This report provides an overview of the issues dealt with by the Pension & Benefits Committee since the information sessions held in November 2009. You may already be familiar with some of these activities through the Committee’s periodic updates and information notices.

For much of 2010, the Committee was occupied with monitoring and responding to government pension reform, making amendments to the registered pension plan to ensure its continued health, revising and restating the pension plan text for readability and consistency with administrative practice, considering the future of the flexible pension plan, and reviewing and considering changes to the Statement of Investment Policies & Procedures to allow for greater flexibility in responding to volatile investment markets.

In the first half of 2011, the Committee was immersed in finalizing the restated pension plan text and changes to the Statement of Investment Policies & Procedures, monitoring and making changes to the registered pension plan’s investments, and commencing a review of the benefits plan. For the remainder of 2011, the committee intends to continue work on the benefits plan and consider pension plan funding in the context of recent changes made to pension plans at other Canadian universities.

Please see below for additional information on the Committee and its activities in 2010 and 2011. 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 at: http://secretariat.uwaterloo.ca/Committees/board/pb.htm.

The Committee and its Members

The Pension & Benefits Committee is a standing committee of the Board of Governors responsible for overseeing UW’s pension plans, extended health care and dental plans, self-insured sick leave and long term disability plans, and life insurance plans. The Committee consists of representatives from senior administration, the Board of Governors, retirees, university support staff, faculty and CUPE Local 793. The Committee meets on a monthly basis (except April, July and August); meetings are open to the UW community and agendas and minutes are available on the web. Recommendations for changes and improvements to the university’s pension and benefit plans are developed, refined and approved by the Committee and forwarded to the Board of Governors for approval.

The Committee’s approach to pension and benefit plans is based on the following principles:

1. There will be one pension and benefits plan for all members of the UW 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 2010-2011

Design of Pension Plans

In November 2009, the Committee recommended in public meetings with members of the pension plan two changes to the registered pension plan: change the basis for crediting interest on member contributions effective January 1, 2012, and removing the commuted value option for members of the pension plan who retire between the ages of 55 and 65 after January 1, 2014. Following consultation with members, the foregoing changes were approved by the Board of Governors at its meeting on April 6, 2010.
In June 2010, the Committee formed a subcommittee to review the flexible pension plan in response to declining membership levels and the extent of resources required to manage the plan. Based on the recommendation of the subcommittee and Committee, the Board of Governors approved a staged wind-up of the flexible pension plan.

**Restructuring the Registered Pension Fund’s Investment Portfolio**

The Committee and its subcommittee, Registered Pension Plan Investments (RPPI), monitor the performance of the pension fund and its investment managers on an ongoing basis. After careful consideration, a decision was made to recommend the termination of Highstreet Asset Management in May of this year due to a lack of fit between the firm’s investment philosophy and the registered pension fund’s philosophy, as well as poor relative performance to its peers. The assets managed by Highstreet were transferred to a new global equity manager, Oldfield Partners LLP, which was selected after a search conducted by RPPI. Members were impressed with Oldfield Partner’s performance, investment process, reasonable fees relative to peers, and fit with the registered pension fund’s investment philosophy. The termination of Highstreet and appointment of Oldfield Partners were approved at the June Board of Governors meeting.

**Revisions to the Statement of Investment Policies & Procedures (SIPP)**

Following its annual review, the Committee approved a number of changes to the SIPP: incorporation of an investment philosophy emphasizing a long-term value investing approach; revision of the period of time over which performance is measured against the return expectation; adjustments to reflect the purchase of US treasuries; addition of a definition for an alternative asset; broadening of the asset classes and removal of targets; revision to the number of in-person performance reviews required of investment managers in a one-year period; and changes to the stated responsibilities of the consulting actuary, including attendance at all reviews of investment managers, reporting semi-annually on the performance of investment managers, and notifying the chair of the Committee if there are any adverse changes in the performance of the investment managers or the plan which warrant further investigation or review. A copy of the revised SIPP can be located at: [http://www.secretariat.uwaterloo.ca/governance/Pension_Benefits/pbdocuments.htm](http://www.secretariat.uwaterloo.ca/governance/Pension_Benefits/pbdocuments.htm)

**Restatement of the Pension Plan Text**

There have been numerous amendments to the pension plan text since it was last restated in May 2000. The number of amendments resulted in a pension plan text that was difficult for members to read. In the interest of making the pension plan text more readable, a subcommittee of the Committee, including the UW pension coordinator and plan actuary, incorporated all of the amendments into the pension plan text and made adjustments for consistency, where necessary. The restated plan text was reviewed by the Committee and recommended to and approved by the Board of Governors. A copy of the restated pension plan can be located at: [http://www.secretariat.uwaterloo.ca/governance/Pension_Benefits/pbdocuments.htm](http://www.secretariat.uwaterloo.ca/governance/Pension_Benefits/pbdocuments.htm)

**Filing of the Actuarial Valuation**

The university is required to file an actuarial valuation of the registered pension plan every three years. The filing of the valuation establishes statutory obligations with respect to funding the plan, and determines payments required to the Pension Benefits Guarantee Fund. The funding plan and payment obligations are built into the university’s operating budget.

Given changes in the legislative environment, the global economic climate and volatile financial markets, the Committee, with delegated authority from the Board, approved filing the 2010 actuarial valuation (one year earlier than required). This decision provided the university with stability with respect to plan funding and Pension Benefits Guarantee Fund obligations until the next required filing.

At the June 2011 meeting of the Board of Governors, the Committee presented the 2011 valuation for approval, but not filing. Over the summer, with further upheaval in the global economy and financial markets, coupled with a negative outlook for the next few years, the Committee decided it would be prudent to file the 2011 valuation and lock-in the funding plan for an extra year. The Committee recommended that the Board approve the filing of the valuation presented at the June 2011 meeting. Board Executive Committee approved the filing on behalf of the Board, and the valuation was filed on September 30, 2011.