



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.

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)*.

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. A

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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".

Asset Mix

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 eval-

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

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 de

Understanding the Plan

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

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 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

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)

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.

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:

Retiring members should contact the Pension Office at least 3-6 months before their retirement date (last date on pay vs

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	7,303,742.95
Ontario	5.850	2033	1,822,000	1,829,351.31
Ontario	6.200	2031	1,616,000	1,676,813.13
Ontario	6.500	2029	1,478,000	1,513,766.81
Ontario	7.600	2027	6,109,000	6,109,000.00
Ontario	8.000	2026	505,000	505,000.00
Ontario	8.100	2023	1,970,000	1,970,000.00
Ontario	8.500	2025	1,715,000	1,715,000.00
Ontario Hydro	8.250	2026	1,768,000	1,768,000.00
Quebec - residual strip	0.000	2041	1,080,000	1,080,000.00
Quebec	3.000	2023	520,000	520,000.00
Quebec	3.750	2024	966,000	966,000.00
Quebec	4.250	2043	197,000	197,000.00
Quebec	5.000	2041	215,000	215,000.00
Quebec	5.750	2036	1,567,000	1,567,000.00
Quebec	6.000	2029	374,000	374,000.00
Quebec	6.250	2032	923,000	923,000.00
Quebec	8.500	2026	1,601,000	1,601,000.00
Quebec	9.375	2023	441,000	441,000.00

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

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		
Brookfield Infrastructure Limited Partners		
Canadian National Railway Co		

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>

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 Pensiona-

