Financial Statements

University of Victoria Money Purchase Pension Plan

December 31, 2012

Independent auditor's report

Grant Thornton LLP

To the Trustees of University of Victoria Money Purchase Pension Plan

We have audited the accompanying financial statements of the University of Victoria Money Purchase Pension Plan, which comprise the statement of financial position as at December 31, 2012, and the statement of changes in net assets available for benefits and the statement of changes in obligations for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of Victoria Money Purchase Pension Plan as at December 31, 2012 and it financial performance for the year then ended in accordance with Canadian accounting standards for pension plans.

Grant Thornton LLP

Victoria, Canada
February 26, 2013

Chartered accountants

University of Victoria Money Purchase Pension Plan
Statement of Financial Position

December 31	2012	2011
Assets		
Cash	**$ 91,496**	$ 78,215
Investments (Note 4)		
Short-term	**802,832**	504,209
Canadian bonds	**10,046,141**	9,895,534
Mortgages	**683,350**	652,360
Canadian equities	**10,187,200**	9,250,455
US equities	**1,610,259**	1,569,876
Currency hedges	**34,028**	23,377
EAFE equities	**1,213,048**	911,211
Global equities	**6,403,043**	5,396,668
Real estate	**4,334,873**	3,649,901
	35,314,774	31,853,591
Receivables		
Accrued interest and dividend income	**33,940**	46,347
Miscellaneous	**65,939**	42,322
	99,879	88,669
	35,506,149	32,020,475
Liabilities		
Accounts payable and accrued liabilities	**5,048**	5,267
Net assets available for benefits	**35,501,101**	32,015,208
Obligations for benefits (Note 6)	**35,501,101**	32,015,208
Net assets available for benefits less obligations for benefits	**$ -**	$ -

Approved by the Board of Pension Trustees

See accompanying notes to the financial statements.

University of Victoria Money Purchase Pension Plan
Statement of Changes in Net Assets Available for Benefits

See accompanying notes to the financial statements.

University of Victoria Money Purchase Pension Plan
Statement of Changes in Obligations for Benefits

Year Ended December 31	**2012**	2011
Obligations for benefits, beginning balance	**$ 32,015,208**	$ 30,386,466
Net investment returns	**3,105,505**	196,725
Contributions	**2,664,109**	2,403,790
Benefits paid	**(160,660)**	(131,044)
Accounts transferred or refunded	**(2,123,061)**	(840,729)
Change in obligations for benefits	**3,485,893**	1,628,742
Obligations for benefits, ending balance	**$ 35,501,101**	$ 32,015,208

See accompanying notes to the financial statements.

4. Investments (fair value)

The assets of the Plan are pooled for investment purposes with the Balanced Fund assets of the University of Victoria Combination Pension Plan. At December 31, 2012, 5.11% (2011: 5.02%) of the assets held in the Balanced Fund were in respect of the University of Victoria Money Purchase Pension Plan.

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

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

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

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

the fair value hierarchy, is as follows:

		2012	2011
Short-term notes	- Level 1	**$ 733,967**	$ 469,900
Short-term notes	- Level 2	**68,865**	34,309
Canadian bonds	- Level 1	**5,878,560**	5,926,612
Canadian bonds	- Level 2	**4,167,581**	3,968,922
Mortgages	- Level 1	**683,350**	652,360
Currency hedges	- Level 2	**34,028**	23,377
Canadian equities	- Level 1	**10,187,200**	9,250,455
US equities	- Level 1	**1,610,259**	1,569,876
EAFE equities	- Level 1	**1,213,048**	911,211
Global equities	- Level 1	**6,403,043**	5,396,668
Real estate	- Level 3	**4,334,873**	3,649,901
		$ 35,314,774	$ 31,853,591
Fair value hierarchy			
Level 1		**26,709,427**	24,177,082
Level 2		**4,270,474**	4,026,608
Level 3		**4,334,873**	3,649,901
		$ 35,314,774	$ 31,853,591

4. Investments (fair value) (continued)

Short-term notes consist of Canadian money market securities maturing in 12 months or less and include treasury bills and guaranteed investment certificates. Mortgages consist of units in a pool of first mortgages on income-producing property in Canada. Canadian bonds consist of government and corporate bonds and debentures. Global bonds consist of Maple Bonds and US treasury bonds. Equities consist of publicly traded shares. EAFE equities refer to investments in Europe, Australia and the Far East. Real estate investments consist mainly of diversified Canadian income-producing properties. Investments may be segregated or consist of units of pooled investment portfolios of the investment managers.

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from the impact of an appreciating Canadian dollar (relative to the foreign currency). The Fund purchases and sells currencies through the spot market, forward contracts, and/or futures. Unit values are calculated based on the net realized and unrealized gains/losses of the derivative financial instruments.

5. Net return on investments

contribution accounts and additional voluntary contribution accounts at the end of each month.

The Balanced Fund earned a gross return of 9.98% (2011: 0.92%) and a net return of 9.69% (2011: 0.64%). Net investment returns are as follows:

		2012		2011
Interest				
Cash and short-term notes	**$**	**6,768**	$	6,958
Bonds		**451,150**		417,738
Mortgages		**34,296**		27,011
Other		**2**		4,644
Dividends				
Canadian equities		**232,116**		226,021
Net realized gains (losses)		**2,499,393**		(380,669)
Net unrealized gains (losses)		**(27,741)**		(18,445)
		3,195,984		283,258
Investment costs:				
Management fees	**$**	**64,015**	$	59,394
Custodial fees		**4,188**		3,781
Other		**3,553**		2,062
		71,756		65,237
	$	**3,124,228**	$	218,021

6. Net assets available for benefits

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

		2012		2011
Money purchase contribution accounts ("MPCA")	**$**	**31,554,947**	$	28,286,512
Additional voluntary contribution accounts ("AVC")		**1,113,947**		1,518,797
Variable benefit accounts ("VBA")		**2,832,207**		2,209,899
	$	**35,501,101**	$	32,015,208

7. Money purchase contribution accounts (ñMPCAò)

Each member of the Plan has a MPCA, which is reported annually to the member. MPCAs are invested in the Balanced Fund.

8. Variable benefit accounts (ñVBAò)

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

9. Additional voluntary contribution accounts (ñAVCò)

restrictions imposed by the exporting plans are placed in RVA. Contributions made by members on a voluntary basis and transfers that are unrestricted are placed in UVA. All RVA and UVA are invested in the Balanced Fund as follows:

		2012		2011
Restricted voluntary accounts	**$**	**500,323**	$	738,186
Unrestricted voluntary accounts		**613,624**		780,611
	$	**1,113,947**	$	1,518,797

10. Risk management

receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values. Fair values of investments are exposed to market risk, liquidity risk and credit risk.

Market risk

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

Currency risk: Currency risk relates to the possibility that the investments will change in value due to future fluctuations in US, Euro and other international foreign exchange rates. For example, a 5% strengthening (weakening) of the Canadian dollar against foreign currencies at December 31, 2012 would have decreased (increased) investments held in foreign currencies by approximately $460,000 (2011: $390,000).

Currency risk associated with foreign equities may be hedged at the discretion of the Global Equity Manager, BC Investment Management Corporation, in order to protect the value of foreign equity investments from the impact of an appreciating Canadian dollar (relative to the foreign currency).

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

Interest rate risk: Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Duration is an appropriate measure of interest rate risk for fixed-income funds as a rise in interest rates will cause a decrease in bond prices the longer the duration, the greater the effect. At December 31, 2012, the average duration of the bond and mortgage portfolio in the Balanced Fund was 6.2