



Financial Statements

University of Victoria Money Purchase Pension Plan

December 31, 2015



Independent Auditor's Report

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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, 2015, 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's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies and other explanatory information.



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

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, 2015 and its financial performance for the year then ended in accordance with Canadian accounting standards for pension plans.

Victoria, Canada
March 8, 2016

Chartered Professional Accountants

University of Victoria Money Purchase Pension Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31 (expressed in \$000's)

2015

2014

Change in net assets

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

Year Ended December 31 (expressed in \$000's)	2015	2014
Obligations for benefits, beginning balance	\$ <u>48,423</u>	\$ <u>42,059</u>
Net investment returns	4,244	5,039
Contributions	3,150	3,141
Benefits paid	(315)	(263)
Accounts transferred or refunded	<u>(2,310)</u>	<u>(1,553)</u>
Change in obligations for benefits	<u>4,769</u>	<u>6,364</u>
Obligations for benefits, ending balance	\$ <u>53,192</u>	\$ <u>48,423</u>

See accompanying notes to the financial statements.

University of Victoria Money Purchase Pension Plan Notes to the Financial Statements

December 31, 2015 (expressed in \$000's)

1. Description of plan

University of Victoria Money Purchase Pension Plan Notes to the Financial Statements

December 31, 2015

University of Victoria Money Purchase Pension Plan

Notes to the Financial Statements

December 31, 2015 (expressed in \$000's)

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, 2015, 5.61% (2014: 5.52%) of the assets held in the Balanced Fund were in respect of the University of Victoria Money Purchase Pension Plan.

The Plan's investments are recorded at fair value or at amounts 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 Plan's proportionate share of investments in the Balanced Fund, categorized according to the fair value hierarchy, is as follows:

		2015		2014
Short-term notes	- Level 1	\$ 7	\$	468
Short-term notes	- Level 2	80		71
Canadian bonds	- Level 1	7,409		6,805
Canadian bonds	- Level 2	8,141		7,060
Mortgages	- Level 1	1,256		1,169
Canadian equities	- Level 1	5,164		5,252
Canadian equities	- Level 2	5,217		5,287

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Notes to the Financial Statements

December 31, 2015 (expressed in \$000's)

10. Risk management (continued)

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 securities as a rise in interest rates will cause a decrease in the price of fixed income securities – the longer the duration, the greater the effect. At December 31, 2015, the average duration of the fixed income securities in the Balanced Fund was 7.4 years (2014: 7.2 years). Therefore, if nominal interest rates were to increase by 1%, the value of the Balanced Fund fixed income securities would drop by 7.4% (2014: 7.2%).

Other price risk: Other price risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. This risk is reduced by the investment policy provisions approved by the Board of Pension Trustees for a structured asset mix to be followed by the investment managers, the requirement for diversification of investments within each asset class and credit quality constraints on fixed income instruments. Other price risk can be measured in terms of volatility, i.e., the standard deviation of change in the value of a financial instrument within a specific time horizon. Based on the volatility of the current asset class holdings shown in Note 4, the expectation is that over the long-term, the Balanced Fund will return around 6.1%, within a range of +/- 9.2% (i.e., results ranging from -3.1% to 15.3%).

	Volatility %	
Short-term holdings	+/- 1.5	
Bonds and mortgages	+/- 5.4	
Canadian equities	+/- 19.5	
Foreign equities	+/- 17.1	
Real estate	+/- 13.0	
Benchmark for investments	% change	Net impact on market value

University of Victoria Money Purchase Pension Plan

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December 31, 2015 (expressed in \$000's)

10. Risk management (continued)

Credit risk

Credit risk relates to the possibility that a loss may occur from failure of a fixed income security issuer to meet its debt obligations. At December 31, 2015, the maximum risk exposure for this type of investment is \$16.9 million (2014: \$15.6 million).

The Plan limits credit risk by invest / [(T)-20.5(h)-3.1(eT0.001 Tw 1.795 0 Td [(by)28.2(i)7ou-8 Tc 0.008 TiTJ T* h

University of Victoria Money Purchase Pension Plan

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December 31, 2015 (expressed in \$000's)

11. Capital disclosures

The purpose of the Plan is to provide benefits to plan members. As such, when managing capital, the objective is to preserve assets in a manner that provides the Plan with the ability to continue as a going-concern, to have sufficient assets to meet future obligations for benefits and to have sufficient liquidity to meet all benefit and expense payments.

In accordance with regulatory requirements, the Board of Pension Trustees has established a Statement of Investment Policies and Procedures ("SIP&P") which sets out the investment principles, guidelines and monitoring procedures that are appropriate to the needs and objectives of the Plan. The SIP&P sets out benchmarks and asset allocation ranges that are intended to best secure the obligations for benefits and result in reasonable risk-adjusted return on investment. Individual investment decisions are delegated to investment managers subject to the constraints of the SIP&P and individual manager mandates. As required, the Board of Pension Trustees reviews the SIP&P and manager structure at least annually, and makes such changes to the SIP&P and/or mandates as it deems necessary. With the assistance of an outside consultant, the Board of Pension Trustees and the Pension Office regularly monitor the asset mix of each manager and fund to ensure compliance with the SIP&P and mandates.

The benchmark and ranges for the Balanced Fund are as follows:

	Benchmark	Range
Cash and equivalents	0%	0-21%
Universe bonds	36%	20-46%
