



Staff Pension Plan
2017
Report to Members



PENSION SERVICES WEBSITE

Visit us today at www.uvic.ca/pensions and remember to update your bookmarks!

This new website includes a number of helpful tools and resources,
and is filled with information for all plan members.

We look forward to hearing your feedback.



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The description of the University of Victoria Staff Pension Plan included in this report is a summary only.

For more information, please refer to the Plan Document, which is available at www.uvic.ca/pensions/staff-plan or by request from [Pension Services](#).

Disclaimer: While we make every effort to ensure that all information in this report is accurate and complete, should any discrepancy exist between this report and the statutes, regulations, and Plan Documents, the latter will apply.

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WELCOME

Dear Plan Members:

The Staff Pension Plan Report to Members for the year ended December 31, 2017 provides a summary of the Plan's provisions, membership statistics, the Plan's financial health at the end of the year, and highlights of the activities that have taken place during the year.

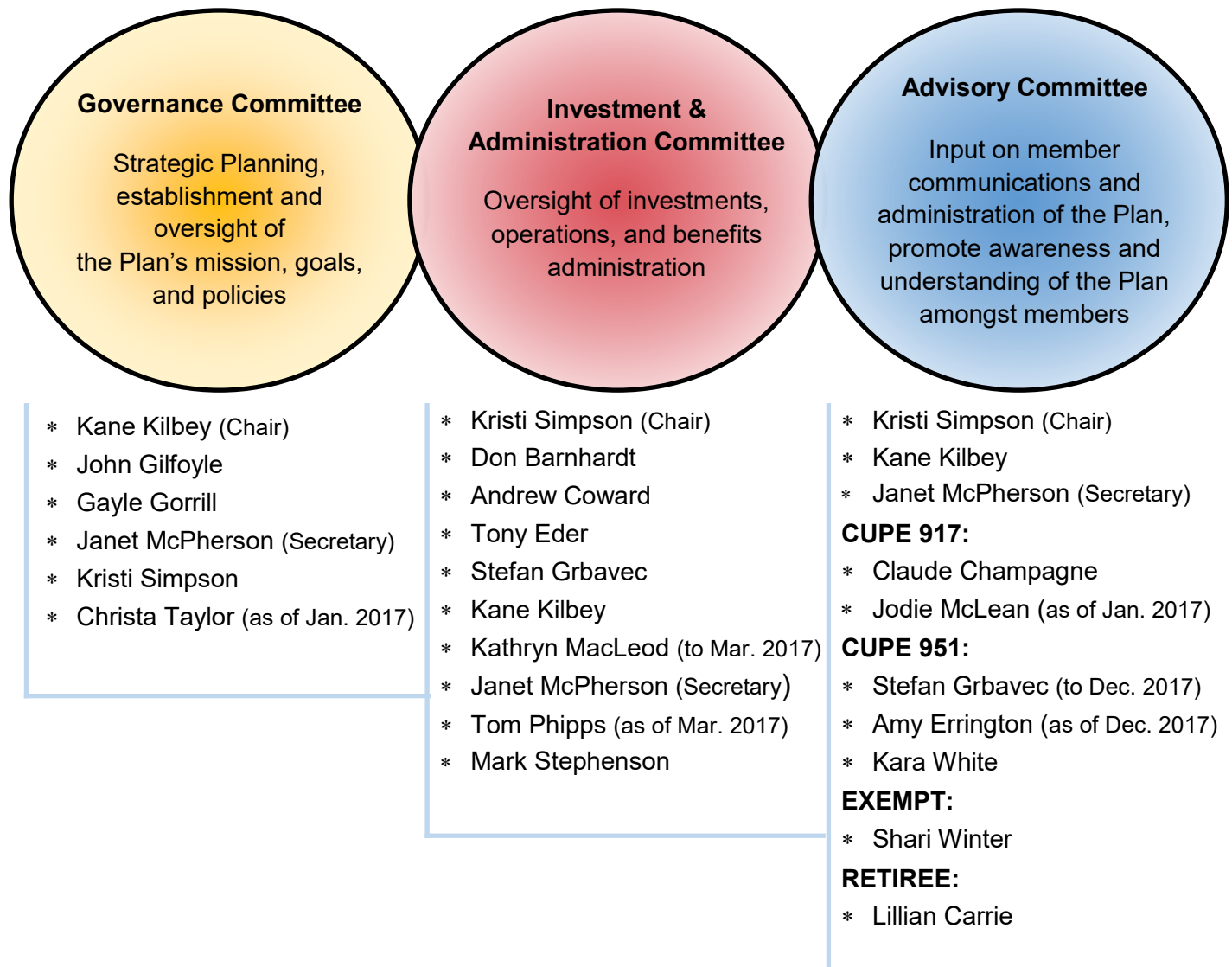
Your feedback is important to us. If you would like to suggest content for future publications, please let us know.

**Investments and Administration Committee
University of Victoria Staff Pension Plan**

PLAN GOVERNANCE

For the purposes of the British Columbia *Pension Benefits Standards Act*, the University is the "Administrator" of the Plan, and has ultimate legal responsibility for the administration of the Plan and the investment of the Trust Fund.

To carry out its responsibilities, the Board of Governors has constituted three committees, whose roles and membership are described below.



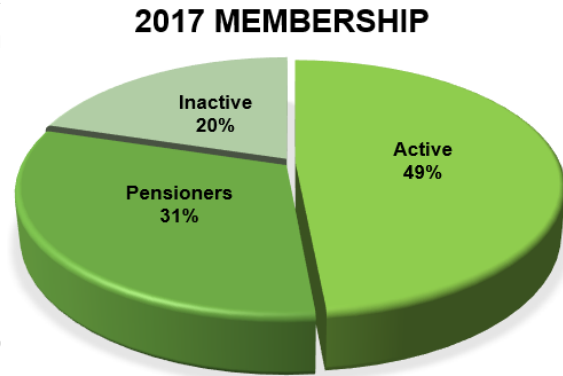
MEMBERSHIP AT A GLANCE

The University of Victoria Staff Pension Plan is a registered Pension Plan in the Province of British Columbia. The Plan is a defined benefit pension plan that covers primarily regular members of the Canadian Union of Public Employees (CUPE) locals 917, 951 and 4163 and exempt staff.

Active members are those who are currently employed by the University and actively contributing to the Plan. In 2017, active members represented approximately 49% of total membership.

Inactive members are those who transferred to another UVic pension plan or terminated employment but have not yet elected a benefit.

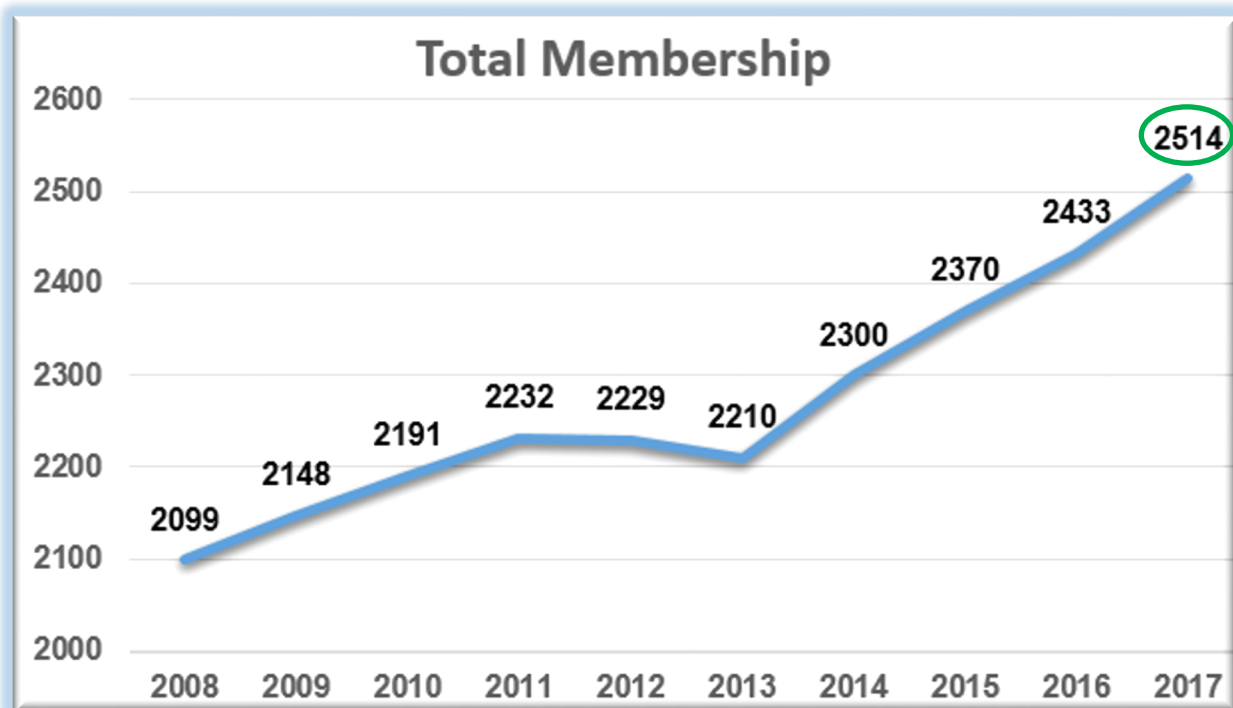
Pensioners are members and beneficiaries who are drawing a monthly pension from the Plan. This category also includes a handful of members receiving disability pensions (discontinued in 2006).



Membership highlights

Overall, the Staff Pension Plan has experienced a net growth in total membership of nearly 20% in the last 10 years, adding 415 members since 2008.

	2017	2008
Active	1219	1188
Pensioners	786	531
Inactive	509	380
Total	2514	2099



FINANCIAL SUMMARY¹

	2017	2016
CONTRIBUTIONS		
Members - Current Service	\$2,209	\$ 2,179
Supplementary Retirement Benefit	121	119
University - Current Service	5,671	5,591
Supplementary Retirement Benefit	121	119
Commuted Value Transfer Deficiency	393	377
	8,515	8,385
INVESTMENT GAIN / (LOSS)	18,508	15,192
BENEFIT PAYMENTS		
Retirement Pensions	(8,153)	(7,568)
Disability Pensions ²	(134)	(153)
Lump Sum Withdrawals and Transfers	(2,354)	(2,263)
	(10,641)	(9,984)
OPERATING EXPENSES		
UVic Administration	(275)	(267)
Actuarial Fees	(130)	(6)
Consulting, Audit & Legal fees	(39)	(33)
Provincial Registration Fees	(13)	(13)
	(457)	(319)
NET INCREASE IN THE FUND	15,925	13,274
FUND AT BEGINNING OF YEAR	258,628	245,354
FUND AT END OF YEAR	\$274,553	\$258,628
FUNDS AVAILABLE FOR BENEFITS		
Basic Plan	\$257,713	\$243,105
Supplementary Retirement Benefit Account	15,852	14,601
Members' Additional Voluntary Contribution Accounts ³	988	922
	\$274,553	\$258,628

Complete financial statements are available on the Staff Pension Plan website:

www.uvic.ca/pensions/staff-plan or by request from Pension Services.

¹ Expressed in \$000's. Some inconsistencies may exist due to rounding.

² Only members who met the criteria prior to April 1, 2006, are in receipt of this benefit.

³ As of December 2015, Voluntary Contributions are no longer allowed but previous contributions remain in the Plan until paid.

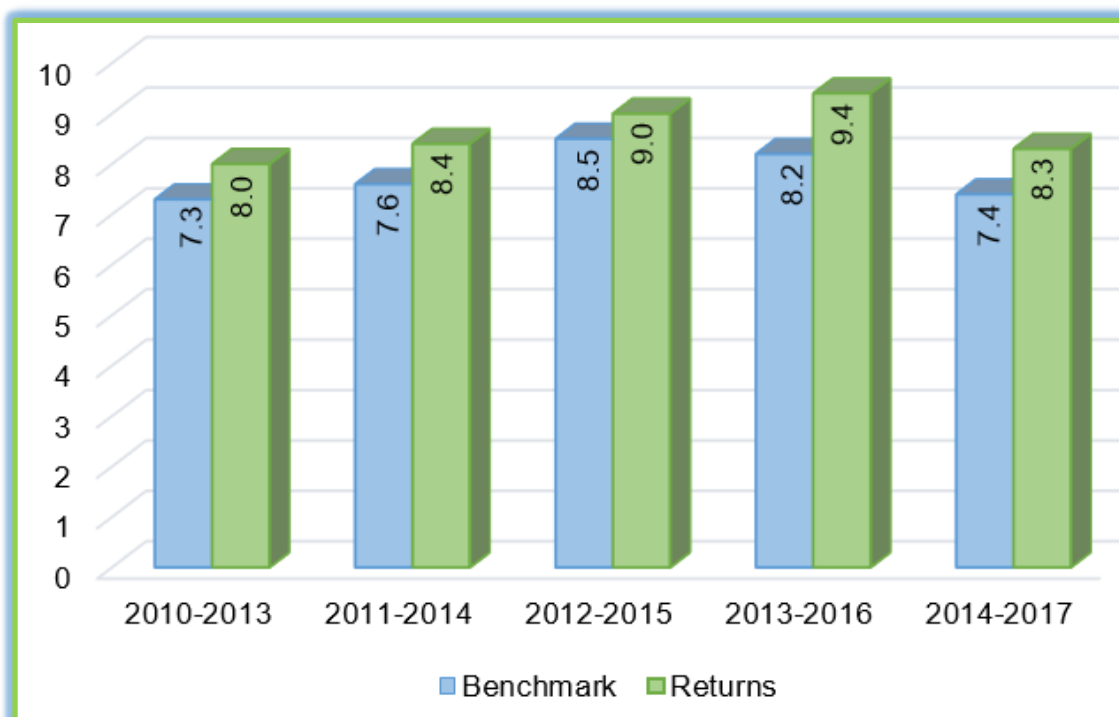
PERFORMANCE SUMMARY

Annualized returns by asset class



	1 year			4 year		
	Benchmark	Returns	Over (under)	Benchmark	Returns	Over (under)
Canadian Equity	9.1	1.6	(7.5)	7.6	5.7	(1.9)
Foreign Equity	14.6	17.0	2.4	12.9	13.5	0.6
Fixed Income	2.5	2.8	0.3	4.1	4.7	0.6
Real Estate	5.9	5.3	(0.6)	5.7	6.2	0.5
Infrastructure	7.0	9.6	2.6	6.7	10.8	4.1
Total Fund¹	7.4	7.8	0.4	7.4	8.3	0.9

Four-year annualized total fund returns (2010-2017)



¹ The total fund benchmark includes 13.0% S&P/TSX Composite + 27.0% MSCI World ex-Canada Net + 40.0% FTSE TMX Universe Bond + 10.0% CPI+4% + 10.0% CPI+5%. The long term total fund target is CPI + 4%.

INVESTMENT POLICY

The Staff Pension Plan's funds are invested in accordance with the requirements of the *Pension Benefits Standards Act (BC)*. The University has established a Statement of Investment Policies and Goals, which takes into account factors that may affect the funding and solvency of the Plan, and the ability of the Plan to meet its financial obligations. The policy sets out the categories of permitted investments, diversification, asset mix and rate of return expectations, and is reviewed at least annually by the Investments and Administration Committee. If applicable, amendments are approved by the Board of Governors.



The Staff Pension Plan is a defined benefit plan, which means investment returns do not affect the value of members' benefits; they are merely a funding mechanism.

Investment objectives

It is important to understand the nature of the obligations that are being funded. Pension plans, including this one, have long-term investment horizons and should focus on the longer term. As a result, the Plan holds a diversified portfolio of debt and equity instruments that facilitates prudent management of risk.



The long-term investment goal of the fund is to achieve a minimum annualized rate of return, after taking account investment expenses, of four percentage points in excess of the [Consumer Price Index](#) (CPI). This 4% real return objective is consistent with the overall investment risk level that the fund could assume in order to meet the pension obligations of the Plan, and is normally assessed over longer time periods; i.e. over ten years or more. Progress towards this goal is monitored on a rolling 4-year basis.

Policy asset mix

To achieve this long-term investment goal and to manage risk, the fund has adopted a well-diversified portfolio of asset classes and managers, and may involve hedging of foreign currency when appropriate.

The fund employs an active management style. Active management provides the opportunity to outperform specific investment [benchmarks](#).

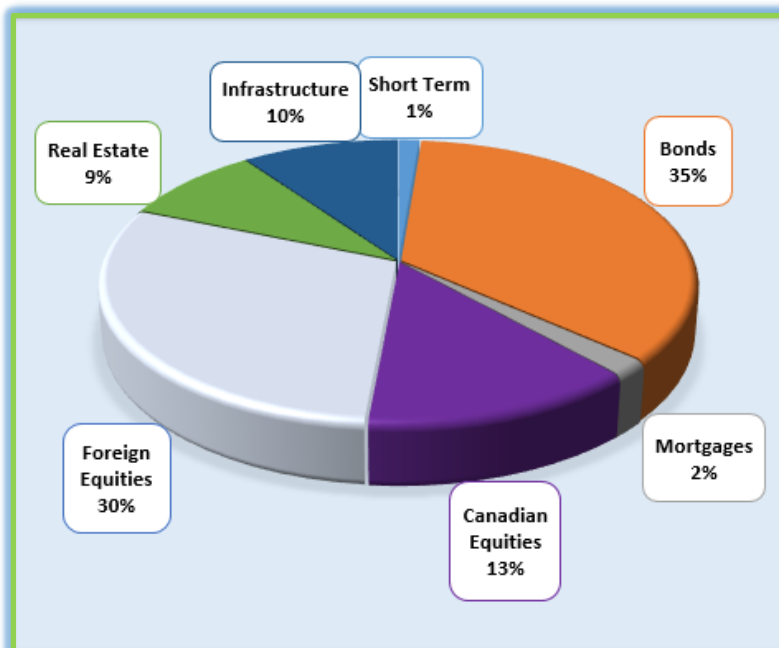
	Approved Ranges %	Benchmark %	Actual Weight %
Equities			
Canadian	8 - 18	13	13
Foreign	22 - 32	27	30
Fixed Income			
Bonds	30 – 50	40	35
Mortgages	0 – 5	0	2
Short Term	0 – 15	0	1
Alternatives			
Infrastructure	0 – 15	10	10
Real Estate	0 – 15	10	9

ASSET MIX

Actual asset mix

On December 31, 2017, funds were invested as follows¹:

	2017	2016
Short Term	3,521	4,815
Bonds (Canadian)	96,623	87,724
Mortgages	4,859	6,190
Canadian Equities	36,319	35,758
Foreign Equities	81,737	76,758
Real Estate	24,438	23,239
Infrastructure	27,056	24,144
Total	274,553	258,628



SERVICE PROVIDERS

Auditor	Grant Thornton LLP	
Investment Managers	BC Investment Management Corp (BCI)	Foreign Equity, Real Estate
	Phillips, Hager & North Investment Management	Fixed Income
	Burgundy Asset Management Ltd.	Canadian Equity
	Macquarie Infrastructure	Infrastructure
	J.P. Morgan Asset Management ²	Infrastructure
Consultant	Willis Towers Watson	<ul style="list-style-type: none"> Investment Consultant Performance Measurement Actuary
Trustee of Fund	RBC Investor & Treasury Services Trust	<ul style="list-style-type: none"> Acts as the trustee of the Plan assets (under the direction of the Plan) Provides payment service for pensions and lump-sum payments

¹ Expressed in \$000's. Some inconsistencies may exist due to rounding.

² Funds invested in 2017.

STRATEGIC UPDATES

Strategic plan (2017 - 2019)

In 2017, the Staff Plan Governance Committee approved a three year strategic plan to guide the priorities of the Staff Plan Committees for the coming years. This plan was developed based on the Committee's mission statement and guiding principles:



⇒ **Mission statement**

To provide sound governance and prudent oversight of the management of the plan assets and administration so that current and retired plan members are assured a secure pension.

⇒ **Guiding principles**

Governance, Sustainability, Affordability, Stability of contributions, Long-term view, Compliance, Equity, Administration, and Fiscal Responsibility.

As a result, the strategic plan establishes the following five goals:

⇒ **Goals**

- * To strengthen the Plan's governance,
- * To manage funding to protect Plan benefits,
- * To optimize investment performance,
- * To achieve excellence in Plan administration services, and
- * To foster understanding of the Plan.



A summary of the strategic plan can be found on our website, www.uvic.ca/pensions/staff-plan.

Plan assessment

Pension legislation now requires that an assessment the Plan be completed at least once every three years. The first assessment for the Staff Pension Plan was completed in 2017, and included a review of the Plan's regulatory compliance, governance, funding, investments, and administration, for the three year period ended December 31, 2016.



The results of this assessment demonstrated that the Plan is operated and administered in an effective and efficient manner, and that strong policies provide a solid foundation for activities and operations. As no significant concerns were identified, the process reinforced the Plan's priorities for the coming years, therefore strengthening the existing focus on managing risk in key areas and enhancing the Plan's governance overall.

The next assessment, for the three year period ending December 31, 2019, will be completed in 2020.

STRATEGIC UPDATES

Actuarial valuation

Two types of [actuarial valuations](#) are required at least once every three years in order to determine the contribution requirements. These valuations test the financial health of the Plan at a particular point in time and assume a different scenario regarding the Plan's future. The results of the 2016 Staff Plan valuation, completed in 2017, are summarized below.

The going concern valuation assumes the Plan will continue to exist, and it allows to determine the appropriate contribution rate for the following three years. A funded ratio of 122% means that the Plan can meet its obligations based on this scenario, and a healthy surplus exists (the maximum allowable surplus under the *Income Tax Act* is 125%). As a result, there were no changes made to the contribution rates.

The solvency valuation considers the hypothetical scenario where the Plan is terminated on the valuation date. A solvency deficit means the Plan's assets would not be sufficient to pay its obligations if this unlikely scenario was to occur.

Going Concern Results	
Actuarial Surplus¹ (assets - liabilities)	\$46,033
Funded Ratio (assets / liabilities)	122%
Solvency Results	
Solvency Deficiency¹ (assets - liabilities)	(\$64,803)
Solvency Ratio (assets / liabilities)	80%

An employer is required to fund any deficiency that may exist as a result of this type of valuation. While this does not affect members' contribution rates, it impacts the University's funding requirements because all solvency-related costs are the sole responsibility of the University².

- Solvency deficiency:** the University has obtained a letter of credit to fund the solvency deficiency indicated above.
- Transfer deficiency:** when a solvency deficiency exists and a member leaving UVic opts for a [commuted value](#) payment from the Plan, this creates a transfer deficiency, which is calculated as $(100\% - \text{solvency ratio}) \times \text{commuted value}$.

For example, for a commuted value payment of \$10,000, the transfer deficiency would be: $(100\% - 80\%) \times \$10,000 = \$2,000$.

In 2017, the total combined amount paid by the University was \$518,000.

CONTRIBUTIONS

During your career, you and the University will contribute to the Plan's funds through contributions, which are paid through payroll deductions and reported on your pay stub. The rate of contribution is a percentage of your basic salary.

All contribution rates shown in the following table include a contribution of 0.25% of your salary toward the [Supplementary Retirement Benefit Account](#).

Additional voluntary contributions are no longer permitted.

Member contributions	
Up to YMPE	4.78%
Above YMPE	6.53%
University contributions	
	12.00%

¹ Expressed in \$000's.
² The University contributes 100% of the cost related to solvency deficiency. Should a future surplus exist, the University will then be entitled to 100% of future surplus until the amount contributed is fully recovered.

UNDERSTANDING YOUR PENSION

As a Plan member, you are automatically eligible to receive a benefit either at retirement or when you leave your employment at UVic.

Defined benefit pension plan

There are different types of pension plans. The Staff Pension Plan is a defined benefit plan, which means that the amount you will receive when you retire is determined by a formula based on applicable percentages and years of credited service, as well as your average salary and age at retirement. In this type of plan, contributions and investment returns do not determine the final benefit.

The basic pension amount

An estimate of your pension is included in the Member's Benefit Statement that accompanies this report. The basic pension amount represents the value of your annual pension before any adjustments are applied, and is calculated based on the following formula:

$$\text{Applicable percentage} \times \text{Highest average salary} \times \text{Credited service}$$

Please visit our website: www.uvic.ca/pensions/staff-plan to find out more.

Adjustments

Early retirement: While age 65 is the "normal retirement age" under the provisions of the Plan, you can retire on a reduced pension any time between age 55 and age 60: a 3% reduction rate is applied for each year of difference between your age at retirement and age 60. For example, if you are 58 years old, the reduction is $3\% \times (60-58) = 6\%$. There are no reductions if you retire at or after reaching 60 years of age.



Leaving UVic: If you leave your employment after age 55, you would be eligible for an immediate pension (early retirement reductions may apply, as indicated above). If you leave your employment at the University prior to age 55, your options and any applicable reductions are described in the [Leaving UVic](#) section of this report.

Survivor benefits & optional forms of pension: Your monthly pension payment will be adjusted based on the survivor benefit option you select at retirement. Please refer to the [Survivor benefits](#) section for more information.

Annual indexing: Pensions are adjusted, or indexed, each January 1st, based on the [Consumer Price Index \(CPI\)](#) increase, to a maximum of +3% per year since the member's last contribution date. The change in the CPI effective January 1, 2017 was 1.4%.

Supplementary benefit: When the change in the [Consumer Price Index \(CPI\)](#) exceeds 3%, additional adjustments from the Supplementary Retirement Benefit Account may be available to pensioners who are at least age 66.

UNDERSTANDING YOUR PENSION

Survivor benefits & optional forms of pension



Survivor benefits are paid to a surviving [spouse](#) or [beneficiary](#) in the event of the member's death.

Spouses are automatically entitled to the survivor benefits. Other beneficiaries can only be designated if you do not have a spouse or if your spouse chooses to waive this entitlement by submitting a waiver to Pension Services.

Before retirement

If you pass away before you retire, your spouse would have the following options:

- Receive an immediate lifetime monthly pension (with single life guarantee of 10 years); or
- Transfer the [commuted value](#) of the pension (in a lump sum) to a Locked-in Retirement Account (LIRA), Life Income Fund (LIF) or another Registered Pension Plan.

If you do not have a spouse (or if your spouse has waived this entitlement), your beneficiary¹ would receive the survivor benefit. In this case, the survivor benefit is the lump sum [commuted value](#) that would have been payable if you had left your employment on their date of death (less withholding tax).

After retirement

At retirement, you will select a survivor benefit (options available are described in the table below). Your pension will be paid for your lifetime regardless; however, the monthly pension amount you will receive during retirement will differ based on the survivor benefit you select.

If you have a spouse, you must select a form which provides at least a lifetime 60% survivor benefit unless your spouse chooses to waive that right.



Survivor Benefit Options		
Option	Description	Note
Joint Life	Payments continue for your lifetime, but if you pre-decease your spouse, a percentage of your benefit (as selected at retirement) will continue to your spouse for their lifetime.	Percentages available: 50%, 60%, 66.7%, or 100%
Single Life	Payments continue for your lifetime, with a guarantee period during which a survivor benefit would be paid to a beneficiary. If you live beyond the guarantee period, there is no survivor benefit.	Guaranteed minimum period: 5, 10 or 15 years

¹ If you do not have a beneficiary, the survivor benefits will be paid to your estate.

UNDERSTANDING YOUR PENSION

Leaving UVic

Leaving UVic prior to age 55 means terminating active membership in the Plan. While this would affect your ability to add future contributions into the plan, it would not affect your entitlement to the benefits earned to date, and you would have the following options:



a. Deferred pension

A deferred pension is one that becomes payable at a later date. In this case, you become eligible to receive a pension when you turn 55; however, reductions apply, generally up to 6% for each year of difference between 65 and your age when your pension payments begin. Applicable reduction rates and calculation examples can be found on our website, www.uvic.ca/pensions/staff-plan. There are no reductions if you defer the pension to age 65.

b. Commuted value

A [commuted value](#) is the lump sum amount of money that needs to be set aside today, at current market interest rates, to provide enough funds to pay for a pension at retirement. It is calculated by taking your age, current market interest rates, and other factors into account.



A commuted value can be transferred to a Locked-in Retirement Account (LIRA) or another Registered Pension Plan (restrictions apply). If it is less than 20% of the [YMPE](#), it may be transferred on a non-[locked-in](#) basis or received as a cash payment, less withholding tax.

If you leave your employment after reaching age 55, you are eligible for an immediate pension (early retirement reductions may apply as indicated in the previous section of this report).

Please visit our website, www.uvic.ca/pensions/staff-plan to find out more.

Changes to your employment

There are three pension plans at UVic; each plan covers different employee groups. Therefore, if you move to a new position at the University, your eligibility for membership in the Staff Pension Plan might be affected.

If you start contributing to another UVic Plan as a result of moving to a new position, the benefits you have earned in the Staff Plan prior to that change will continue to be available for a separate pension when you retire. On the other hand, if you continue to participate in this Plan, your contributions will be adjusted based on your new salary and terms of employment.

Find out more on our website: www.uvic.ca/pensions.

GLOSSARY

Actuarial valuation: An assessment of the financial position of a pension plan. An actuary prepares a plan valuation at least once every three years.

Benchmark: A standard against which the performance of the fund or its asset mix can be measured and compared against.

Beneficiary: A person who, on the death of a plan member, may become entitled to a survivor benefit.

Commutated value: The lump sum amount of money that needs to be set aside today, at current market interest rates, to provide enough funds to pay for a pension when a plan member retires. It is calculated by taking your age, current market interest rates, and other factors into account.

Consumer Price Index (CPI): A measure of the average price of consumer goods and services purchased by households. A consumer price index measures a price change for a constant market basket of goods and services from one period to the next. For more information: www.statcan.gc.ca

Locked-in: Under pension legislation, refers to benefits that must be used to provide a lifetime pension and therefore that cannot be paid as cash or transferred without restrictions. Under certain conditions, some benefits can be exempt from this requirement and consequently be "unlocked".

Spouse: Defined in the *Pension Benefits Standards Act* as persons who are married to each other, and who have not been living separate and apart from each other for a continuous period longer than 2 years OR who have been living with each other in a marriage-like relationship for a period of at least 2 years immediately preceding the date of transaction.

Supplementary Retirement Benefit Account: Funds permitting, this account allows a supplementary benefit (ie. an annual adjustment) for eligible pensioners when changes to the Consumer Price Index (CPI) exceeds 3%.

Year's Maximum Pensionable Earnings (YMPE): Maximum salary limit for contributions to the Canada Pension Plan, set by Canada Revenue Agency each year according to a formula based on average wage levels. In 2017, this amount was \$55,300. For more information: www.cra-arc.gc.ca

CONTACT US: PENSION SERVICES

Phone: (250) 721-7030

Email: pensions@uvic.ca

Website: www.uvic.ca/pensions/staff-plan

Address:

Pension Services
University of Victoria
Michael Williams Building Room B278
PO Box 1700, STN CSC
Victoria BC V8W 2Y2



If you plan on retiring, you should contact Pension Services **at least 3-6 months before** your expected retirement date.

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or by request from Pension Services.