

**UNIVERSITY OF WATERLOO**  
**BOARD OF GOVERNORS**  
**PENSION & BENEFITS COMMITTEE**  
**2020 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](mailto: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 2020, and this activity including: investigation of potential plan structures and redesign options; consultation with employee group leadership to gauge appetite for potential designs, along with findings from the employee survey; costings of plan options to bring net zero financial impact. The working group prepared a recommendation to the committee, which was brought forward to the December meeting and provisionally approved for recommendation to the Board of Governors subject to holding information sessions to seeking community feedback in January 2021.
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 2020 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 Canada Life (formerly Great-West Life).
4. **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 the two-year rate guarantee that was negotiated for the 1 May 2019 renewal, there was no change to the long-term disability premium paid by employees.
  - 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. **Pension Plan Amendment – Transfer-In Provision.** At the October 2020 meeting of the Board of Governors the committee recommendation was approved to clarify the plan language around the allowed transfer-in provisions. The new language ensures that only individuals who have joined the UW Plan can transfer credited service, while also clarifying that the individual must have been actively participating in the previous Canadian pension plan just prior to the proposed transfer into the Waterloo plan. While pension legislation may be more permissive, the revised wording is consistent with the intent of the plan and existing practices as well as with the practices of other university defined benefits plans.

6. **Pension Plan Amendment – Funding/Design.** At the February 2020 meeting of the Board of Governors, the committee’s recommendation to amend the pension plan was approved. This amendment brought about an increase in member contribution rates as follows, phased in over a three-year period, to restore sharing of current service cost back to 50/50 once changes are fully phased-in:

Portion of Salary	Current contribution rate	Contribution Rate effective:		
		May 1, 2020	May 1, 2021	May 1, 2022
Less than 1x YMPE (Less than \$58,700 in 2020)	6.25%	6.95%	7.40%	7.80%
Between 1x and 2x YMPE (Between \$58,700 and \$117,400 in 2020)	8.95%	9.95%	10.60%	11.20%
Above 2x YMPE (Above \$117,400 in 2020)	9.95%	9.95%	10.60%	11.20%

YMPE = year’s maximum pensionable earnings under the Canada Pension Plan

The approved recommendation also included an increase to the pension cap from \$3200 to \$3400, as well as automatically increasing the cap each calendar year by one-third of the percentage increase in the Average Industrial Wage, with both changes effective 1 January 2021. This change is in line with the long-term funding objective for the University of Waterloo Pension Plan for both members and the University to share the cost of benefits being earned on a 50/50 basis (if there is a funding shortfall on past benefits earned, the University is responsible for making the special payments required).

The changes bring member contribution rates to 8.9% of salaries once fully phased-in. The University notional share of current service cost would decrease from 9.6% of salaries currently to 8.9% of salaries. This restores the 50/50 sharing of current service cost upon phase-in. Since the University’s overall contributions will be maintained at current levels through the phase-in period, the notional 0.7% of salaries decrease in University contributions will be reallocated entirely toward the University’s special payments in the UW Pension Plan. - those payments will be effectively increased to 3.5% of salaries from 2.8% currently.

7. **1 January 2020 Actuarial Valuation and Filing.** 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 2020 valuation was prepared largely using the same assumptions as the 1 January 2018, with an identical discount rate (5.60%) and a change to the provision for adverse deviation (“PfAD”) from 6.95% of non-indexed liabilities and current service cost, to 9.00%; this reflects a regulatory change in the PfAD calculation.

The registered pension plan (the “Registered Plan”) is in an overall deficit position – the financial position (assets less actuarial liabilities) starts with a \$69.8 million surplus and combines with the \$145.8 million PfAD to bring a calculated going concern deficit of \$76.0 million, with a calculated funded ratio of 1.04 (before PfAD). On a solvency basis there is a \$157.4 million deficiency with a calculated solvency ratio of 0.90, the hypothetical wind up deficiency is \$971.7 million with a calculated transfer ratio of 0.67. The University continues to make additional contributions to the plan. This valuation was filed with the regulator, and the full actuarial report for the Registered Plan and Payroll Plan can be found: [Actuarial Valuation Results as of 1 January 2020](#).

8. **Funding Request for Asset-Liability Study.** The Committee approved a \$70,000 expense (plus any out-of-pocket expenses) to the Registered Pension Plan to engage Aon Hewitt Inc. to conduct an asset-liability study. The most recent study was completed in 2017, and since that time capital markets have changed significantly, the Pension Investment Committee (PIC) has been constituted and has held two meetings, and as part of its work plan the PIC has requested that the 2017 asset-liability study be

updated to inform future investment decisions. An asset-liability study identifies risks faced by the Plan and opportunities to improve the risk-reward of the investment asset mix; the goal of the investment strategy in 2017 was to minimize risk while maintaining sufficient returns to provide the promised benefits at a reasonable cost. The results of this study will be shared with the Committee.

**9. United Nations Principles for Responsible Investing (UN PRI) Membership Fees.** On February 27, 2020, the University of Waterloo submitted its application to the UN PRI. A subsequent declaration was signed on March 31, 2020 and submitted to establish the Pension Plan as a separate applicant. On May 6, 2020, the application for the Pension Plan was provisionally approved, pending payment of the first year's member fees. The first year's membership fees (£2,507.50; \$4,536 CAD), which are charged based the value of an organization's investment assets, were pro-rated to represent the 10-month period of June 2020 through March 2021 and were paid by the University of Waterloo. Subsequent invoices will be issued to reflect future year's membership fees covering the 12 months between April and March (approx. £3,000). The committee approved payment of the membership fees.

**10. 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: YMPE projected to rise ~5% in 2021, as a result of the pandemic and the resulting removal of lower paying jobs from the overall calculation of the average industrial wage (AIW), which will have an impact on pensions generally, increasing the ITA maximum pension and also impacting CPP premiums; changes in commuted value standards effective December 1, 2020, which will require updating the administration tools and option forms to ensure compliance as well as updating certain calculations in the January 1, 2021 actuarial valuation to reflect the changes, with liabilities expected to be modestly lower.

**11. 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