Financial Statements

University of Victoria
Money Purchase Pension Plan

December 31, 2020

Contents

Grant Thornton LLP

University of Victoria Money Purchase Pension Plan
Statement of Financial Position

December 31 (expressed in $000's)		2020		2019
Assets				
Cash	$	232	$	306
Investments (Note 4)				
Short-term		202		351
Canadian bonds		26,927		23,858
Canadian equities		19,261		17,571
Foreign equities		35,043equities		

Approved by the Board of Pension Trustees

____________________ Chair ____________________ Vice-Chair

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.

1. Description of plan (continued)

(e) Retirement options

At retirement, members can apply the balance in their money purchase contribution accounts to one or a combination of the following forms of benefits:

x External annuity from a life insurance company.

x Transfer to a locked-in retirement account.

x Transfer to a combination of registered retirement income funds and life income funds.

x Variable benefit pension (provided their account balance is at least twice the \ H D³ U ¶ YMPE).

(f) Termination and portability benefits

Upon termination of employment, members may retain the balance in their money purchase contribution account or transfer it to a locked-in retirement account or to another registered pension plan that will accept the transfer.

Active members may transfer pension entitlements from other registered pension plans into a voluntary account in the Plan.

(g) Survivor benefits

A spouse is automatically entitled to the pre-retirement survivor benefit unless they waive that right by completing a Spousal Waiver (Pension Benefits Standards Regulation BC). The survivor benefit for a spouse is 100% of the benefit accrued by the member. The surviving spouse is entitled to any of the options that are available to the member, with the exception that the spouse need not have attained 55 years of age to commence a monthly benefit. A surviving spouse must commence a pension benefit or elect a transfer from the Plan by the later of one year following the member's date of death or the end of the calendar year in which the spouse attains 71 years of age. The survivor benefit for a beneficiary who is not a spouse is the balance accumulated in the Money Purchase &RQWULEXWLRQ $FFRXQW ³03&$´ DQG LI DSSOLFDEOH 9ROXQW payable in a cash lump sum, less applicable withholding tax.

The survivor benefit for a variable benefit pensioner is the total in the member's Variable Benefit Account.

(h) Income taxes

The Plan is a registered pension plan as defined in the Income Tax Act (Canada) and is not subject to income taxes, but is subject to indirect taxes including British Columbia provincial sales tax (PST) and goods and services tax (GST). The Plan receives a 33% rebate of the GST paid.

3. Summary of significant accounting policies (continued)

(c) Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for pension plans, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of investments.

(d) Foreign currency tra nslat ion

Transactions denominated in foreign currencies are translated at the rates of exchange at the date of the transaction. Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Unrealized exchange gains or losses on foreign currency are included in the change in fair value of investments.

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, 2020, 6.77% (2019: 6.58%) of the assets held in the Balanced Fund were in respect of the University of Victoria Money Purchase Pension Plan.

7 K H 3 O D Q ¶ V L Q Y H V W P H Q W V 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 376.61 Tm0 g0 G -0.1291m1

4. Investments (fair value) (continued)

(Expressed in $000's)			2020		2019
Short-term notes	- Level 1	$	34	$	173
Short-term notes	- Level 2		168		178
Canadian bonds	- Level 1		26,927		23,858
Canadian equities	- Level 1		9,370		8,676
Canadian equities	- Level 2		9,891		8,895
Foreign equities	- Level 2		35,043		29,884
Real estate	- Level 3		7,640		6,708
		$	89,073	$	78,372

Fair value hierarchy				
Level 1		36,331		32,707
Level 2		45,102		38,957
Level 3		7,640		6,708
	$	89,073	$	78,372

7KH IROORZLQJ WDEOH VXPPDUL]HV WKH FKDQJHV LQ WKH IDLU YDOX classified as level 3 investments, this includes hedges that were entered into within the scope of the real estate program which houses all the level 3 investments:

4. Investments (fair value) (continued)

Currency contracts may be held individually by BC Investment Management Corporation. The coQWUDFWV DUH XVHG IRU GHIHQVLYH SXUSRVHV LQ RUGHU WR SURW the impact of an appreciating Canadian dollar (relative to the foreign currency). The manager 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

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

The Balanced Fund earned a gross return of 12.75% (2019: 16.50%) and a net return of 12.34% (2019: 16.05%). Net investment returns are as follows:

(Expressed in $000's)	2020	2019
Interest		
Cash and short-term notes	$ 1	$ 3
Bonds	775	682
Dividends		
Canadian equities	279	190
Net realized gains	2,643	3,098
Net unrealized gains (losses)	6,377	6,884
	10,075	10,857
Investment costs:		
Management fees	257	235
Custodial fees	1	2
Other	3	4
	261	241
Total net investment return	$ 9,814	$ 10,616

10. Risk management

7KH 3ODQ¶V LQYHVWPHQWV Other financial instruments consist of cash, YDOXH 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, 2020 would have decreased (increased) investments held in foreign currencies by approximately $1.8 million (2019: $1.5 million).

Currency risk associated with foreign equities may be hedged at the discretion of the 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 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, 2020, the average duration of the fixed income securities in the Balanced Fund was 8.25 years (2019: 7.74 years). Therefore, if nominal interest rates were to increase by 1%, the value of the Balanced Fund fixed income securities would drop by 8.25% (2019: 7.74%).

10. Risk management

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, 2020, the maximum risk exposure for this type of investment is $27.1 million (2019: $24.2 million).

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 approved for investment by the Board of Pension Trustees.

The following shows the percentage of bond and mortgage holdings in the portfolio by credit rating.

Rating	%
AAA	12.1%
AA	36.3%
A	21.4%
BBB	19.4%
BB and below	10.8%
Unrated	0.0%

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 ³6,3P´ 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 manager14(l)17( )13(m)-9(a)ETQ14(i)17(v)18(i)17(d)14(uu)142 0 612 7817