

University of Waterloo
Board of Governors
PENSION & BENEFITS COMMITTEE
Minutes of the 10 December 2021 Meeting
[in agenda order]

Present: Peter Barr, Terrence Birmingham, Sara Cressman, Michael Herz, Dennis Huber, Ranjini Jha, David Taylor, Marilyn Thompson, Ken Vetzal, Rebecca Wickens (secretary)

Regrets: Tony Giovinazzo, David Saunders

Guests/Resources: Linda Byron, Diana Goncalves, Sarah Hadley, Lee Hornberger, Sheryl Kennedy, Sue McGrath, Daniel Miller, Allan Shapira, Tyler Wendland

Organization of Meeting: Peter Barr took the chair, and Rebecca Wickens acted as secretary. The secretary advised that a quorum was present. The agenda was accepted as distributed.

OPEN SESSION

1. APPROVAL OF THE 19 NOVEMBER 2021 MINUTES (OPEN SESSION) AND BUSINESS ARISING

There was a motion to approve the minutes as distributed. Huber and Jha. Carried.

2. EXECUTION AGAINST THE WORK PLAN

This item was received for information.

3. UPDATE ON GOVERNMENT PENSION PLAN INITIATIVES

Members heard: there are no government initiatives to report; the University Pension Plan (UPP) is developing a campaign to talk to universities that are not in the UPP. There was general agreement to invite UPP representatives to speak to committee in 2022.

4. REPORT FROM PENSION INVESTMENT COMMITTEE

Statement of Investment Policies and Procedures (SIPP), Fund Implementation Procedures (FIP). Kennedy introduced the agenda item, highlighting the process followed, the rationale for separating the policy and procedures contained in the current SIPP into the separate SIPP and FIP, and the proposal that the responsibility for the FIP be delegated to P+B. Jha took members through a presentation providing more detail on the proposed changes, including: comparisons to other institutions; drivers for shifting away from value investing; revised investment philosophy and guiding principles; asset allocation and more detail on the asset classes; performance net of fees; the aspects of the policy that remain unchanged; the progress with respect to the responsible investment policy and next steps. Taylor requested a clarifying amendment to Section 1.a.vi of the FIP and forwarded the suggested wording to staff. Subject to that amendment, there were motions to recommend that:

1. the Board of Governors approve the attached Statement of Investment Policies and Procedures and Fund Implementation Procedures effective as of the date of approval by the Board of Governors. Jha and Huber. Carried.
2. the Board delegate oversight for the FIP to P+B, including the responsibility to review and approve any recommended changes to the FIP in accordance with the terms thereof and the governing documents for P+B and PIC. Taylor and Jha. Carried.

Update on Q3 Performance and Other Committee Activities. Kennedy provided further updates on committee activities and pension fund performance including: more detail on the revisions to the RIP and plan to have legal counsel review the policy, in particular, for consistency with fiduciary duties and integration with other policy documents; the progress of a subcommittee of PIC with respect to reviewing potential new infrastructure investments; fund performance – the plan is fully funded, the fund outperformed the benchmark for one, four and ten year periods, but slightly underperformed for Q3 of 2021; the committee conducted its annual review of the global investment managers. Jha commented favorably on the collaborative process with respect to developing and reviewing the RIP, the performance of existing infrastructure investments in the fund, and the cautious approach being taken with respect to potential new infrastructure investments.

5. MAXIMUM PENSION LIMITS AND CAPS

McGrath spoke to the report, including: the operation of the caps; the amendment to the caps effective 1 January 2021; the increase for this year; projection of when the Income Tax Act (ITA) limit will reach the cap in the plan if it is not adjusted. Shapira commented on drivers for the sizable increase in the average industrial wage during the pandemic; the practice of reviewing and increasing the cap before the ITA limit exceeds it; the protection provided by the cap against irrational markets and regulatory interventions. McGrath spoke to the second section of the report on contribution rates and limits, and how the ITA limit on member contributions is adjusted annually.

6. COMMUTED VALUE – POTENTIAL ENHANCEMENTS TO MYPENSIONINFO

Members heard: the previous pension system allowed members to access a commuted value estimate for their pensions; the new system does not have this functionality so HR is performing these calculations for members; the volume of pension administration activities means that members sometimes need to wait for the calculation; following a request at the September 2021 meeting, HR looked at options for providing the functionality in the pension system. McGrath spoke to the options available as outlined in the report. Discussion included: there is support for adding this functionality and not restricting access for active members 55 and older; the system should include clear caveats about the information; the desire for the committee to vet the wording of the caveats; the preference to work within existing functionality of the system rather than pursue a custom option. There was a motion to approve HR pursuing option 2, amended so that participants age 55 years and older will not be blocked from accessing the information. Taylor and Vetzal. Carried.

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

NEXT MEETING

The next regular meeting is scheduled for Friday 14 January 2022, 9:30 a.m. – 12:00 noon.

4 January 2022

Rebecca M. Wickens
Associate University Secretary