



**UNIVERSITY OF VICTORIA
MONEY PURCHASE
PENSION PLAN**

ANNUAL REPORT TO MEMBERS
2013

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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

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 (page 8), our gross returns for the last five years, following the worldwide financial problems of 2008, average 10.4%. Expenses (average 0.29%) are extremely low by comparison with other plans (according to a recent survey, 0.7% 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 8 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 unchanged during 2013.

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.

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.

...cont'd

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) 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

Governance

The Plan is governed by a Board of Trustees (the "Pension Board"). The Board of Trustees for the University of Victoria Combination Pension Plan also serves as the Pension Board for this Plan.

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
Term from 1 July 2012 to 30 June 2015

Dr. Keith Dixon – CHAIR

Professor Emeritus, Department of Chemistry
Term from 1 January 2012 to 31 December 2014

Dr. Deborah George

Term from 1 July 2011 to 30 June 2014

Dr. Michael Miller—VICE-CHAIR

Associate Vice-President, Research
Term from 1 January 2011 to 31 December 2013

Professor Martha O'Brien

Professor, Faculty of Law
Term from 1 January 2012 to 31 December 2014

Dr. Kenneth Stewart

Associate Professor, Department of Economics
Term from 1 January 2011 to 31 December 2013

Ms. Kristi Simpson

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

Mr. Robert Worth

Term from 1 July 2012 to 30 June 2014

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. This year's meeting will include a brief presentation. The Pension Board hopes members will be able to attend.

Financial information at a glance

Investments and Returns	2011		2012		2013	
<i>Market value of investments</i>						
<i>Balanced Fund</i>	\$31,853,591		\$35,314,774		\$41,938,214	
<i>Balanced Fund</i>		%		%		%
<i>Gross returns</i>	\$283,258	0.92	\$3,195,984	9.98	\$5,491,912	15.31
<i>Expenses</i>	<u>(86,533)</u>	<u>(0.28)</u>	<u>(90,479)</u>	<u>(0.29)</u>	<u>(112,215)</u>	<u>(0.31)</u>
<i>Net returns distributed to accounts</i>	196,725	0.64	3,105,505	9.69	5,379,697	15.00

Benefit Payments	2011	2012	2013
<i>Lump sum payments and transfers</i>	\$840,729	\$2,123,061	\$1,425,674
<i>Variable benefit pensions</i>	131,044	160,660	180,884

The variable benefit was added in 2006, subject to a minimum account size.

Contributions	2011	2012	2013
<i>Members' required</i>	\$ 724,265	\$ 787,661	\$ 809,182
<i>University required</i>	1,655,966	1,775,778	1,867,715
<i>Members' voluntary</i>	19,810	21,423	28,580
<i>Transfers from other plans</i>	3,749	79,247	78,898

*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 "Money Purchase Plan Financial Statements Print Copy".*

Objectives

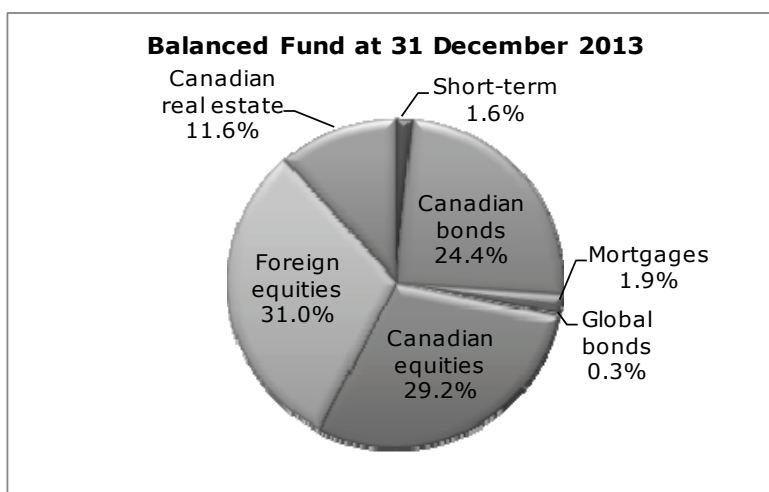
Plan assets (Money Purchase Contribution Accounts, Variable Benefit Accounts and Additional Voluntary Contribution Accounts of active and inactive members) are invested in the Balanced Fund, together with member accounts from the Combination Pension Plan.

The main long-term investment objectives set by the Pension Board and accepted by the Plan’s investment managers (refer to Appendix C) 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.

The primary objective for the Balanced Fund 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 **chart below** shows actual asset mix at 31 December 2013, and the policy benchmark and range.

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.

Investments

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	(%)	(%)	(%)	(%)	(%)	(%)
<i>SHORT-TERM (DEX 91-day T-Bill Index)</i>						
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
<i>FIXED INCOME (DEX Universe Bond Index)</i>						
Phillips, Hager & North Investment Management Limited	26.6	36 (24-48)	-0.4	-1.2	5.3	4.6
<i>CANADIAN EQUITIES (S&P/TSX Capped Composite Index)</i>						
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
<i>FOREIGN EQUITIES (MSCI World Ex-Canada Net, \$Cdn, Index)</i>						
BC Investment Management Corporation	31.0	27 (23-31)	35.8	36.3	12.6	12.3
<i>REAL ESTATE (Canadian Consumer Price Index plus 4%)</i>						
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

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 Money Purchase 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)
	%	%	%	%	%	%
2013	15.31	15.00	8.82	8.53	7.32	7.04
2012	9.98	9.69	8.98	8.70	7.28	7.01
2011	0.92	0.64	2.17	1.90	5.86	5.59
2010	9.56	9.28	2.68	2.41	6.00	5.73
2009	16.01	15.71	3.44	3.17	6.31	6.04
2008	(15.05)	(15.29)	2.75	2.48	5.81	5.54
2007	2.94	2.68	10.05	9.78	8.49	8.20
2006	12.87	12.59	13.12	12.84	9.12	8.82
2005	12.91	12.62	8.70	8.42	9.69	9.38
2004	11.81	11.56	6.04	5.77	9.97	9.66

Balanced Fund - expense ratio detail

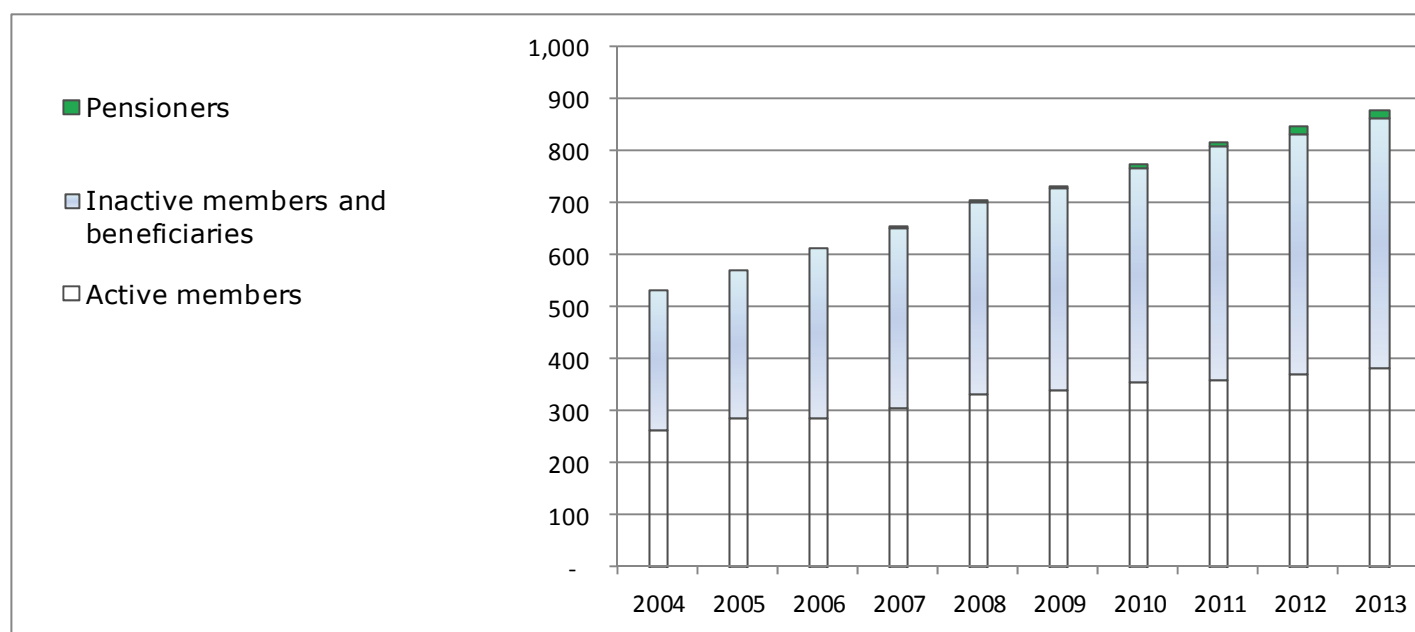
The table below provides the detail of all expenses incurred in investing and operating the pension plan. Expenses are deducted from gross gain (loss) to determine net gain (loss). Due to the effect of compounding, over extended periods of time expenses can have a material impact on final account balances. Expenses are often described as expense ratios and expressed as basis points; 0.31% is 30 basis points.

	2011		2012		2013	
<i>Balanced Fund</i>		%		%		%
<i>Investment management expenses</i>	\$59,394	0.19	\$64,015	0.21	\$82,471	0.23
<i>Custodial and consulting expenses</i>	5,843	0.02	7,741	0.02	7,588	0.02
<i>Office and administration expenses</i>	16,143	0.05	13,574	0.04	16,440	0.05
<i>Audit and legal expenses</i>	<u>5,153</u>	<u>0.02</u>	<u>5,149</u>	<u>0.02</u>	<u>5,716</u>	<u>0.01</u>
<i>Total expenses</i>	\$86,533	0.28	\$90,479	0.29	\$112,215	0.31

Membership statistics

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	262	287	285	305	334	339	356	360	370	385
Inactive members	270	283	331	347	370	389	412	449	465	480
Pensioners	—	—	—	4	4	6	9	10	13	16
Total	532	570	616	656	708	734	777	819	848	881



Understanding the Plan

What are the Contributions?

Members and the University share the cost of the plan.

Money Purchase Contribution Account: For 2014, members' contributions are 3% 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 5% of basic salary in excess of that amount. Members' contributions are credited to members' individual Money Purchase Contribution Accounts (MPCAs).

The University contributes to individual MPCAs an amount equal to 8.37% of basic salary up to the \$52,500 plus 10% in excess of that amount.

Total contributions to individual members' MPCAs are therefore 11.37% of salary up to the \$52,500 plus 15% 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).

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 \$60,000

	Member Amount (%)	University Amount (%)	Total Amount (%)
Money Purchase Contribution Account	\$1,950 (3.25)	\$5,144 (8.57)	\$7,094 (11.82)
Canada Pension Plan	<u>2,356 (3.93)</u>	<u>2,356 (3.93)</u>	<u>4,712 (7.86)</u>
Total pension contributions	\$4,306 (7.18)	\$7,500 (12.50)	\$11,806 (19.68)

When are members eligible for a retirement benefit?

Retiring members of the Money Purchase Pension Plan may use the monies accumulated in their Money Purchase Contribution Account (and Voluntary Contribution Account, if applicable) to provide a lifetime retirement income. Retirement ages are defined below.

Normal retirement date for a member of the Money Purchase Pension Plan is the last day of the month in which the member attains 65 years of age.

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.

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?

Options at a Glance

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

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 is basically one option available directly from the Plan and two options outside the Plan. Within the Plan, a member may choose 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. When an annuity is purchased with a member's Money Purchase Contribution Account (MPCA) balance, 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 MPCA, or external to the plan by making use of (locked-in) registered retirement savings plans (RRSPs).

1. Variable Benefit

This option is similar to an external life income fund. A member is eligible for this option if his/her account balance is at least twice the Year's Maximum Pensionable Earnings (YMPE). The YMPE in 2014 is \$52,500. The funds that accumulate in a member's MPCA and Unrestricted or Restricted Voluntary Account(s), if applicable, 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. 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.

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Understanding the Plan

Options at retirement continued

2. 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.

3. 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 Money Purchase Contribution Account (MPCA) on deposit for a future pension (default option)
- Transfer MPCA to a (locked-in) RRSP
- Transfer MPCA 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 legal marriage or who have had a common-law partner for at least two years 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 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.

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.

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

Pension Services
University of Victoria
PO Box 1700, Stn CSC
Victoria BC V8W 2Y2

Physical address/courier

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: 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

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

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 A: 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

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

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 Money Purchase Pension Plan (5.30%)		<u>\$41,938,214.34</u>

APPENDIX B: History of the Plan

The Money Purchase Pension Plan is a defined contribution plan. It was created 1 January 1991 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. 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.

Member contribution rates. Members of the 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.

University contribution rates. The University contributes an amount equal to:

- (a) 8.37% of basic salary up to the YMPE, plus
- (b) 10% on the salary in excess of that limit.

The contributions are directed to the members' Money Purchase Contribution Accounts. The University's contributions in respect of a member, when combined with the member's required contributions, cannot exceed the lesser of 18% of the member's earnings and the annual defined contribution limit set under the Income Tax Act.

In 1994, in response to these limits, the Supplemental Benefit Arrangement (SBA) was created. The SBA is a complement to the Money Purchase Pension Plan. It provides benefits that may not be provided under the registered pension plan.

On 1 January 1993, minimum pension standards legislation became effective in BC. The most significant impact this had on members of the Money Purchase 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 on 1 November 2006.

On 1 November 2006, the variable benefit was added as an option for retiring members with an account balance at least twice the Year's Maximum Pensionable Earnings (YMPE). The variable benefit is essentially a life income fund operated by the pension plan. It provides members with a regular but flexible retirement income. A booklet explaining the variable benefit in more detail is available upon request from the Pension Office.

Service providers at the end of December 2013

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 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
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
