



UNIVERSITY OF VICTORIA
COMBINATION PENSION
PLAN

ANNUAL REPORT
2015

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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

During 2015, I am sure many of us complained loudly about the high cost of our American trips caused by the collapsing Canadian dollar. Promised upsides such as improvements in Canadian manufacturing industry have been slow to materialize. However, we can certainly celebrate the positive effect on the pension plan. In a year when the Canadian stock market declined 8.3%, the plan posted an amazing 8.75% net gain, almost entirely due to the declining dollar. Thus, the S&P 500, MSCI EAFE, and MSCI world indices were essentially flat in local currencies but up 19-21% in Canadian dollars. Even emerging markets, which had a dismal year, down 14.9% in local currencies, were up 2% in Canadian dollars.

Returns in the bond markets were modest but steady at 3.82% compared with benchmark returns of 3.52%. This may sound like a small gain by our active managers (PH&N), but even small out-performance is significant in the context of bond markets.

Information on the breakdown of our assets between managers and asset classes and the individual returns for those assets is included in the table on page 9 of this annual report. Early in 2014, the Trustees took the decision to decrease our exposure to Canadian equities (from a benchmark weight of 27 to 22%) whilst increasing the foreign equity benchmark from 27 to 32%. This move was similar to changes made by many Canadian pension funds and investment managers as concerns have deepened over the sector concentration (energy, materials and financials) and resulting high volatility of Canadian markets. Given the effect of currency on our overall returns, this proved to be a good decision for 2015, although there has been some early drift in the opposite direction in early 2016. As always, it is the long term which counts!

You will see from the tables elsewhere in this report (page 10), our gross returns for recent periods are: 2015 9.10%, last 4 years 11.66% and last 10 years 6.97%. The ten year number is lower because it includes the worldwide financial crisis of 2008. Corresponding net returns are 8.75, 11.31 and 6.71%, illustrating once again our extremely low operating expenses. The largest part of this expense is investment management, at 0.28% with the pension office costing only 0.05%.

As I noted in my last several letters: "world economies have recovered from the 2008 meltdown, but generally rather slowly." This remains true and in consequence, economists re-

main pessimistic about the returns to be expected for a Plan such as ours. In this context we can be delighted and relieved with our 8.75% reported above. Our 2014 milestone of reaching one billion dollars in assets remained intact during 2015 with a final total of about 1.1 billion. However, we must remain cautious, since market volatility remains and has increased with the fluctuating prices for the Canadian dollar, oil and other materials.

Turning to the administration of the Plan, it is somewhat remarkable that there have been only three pension managers over the 48 year history of the plans: Dennis Davis until 1980, John Levy until 1998, and Susan Service until three months ago. Regrettably, Susan Service decided to resign her position at the end of 2015 to return to her previous work with the public service pension plan. She thus narrowly missed deposing John Levy as the long service record holder in the Director of Pensions position. Susan's period of service corresponded very closely with my own tenure as a Trustee and in consequence I have had many opportunities over the years to value and appreciate her expertise, work-ethic and total commitment to the Pension Plan. We all owe her a huge vote of thanks and she will be sorely missed. The University administration and the Trustees are currently seeking candidates to replace Susan in this vital position.

Another recent change in the Pension Office has been the addition of a new Pension Governance and Communications Officer who will work closely with the Pension Board and its Trustees. We welcomed Marie Lapointe to this position in February 2016.

The pension office and the Trustees encountered a very heavy workload in 2015 due to the implementation of the new Pension Benefits Standards Act (PBSA) developed jointly by the governments of Alberta and British Columbia. This Act is based on an advisory committee report filed in 2008 and passed the B.C. legislature on 31st May, 2012. The accompanying detailed regulations were released in the spring of 2015 with compliance deadlines for plan administration by 30th September and mandatory new policies by 31st December (since extended to 31st March 2016). More detail of the provisions of the new act as they apply to this Plan are set out on Pages 15 and 16 of this report. The new mandatory policies include funding and governance policies, the former covering in more detail the management of long term objectives and risks such as those which recently led to increases in contribution rates.

Many other plans have combined this sort of policy making with formalized statements of investment beliefs. These statements constitute a more generalized view of plan philosophy than the relatively factual, investment rule based approach of our current Statement of Investment Policies and Goals, which is still required under the new law. Developing new policies will consume much Trustee time and effort over the next few years. During this process the Trustees will continue to question our professional managers and consultants as to the most appropriate and sustainable investment choices. From recent conferences and publications it is clear that the financial management industry is moving towards accepting as best practice the incorporation of environmental, social, and governance (ESG) considerations into stock selection, and there is some initial evidence that companies which incorporate sustainability considerations into their business plans may perform better. We note that another of our managers, PH&N, has now joined bcIMC as signatories to the United Nations Principles of Responsible Investing. However, it remains the view of the managers, and the Trustees, that engaging with companies and urging sustainable approaches is a better option than divestment. It remains true that the Trustees have sole legal responsibility for setting investment policy and that a well-diversified portfolio minimizes investment risk. The new Act confirms that Trustees' fiduciary duty in B.C. must remain focused on the best financial interests of the members.

In 2016, the work of the Trustees will focus mainly on the new PBSA and also our triennial valuation which will assess the state of the Plan as of 31st December 2015.

You will recall that our Board of Trustees is composed of four trustees elected by the membership and four appointed by the Board of Governors (BOG). Deborah George's term as an appointed trustee ended on 30th June 2015 and she decided to decline reappointment be-

cause of commitments to various Victoria charities. Her 13 years on the Board have been very valuable to us, especially her governance expertise on the Policy and Procedures committee and as Vice-Chair of the Board. I personally greatly appreciated her support and wise counsel in the latter position. We extend our thanks for her work and our best wishes for her future endeavours. Deborah was replaced by John Gilfoyle, who recently retired from his role as a strategy and investment consultant to selected pension funds in Western Canada, after a long career in investment management and consulting. We welcome the opportunity to make use of his skills and extensive knowledge and experience in the pension industry.

Martha O'Brien has agreed to assume the role of Vice-Chair vacated by Deborah and I will greatly value her support and legal knowledge. Our committee Chairs are Kristi Simpson (Investment and Valuation committees), Martha O'Brien (Policy and Procedures), and myself (Governance and Communications).

Finally, I look forward to meeting many of you at our Annual General Meeting on April 19th. Best Wishes to all for 2016 and beyond,



Keith R. Dixon
Chair, Board of Pension Trustees

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's Board of Governors ("BOG").

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 2015, the Trustees were:

Dr. Keith Dixon – CHAIR

Professor Emeritus, Department of Chemistry
Appointed term
From 1 January 2015 to 31 December 2017

Professor Martha O'Brien—VICE CHAIR

Professor, Faculty of Law
Elected term
From 1 January 2015 to 31 December 2017

Mr. John Gilfoyle

Appointed term
From 1 July 2015 to 30 June 2018

Ms. Lisa Hill

Appointed term
From 1 September 2014 to 31 August 2017

Mr. Duc Le

Elected term
From 1 January 2014 to 31 December 2016

Dr. Michael Miller

Associate Vice-President, Research
Elected term
From 1 January 2014 to 31 December 2016

Mr. Joe Sass

Elected term
From 1 January 2015 to 31 December 2017

Ms. Kristi Simpson

Associate Vice-President,
Financial Planning & Operations
Appointed ex-officio

Committees

Actuarial Valuation Committee

Ms. Kristi Simpson—CHAIR
Ms. Lisa Hill
Mr. Joe Sass

Governance and Communications Committee

Dr. Keith Dixon—CHAIR
Professor Martha O'Brien
Ms. Kristi Simpson

Investment Committee

Ms. Kristi Simpson—CHAIR
Ms. Lisa Hill
Dr. Michael Miller

Policy and Procedures Committee

Professor Martha O'Brien—CHAIR
Mr. John Gilfoyle
Mr. Duc Le

Annual General Meeting

*4:30 p.m. Tuesday, 19 April 2016
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.

Financial information at a glance

Investments and Returns (expressed in \$000's)	2013		2014		2015	
Market value of investments						
Balanced Fund	\$749,110		\$826,180		\$888,322	
Defined Retirement Benefit Fund	110,005		131,525		150,370	
Balanced Fund		%		%		%
Gross returns	\$100,198	15.31	\$91,098	12.21	\$75,179	9.10
Expenses	(1,979)	(0.30)	(2,498)	(0.33)	(2,884)	(0.35)
Net returns distributed to accounts	8,219	15.01	88,600	11.88	72,295	8.75
Defined Retirement Benefit Fund						
Gross returns	\$14,090	15.35	\$14,884	13.30	\$13,149	9.92
Expenses	(301)	(0.32)	(420)	(0.38)	(617)	(0.47)
Net returns	13,789	15.03	14,464	12.92	12,532	9.45

Benefit Payments (expressed in \$000's)	2013	2014	2015
Lump sum payments and transfers	\$ 7,320	\$10,796	\$ 3,996
Pensions			
3.5% internal variable annuities	\$ 2,342	\$ 2,895	\$ 3,772
5% internal variable annuities	344	339	309
Defined benefit pensions	153	131	110
Defined benefit supplements	342	401	435
Variable benefits	15,102	17,817	19,550
<p>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.</p>			

Contributions (expressed in \$000's)	2013	2014	2015
Members' required	\$ 7,897	\$ 8,519	\$ 8,516
University required	16,964	18,242	18,316
Members' voluntary	148	168	194
Transfers from other plans	1,658	2,235	3,027

Adjustments to Pensions	2013	2014	2015
	%	%	%
Defined benefit pensions and supplements	1.2	1.1	1.8
3.5% internal variable annuities (reduction)	5.3	6.1	8.1
5.0% internal variable annuities (reduction)	3.8	4.5	6.6

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

Investments

Objectives

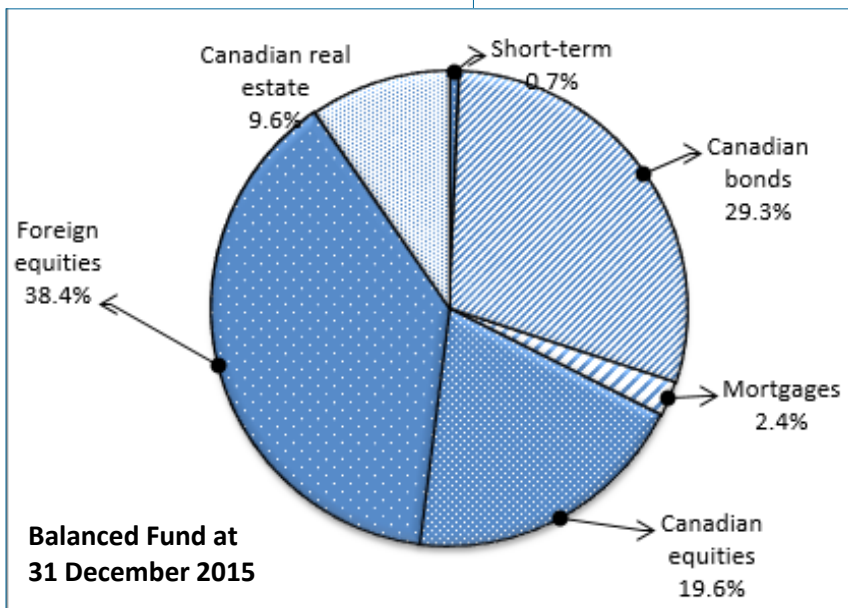
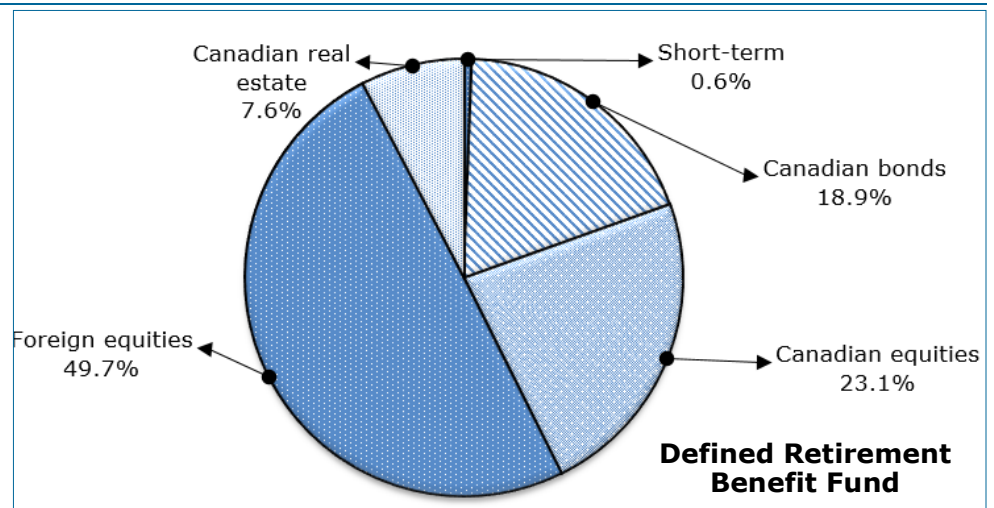
Plan assets are distributed over two funds: the Balanced Fund and the Defined Retirement Benefit Fund. Individual member accounts (Combined Contribution Accounts, Variable Benefit Accounts and Additional Voluntary Contribution Accounts of active and inactive members) are held in the Balanced Fund, together 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 2015.

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 2015						
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	(%)	(%)	(%)	(%)	(%)	(%)
SHORT-TERM (FTSE TMX Canada 91-day T-Bill Index)						
BC Investment Management Corporation	0.5					
Fiera Capital Corporation	-					
Phillips, Hager & North Investment Management Limited	0.2					
Total	0.7	0 (0-21)	1.2	0.6	1.9	0.9
FIXED INCOME (FTSE TMX Canada Universe Bond Index)						
Phillips, Hager & North Investment Management Limited	31.7	36 (20-46)	3.9	3.5	4.6	3.6
CANADIAN EQUITIES (S&P/TSX Composite Index)						
BC Investment Management Corporation	9.6	11 each	(2.8)		n/a	
Fiera Capital Corporation	10.0	(9-13)	(2.8)		8.4	
Total	19.6	22 (14-27)	(2.8)	(8.3)	8.9	5.3
FOREIGN EQUITIES (MSCI World Ex-Canada Net, \$Cdn, Index)						
BC Investment Management Corporation	38.4	32 (20-40)	23.0	20.0	22.0	20.8
REAL ESTATE (Canadian Consumer Price Index plus 4%)						
BC Investment Management Corporation	9.6	10 (5-15)	5.7	5.7	9.8	5.3
TOTAL FUND (Composite Benchmark)			9.1	6.1	11.7	9.3

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.

Year ended 31 December	1 year		4 year		10 year	
	Gross Gain (Loss)	Net Gain (Loss)	Gross Gain (Loss)	Net Gain (Loss)	Gross Gain (Loss)	Net Gain (Loss)
2015	% 9.10	% 8.75	% 11.66	% 11.31	% 6.97	% 6.71
2014	12.21	11.88	9.47	9.18	7.36	7.08
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

Balanced Fund—expense ratio detail

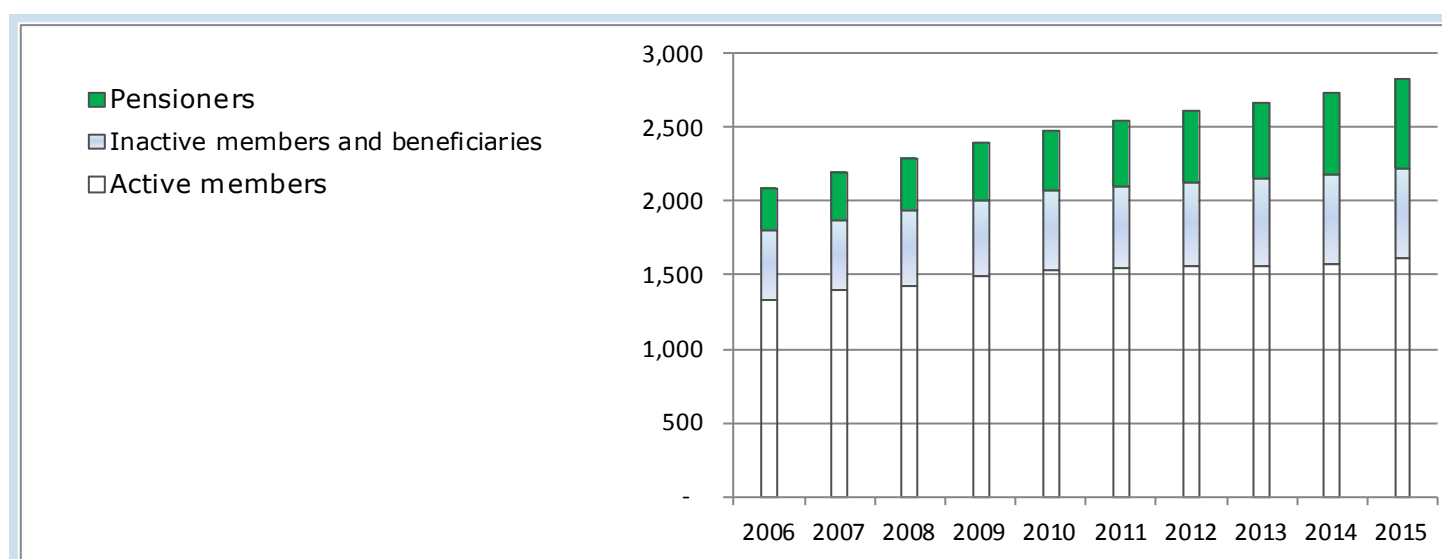
(expressed in \$000's)

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, expenses can have a material impact on final account balances over extended periods of time. Expenses are often described as expense ratios and expressed as basis points; 0.33% is 33 basis points.

	2013		2014		2015	
		%		%		%
Balanced Fund						
Investment management expenses	\$1,505	0.23	\$1,982	0.26	\$2,331	0.28
Custodial and consulting expenses	138	0.02	127	0.02	129	0.02
Actuarial expenses	-	-	-	-	-	-
Office and administration expenses	300	0.05	355	0.05	362	0.05
Audit and legal expenses	36		34		62	
Total expenses	\$1,979	0.30	\$2,498	0.33	\$2,884	0.35

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.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Active members	1,339	1,393	1,416	1,480	1,519	1,538	1,544	1,547	1,566	1,600
Inactive members	448	472	517	522	530	556	580	597	600	616
Pensioners	284	321	353	382	414	448	484	512	567	611
Total	2,071	2,186	2,286	2,384	2,463	2,542	2,608	2,656	2,733	2,827



Types of Pensions

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Defined benefit pensions	19	17	15	14	12	11	10	9	9	5
Defined benefit supplements	8	13	16	36	41	47	76	89	107	123
Internal variable annuities	59	68	73	84	99	109	135	154	185	213
Variable benefits	216	247	277	297	320	347	362	373	398	428
Adjust for combinations	(18)	(24)	(28)	(49)	(58)	(66)	(99)	(113)	(132)	(158)
Total pensioners	284	321	353	382	414	448	484	512	567	611

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.

Understanding the Plan

What are the contributions?

Members and the University share the cost of the Plan.

Combined Contribution Account (defined contribution): For 2016, 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 \$54,900 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 \$54,900 plus 7.65% in excess of that amount.

Total contributions to individual members' CCAs are therefore 10.37% of salary up to the \$54,900 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* (\$25,370 in 2016).

Defined Retirement Benefit Account: The defined benefit minimum is funded by University contributions equal to 5.05% of earnings in 2016.

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 2016 pension contributions Based on an annual salary of \$95,000

	Member		University		Total	
	Amount	(%)	Amount	(%)	Amount	(%)
Combined Contribution Account	\$4,934	5.19	\$ 6,373	6.71	\$11,307	11.90
Defined Retirement Benefit Account	-		4,798	5.05	4,798	5.05
Canada Pension Plan	2,544	2.68	2,544	2.68	5,088	5.36
Total pension contributions	\$7,478	7.87	\$13,715	14.44	\$21,113	22.31

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 18.

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 two times the YMPE for 2016 ($\$54,900 \times 2 = \$109,800$) 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 retirement account (LIRAs).

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.

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 retirement account (LIRA)
- Transfer CCA to another registered pension plan
- Leave CCA on deposit for a future pension (default option)

Understanding the Plan

Options at retirement ~ continued

The defined benefit minimum is currently limited to \$2,890 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 2016 the figure is 3 x \$54,900); the defined benefit minimum is then reduced to the same fraction.

A table of 2016 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 Pension Services. 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 in-

vestment 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.

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 retirement account (LIRA)
- Transfer to a life income fund (LIF) (minimum age 50)
- Transfer CCA to another registered pension plan

- Purchase a deferred life annuity from an insurance company (minimum age 50)

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

What are the survivor benefits?

A spouse is automatically entitled to the survivor benefit unless they waive that right by completing a spousal waiver (PBSA prescribed Form 4). 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 pensioner on the variable benefit is the total in the member's variable benefit account.

The survivor benefit for a pensioner in receipt of an annuity from the plan is determined by the optional form selected by the member immediately prior to commencement of the annuity. The optional forms available for internal annuities are as follows:

- Joint and last survivor where 66.7%, 75% or 100% of the benefit will continue to the spouse, if pre-deceased by the member.
- Joint and last survivor where 66.7% of the benefit will continue after the first death of either the spouse or the member.
- Joint and last survivor where payments will 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, the member must select a form which provides at least a lifetime 60% survivor benefit unless the spouse completes a waiver.

Plan solvency

Under the *Pension Benefits Standards Regulation (BC)*, a pension plan containing a defined benefit component must undertake a plan valuation to assess the financial health of the plan at intervals not exceeding 3 years; the defined benefit component in the Combination Plan is the Defined Retirement Benefit, as described in this report.

One type of valuation required is the "solvency valuation", which measures whether the plan would

have an ability to meet its obligations (liabilities) to its members if the plan were to be terminated and wound up at the valuation date.

The last review date for the Combination Pension Plan was December 31, 2012. At that time, the solvency ratio (the percentage of solvency assets compared to solvency liabilities) was 233.4%.

2015 Plan amendments

On May 11, 2015, the British Columbia government released the new *Pension Benefits Standards Regulation* (PBSR), which details the implementation requirements under the new *Pension Benefits Standards Act* (PBSA). This was the first comprehensive review of the Act and regulations since the original Act and Regulations came into force in 1993 and is therefore quite substantive. Plan administrators were given until December 31, 2015 to amend Plan texts so that they comply with the requirements of the new PBSA and PBSR, but the Plan must be (and has been) administered in accordance with the new legislation effective September 30, 2015.

Various other 'housekeeping' revisions that provide clarity were also incorporated into the amendment.

As required under Section 30 of the PBSR in regard to disclosure, following is a summary only of the amendments that affect the member's benefits and an explanation of how those amendments affect those benefits. A full version of the amended Plan document is available at www.uvic.ca/financialplanning/pensions/combination

Plan text Sections	New Provision	Effect on plan member's benefit
Eligibility for Membership	Section 3.08 revised to reflect new practice of allowing members of the Combination Plan whose appointment is reduced in the same position to stay in the Combination Plan.	Combination Plan Members who reduce their appointment will no longer move to the Money Purchase Plan, unless they also change their position.
	Section 3.05 added to explicitly state that a re-employed pensioner is not eligible to re-contribute.	No change from previous rules
Retirement Benefits	Section 8.03 revised (options at retirement for voluntary accounts) to reflect the Pension Board's decision to cease offering an internal variable annuity option for voluntary contributions. This section was also revised to clarify that the variable benefit option is only available if the member selects it with their combined contribution account or if at least twice the YMPE is applied to that option. Members may still purchase an annuity outside the Plan.	In order to improve administrative efficiencies, a change in pension options for voluntary funds was implemented. These changes do not affect members' regular pension options.
Death Benefits	Under PBSA Sec 79, the surviving spouse of a Member who dies before commencing a benefit is entitled to 100% of the Member's entitlement. This change means that a surviving spouse is now eligible for a defined benefit supplement if the spouse chooses an internal variable annuity and the annuity is less than the defined benefit minimum. The defined benefit minimum for the spouse is the actuarial equivalent of the defined benefit minimum for the Member.	Change in options for the surviving spouse of a Member who dies before commencing a benefit.
Miscellaneous	Section 14.04 was revised to include new unlocking provisions to comply with PBSA Sec 69 and as permitted under Sec 89(2)	Under specific circumstances members may now be able to remove locked in funds due to shortened life expectancy. The Pension Board now has discretion to pay out small benefits in a lump sum instead of as a pension. The small benefit threshold is no longer tied to the year the member terminated employment and therefore now increases over time.
Transfers (between UVic Plans)	Members who are at least age 55 may commence pension from one plan even if they are still actively participating in another UVic plan.	Previously, members who changed membership from one UVic pension plan to another were precluded from commencing a benefit until they terminated all UVic employment that provided pension coverage.

General enquiries or requests for statements should be directed to Pension Services 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 Pension Services at least 3-6 months before their retirement date (last date on pay vs last day at work). Pension Services will send the member a statement of options and the forms required for the various options. **The forms must be received in Pension Services 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 2016 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 2016 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	51.59	0.56885
56	52.44	0.59889
57	53.34	0.63109
58	54.29	0.66568
59	55.30	0.70289
60	56.37	0.74299
61	57.52	0.78632
62	58.75	0.83323
63	60.07	0.88415
64	61.48	0.93955
65	63.00	n/a
66	64.63	n/a
67	66.39	n/a
68	68.29	n/a
69	70.35	n/a
70	72.59	n/a
71	75.02	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 0.83298 is effectively a reduction of 16.702% (1-0.83298) .

Example of annuity calculation for a \$300,000 final account balance at age 62:
 $\$300,000 \div 1,000 \times 58.75 = \$17,625$ per year $\div 12 = \$1,469$ 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):
 $\$40,000 \times 0.83323 = \$33,329$ per year $\div 12 = \$2,777$ per month

APPENDIX B: Portfolio holdings at 31 December 2015, Balanced Fund

Short-term investments (0.16% of total)

	Par Value or Units	Market Value
Canada Treasury Bills	\$1,420,000	\$1,418,729
Pooled Funds		
bcIMC Canadian Money Market Fund ST2	25.12290	100,150
Phillips, Hager & North Institutional STIF	2,436.148	24,361
		\$1,543,240

Canadian bonds (29.48% of total)

	Interest Rate (%)	Maturity Date	Par Value or Units	Market Value
Federal (government and government guaranteed)				
Canada	0.750	2020	\$14,080,000	\$14,094,122
Canada	2.250	2025	5,556,000	5,973,372
Canada	3.500	2045	5,446,000	7,063,261
Canada	5.000	2037	373,000	556,463
Canada	1.250	2047	1,055,000	1,273,445
Canada	1.500	2044	337,000	453,332
Canada Housing Trust	3.350	2020	1,219,000	1,340,191
Canada Housing Trust	1.250	2020	2,539,000	2,535,852
Canada Housing Trust	1.250	2020	4,985,000	4,980,703
NHA MBS #96505011 by Peoples Trust Co	4.200	2019	185,000	176,435
NHA MBS #96503636 by Equitable Trust Co	4.350	2018	620,000	547,425
Provincial (government and government guaranteed)				
Alberta	2.350	2025	\$3,237,000	\$3,230,361
Alberta	3.500	2031	300,000	317,786
Alberta	3.450	2043	811,000	836,611
Alberta	3.900	2033	563,000	621,634
British Columbia	6.350	2031	767,000	1,103,757
British Columbia	4.950	2040	241,000	316,649
British Columbia	2.800	2048	1,084,000	1,019,406
Manitoba	4.050	2045	254,000	286,352
Manitoba	2.850	2046	1,104,000	995,740
New Brunswick Sinking Fund Debenture	2.850	2023	384,000	402,375
New Brunswick Sinking Fund Debenture	3.550	2043	357,000	362,026
New Brunswick Sinking Fund Debenture	3.800	2045	1,160,000	1,231,926
New Brunswick Sinking Fund Debenture	4.800	2039	218,000	265,094
New Brunswick	4.800	2041	382,000	467,115
Ontario	4.000	2021	1,154,000	1,299,073
Ontario	3.150	2022	5,806,000	6,280,431
Ontario	8.500	2025	2,578,000	3,948,578
Ontario	7.500	2024	269,000	375,615
Ontario	2.900	2046	13,315,000	12,520,774
Ontario	3.500	2043	4,997,000	5,248,594
Ontario	3.500	2024	3,303,000	3,638,003
Ontario	4.700	2037	661,000	816,510
Ontario	5.600	2035	2,005,000	2,725,775
Ontario	5.850	2033	1,682,000	2,311,857
Ontario	6.200	2031	4,964,000	6,964,591
Ontario	6.500	2029	7,985,000	11,254,051
Ontario	7.600	2027	7,514,000	11,223,677
Ontario	8.000	2026	116,000	174,620
Ontario	8.100	2023	4,335,000	6,189,890
Ontario	8.500	2025	827,000	1,246,980
Ontario Hydro Debenture	8.250	2026	2,464,000	3,740,219
Quebec	0.000	2041	380,000	157,611
Quebec	2.750	2025	453,000	467,995
Quebec	3.500	2045	250,000	262,371
Quebec	5.000	2041	118,000	153,850
Quebec	4.250	2043	81,000	95,710
Quebec	6.000	2029	2,038,000	2,767,478
Quebec	8.500	2026	3,552,000	5,465,416
Quebec	9.375	2023	1,516,000	2,249,621

APPENDIX B: Portfolio holdings at 31 December 2015, Balanced Fund

Canadian bonds ~ continued

	Interest Rate (%)	Maturity Date	Par Value or Units	Market Value
Provincial (government and government guaranteed—continued)				
Saskatchewan	6.400	2031	\$153,000	\$217,616
Saskatchewan	3.900	2045	464,000	518,785
Saskatchewan	5.750	2029	96,000	126,752
Saskatchewan	2.750	2046	775,000	697,374
Municipal (Government & Government Guaranteed)				
Municipal Finance Authority BC	3.350	2022	\$139,000	\$150,515
South Coast BC Transportation	3.800	2020	705,000	775,377
Corporate				
CBC Monetization Trust	4.688	2027	\$131,097	\$154,619
CDP Financial Inc	4.600	2020	138,000	156,730
Hospital for Sick Children	5.217	2049	330,000	413,664
Pooled Funds				
Phillips, Hager & North High Yield Bond Fund			\$ 317,748.038	\$ 3,326,345
Phillips, Hager & North Investment Grade Corp Bond Trust			12,838,354.418	127,369,314
RBC High Yield Bond Fund Sr O			147,565.785	1,482,933
				\$277,420,750

Mortgages (2.38% of total)

	Units	Market Value
Phillips, Hager & North Mortgage Pension Trust	2,085,977.934	\$22,401,108

Canadian equities (19.68% of total)

	Shares	Market Value
Consumer Discretionary		
Gildan Activewear Inc	91,746	\$3,609,288
Cineplex Inc	31,460	1,495,923
Dollarama	28,154	2,250,631
Magna International Inc	36,637	2,056,068
Consumer Staples		
Alimentation Couche-Tard Inc Class B Sub-Vtg	70,621	\$4,301,525
Energy		
Arc Resources Ltd	57,852	\$ 966,128
CDN Natural Resources Ltd	76,476	2,311,105
CDN Energy Services & Technology	172,799	670,460
Keyera Corp	63,927	2,573,701
Paramount Resources Ltd	47,007	287,683
Suncor Energy Inc New	71,559	2,556,087
Tourmaline Oil Corp	49,738	1,111,644
Vermilion Energy Inc	33,085	1,244,327
Financials		
Bank of Nova Scotia (The)	55,450	\$3,103,537
Brookfield Asset Management Inc Class A Ltd Vtg	91,717	4,003,447
Brookfield Property Partners LP	65,006	2,094,493
Colliers Intl Group Inc Subordinate Voting Com	20,175	1,245,403
Element Financial Corp	147,746	2,467,358
Manulife Financial Corp	218,101	4,523,415
Onex Corp Sub-Vtg	19,432	1,648,222
Royal Bank of Canada	85,817	6,363,331
Toronto-Dominion Bank (The)	139,213	7,550,913

APPENDIX B: Portfolio holdings at 31 December 2015, Balanced Fund

Canadian equities ~ continued

	Shares	Market Value
Health Care		
Concordia Healthcare Corp Common	30,336	\$1,715,197
Industrials		
Transforce Inc	41,522	\$ 980,334
Brookfield Infrastructure Limited Partners	26,389	1,384,563
Canadian National Railway Co	45,939	3,553,382
Canadian Pacific Railway Limited Common	11,686	2,065,267
Materials		
Franco Nevada Corp	28,266	\$1,789,238
Agnico-Eagle Mines Ltd. Com	28,727	1,044,801
Agrium Inc	12,957	1,602,392
Methanex Corp	19,172	876,160
West Fraser Timber Co Ltd	36,585	1,921,810
Information Technology		
CGI Group Inc	41,995	\$2,326,523
Open Text Corp Com	26,586	1,763,715
Telecommunication Services		
Telus Corporation	62,019	\$2,372,847
Pooled Funds		
bcIMC Active Canadian Equity Fund	9,727.182206	\$93,072,461
Fiera Capital Small Cap Fund	47,901.755	10,291,764
		\$185,195,145

Foreign equities (38.62% of total)

	Units	Market Value
Pooled Funds		
bcIMC Indexed US Equity Fund	5,441.767536	\$ 48,104,371
bcIMC Active Emerging Markets Equity Fund	1,299.952625	1,698,578
bcIMC Active Global Equity Fund	115,006.773903	245,425,721
bcIMC Indexed Global Equity Fund	31,668.611873	68,241,140
		\$363,469,809

Real estate (9.67% of total)

	Shares	Market Value
bcIMC Realpool Investment Fund	10,397.926970	\$91,041,472

Total Balanced Fund investment portfolio at market value	\$941,071,524
Portion held by the University of Victoria Money Purchase Pension Plan (5.61%)	\$ 52,749,685

APPENDIX C: Portfolio holdings at 31 December 2015, Defined Retirement Benefit Fund

Short-term investments (0.63% of total)

	Units	Market Value
bcIMC Canadian Money Market Fund ST2	5.222	\$ 20,815
Phillips, Hager & North Institutional STIF	92,639.674	926,397
		\$947,212

Canadian bonds (18.93% of total)

	Units	Market Value
Phillips, Hager & North Enhanced Total Return Bond Fund	2,838,799.429	\$28,459,332

Canadian equities (23.12% of total)

	Shares	Market Value
Consumer Discretionary		
Dollarama Inc	4,700	\$375,718
Gildan Activewear Inc	5,550	218,337
Magna International Inc	7,650	429,318
Restaurant Brands Ltd	4,304	222,732
Shaw Communications Inc Class B Non-Vtg	4,800	114,240
ThomsonReuters Corp	8,750	458,588
Consumer Staples		
Alimentation Couche-Tard Inc Class B Sub-Vtg	13,650	\$831,422
Empire Company Ltd Class A Non -Vtg	7,600	195,624
LoblawCompanies Ltd	2,800	182,952
Saputo Inc	4,400	145,640
Energy		
Arc Resources Ltd	34,300	\$ 572,810
Baytex Energy Corp Common	22,800	102,144
Cameco Corp	13,150	224,471
Canadian Natural Resources Ltd	26,100	788,742
Cdn Utils Ltd N/V CL	6,450	206,013
Cenovus Energy Inc	21,532	376,810
Crescent Point Energy Corp	10,800	174,096
Enbridge Inc	26,600	1,223,600
Enbridge Income Fund Hldgs Inc	2,800	78,484
Encana Corp	37,282	262,092
Meg Energy Corp	35,450	284,309
Pembina Pipeline Corp	17,600	530,640
PrairieSky Royalty Ltd	28,700	629,104
Precision Drilling corp	26,000	142,220
Seven Generations Energy Ltd	19,350	260,838
Suncor Energy Inc	16,820	600,810
Tourmaline Oil Corp	7,050	157,568
Transalta Corporation	17,550	86,171
TransCanada Corp	11,550	521,945
Financials		
Bank of Montreal	12,150	\$ 948,672
Bank of Nova Scotia (The)	33,850	1,894,585
Brookfield Asset Management Inc Class A Ltd Vtg	24,600	1,073,790
Brookfield Property Partners LP	5,300	170,766
Canadian Imperial Bank of Commerce	3,050	278,130
CI Financial Inc	6,000	183,600
Element Financial Corp	5,200	86,840
Industrial Alliance Insurance	8,450	372,899
Intact Financial Corp	1,400	124,152
Manulife FinancialCorp	71,450	1,481,873
National Bk Cda	7,000	282,170
Royal Bank of Canada	35,650	2,643,448
Sun Life Financial Inc	6,500	280,475
Toronto-Dominion Bank (The)	51,100	2,771,664

APPENDIX C: Portfolio holdings at 31 December 2015, Defined Retirement Benefit Fund

Canadian equities continued		
	Shares or Units	Market Value
Health Care		
Valeant Pharmaceuticals International Inc	5,750	\$808,220
Industrials		
Canadian National Railway Co	15,950	\$1,233,733
Canadian Pacific Railway Ltd	1,400	247,422
Finning International Inc	18,450	344,646
SNC-Lavalin Group Inc	3,100	127,472
Information Technology		
CGI Group Class A Sub-Vtg	7,850	\$434,890
Open Text Corp	3,700	245,458
Materials		
Agrium Inc	3,200	\$395,744
First Quantum Minerals Ltd	23,350	120,953
Potash Corp of Saskatchewan Inc	15,750	373,275
Turquoise Hill Resources Ltd	14,980	52,580
Telecommunication Services		
Rogers Communications Inc Class BNon-Vtg	10,550	\$503,446
Telus Corp Non-Vtg	15,550	594,943
Pooled Funds		
Phillips, Hager & North Institutional Gold & Precious Metals Fund	411,695	\$1,552,172
Phillips, Hager & North Small Float Fund	193,067	4,739,268
		\$34,764,719

Foreign equities (49.67% of total)		
	Units	Market Value
bcIMC Indexed US S&P 500 Equity Fund	1,096	\$9,684,656
bcIMC Active Emerging Markets EquityFund	263	343,348
bcIMC Active Global EquityFund	23,191	49,490,155
bcIMC Indexed Global EquityFund	7,047	15,184,606
		\$74,702,765

Real estate (7.65% of total)		
	Units	Market Value
bcIMC Realpool Investment Fund	1,313	\$11,496,156

Total Defined Retirement Benefit Fund investment portfolio at market value		\$150,370,184
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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 pro-

vides 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 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 2015	
Investment Managers	BC Investment Management Corporation (bcIMC) <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> manages one-half the Canadian equity portion of the Balanced Fund
	Phillips, Hager & North Investment Management Limited <ul style="list-style-type: none"> manages the fixed income portion of the Balanced Fund and the domestic portion of the Defined Retirement Benefit Fund
Custodian	RBC Investor Services Trust <ul style="list-style-type: none"> 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