

UNIVERSITY OF WATERLOO
BOARD OF GOVERNORS
PENSION & BENEFITS COMMITTEE
2019 Report to the Community

This report provides an overview of issues addressed by the Pension & Benefits Committee for the calendar year. Further information on any of these topics may be obtained by contacting the committee secretary Mike Grivicic (mgrivicic@uwaterloo.ca) or by visiting the [committee webpage](#).

A. 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, health care and dental plans, sick leave benefits, long-term disability benefit, and life insurance benefit. 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.

B. Benefits

1. **Holistic Benefits Working Group.** The working group continued its work through 2019, and some highlights include: development and execution of employee benefits survey in October 2019; ongoing information gathering on market offerings and comparative analysis with similar employers/institutions, including best practices; initial plan design costings. It is anticipated that the groups work will continue into 2020, and the aim of bringing forward a recommendation to the Board of Governors in the latter part of the year.
2. **Employee and Family Assistance Program.** The committee received an update on the utilization of the program, which was put into place for active employees and their eligible dependents in 2016.
3. **Waterloo ASO Benefits Plan Provisions, Relative to Standard GWL Plan Provisions.** At the June 2019 meeting and at the committee's request, Human Resources provided an analysis of healthcare benefits provisions in the university's plan vs. those provided in the standard plan of the university's vendor Great-West Life (GWL).
4. **Continuous Glucose Monitors – Cost Estimate.** The committee obtained estimates from GWL and Aon on the cost of adding continuous glucose monitors to the university's benefits offerings. This was forwarded to the Holistic Benefits Working Group for inclusion in the larger holistic benefits review.
5. **Annual Work Plan Items.** In accordance with the annual work plan for the committee, the committee:
 - 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 decreased by 18% on 1 May 2019.
 - Received reports 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. annual indexation of pensionable earnings for employees on long term disability

C. Pension Plans

5. **1 January 2019 Actuarial Valuation.** An actuarial valuation report is required to be filed at least every three years; notwithstanding this, a valuation is completed on an annual basis for the purposes of assisting with planning and the University's budgeting. The most recent actuarial valuation was filed in 2018. The 1 January 2019 valuation was prepared largely using the same assumptions as the 1 January 2018, with the major exceptions of a slightly higher discount rate (5.70% vs. 5.60% in 2018) and a change to the provision for adverse deviation ("PfAD") from 6.95% of non-indexed liabilities and current service cost, to 8.50%; this reflects a regulatory change from calculating the PfAD based on the actual asset mix of the plan's investments toward utilizing the target asset mix under the SIPP. The registered pension plan (the "Registered Plan") is in an overall deficit position – the financial position

(assets less actuarial liabilities) starts with a \$21.04 million deficit and combines with the \$126.25 million PfAD to bring a calculated going concern deficit of \$147.3 million. The University continues to make additional contributions to the plan. 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 2019](#)

- 6. Committee Activity Regarding Pension Plan Pension Funding/Design.** Throughout 2019, the committee discussed the pension plan's overall funding and design in the context of earlier work that was completed by a working group of the committee and led by the plan's consultant Aon. These discussions included: general objective to improve funding of the plan, while returning to an equal sharing of current service costs between the university and plan members; a potential amendment to the design and funding of the plan to increase employee contributions while reducing the number of employee contribution levels from three to two, as well as maintaining the employer contributions; provision to index plan caps at a fraction of the annual change in the average industrial wage. Members informally consulted their respective constituencies over the summer months. At the October 2019 meeting Aon provided a draft presentation and proposed consultation pathway for the amendments under consideration; these consultations were carried out in five sessions over two days in December 2020, with ~400 attendees in total.
- 7. Technical Plan Amendment Clarifying the Amortization of Unfunded Liabilities and University Contributions to the Pension Plan.** Technical amendments to the pension plan text were approved to maintain compliance with recent Regulations under the Pension Benefits Act (Ontario), and were prepared by the plan's consultant Aon. The amendments arise particularly from pension plan regulation changes made by the province in 2018 and document the University's obligation under the new regulations to fund any going concern or solvency deficiencies in the prescribed manner as well as the requirement to fund the "provision for adverse deviation" which is required as part of the actuarial valuation submission.
- 8. Reduction of Investment Position in Brookfield Infrastructure Partners LP.** At the recommendation of the Finance & Investment Committee, P&B recommended to the Board of Governors the reduction of the investment position in Brookfield Infrastructure Partners (BIP). This mitigates the risks from the overall size of this single investment position, which had appreciated significantly, while also bringing the asset allocation in the plan closer to that of the benchmark and also continuing to maintain the allowed investment limits within the bands identified within the Statement of Investment Policies and Procedures. The proceeds were subsequently allocated to the Canadian equity mandate of Sionna Investment Managers
- 9. Provincial Consultation re: Employee Renewal.** The committee received periodic updates throughout 2019 on the province's consultation activity, which touched upon re-employment at universities or as colloquially known "double-dipping". It was observed by the committee that such a provision would differentially disadvantage Ontario universities, as qualified retired persons from outside Ontario could accept jobs that the proposal would disallow to retirees from within the Ontario system. Ultimately the province did not proceed with this provision in the proposed legislation in 2019.
- 10. UN Principles for Responsible Investment.** The committee received periodic updates on the university's progress toward becoming a signatory to the UN Principles for Responsible Investment (UN PRI). This work is ongoing, and it is expected the university will become a signatory in 2020.
- 11. 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 said 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 including: discussions and progress updates on the joint University Pension Plan; ongoing implementation of changes to the Canada Pension Plan; philosophical considerations for managing the plan going forward.

12. 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
- Reviewed and approved cost of living increases to pensionable earnings of individuals on long-term disability for the purpose of calculating pension entitlements, and to eligible deferred pensions
- Received the annual report from Aon 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

24 February 2020