Grant Thornton

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Opinion

University of Victoria Staff Pension Plan
Statement of Financial Position

December 31		**2014**		2013
Assets				
Cash	**$**	**7,731**	$	204,056
Investments (Note 4)				
Short-term		**1,861,166**		3,493,770
Canadian bonds		**79,274,130**		72,962,037
Mortgages		**6,762,407**		5,350,970
Canadian equities		**31,369,421**		28,543,260
Foreign equities		**72,281,979**		63,522,256
Currency hedges		**187,233**		114,569
Real estate		**24,562,708**		22,862,361

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

Year ended December 31	**2014**	2013
Change in net assets		
Net return on investments (Note 5)		
Interest and other income	**$ 3,124,014**	$ 3,607,360
Mortgage income	**241,960**	206,773
Dividend income	**800,038**	759,540
Net realized and unrealized gain on investments	**18,483,627**	18,628,160
Investment administration costs	**(810,899)**	(721,387)
	21,838,740	22,480,446
Contributions (Note 1(b))		
Members		
Basic	**2,115,804**	2,101,362
Supplementary	**114,550**	114,708
Additional voluntary	**59,031**	58,427
University		
Basic	**5,364,569**	5,389,542
Supplementary	**114,550**	114,708
CV transfer deficiency	**284,370**	436,671
	8,052,874	8,215,418
Total increase in assets	**29,891,614**	30,695,864
Payments to or on behalf of members		
Pensions to retired members		
Basic	**6,387,454**	5,887,537
Supplementary	**28,556**	31,789
Pensions to disabled members	**204,591**	225,973

University of Victoria Staff Pension Plan
Statement of Changes in Obligations for Benefits

Year ended December 31	**2014**	2013
Change in obligations for benefits – accrued pension benefits		
Beginning balance	**$ 183,355,440**	$ 173,868,744
Actual plan experiences and changes in actuarial assumptions	**(2,308,979)**	-
Interest accrued on benefits	**10,804,584**	10,572,195
Benefits accrued	**6,733,393**	7,596,665
Benefits paid	**(8,264,807)**	(8,682,164)
Change in obligations for benefits	**6,964,191**	9,486,696
Ending balance	**$ 190,319,631**	$ 183,355,440
Change in obligations for benefits – supplementary benefits		
Beginning balance	**$ 11,107,035**	$ 9,738,224
Interest accrued on benefits	**1,156,024**	1,171,184
Contributions	**229,101**	229,416

1. Description of plan (continued)

(c) Normal retirement

All members are eligible for a retirement benefit. Normal retirement is the end of the month in which the member reaches age 65. Pension benefits are calculated using the following formula:

Benefit accrual rate **x** highest five year average salary **x** years of credited service (full time equivalent).

The benefit accrual rates since the plan's inception in 1972 are as follows:

	On average salary up to the average YMPE	On average salary over the average YMPE
On service up to December 31, 1989	1.65%	2.00%
On service during 1990 and 1991	1.30%	2.00%
On service from 1992 through 1999	1.50%	2.00%
On service from January 1, 2000	1.70%	2.00%

(d) Early retirement

Members may elect early retirement at the end of any month following attainment of age 60 with no reduction provided that the member retired from active status. Members may retire between age 55 and 60 on a reduced pension. The reduction rates for retirement on an immediate pension are 3% for each year that the member is under age 60 when the pension commences. The reduction rates for retirement from inactive status (deferred) are actuarial and are between 5% and 6% for each year that the member is under age 65 when the pension commences.

(e) Disability pensions

Prior to April 1, 2006, members who became totally and permanently disabled and were in receipt of a disability pension from Canada Pension Plan were eligible to receive a disability pension from the plan equal to the pension they would have received had they continued to contribute to the plan to normal retirement. Only those members who met disability criteria prior to April 1, 2006 are in receipt of this benefit.

(f) Adjustments to pensions

Pensions are adjusted each January 1st by reference to the change in the Canadian Consumer Price Index (CPI) to a maximum of +/-3% per year since the member's last contribution date. The change in the CPI effective January 1, 2014 was 0.9%.

When the change in the CPI exceeds 3%, the Investments and Administration Committee may authorize additional indexing from the Supplementary Retirement Benefit Account (Note 9) to pensioners who are at least age 66, provided the actuary certifies that the increase can be financed by the assets of the Supplementary Retirement Benefit Account on a sound actuarial basis.

2. Statement of compliance with Canadian accounting standards for pension plans

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans.

3. Summary of significant accounting policies

Basis of presentation

As indicated in Note 2, these financial statements have been prepared in accordance with Canadian accounting standards for pension plans. Accounting standards for pension plans require entities to select accounting policies for accounts that do not relate to its investment portfolio or pension obligations in accordance with either International Financial Reporting

6. Obligations for pension benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and administrator's best estimated assumptions. An actuarial valuation was made as of December 31, 2013 by Towers Watson Canada Inc., a firm of consulting actuaries, and was then extrapolated by the actuary to December 31, 2014. The next required actuarial valuation for funding purposes will have an effective date of December 31, 2016.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	December 31, 2014	December 31, 2013
Economic Assumptions:		
Interest - assets	5.90%	6.00%
Interest – liabilities	5.90%	

8. Actuarial valuation for funding purposes

An actuarial valuation of the Plan's assets and pension obligations is performed every three years on both a going concern and solvency basis (as required under the *British Columbia Pension Benefits Standards Act [PBSA])* to determine an appropriate contribution rate. For this purpose, the plan actuary values both accrued assets and benefit obligations to the financial statement date, as well as contributions and benefits for future service. The most recent valuation for funding purposes was prepared by Towers Watson as of December 31, 2013 and a copy of this valuation is filed with the British Columbia Pension Standards Branch.

The valuation on a going concern basis disclosed an actuarial surplus of $26.5 million as at December 31, 2013 (2010: $9.9 million). The solvency valuation as at December 31, 2013 resulted in a solvency deficiency of $41.9 million (2010: $33.0 million), which, under the *PBSA Regulation*, must be amortized over a period of five years, unless an extension is granted, or a letter of credit is secured in lieu of making the payments. The University has arranged a letter of credit to secure the solvency deficiency payment.

The next required valuation will be as at December 31, 2016.

9. Supplementary retirement ben >>BDCDriti9en >>oing cccimMCID 6 >>BDC T* ( )Tj EMC /P 14

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11. Risk management (continued)

Price risk

Price risk is comprised of currency risk, interest rate risk, and market 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, 2014 would have decreased (increased) the US equity value by approximately $4.2 million (2013: $3.7 million).

The bcIMC Currency Hedging Fund is used for defensive purposes in order to protect clients' foreign investments 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 ne Dn 0 Tw 4.39ted based bassun4.39t2he UuTd [(T

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11. Risk management (continued)

Credit risk (continued)

The following shows the percentage of fixed income holdings in the portfolio by credit rating:

Rating	Allocation
Cash and short-term securities	4.7%
AAA	18.5%
AA	40.4%
A	15.2%
BBB	12.9%
BB and below	1.5%
Mortgages	6.7%
Unrated	0.1%
Total	100.0%