



Financial Statements

University of Victoria Combination Pension Plan

December 31, 2020

Contents

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University of Victoria Combination Pension Plan Statement of Financial Position

December 31 (expressed in \$000's)	2020	2019
Assets		
Cash	\$ 3,197	\$ 4,350
Investments (Note 4)		
Short-term	3,108	5,449
Canadian bonds	424,896	387,155
Canadian equities	343,002	316,863
Foreign equities	619,743	538,779
Currency hedges	-	2
Real estate	119,597	108,090
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Approved by the Board of Pension Trustees

Chair

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

See accompanying notes to the financial statements.

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

Year Ended December 31 (expressed in \$000's)	2020	2019
Change in obligations for benefits - defined contribution		
Beginning balance, obligations for defined contribution benefits	\$ 1,115,784	\$ 976,826
Net investment returns	135,554	155,660
Contributions	26,823	24,114
Benefits paid	(35,299)	(33,659)
Accounts transferred or refunded	(13,107)	(7,157)

See accompanying notes to the financial statements.

University of Victoria Combination Pension Plan Notes to the Financial Statements

December 31, 2020

1. Description of plan

The following description of the University of Victoria Combination Pension Plan ("the Plan") is a summary only. Plan assets are distributed over two funds: the Balanced Fund and the Defined Retirement Benefit Fund. Individual member accounts (Combined Contribution Accounts, Variable Benefit Accounts, and Additional Voluntary Contribution Accounts) are held in the Balanced Fund. The Defined Retirement Benefit Fund holds the assets of the Defined

University of Victoria Combination Pension Plan Notes to the Financial Statements

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University of Victoria Combination Pension Plan

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4. Investments (fair value) (continued)

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 each fund, categorized according to the fair value hierarchy, is as follows:

(Expressed in \$000's)	Balanced Fund	2020		2019	
		DRBA	Total	Total	
Short-term notes - Level 1 \$	471	320	\$ 791	\$	2,922
Short-term notes - Level 2	2,317	-	2,317		2,527
Canadian bonds - Level 1	370,801	54,095	424,896		387,155

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5. Net return on investments

Net investment returns less operating expenses are distributed to members' accounts at the end of each month.

The Balanced Fund realized a gross return of 12.75% (2019: 16.50%) and a net gain of 12.37% (2019: 16.08%). The Defined Retirement Benefit Account realized a net gain of 13.05% (2019: 18.33%). Net investment returns by fund are as follows:

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11.

The DRBA is a reserve to fund existing defined benefit pensions and supplements and to offset future obligations for defined benefit supplements.

12.

The IVAA provides benefits to members who elected to take internal variable annuities with all or part of their CCA, VBA and AVC. The IVAA is invested in the Balanced Fund.

13. Risk management

The Plan's investments are recorded at fair value. Other financial instru

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13. Risk management (continued)

Market risk (continued)

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, the standard deviation of change in the value of a financial instrument within a specific time horizon.

	Volatility %		
Short-term holdings	+/- 1.5		
Bonds and mortgages	+/- 5.4		
Canadian equities	+/- 19.5		
Foreign equities	+/- 16.1		
Real estate	+/- 13.0		

Benchmark for investments	% change	Net impact on market value	
		Balanced Fund	Defined Retirement Benefit Fund
FTSE TMX Canada 91-day Treasury Bill Index	+/- 1.5	\$42	\$5
FTSE TMX Canada Universe Bond Index	+/- 5.4	20,023	2,921
S&P/TSX Capped Composite Index	+/- 19.5	51,720	15,165
MSCI World Net Index	+/- 16.1	77,694	22,085
Canadian Consumer Price Index plus 4% (real estate)	+/- 13.0	13,677	1,871

Other price risk is managed by diversification of the portfolio, both by investment managers (three) with differing investment styles and mandates and by allocation of equities across a range of sectors and companies. Based on the current asset class holdings, the estimated volatility of the Balanced Fund return is +/- 9.0%, and the estimated volatility of the Defined Retirement Benefit Fund return is +/- 11.4.

Liquidity risk

Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost effective manner in order to meet commitments as they come due. The primary liabilities in the Plan are defined contribution entitlements, internal variable annuities, future defined benefit obligations and operating expenses. Liquidity requirements are managed through income generated by monthly contributions and investing in sufficiently liquid equities, pooled funds and other easily marketable instruments.

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13. 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, 2020, the maximum risk exposure for this type of investment is \$373.6 million (2019: \$343.6 million) in the Balanced Fund and \$54.4 million (2019: \$49.0 million) in the Defined Retirement Benefit Fund.

The Plan limits credit risk by investing only in short term debt rated R1 or higher and other debt rated BBB or higher, as rated by the Dominion Bond Rating Service or equivalent. Debt rated below BBB is only permitted in the case of a high yield bond fund which has been specifically

