

University of Waterloo
Board of Governors
PENSION & BENEFITS COMMITTEE
Minutes of the 13 December 2019 Meeting
[in agenda order]

Present: Peter Barr, Terrence Birmingham, Ted Bleaney, Mike Grivicic (secretary), Michael Herz, Dennis Huber, Ranjini Jha, Jim Rush, David Saunders, Michael Steinmann, Mary Thompson, Ken Vetzal

Absent: David Kibble*, Marilyn Thompson*

*regrets

Consultant: Linda Byron, Allan Shapira (by phone)

Resources: Sarah Hadley, Michelle Hollis, Lee Hornberger, Sue McGrath

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

1. APPROVAL OF THE 15 NOVEMBER 2019 MINUTES (OPEN SESSION) AND BUSINESS ARISING

A motion was heard to approve the minutes. Saunders and Thompson. Carried. There was no business arising.

2. EXECUTION AGAINST THE WORK PLAN

This item was received for information.

3. UPDATE ON GOVERNMENT PENSION PLAN INITIATIVES

Shapira noted that Bill 132 received royal assent, and that the teachers' unions charter challenge to Bill 124 is proceeding.

4. MAXIMUM PENSION LIMITS AND CAPS – RPP AND PPP

McGrath provided an overview of the material distributed. Member clarified that prospective changes to contribution rates would also impact caps and that contributions are capped based on estimated final salary vs. average final salary; given the latter, an amendment may be required in 2020.

5. PENSION RISK MANAGEMENT DASHBOARD AS OF SEPTEMBER 30, 2019

Byron spoke to the dashboard: funded status of the pension plan on the bases of going concern, solvency, and wind up; discount rate assumptions, and markets suggest that the discount rate might be more correctly ~10 basis points lower; calculation of provision for adverse deviation is linked to the discount rate, asset mix, plan design and other factors, and is considered to be very date-sensitive. Members discussed: fixed income durations in Waterloo plan are typical of those seen in the sector; potential to increase alignment between assets and liabilities durations; relative health of plan may create good conditions for filing with the regulator based on the January 1, 2020 valuation; impacts of wider credit spreads; some of the plan's risk is mitigated by building special payments into the operating budget.

6. INVESTMENT FUND PERFORMANCE REPORTS FROM AON – Q3 2019

Huber observed: relative performance of various investments and investment managers; certain managers are seen to be trailing beyond the short term, and greater attention to these managers is expected in the new year. Members expressed an interest in having longer time period for comparison, as well as to assess performance net of fees.

7. DISCUSSION RE: PENSION INFORMATION SESSIONS

Shapira provided some initial impressions from the first set of sessions, and noted that more are coming in the next week. Members who were in attendance expressed a view that people were interested in the details of the proposed changes, and no discernable pushback was evident. Members discussed: it is helpful to illustrate the impacts of potential changes for a variety of particular cases e.g. at gross salary of \$50,000, at \$70,000 etc.; potential increases to pension contributions would be timed to coincide with pay increases; main driver of changes is to restore 50:50 contributions overall between employees and employer, and that fact should be accentuated. Aon will develop a short document to explain the changes, which will be included on the webpage posting the video of the presentation.

8. UPDATE RE: HOLISTIC BENEFITS WORKING GROUP

Hornberger provided an overview of the draft analysis which was distributed to members separately ahead of the meeting. Members noted: overall desire for changes to the benefits package, with changes to be cost-neutral; strong desire expressed to increase vision coverage; some willingness to pay for improvements is evident, and that could be implemented via deductibles for certain benefits; retirees and employees with temporary status strongly support adding dental for their coverages; potential for complication in offering dental coverage to retirees due to wording in Policy 23; ~3000 comments received as part of survey, and Hornberger is leading work to glean observations and trends from this data. Members suggested additional analysis by single coverage vs. family coverage would be informative to the working group. It is anticipated that a recommendation might be able to come to this committee in Spring 2020, with focus groups over the summer months and a potential recommendation to the Board in the fall 2020.

9. OTHER BUSINESS

Jha spoke to the items pertaining to the Pension Investment Committee, noting that the external members have been secured and are outstanding appointments for the committee.

Members noted that the September and October 2020 committee meetings have relatively little time between them, and suggested that perhaps a week or two be added in that regard.

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

NEXT MEETING

The next meeting is scheduled for Friday 17 January 2020, 9:30 a.m. – 12:00 noon in NH 3318.

10 January 2020

Mike Grivicic
Associate University Secretary