

**UNIVERSITY OF WATERLOO
BOARD OF GOVERNORS
PENSION & BENEFITS COMMITTEE
2014-15 Report to the Community**

This report provides an overview of the issues addressed by the Pension & Benefits Committee in 2014-15. Further information on any of these topics may be obtained by contacting the committee secretary, Rebecca Wickens (rebecca.wickens@uwaterloo.ca), or by visiting the [committee webpage](#).

The Committee and its Members

The Pension & Benefits Committee is a standing committee of the Board of Governors responsible for overseeing the University's employee pension plans, insured health care and dental plans, sick leave benefits, long term disability plan, and life insurance plan (the "Plans"). The committee consists of representatives from the University's employee groups, administration, Board of Governors, retirees, and affiliated and federated institutions of Waterloo.

The committee meets on a monthly basis (except April, July and August); meetings are open to the University community and [agendas and minutes](#) are available on the [committee webpage](#). The committee monitors the health and oversees the administration of the Plans. Recommendations for changes and improvements to the Plans are developed, refined and approved by the committee and forwarded to the Board of Governors for approval.

The committee's approach is based on the following principles:

1. There will be one pension and benefits plan for all members of the University community, regardless of the type of work performed or the employee group to which one belongs.
2. Benefits are provided for both the employee and his or her family, where relevant.
3. Employees should be covered for catastrophic events.
4. The current level of benefits should be maintained.
5. Cost implications to both the University and its employees should be considered.

Committee Activities in 2014-15

Benefits Plans

1. **Life-time Maxima on Out-of-Province Healthcare Coverage for Pensioners.** Pensioners who live within Canada, but outside of Ontario, are covered under the University's extended healthcare plan. Historically, coverage was subject to life-time maxima, which differed based on the period during which the individual retired (prior to 1 January 1996, between 1 January 1996 and 6 June 2000, or after 6 June 2000). The original intent of this feature was to protect the plan in the event a provincial government outside of Ontario decided to delist or discontinue healthcare coverage.

In the fall of 2014, Human Resources reviewed this feature of the benefits plan in consultation with Aon Hewitt and Great West Life and recommended the removal of the life-time maxima on the following bases:

- This plan feature is unusual;
- The financial impact of removing the maxima is expected to be low; and
- The University now hires individuals to work in other provinces – coverage on retirement should be the same for these individuals as for those hired to work in Ontario.

On the recommendation of the committee, the Board of Governors removed the life-time maxima effective as of 28 October 2014. The committee will monitor the financial impact of this change on the University.

- 2. Annual Work Plan Items.** In accordance with the annual work plan for the committee, the committee:
- Reviewed the extended health and dental plan maxima and agreed to index the maxima by a percentage equivalent to three years' inflation, which resulted in an increase of 8.38% to the paramedical and private duty nursing maxima, 0.34% increase to the out-of-pocket maxima for individuals and families, and 6.97% increase to the dental plan maxima. These changes took effect 1 January 2015.
 - Approved the benefits plans premium renewals negotiated by Human Resources in conjunction with our consultants. Based on claims experience, the long-term disability premium paid by employees increased by 3.7%; there was no increase to the other employee and employer paid rates. These changes took effect on 1 May 2015.
 - Received a report from Human Resources in June on the benefits plan utilization rates and associated costs.
 - Provided oversight to a number of other items that occur automatically according to plan provisions, e.g. movement in the dental fee guide used for calculating reimbursement and annual indexation of long-term disability benefits in pay.

Pension Plans

- 3. Education and Monitoring.** The committee receives regular reports from the consulting actuary on legislative and policy changes anticipated and in force that impact public sector pensions, as well as changes implemented by other public sector pension plans. The committee discusses implications for the University's pension plans and takes the information into account when making decisions on matters including plan design, funding and administration.

Initiatives the committee has been monitoring, discussing and, where required, taking action over the past year include: new regulations regarding the filing and contents of a pension plan's statement of investment policies and procedures; new reporting requirements for deferred vested members and retirees; the impact of the new Ontario Retirement Pension Plan on the University and its employees; anticipated changes to legislation re: the calculation of commuted values using a new mortality table.

The committee has also received several updates on the progress of the Council of Ontario Universities-Ontario Confederation of University Faculty Associations joint working group and the development of an Ontario university sector pension plan. The committee understands that this initiative is still in its early stages and will continue to monitor its progress.

- 4. 1 January 2015 Actuarial Valuation.** An actuarial valuation report is required to be filed at least every three years; however, the committee commissions a report on an annual basis for its planning and the University's budgeting purposes.

The 1 January 2015 report was prepared using the same assumptions as the 1 January 2014 and an alternate set of assumptions¹. Under both sets of assumptions, the registered pension plan (the "Registered Plan") is in a deficit position; however, the going concern deficit position has improved since the 1 January 2014 report. The University continues to make additional contributions to meet the unfunded liability.

The payroll pension plan (the "Payroll Plan"), which provides pension benefits (subject to plan caps) that cannot be paid from the Registered Plan because of the application of the *Income Tax Act* maximum pension, has a surplus of \$2.5 million.

The full actuarial report for the Registered Plan and Payroll Plan can be found on the committee's webpage: [Actuarial Valuation Results as of 1 January 2015](#).

¹ The alternate assumptions assume that inflation going forward will be 2.00% as opposed to 2.25%. This lowered several other assumptions, including increase in salaries, the interest rate used to discount the liabilities, and the increase in Year's Maximum Pensionable Earnings under the Canada pension plan.

- 5. Revisions to the Statement of Investment Policies & Procedures (“SIPP”).** New regulations under the *Pension Benefits Act* were introduced, which require the University to file its SIPP with the Financial Services Commission of Ontario (“FSCO”) by 1 March 2016. Previously, the SIPP needed to be updated and approved by the Board of Governors on an annual basis, but was not required to be filed with FSCO. Under the new regulations, the revised SIPP must also contain a statement regarding the plan’s approach to environmental, social and governance factors in its investment decisions. The committee, and its subcommittee, Registered Pension Plan Investments (“RPPI”), have been waiting for more guidance from FSCO on what is required before revising the document.
- 6. Investment monitoring.** The RPPI Subcommittee, which is made of up members of the Pension & Benefits Committee and Finance & Investment Committee continues to meet on a regular basis to monitor the performance of the pension fund and investment managers, discuss investment philosophy and asset mix, research investment opportunities, and consider recommendations re: changes to the investment portfolio. The subcommittee reports on its activities and the pension fund’s performance after each meeting.
- 7. Changes to investment portfolio.** In October 2014, the committee approved the sale of the real return bonds held by the registered pension plan fund on the recommendation of the RPPI Subcommittee, allowing the pension fund to realize a gain of \$52,909,984 over the face value of the bonds plus accumulated CPI. The proceeds from the bonds were invested in high quality short-term corporate bonds, until a suitable investment opportunity arises.
- 8. Annual Work Plan Items.** In addition to the above, the committee:

 - Reviewed and approved the [audited pension fund financial statements](#) for filing with FSCO. The statements show, among other things, that there are significant assets in the fund, the change in assets over the year and drivers for that change, amounts paid out of assets, and compliance with the SIPP. At the same time, the committee reviewed a more detailed breakdown of administrative fees incurred by the plan in 2014, including consulting actuary’s fees, custodian’s fees, investment managers’ fees, audit fees, salaries for pension administration personnel and HST recovery. The fees totalled \$4,594,000, which represents an increase of 16.7% over 2013. The primary drivers were investment managers’ fees and HR administration fees.
 - Reviewed and approved cost of living increases to earnings of individuals on long-term disability for the purpose of calculating pension contributions, and to eligible deferred pensions. The committee formed a subcommittee to recommend principles to guide these decisions going forward.
 - Received the annual report from Aon Hewitt re: the contribution and protocol caps, including the impact of indexing or removing the caps on costs and liabilities, the number of individuals who would be impacted if the caps were not indexed, and the projected date on which the cap under the *Income Tax Act* will hit the hard cap in the pension plan, if the cap is not increased. The committee monitors these numbers annually in order to make decisions about how and when to increase the caps.
 - Provided oversight to a number of other items that occur automatically according to plan provisions, e.g. annual indexation of pensions in pay and payroll pension plan caps.