,000	(14.45)	$20,091	(22.33)

When are members eligible for a retirement benefit?

The Combination Pension Plan provides immediate vesting, which means there are no minimum service requirements for a pension. However, there are age requirements.

Normal retirement date for a member of the Combination Pension Plan is the last day of the month in which the member attains 65 years of age. This is the date at which the defined benefit minimum is calculated without reduction.

Early retirement A member may elect to take early retirement on or after the end of the month in which the member attains 55 years of age. In this case, the defined benefit minimum (described on page 13) is reduced to its actuarial equivalent. The reductions are shown in the table on page 17.

Deferred retirement A member may defer commencement of retirement benefits until the end of the calendar year in which the member attains 71 years of age. If a member does not select a benefit by 31 October of the year they turn age 71, they will be deemed to have selected an option that does not require spousal consent or waivers and provides maximum future flexibility; non locked-in amounts that are under $105,000 are paid out in cash, less withholding tax.

What are the options at retirement?

A member has a range of options designed to allow tailoring of retirement income to suit his or her individual situation, preferences, and financial plan. The detailed selection of any one option or a combination of options is a matter for the individual member and his or her private financial advisor, and the Plan cannot provide this type of advice. Spousal consent is required for some options. Subject to some restrictions, options may be combined for maximum flexibility.

With minor variations, there are basically two options available directly from the Plan and essentially the same two options outside the Plan. Within the Plan, a member may choose between a lifetime annuity and a variable benefit (basically similar to an external life income fund). Alternatively the member may remove his or her funds from the Plan, and choose between an external annuity, for example from an insurance company, or a registered retirement/ life income fund. Whether within the Plan, or external to it, an annuity is purchased with a member's Combined Contribution Account (CCA) balance, which means that control and ownership of the account balance is relinquished in exchange for the promise of a future lifetime income. This is in contrast to the variable benefit or a retirement income fund, where the member retains control and ownership of the account balance, and makes withdrawals within statutory limits.

If a member wishes to defer commencement of benefits, this can be accomplished (to age 71) by leaving the money within his or her CCA, or external to the Plan by making use of (locked-in) registered retirement savings plans (RRSPs).

Options at a Glance

- Purchase an internal variable annuity from the Plan (with defined benefit minimum)
- Start a variable benefit (RRIF/LIF-type option) from the Plan
- Purchase a life annuity from an insurance company
- Transfer CCA to a RRIF/LIF
- Transfer CCA to a (locked-in) RRSP
- Transfer CCA to another registered pension plan
- Leave CCA on deposit for a future pension (default option)

1. Internal Variable Annuity (with defined benefit minimum)

An internal variable annuity is purchased with the balance in a member's CCA. It is basically similar to an external annuity, with the initial amount payable depending on the available CCA balance, the age of the member, and the survivor option selected. There are three main differences between an internal annuity and an external annuity.

Firstly, internal annuity payments are adjusted each 1st July to reflect the investment performance of the Plan during the prior calendar year, or that portion of the year that the annuity was being paid, relative to the 3.5% underlying earnings assumption. If the Plan earned more or less than 3.5%, the payments are adjusted accordingly. For example, if the Plan earned 6% the annuity would increase on the following 1 July by approximately 2.5%; if the Plan lost 3%, the annuity would decrease by approximately 6.5%. The performance adjustment means that the internal annuities carry somewhat more risk than an external annuity, but also the potential for benefit if the Plan does well.

Secondly, internal annuities are adjusted to reflect the longevity experience of the group of annuitants.

Thirdly, provided the member was not previously on the variable benefit, payments under the internal variable annuity option cannot fall below the minimum calculated on a defined benefit basis.

The **defined benefit minimum** at normal retirement is the sum of (A) and (B) below:

(A) 1.3% of the average of the highest consecutive five year's salary ("Final Average Earnings") up to the three year average Year's Maximum Pensionable Earnings ("Average YMPE") defined by the Canada Pension Plan
MULTIPLIED by years of credited service

(B) 2% of Final Average Earnings in excess of the Average YMPE
MULTIPLIED by years of credited service.

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Options at retirement, internal variable annuity (defined benefit minimum) continued

The defined benefit minimum is currently limited to $2,770 per year of service credited after 1990 and is actuarially reduced for early retirement. The resulting single life pension is converted into the same survivor option that was selected for the variable annuity. An individualized sample calculation (single life) is provided to each member as part of the annual member statement. After retirement, the defined benefit minimum is indexed each 1 July based on the annual change in the Canadian Consumer Price Index, to a maximum of 3% per year.

If only a fraction of a member's CCA is applied to this option, there is a minimum of three times the YMPE (in 2014 the figure is 3 x $52,500); the defined benefit minimum is then reduced to the same fraction.

A table of 2014 single life annuity rates and actuarial reductions is reproduced in Appendix A of this report. Other survivor options are available but the amount of pension will differ. If the member has a spouse, a minimum 60% joint life pension is required unless the spouse waives that right.

2. **Variable Benefit**
   This option is similar to an external life income fund. The funds that accumulated in a member's CCA are held in a Variable Benefit Account (VBA). The member retains ownership of the funds and each year sets the monthly retirement benefit, subject to statutory minima and maxima. The minimum does not take effect until the year the member reaches age 72 and, for a particular year after age 71, is the value of the account at the start of the year multiplied by the appropriate percentage rate from an age-based table. A member with a younger spouse may elect to use the spouse's age for purposes of determining the appropriate percentage rate for the minimum withdrawal. The maximum for a particular year only applies to the locked-in (post-1992) portion of a member's account. For pensioners who have been on the option for a full calendar year, the maximum is the greater of: (a) actual investment returns for the preceding year; and (b) the locked-in portion of the account at the start of the year multiplied by the appropriate factor from an age-based table. A booklet explaining the variable benefit in more detail is available upon request from the Pension Office. The booklet contains a table of withdrawal rate limits.

   The balance remaining in a member's account after each month's withdrawal shares in the investment performance of the Balanced Fund and, when the member dies, any remaining balance forms the survivor benefit.

   If the member has a spouse, spousal consent is required for the variable benefit option.

   With one full calendar month of notice, a variable benefit pensioner may terminate the pension and apply the balance remaining to one or a combination of the other options, except that the defined benefit minimum is not available. If the member is over 71 years of age, the minimum withdrawal for the year must be satisfied before the funds are applied to another option. If the funds are transferred to a life income fund, no withdrawal is permitted from the new life income fund until the following calendar year.

3. **Life Annuity from a life insurance company**
   Life annuities may be purchased from life insurance companies. Normally, a life annuity pays a fixed annual amount, unlike our internal annuities, which vary according to investment performance. Some companies may offer annuities with a fixed annual percentage escalation over time. As with the internal annuities, the initial payments depend on the balance available, the age of the annuitant, and the survivor option selected. Annuity rates offered are based on prevailing interest rates and other market factors, and can vary substantially from one company to another.

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Options at retirement continued

4. **Registered Retirement and Life Income Funds (RRIFs and LIFs)**
   The portion of a member's account that is attributable to pre-1993 contributions may be transferred to a registered retirement income fund (RRIF). The remainder (post-1992) is locked-in and is only transferable to a life income fund (LIF). In both cases, the member retains ownership of the monies.

The permissible underlying investments of RRIFs and LIFs are the same as for registered retirement savings plans (RRSPs) and may be self-directed. Based on the age of the member, there are statutory annual minimums for withdrawals from RRIFs and LIFs, and a maximum for LIFs, but no maximum for RRIFs. If the member has a spouse, spousal consent is required for a transfer to a LIF.

What are the options upon termination of employment?

If a member leaves the employ of the University before earliest retirement age (55 years of age), the member is eligible for one of the following options:

- Leave Combined Contribution Account (CCA) on deposit for a future pension (default option)
- Transfer CCA to a (locked-in) RRSP
- Transfer CCA to another registered pension plan
- Purchase a deferred life annuity from an insurance company

Any portion of the member's account that is attributable to contributions made prior to 1993 is not subject to lock-in conditions and may be transferred to a regular RRSP or Registered Retirement Income Fund (RRIF) or be paid in cash less withholding tax. A member must commence a pension benefit or effect a transfer from the Plan by the end of the calendar year in which the member attains 71 years of age.

What are the survivor benefits?

The survivor benefit for a member who dies **before commencing a benefit, or for a variable benefit pensioner**, is the balance in the member's account(s).

Under the *Pension Benefits Standards Act*, the beneficiary for the survivor benefit must be the member's spouse (if the member has a spouse), unless the spouse has completed and filed a Spouse's Waiver of Pre-retirement Benefits with the Pension Office; or, in the case of the variable benefit, the member did not have a spouse at the start date of the variable benefit. The definition of spouse includes a common-law or same sex partner.

Members who have ended a marriage or marriage-like relationship are encouraged to verify that their beneficiary designation is current and valid. A person to whom you are married retains spousal status for up to two years following separation.

A beneficiary who is a spouse may elect a monthly benefit or a transfer of the member's account balance to (locked-in) RRSPs or RRIFs/LIFs. All options that are available to a member are available to a surviving spouse, with the exception that the defined benefit minimum is not available and the spouse need not have attained 55 years of age to commence a monthly benefit. The spouse must commence a pension benefit or effect 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.

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Understanding the Plan

Survivor benefits continued

Under the *Income Tax Act* a beneficiary who is not a spouse is required to withdraw the death benefit in cash as soon as is practicable. Withholding tax of up to 30% will be deducted from any cash payment. The actual tax payable depends on the beneficiary's marginal tax rate in the year in which the cash payment is issued.

The survivor benefit for a pensioner in receipt of an annuity or defined benefit (supplement) pension from the Plan is determined by the optional form selected by the member at the pension start date. The optional forms available are as follows:

- Joint life where 60%, 66.7%, 75% or 100% of the benefit continues to a surviving spouse.
- Joint life where 66.7% of the benefit continues after the first death of either the spouse or the member.
- Joint life where payments continue in full for the lifetime of the member or spouse, whoever lives longer, and with a guaranteed minimum of 10 or 15 years.
- Single life where payments continue for the member's lifetime with a guaranteed minimum of 0, 5, 10 or 15 years.

If the member has a spouse, Pensions Standards require that the member select a form which provides at least a 60% spousal survivor benefit unless the spouse completes a waiver.

Plan administration

General enquiries or requests for statements should be directed to the Pension Office at (250) 721-7030, by email to pensions@uvic.ca, or to:

Mailing address	**Physical address/courier**
Pension Services University of Victoria PO Box 1700, Stn CSC Victoria BC V8W 2Y2	Pension Services University of Victoria ASB—Room B278 3800 Finnerty Rd Victoria BC V8P 5C2

Retiring members should contact the Pension Office at least 3-6 months before their retirement date (last date on pay *vs* last day at work). The Pension Office will send the member a statement of options and the forms required for the various options. **The forms must be received in the Pension Office at least one full calendar month prior to the benefit payment date**.

Pensions are paid on the first of each month. Lump sum payments and transfers are processed at the end of each calendar month; the payment or transfer value is the market value at the end of the previous month, plus interest for the final month.

APPENDIX A: Annuity Rates and Actuarial Reduction factors

The table below shows the rates that will be used in 2014 to convert a member's Combined Contribution Account balance into a single life 3.5% internal variable annuity, and the actuarial reduction factors that are applied to the defined benefit minimum if the pension starts before normal retirement age (age 65). A single life annuity ceases on the death of the annuitant. Survivor benefits are available by selecting an optional form (joint life and guaranteed terms), but the amount payable is reduced. The optional form is selected at the time the annuity commences and, like the annuity, is irrevocable. The optional forms available from the Plan are described in the section Understanding the Plan, Survivor benefits.

Table of Rates for Annual Single Life 3.5% Annuity Commencing in 2014 Provided by $1000 of Combined Contribution Account and Actuarial Reduction Factors for Defined Benefit Minimum*

Age in Years Upon Commencement of the Annuity	Annual Annuity Rate per $1,000	Actuarial Reduction Factor for Defined Benefit Minimum
55	53.39	0.55440
56	54.40	0.58459
57	55.47	0.61711
58	56.61	0.65220
59	57.82	0.69017
60	59.11	0.73133
61	60.48	0.77604
62	61.93	0.82475
63	63.47	0.87792
64	65.10	0.93612
65	66.83	n/a
66	68.67	n/a
67	70.62	n/a
68	72.70	n/a
69	74.95	n/a
70	77.37	n/a
71	79.99	n/a

**The defined benefit minimum is determined by multiplying the results of the formula described on page 13 by the actuarial reduction factor, if applicable. A factor of 0.87792 is effectively a reduction of 12.208% (1-0.87702) .*

Example of annuity calculation for a $300,000 final account balance at age 62:
$300,000 ÷ 1,000 x 61.93 = $18,579 per year ÷ 12 = $1,548 per month

Example of the actuarial reduction applied to a defined benefit minimum at age 62, based on a defined benefit minimum of $40,000 per year at normal retirement (age 65).
$40,000 x 0.82475 = $32,990 per year ÷ 12 = $2,749 per month

APPENDIX B: Portfolio holdings at 31 December 2013, Balanced Fund

Short-term investments (1.57% of total)

	Par Value or Units	Market Value
Canada Treasury Bills	$75,000	$74,828.25
Ontario Province Treasury Bill	300,000	299,595.00
Saskatchewan Province Promissory Note	850,000	848,359.50
Pooled Funds		
bcIMC Canadian Money Market Fund ST2	0.021	83.03
Phillips, Hager & North Institutional STIF	1,119,487.565	11,194,875.65
		$12,417,741.43

Canadian bonds (24.45% of total)

	Interest Rate	Maturity Date	Par Value or Units	Market Value
Federal (government and government guaranteed)				
Canada	1.250	2018	$204,000	$197,679.06
Canada	4.000	2041	600,000	682,831.20
Canada	5.750	2029	169,000	224,684.99
Canada Housing Trust	2.400	2022	1,023,000	968,818.85
Canada Housing Trust	2.650	2022	763,000	746,584.06
Canada Housing Trust	3.150	2023	4,594,000	4,577,507.54
Canada Housing Trust	3.350	2020	559,000	583,333.83
Canada Housing Trust	3.800	2021	971,000	1,037,743.63
Canada Housing Trust	4.100	2018	2,585,000	2,812,960.81
NHA MBS #96505011 by Peoples Trust Co	4.200	2019	185,000	181,621.90
NHA MBS #96503636 by Equitable Trust Co	4.350	2018	620,000	590,608.28
Provincial (government and government guaranteed)				
New Brunswick	2.850	2023	384,000	362,504.45
New Brunswick	3.550	2043	388,000	343,171.64
New Brunswick	4.800	2041	591,000	643,507.99
Ontario - residual strip	0.000	2041	1,548,000	485,257.75
Ontario	2.850	2023	6,674,000	6,310,413.83
Ontario	3.150	2022	2,357,000	2,320,131.81
Ontario	3.450	2045	831,000	730,141.53
Ontario	3.500	2043	2,009,000	1,786,836.74
Ontario	4.600	2039	4,529,000	4,839,105.16
Ontario	4.650	2041	4,871,000	5,257,762.27
Ontario	4.700	2037	454,000	491,872.23
Ontario	5.600	2035	6,065,000	7,337,297.51
Ontario	5.850	2033	1,822,000	2,245,456.49
Ontario	6.200	2031	1,616,000	2,046,853.07
Ontario	6.500	2029	1,478,000	1,905,662.26
Ontario	7.600	2027	6,109,000	8,500,203.11
Ontario	8.000	2026	505,000	713,159.99
Ontario	8.100	2023	1,970,000	2,698,251.87
Ontario	8.500	2025	1,715,000	2,490,471.55
Ontario Hydro	8.250	2026	1,768,000	2,531,768.93
Quebec - residual strip	0.000	2041	1,080,000	320,836.68
Quebec	3.000	2023	520,000	493,195.56
Quebec	3.750	2024	966,000	962,535.92
Quebec	4.250	2043	197,000	196,273.86
Quebec	5.000	2041	215,000	239,939.14
Quebec	5.750	2036	1,567,000	1,907,250.55
Quebec	6.000	2029	374,000	457,345.15
Quebec	6.250	2032	923,000	1,164,659.86
Quebec	8.500	2026	1,601,000	2,310,835.37
Quebec	9.375	2023	441,000	639,371.06

Canadian bonds continued

	Interest Rate	Maturity Date	Par Value or Units	Market Value
Municipal (government and government guaranteed)				
Municipal Finance Authority BC	3.350	2022	$139,000	$137,881.33
South Coast BC Transportation	3.800	2020	705,000	731,554.53
Corporate				
CBC Monetization Trust	4.688	2027	197,092	216,316.16
CDP Financial Inc	4.600	2020	138,000	150,472.72
Hospital for Sick Children	5.217	2049	330,000	354,264.90
Pooled Funds				
Phillips, Hager & North High Yield Bond Fund			737,569.222	8,586,854.64
Phillips, Hager & North Investment Grade Corp Bond Trust			10,775,006.831	107,892,298.40
				$193,406,090.16

Foreign bond (0.25% of total)

			Par Value	Market Value
United States Treasury Bond	3.625	2043	US$2,013,000	$2,010,466.99

Mortgages (1.91% of total)

	Units	Market Value
Phillips, Hager & North Mortgage Pension Trust Fund	1,439,949.305	$15,091,388.69

Canadian equities (29.25% of total)

	Shares	Market Value
Consumer Discretionary		
Canadian Tire Corp Ltd Class A Non-Vtg	10,677	$1,062,254.73
Cineplex Inc	29,487	1,299,197.22
Dollarama	23,584	2,080,344.64
Magna International Inc	28,597	2,490,798.70
Shaw Communications Inc Class B Non-Vtg	62,992	1,628,343.20
Tim Hortons Inc	21,663	1,342,889.37
Consumer Staples		
Alimentation Couche-Tard Inc Class B Sub-Vtg	30,440	2,431,547.20
Energy		
Arc Resources Ltd	76,521	2,262,725.97
Cameco Corp	64,900	1,430,396.00
Cenovus Energy Inc	82,084	2,495,353.60
Crescent Point Energy Corp	55,577	2,292,551.25
Inter Pipeline Ltd	62,645	1,618,120.35
Keyera Corp	13,948	891,695.64
Meg Energy Corp	40,186	1,230,093.46
Shawcor Ltd	29,952	1,272,360.96
Suncor Energy Inc	134,632	5,013,695.68
Tourmaline Oil Corp	52,808	2,360,517.60
Trilogy Energy Corp	40,926	1,129,557.60
Vermilion Energy Inc	32,057	1,998,753.95

APPENDIX B: Portfolio holdings at 31 December 2013, Balanced Fund continued

Canadian equities continued

	Shares	Market Value
Financials		
Bank of Nova Scotia (The)	105,312	$6,995,876.16
Brookfield Asset Management Inc Class A Ltd Vtg	90,366	3,724,886.52
Canadian Imperial Bank of Commerce	35,888	3,255,759.36
Element Financial Corp	165,809	2,321,326.00
Manulife Financial Corp	237,126	4,970,160.96
Onex Corp Sub-Vtg	24,347	1,396,300.45
Royal Bank of Canada	108,974	7,781,833.34
Toronto-Dominion Bank (The)	81,392	8,148,153.12
Health Care		
Catamaran Corp	37,864	1,910,238.80
Industrials		
Bombardier Inc Class B Sub-Vtg	218,598	1,007,736.78
Brookfield Infrastructure Limited Partners	22,538	940,878.11
Canadian National Railway Co	100,698	6,098,270.88
Westshore Terminals Investment Corp	35,752	1,237,376.72
Materials		
Franco Nevada Corp	40,452	1,751,167.08
New Gold Inc	205,791	1,144,197.96
Potash Corp of Saskatchewan Inc	16,661	583,468.22
Silver Wheaton Corp	65,044	1,395,193.80
Teck Resources Ltd Class B Sub-Vtg	70,008	1,935,721.20
West Fraser Timber Co Ltd	21,534	2,230,922.40
Telecommunication Services		
Rogers Communications Inc Class B Non-Vtg	52,050	2,502,043.50
Pooled Funds		
bcIMC Active Canadian Equity Fund	13,615.200	119,318,162.54
Sceptre Small Cap Fund	75,902.920	14,378,229.60
		$231,359,100.62

Foreign equities (30.96% of total)

	Units	Market Value
bcIMC Active US Equity Fund	4,985.240	$32,586,041.83
bcIMC Active US Small Cap Equity Fund	3,176.618	6,463,911.87
bcIMC Active Asian Equity Fund	3,017.972	6,969,955.46
bcIMC Active Emerging Markets Equity Fund	2,165.740	2,292,807.87
bcIMC Active European Equity Fund	6,870.370	11,712,875.31
bcIMC Active Global Equity Fund	57,085.120	85,833,243.17
bcIMC Indexed European Equity Fund	1.340	2,300.69
bcIMC Indexed Global Equity Fund	63,669.142	99,021,942.18
		$244,883,078.38

Currency hedges (0.05% of total)

	Units	Market Value
Net Currency Forward Contract on US Treasury Bond	(14,760.720)	$(14,760.72)
bcIMC Euro Currency Hedging Fund	541.981	432,481.73
		$417,721.01

Real estate (11.56% of total)		
	Units	**Market Value**
bcIMC Realpool Investment Fund	11,894.688	$91,465,074.38

Total Balanced Fund investment portfolio at market value	**$791,050,661.66**
Portion held by the University of Victoria Combination Pension Plan (94.70%)	**$749,112,447.32**

APPENDIX C: Portfolio holdings at 31 December 2013, Defined Retirement Benefit Fund

Short-term investments (1.00% of total)

	Units	Market Value
bcIMC Canadian Money Market Fund ST2	281.969	$1,100,497.42
Phillips, Hager & North Institutional STIF	208.696	2,086.96
		$1,102,584.38

Canadian bonds (19.34% of total)

	Units	Market Value
Phillips, Hager & North Enhanced Total Return Bond Fund	1,089,912.071	$10,861,736.73
Phillips, Hager & North Inflation-Linked Bond Fund	1,005,698.626	10,413,405.85
		$21,275,142.58

Canadian equities (30.59% of total)

	Shares	Market Value
Consumer Discretionary		
Gildan Activewear Inc	6,300	$356,643.00
Magna International Inc	4,600	400,660.00
Shaw Communications Inc Class B Non-Vtg	5,800	149,930.00
Thomson Reuters Corp	8,800	353,496.00
Tim Hortons Inc	2,900	179,771.00
Consumer Staples		
Alimentation Couche-Tard Inc Class B Sub-Vtg	7,200	575,136.00
Empire Company Ltd Class A Non-Vtg	1,200	87,096.00
Loblaw Companies Ltd	6,400	271,232.00
Saputo Inc	2,300	111,297.00
Energy		
Arc Resources Ltd	22,300	659,411.00
Cameco Corp	7,700	169,708.00
Canadian Natural Resources Ltd	37,800	1,358,532.00
Cenovus Energy Inc	27,932	849,132.80
Enbridge Inc	17,700	821,457.00
Encana Corp	14,632	280,641.76
Husky Energy Inc	8,500	286,450.00
Suncor Energy Inc	35,620	1,326,488.80
Talisman Energy Inc	20,000	247,000.00
Tourmaline Oil Corp	3,600	160,920.00
TransCanada Corp	22,200	1,077,588.00
Financials		
Bank of Montreal	6,300	446,103.00
Bank of Nova Scotia (The)	31,800	2,112,474.00
Brookfield Asset Management Inc Class A Ltd Vtg	20,300	836,766.00
Brookfield Office Properties Inc	9,800	200,410.00
Canadian Imperial Bank of Commerce	5,500	498,960.00
Intact Financial Corp	3,100	215,047.00
Manulife Financial Corp	46,400	972,544.00
Power Corp of Canada Sub-Vtg	19,300	616,635.00
Royal Bank of Canada	33,500	2,392,235.00
Toronto-Dominion Bank (The)	27,300	2,733,003.00
Health Care		
Catamaran Corp	4,300	$ 216,935.00
Valeant Pharmaceuticals International Inc	6,400	797,568.00

Canadian equities continued

	Shares or Units	Market Value
Industrials		
Bombardier Inc Class B Sub-Vtg	15,200	$ 70,072.00
CAE Inc	6,300	85,113.00
Canadian National Railway Co	17,400	1,053,744.00
Finning International	13,200	358,380.00
SNC-Lavalin Group Inc	1,700	81,243.00
Information Technology		
CGI Group Class A Sub-Vtg	16,900	600,626.00
Materials		
Agrium Inc	2,900	281,793.00
First Quantum Minerals Ltd	11,700	223,938.00
Potash Corp of Saskatchewan Inc	18,000	630,360.00
Teck Resources Ltd Class B Sub-Vtg	9,200	254,380.00
Turquoise Hill Resources Ltd	11,215	39,364.65
Turquoise Hill Resources Ltd Rights 07/Jan/14	11,215	11,215.00
Telecommunication Services		
Rogers Communications Inc Class B Non-Vtg	8,200	394,174.00
Telus Corp Non-Vtg	18,200	665,392.00
Pooled Funds		
Phillips, Hager & North Institutional Gold & Precious Metals Fund	355,807.909	1,654,684.68
Phillips, Hager & North Small Float Fund	234,366.965	5,488,382.15
		$33,654,131.84

Foreign equities (39.22% of total)

	Units	Market Value
bcIMC Active US Equity Fund	532.050	$3,477,747.12
bcIMC Active US Small Cap Equity Fund	346.535	705,144.51
bcIMC Indexed US S&P 500 Equity Fund	331.280	1,944,068.02
bcIMC Active Asian Equity Fund	412.134	951,817.25
bcIMC Active Emerging Markets Equity Fund	266.180	281,797.35
bcIMC Active European Equity Fund	1,187.063	2,023,750.60
bcIMC Active Global Equity Fund	7,100.493	10,676,308.91
bcIMC Indexed Asian Equity Fund	192.898	250,396.38
bcIMC Indexed European Equity Fund	0.489	839.19
bcIMC Indexed Global Equity Fund	14,674.234	22,822,220.26
		$43,134,089.59

Currency hedges (0.07% of total)

	Units	Market Value
bcIMC Euro Currency Hedging Fund	100.197	$79,953.63

Real estate (9.78% of total)

	Units	Market Value
bcIMC Realpool Investment Fund	1,399.168	$10,759,002.25

Total Defined Retirement Benefit Fund investment portfolio at market value	**$110,004,904.27**

APPENDIX D: History of the Plan

Pension plans are of two major types: defined benefit and defined contribution. Under the typical defined benefit plan, a member's pension is determined by a formula based on years of service, salary and age at retirement. Pension payments to the member during his or her retirement remain constant, except for any cost-of-living adjustments. In a defined contribution plan, the contributions of the member and his or her employer, together with net investment earnings or losses, accumulate throughout the member's career. At retirement, the accumulated sum is used to purchase a pension. In a defined contribution plan, net investment returns are obviously of great importance to the member, particularly if the pension is paid in the form of a variable annuity adjusted each year during his or her retirement according to the Plan's performance.

Original Plan provides greater of defined contribution or defined benefit. When the pension plan was established in 1968 to replace the earlier TIAA-CREF money purchase contracts, it retained the defined contribution features for payments at death, before retirement, or on termination of employment, but pensions were to be calculated under a defined benefit formula based on years of service and final average salary to compensate the long-service employees of that time for the inadequacy of earlier University of Victoria pension plans. In 1972, in order to qualify for registration under the *Income Tax Act* and still retain the advantages of the defined contribution features for members who leave the University before retirement, the Plan was amended so that pensions would also be determined on a defined contribution basis. It was possible to retain the defined benefit as a minimum benefit, but the Plan became in essence and intent a defined contribution plan with the expectation that the majority of members would receive a variable annuity that would exceed the defined benefit.

Amendments in 1980s allow members to choose between defined contribution and defined benefit. In 1983 the Plan was amended to permit members, who are eligible to receive a defined contribution pension, to purchase an annuity from a life insurance company. A further amendment in 1985 permitted the selection at retirement of a defined contribution pension even when the initial amount was smaller than the defined benefit.

Income Tax Reform in 1990. In 1991 the Plan was segregated into a **Money Purchase Pension Plan** and a **Combination Pension Plan.** The **Money Purchase Pension Plan** is a defined contribution pension plan for members of the faculty and administrative and academic professional staff holding term appointments or regular (continuing) appointments of 50% or more of full time but less than full time and for assistant teaching professors and sessional lecturers. The **Combination Pension Plan** is for full time continuing members of the faculty and administrative and academic professional staff.

Also in 1991, contributions to member accounts became limited to the defined contribution maximum permitted under the *Income Tax Act*, initially $12,500. In 1994, in response to these limits, the Supplemental Benefit Arrangement (SBA) was created. The SBA is a complement to the Combination Pension Plan. It provides money purchase benefits and, since 2000, defined benefits that can not be provided under the registered pension plan.

Introduction of pension standards in 1993. On 1 January 1993, minimum pension standards legislation became effective in BC. The most significant impact this had on members of the Combination Pension Plan is that contributions made on or after 1 January 1993 must be locked-in to provide a lifetime retirement income. Contributions made prior to 1993 were restricted under the plan document. The restrictions did not amount to full lock-in under pension standards and were removed effective 1 June 2006.

Member contribution rates. Members of the Combination Pension Plan contribute an amount equal to:

(a) 3% of basic salary up to the contributory earnings upper limit for the Canada Pension Plan (the "Year's Maximum Pensionable Earnings" - YMPE), plus
(b) 5% on the salary in excess of that limit, plus
(c) one-third of the amount by which, if any, the University's defined benefit contribution exceeds 1% (1.35% effective 1 May 2011).

Employee contributions are directed to individual Combined Contribution Accounts (CCAs). The CCA balances provide the main part of a member's final pension entitlement in the same way as a defined contribution account.

University contribution rates. Up to 31 December 1990 the University contributed 10% of basic salary minus its Canada Pension Plan contribution. Of this amount, 12% of basic salary less the member's contribution, was directed to each individual's CCA, and the remaining employer contribution was directed into the Defined Retirement Benefit Account (DRBA).

In 1991, to comply with new Income Tax Act rules, the University contributions to individual members' CCAs were revised to equal:

(a) 10.37% of basic salary up the YMPE, plus
(b) 14% of basic salary in excess of the YMPE, less
(c) the individual member's contribution, plus
(d) up to an additional 1% if, on the advice of the actuary, the 1% is not required to fund the defined benefit minimum.

At the same time, University contributions to fund the

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defined benefit minimum were revised to equal:

(a) 1% of salary, which at the discretion of the Pension Board acting on the advice of the actuary, could be directed in whole or in part to member's CCAs, plus

(b) such additional contributions as are recommended by the plan actuary to maintain the Defined Retirement Benefit Account on a sound actuarial basis (4.05% of salary effective 1 May 2011).

From 1 January 1991 to 30 June 1993, and from 1 July 1998 to 31 December 2001, the 1% contribution was not required for the defined benefit minimum and, on the advice of the plan actuary, was redirected to members' CCAs. Since that time, plan actuaries have recommended that the 1% of salary be gradually returned to its original purpose, namely to fund the defined benefit minimum (registered plan and/or the Supplemental Benefit Arrangement). Consequently, for 2002, the Pension Board changed the allocations to 0.8% to CCAs and 0.2% to the defined benefit minimum. For 2003 and 2004, the corresponding allocations were 0.7% and 0.3% and, effective 1 January 2005, the full 1% was allocated to accounts funding the defined benefit minimum. The 1% was increased to 5.05% effective 1 May 2011.

Immunization options. A Canadian Government Treasury Bill Fund was created in 1991 and a Short Term Bond and Mortgage Fund was added in 2003. These investment options were removed in 2010 due to lack of use and onerous regulatory requirements. A GIC option was similarly available from 1995 to 2002.

Variable Benefit. On 1 January 1997, the variable withdrawal plan was added as an option for retiring members. The variable withdrawal plan is essentially an income fund operated by the pension plan. It provides members with a regular but flexible retirement income. It was renamed the variable benefit in 2006.

On 1 January 2012, the 5% internal variable annuity ceased to be offered. The change did not affect pensioners already in receipt of the annuity.

APPENDIX E: Service providers

Service providers at the end of December 2013	
Investment Managers	BC Investment Management Corporation (bcIMC) • manages one-half the Canadian equity portion, and all the foreign equity and real estate portions of the Balanced Fund • Manages the foreign equity and real estate portions of the Defined Retirement Benefit Fund Fiera Capital Corporation • manages one-half the Canadian equity portion of the Balanced Fund Phillips, Hager & North Investment Management Limited • manages the fixed income portion of the Balanced Fund and the domestic portion of the Defined Retirement Benefit Fund
Custodian	RBC Investor Services Trust • custodian of plan assets, excluding bcIMC funds • payment service for pensions and taxable lump sums
Investment consultant	Towers Watson
Performance measurement	RBC Investor Services Limited
Actuary	Mercer (Canada) Limited
Auditor	Grant Thornton LLP