

University of Waterloo
Board of Governors
PENSION & BENEFITS COMMITTEE
Minutes of the 8 March 2019 Meeting
[in agenda order]

Present: Kathy Bardswick, Peter Barr, Terrance Birmingham, Ted Bleaney, Mike Grivicic (secretary), Michael Herz, Dennis Huber, Ranjini Jha, David Kibble, Alan Macnaughton, Jim Rush, David Saunders, Marilyn Thompson (chair), Mary Thompson

Absent: Michael Steinmann

Consultant: Linda Byron, Allan Shapira

Administration: Sarah Hadley, Lee Hornberger

Organization of Meeting: Marilyn Thompson took the chair and Mike Grivicic acted as secretary. The secretary advised that a quorum was present.

1. APPROVAL OF THE 22 FEBRUARY 2019 MINUTES (OPEN SESSION) AND BUSINESS ARISING

A motion was heard to approve the minutes as distributed. Bleaney and Saunders. Carried.

a. Continuous Glucose Monitors – Cost Estimate. Hornberger indicated this will be brought to the May meeting, and will be prepared in consultation with Aon.

b. Submission to Provincial Consultation re: Employee Renewal. Rush noted this was also shared with FAUW. Members noted that working in universities following retirement happens in a minority of cases, and it is rather more often the case that faculty simply delay retirement. The impact on actuarial valuations of individuals working post-retirement is not believed to be significant, and more analysis could be done to ascertain the impact (if any).

2. EXECUTION AGAINST THE WORK PLAN

This item was received for information.

3. UPDATE ON GOVERNMENT PENSION PLAN INITIATIVES

Shapira noted the upcoming federal and provincial budgets, which may have items impacting benefits (pharmacare and OHIP+, respectively).

4. ACTUARIAL VALUATION RESULTS (RPP AND PPP)

Byron spoke to the valuation results: going concern position of -\$21M, which combines with the provision for adverse deviation to bring a calculated unfunded liability of \$147.3M; 2019 contributions from employees is \$35.0M and \$59M from the University – the latter figures represents 169% of employee contributions and includes \$45.3M in current service cost under the RPP and the remainder being \$8.8M for statutory special payments to amortize unfunded liabilities and \$5.0 in additional contribution to also address the unfunded liability; it is not expected that the university would elect to file the valuation with the regulator this year. A motion was heard to approve the actuarial valuation results as presented. Bleaney and Macnaughton. Carried.

5. REVIEW OF CONTRIBUTION AND PROTOCOL CALCULATIONS (RPP AND PPP)

Byron and Shapira discussed: current caps/limits under the *Income Tax Act* (ITA); existing dollar caps help to manage funding risk in the event of significant changes to the ITA limits; annual increases based on average industrial wage increase; impact on liabilities if caps are removed. Members discussed: most universities utilize the ITA limit, and the Waterloo's payroll pension plan is unusual among universities; various projections of members with pension benefits in excess of caps, for capped or uncapped RPP and PPP.

6. GROUP BENEFITS PROGRAM – ANNUAL RENEWAL

Hornberger spoke to each exhibit (a)-(d).

a. The unrestricted deposit account has increased from \$1.88M to \$2.37M, and while funds from this account could be withdrawn but are typically used to subsidize the cost-shared life insurance benefit. The 20% subsidy level has been in place for one year, and another year of experience is seen to be desirable to assess experience at that level. A motion was heard to approve option 2 as presented. Bardswick and Macnaughton. Carried.

- b.** Members noted that the decision between providing benefits on an insured vs. cost-plus basis is a matter of deciding risk tolerance, and observed that carriers are generally reluctant to provide administrative services only (ASO) plans for long term disability. A member noted that the new climate action tax credit may confound the calculations for targeting 85% of pre-LTD net salary. A motion was heard to approve the 18% reduction in premium rate, as presented. Bleaney and Barr. Carried.
- c.** It was noted that in 2017, the University agreed to a 10% reduction in combined ASO fees and charges (excluding GMA and pooling) with a 24 month in exchange for accepting a 5% increase in May 2019. Further, the insurer has proposed a lesser increase to the pooling charge of 10% (from 28%) subject to the outcomes of two large claims and on the understanding that the University would agree to review two new potential program offerings without obligation to adopt the programs, all of which is detailed in the exhibit. Members observed: the SMART program requires a robust exceptions process; unclear what the process would be to evaluate the pharmacoeconomic value of a drug; should be wary that such provision could leave individuals in difficult circumstances. A motion was heard to approve the changes to ASO fees and charges as detailed in the table on page 49 of the agenda package, including a 10% increase to the pooling charge, and to commit to review the HCM and SMART programs as part of the work of the Holistic Benefits Working Group. Bleaney and Barr. Carried.
- d.** Hadley observed that this represents a set aside from payroll, which helps to budget for parties like the AFIW, part-time employee etc. A motion was heard to approve option 2 as presented. Macnaughton and Bleaney. Carried.

7. PRESENTATION RE: UNIVERSITY PENSION PLAN

Shapira provided an abbreviated overview, and the full presentation will be provided at the next meeting. He discussed: overall structure of the joint plan; member universities are responsible for deficits brought into the plan with fixed payments over 15 years; equal cost sharing between employers and employees; plan not covered under provincial pension guarantees fund; comparison of plan design vs. Waterloo pension plan; funding of conditional indexation; governance of plan is designed to be scalable as potential new members may be added; consent process to approve at prospective member universities.

8. UPDATE RE: HOLISTIC BENEFITS WORKING GROUP

Members provided a short update of the process to date.

9. WORKING GROUP RE: DATA TO SUPPORT PENSION FUNDING/DESIGN DISCUSSIONS

This group aims to meet and complete its work before the May P&B meeting.

10. OTHER BUSINESS

- a. Timing of February/March meeting.** Aon will work with the secretary and Huber to ascertain whether more optimal timing for committee meetings could be arranged in the February/March period.
- b. Annual Committee Self-Assessment.** Members were asked to submit their assessments to the secretary.
- c.** Huber noted that the Q4 2018 investment fund performance reports will be distributed following the meeting, and will be brought for discussion at the next meeting.
- d.** Macnaughton noted that with the tight timing and late arrival of certain items of the agenda within the seven day notice period of the meeting, it can be difficult for members to provide their full attention to the material ahead of the meeting.

With no further business in open session, the committee proceeded into confidential session.

NEXT MEETING

The next meeting is scheduled for Friday 17 May 2019 from 9:30 a.m. – 12:00 noon in NH 3318.

1 April 2019

Mike Grivicic
Associate University Secretary