

**PENSION & BENEFITS COMMITTEE
AGENDA**

FRIDAY, 16 June 2023
9:30 a.m.-12:00 p.m. EST
NH 3318

[Governing Documents and Resources](#)

TIMING	AGENDA ITEM	PAGE	ACTION
	OPEN SESSION		
9:30 a.m. (5 mins)	1. <u>Report from Pension Investment Committee [Basdeo]</u>	3	Information
9:35 a.m. (5 mins)	2. <u>Minutes of the 19 May 2023 Meeting (Open Session) and Business Arising</u>	4	Decision
9:40 a.m. (5 mins)	3. <u>Execution Against Work Plan</u>	7	Information
9:45 a.m. (30 mins)	4. Human Resource Update [Reitsma & Hornberger]		
	a. <u>Employee and Family Assistance Program (EFAP)</u>	10	Decision
	b. <u>Family Planning Benefit</u>	11	Decision
	c. <u>GreenShield update</u>	12	Information
10:15 a.m. (30 mins)	5. <u>UPP Review – Funding Structure and Plan Design [Shapira]</u>	24	Information
10:45 a.m. (5 mins)	6. Potential Revisions to the Pension Plan		
(20 mins)	a. <u>Considerations for Review of Plan Design Change [Reitsma]</u>	36	Discussion
(10 mins)	b. <u>COLA Proposal [Hardy]</u>	37	Discussion
(20 mins)	c. <u>Current COLA Process [Shapira]</u>	41	Information
	d. <u>Impact of CPP Enhancement on the University of Waterloo Pension Plan [Shapira]</u>	43	Discussion
11:40 a.m.	7. Other Business	Oral	Input
	CONFIDENTIAL SESSION		
11:45 p.m.	8. Minutes of the 19 May 2023 Meeting (Confidential Session) and Business Arising	51	Decision
	9. Other Business	Oral	Input
	10. Adjournment	Oral	Input

If you require assistance or need to convey regrets, please contact the Secretariat at board@uwaterloo.ca.

TIMING	AGENDA ITEM	PAGE	ACTION
	*to be distributed. **distributed separately.		

9 June 2023

Tim Weber-Kraljevski
Governance Officer

UPCOMING COMMITTEE MEETINGS	
14 September 2023	Pension Investment Committee
15 September 2023	Pension & Benefits Committee
13 October 2023	Pension & Benefits Committee
8 November 2023	Pension Investment Committee
17 November 2023	Pension & Benefits Committee
8 December 2023	Pension & Benefits Committee

Report to the Pension & Benefits Committee
Pension Investment Committee
16 June 2023

The Pension Investment Committee (PIC) met on 16 May 2023 and agreed to forward the following items to the Committee for information or approval as noted below.

FOR INFORMATION

Investment Reporting

PIC reviewed the total fund and investment manager performance for the first quarter of 2023. The fund returned 6.32% (gross of fees) for the quarter, which was ahead of the benchmark by 1.66%. The fund was also ahead of the benchmark for the one-year period but trailed for four- and ten-year periods. The fund achieved its target return of CPI + 3.5% for the ten-year period. Concerns about market volatility, inflation, interest rates, and recession risks were discussed. PIC will continue to review the asset mix and will begin spacing out meetings with investment managers throughout the year.

CBRE Real Estate Investment Contract

PIC received an update that Finance has reviewed the investment contract with CBRE, the recently approved real estate investment manager, to ensure the contract matched expectations. The fund will be in position to enter into the contract at the end of Q2, with the capital call expected within the next 12 to 18 months. PIC had previously approved adding a total investment of 3% of the total pension fund assets in the CBRE Global Alpha Fund, which is currently approximately \$69 million.

Fixed Income Working Group

PIC has agreed to form a working group to consider the pension's fixed income mandates and to conduct an investment manager search. The group will be chaired by Sarah Hadley, and membership will include representatives from PIC, along with support from the investment consultant, Finance and the Secretariat.

Investment Consultant

A Request for Proposal (RFP) process will begin in the Spring 2023 term to support a new Investment Consultant contract for the pension. PIC will form a subcommittee for the RFP process and a recommendation for the new contract will be brought forward to a future meeting for review and approval.

Aubrey Basdeo
Chair, Pension Investment Committee

University of Waterloo
Board of Governors
PENSION & BENEFITS COMMITTEE
Minutes of the 19 May 2023 Meeting
[in agenda order]

Present: Sara Cressman, Teresa Fortney (chair), Melissa Graham, Mary Hardy, Michelle Hollis, Lily Hua, James Rush, Jacinda Reitsma, David Saunders, David Taylor, Tim Weber-Kraljevski (secretary)

Regrets: Elizabeth Demers, William Povelofskie

Resources/Guests: Anata Alphonso, Aubrey Basdeo, Carson Brett, Linda Byron, Sarah Hadley, Patti Hancock, Blaine Hetzberger, Lee Hornberger, Sue McGrath, Allan Shapira, Michelle St. Amour, Holly Taylor, Tyler Wendland

Organization of Meeting: Teresa Fortney took the chair, and Tim Weber-Kraljevski acted as secretary. The secretary advised that a quorum was present. The agenda was accepted as distributed.

OPEN SESSION

The chair welcomed new members and roundtable introductions were made.

1. REPORT FROM PENSION INVESTMENT COMMITTEE

Basdeo spoke to the report, highlighting: fund performance and the effects of inflation on solvency and going concern; the Committee's current review of the asset mix; and the expected capital call for IFM to move the fund into real assets. Basdeo left the meeting.

2. COMMITTEE ORIENTATION

Fortney presented an overview of the Committee, the Committee's Terms of Reference, and the resources available to the members.

3. MINUTES OF THE 10 MARCH 2023 MEETING AND BUSINESS ARISING

The following corrections were requested: under item 1, correcting the spelling of Sheryl Kennedy's name and adding her to the list of guests; under item 1, correcting April 31 with April 30; and under item 4, correcting the spelling of Linda Byron's name. There was a motion to approve the minutes as corrected. Saunders and Graham. Carried.

Update on SIPP/FIP/RIP. Fortney provided an update that the amendments to the SIPP/FIP/RIP were approved at the April Board of Governors meeting.

Update on Terms of Reference. Fortney provided a brief update that the amendments to the Pension and Benefits Committee, the Finance & Investment Committee, and the Pension PIC terms of reference were approved at the April Board of Governors meeting. The final wording for the Fiduciary duty statement for the voting section of the PIC terms of reference is "As is the case with all decision-making relating to the administration of the Plan and the investment of the Plan's assets, a Committee member's vote in respect of a question or resolution before the Committee shall be made in accordance with the best interests of all of the Plan's members and pensioners."

4. EXECUTION AGAINST THE WORKPLAN

This item was received for information.

5. ANNUAL AUDIT OF THE PENSION PLAN FUND FINANCIAL STATEMENTS

Hadley provided an overview of material provided, highlighting: the process of preparation of statements and audit by EY; that the content of the notes are highly prescribed and are prepared to meet FISRA requirements; and that no adjustments to the financial statements were needed due to the audit. Hertzberger indicated: that the audit approach was consistent with the previous year; that there were no issues to report; and that no evidence of fraud or illegal acts arose in the course of the audit. A motion was heard to approve the financial statements as presented. Taylor and Graham. Carried. Brett and Hetzberger left the meeting.

6. HUMAN RESOURCE UPDATE

Reitsma provided an overview of the material. Members discussed: the accuracy of the Pension Projection Tool compared to actual amounts determined at retirement in light of quickly changing interest rates.

GSC. This item was received for information.

Family Planning Benefit. Hornberger provided an overview of the material provided, indicating that Green Shield Canada (GSC) has not yet developed a new benefit that would provide coverage to surrogates for In Vitro Fertilization (IVF) to support members of the plan with family planning as was targeted, and does not have an updated target date for having a product available. Members discussed: dissatisfaction with GSC and looking into providing an interim performance review; and the recommendations of the IVF working group that do not involve GSC, that could be adopted. Reitsma and Hornberger will further investigate IVF coverage options and will bring forward a recommendation to the June 2023 meeting.

Compounding Medications. Hornberger provide an overview of the material provided and the recommendation for continuation of benefits coverage for those members with compound medications prescribed prior to January 1, 2023, and covered by the previous provider, Canada Life. Members discussed: the path for individuals to have their concerns escalated with GSC through HR; concerns with GSC's compound policy, GSC's appeals process, and how GSC presented their compound policy. Members also expressed concerns with the recommendation and the impact on those whose compound medications were not prescribed prior to January 1, 2023, and covered by the previous provider. A motion was heard to approve the recommendation for continuation of benefits coverage for those members with compound medications prescribed prior to January 1, 2023, and covered by the previous provider, Canada Life, as presented. Taylor and Saunders. Carried. Reitsma and Hornberger will investigate compounding coverage further and will report back to the Committee.

Flonase. Hornberger provide an overview of the material provided and the recommendation for continuation of benefits coverage for Flonase (and its generic equivalent) for adults for prescriptions obtained prior to January 1, 2023, and covered by the previous provider, Canada Life. Members discussed: concerns with off-label prescriptions; GSC's Flonase policy and how GSC presented their Flonase policy; and the cost of expanding Flonase coverage compared to the impact to plan members. Members also expressed concerns with the recommendation and the impact on those whose prescriptions were not prescribed prior to January 1, 2023, and covered by the previous provider. A motion was heard to approve the recommendation for continuation of benefits coverage for Flonase (and its generic equivalent) for adults for prescriptions obtained prior to January 1, 2023, and covered by the previous provider, Canada Life, as presented. Taylor and Graham. Carried. Reitsma and Hornberger will investigate Flonase coverage further and will report back to the Committee.

7. UPP REVIEW – FUNDING STRUCTURE AND PLAN DESIGN

Due to time, this item was deferred to next meeting.

8. PENSION RISK MANAGEMENT DASHBOARD, Q1 2023

Byron provided an overview of the material provided, highlighting: the going concern deficit decreased from \$47.5 million to \$23.8 million over the quarter primarily due to the asset performance being higher than expected; the risk-free deficit decreased from \$895.6 million to \$840.3 million over the quarter due to strong asset performance and a decrease in inflation expectations implicit in underlying bond yields; and that there are no issues on solvency. This item was received for information.

9. PENSION PLAN INVESTMENTS UPDATE, Q1 2023

Reitsma provided an overview of the material provided, highlighting: a stronger performance compared to the prior year; and that there were no concerns to raise attention to. This item was received for information.

10. CARBON DISCLOSURE REPORT

Wendland presented on the report, highlighting: the carbon metrics of total carbon emissions, weighted average carbon intensity (WACI) and carbon footprint for scope 1 and 2 emissions of the equity investments of the investment mandates; and progress on the targets to reduce the carbon footprint for scope 1 and 2 by at least 50%

by 2030 relative to year-end 2018. Members discussed: the MSCI index data used for benchmarking; and the strategies used by the university to meet the reduction targets.

11. ACTUARIAL VALUATION – 1 JANUARY 2023

Shapira presented an overview of the valuation, indicating that filing of this valuation will ensure that the University funding plan of 12.45% of pensionable earnings will satisfy the statutory contribution requirements for 2023 and the three subsequent years. Members discussed: the university's additional contributions to the plan; and the interest rate used in the economic assumptions. Byron noted minor amendments will be made to the valuation to tie it in to the audited financial statements. A motion was heard to recommend that the Board of Governors approve the filing of the valuation with the regulator, as amended. Taylor and Saunders. Carried.

12. UNIVERSITY OF WATERLOO PENSION PLAN FOR FACULTY AND STAFF, DRAFT AMENDMENT N0 9

Byron provided an overview of the amendment. A motion was heard to recommend the amendment to the Board of Governors as presented. Taylor and Hua. Carried.

13. BOARD-APPROVED 2023-24 OPERATING BUDGET OVERVIEW

Rush distributed a report and provided an overview of the budget, highlighting: the small budget deficit of \$4 million; the continued funding environment restrictions and expense growth; and the fall budget update commitment.

14. OTHER BUSINESS

The chair informed members that she will be unable to attend the June meeting and proposed that Reitsma to serve as acting chair. Members were supportive of the proposal.

Members discussed the process for bringing forward proposal for consideration by the Committee. M. Hardy will work with administration and consultants to bring forward her proposal to the next meeting.

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

NEXT MEETING

The next regular meeting is scheduled for Friday 16 June 2023, 9:30 a.m. – 12:00 noon.

26 May 2023

Tim Weber-Kraljevski
Associate University Secretary

Execution against Work Plan

Pension & Benefits Committee, Board of Governors, University of Waterloo

The below represents the annual responsibilities of the P&B Committee and has been prepared as an aid to planning only. The committee's activities are much broader, however, and include: legislative changes, plan changes and improvements; selection of managers and service providers; and requests from the UW community regarding pension and benefits plans.

Task	Frequency (Target month)	24 June 2022	16 Sep 2022	07 Oct 2022	18 Nov 2022	9 Dec 2022	20 Jan 2023	17 Feb 2023	10 Mar 2023	19 May 2023	16 June 2023
Approval of Actuarial Valuation Assumptions	Annual (Jan)						✓				
Investment Status of PPP	Annual (Feb)							✓			
Cost-of-living Increase for Pensioners	Annual (Feb)							✓			
Pensions for Deferred Members	Annual (Feb)							✓			
Salaries for Pension Purposes for Individuals on Long-term Disability	Annual (Feb)							✓			
Actuarial Valuations (RPP and PPP), with posting to website once approved	Annual (Mar)								✓		
Review of Contribution and Protocol Caps (RPP and PPP)	Annual (Mar)								✓		
Monitor sharing of current service cost between employee and university contributions	Annual (Mar)										
Benefits Plan Premium Renewals	Annual (Mar)								✓		
Indexing of Long-term Disability Plan Benefits and Maxima	Annual (Mar)								✓		
Annual Committee Self-Assessment	Annual (Mar)								✓		
Budget Overview	Annual (May)									✓	
Previous Years' Fees and Expenses	Annual (May)									✓	
Annual Audit of the Pension Plan Fund Financial Statements	Annual (May)									✓	

Task	Frequency	24 June 2022	16 Sept 2022	07 Oct 2022	18 Nov 2022	9 Dec 2022	20 Jan 2023	17 Feb 2023	10 Mar 2023	19 May 2023	16 June 2023
Benefits Utilization Report	Annual (June)	✓									✓
Annual review re: benefits added/removed from insured plans in the market	Annual (June)	D	D	✓							✓
Review of Committee Terms of Reference	Annual (June)	✓							✓		
Review of Administrative Staffing Support for the Plan (first iteration to occur in 2023)	Annual (Oct)										
Indexing of Plan Maxima – Health, Dental, Retiree Life Insurance	Annual (Nov)				✓						
Employee and Family Assistance Program – report on utilization	Annual (Nov)				✓						
Maximum pension limits and caps adjustments, based on average industrial wage increase (AIW)	Annual (Dec)					✓					
Total Fund Overview	Quarterly		✓		✓			✓		✓	
Investment Manager Review	Semi-annually				✓						
Approval of the Statement of Investment Policies and Procedures (SIPP)	Annual					D	D	D	✓		
Annual Report to the Community	Annual							✓			
Actuarial Filing - Minimum every three years Secretariat to advise Aon and HR upon approval by BOG, to commence filing Most recent filings: 2017, 2018, 2020, 2021, 2022											

Human Resources' Report

Summary of Content

- Employee & Family Assistance Program (EFAP)
 - An update from the Procurement process and recommendation to the University from the project team for a new contract effective September 1, 2023

- Family Planning Benefit
 - A recap of the IVF working group's recommendations, an update from GreenShield, and a proposal to recommend to the Board of Governors, an extended health benefit plan amendment

- GreenShield Update
 - Experience Dashboard - claims processed and calls supported between inception and April 30, 2023; portal registration as of June 1, 2023

 - UW GreenShield Plan Design Comparison with GreenShield's Standard (annual workplan item for June)

 - Coverage for Prescription Drugs
 - plan design summary
 - drug formulary
 - compound medications
 - off-label usage of medications
 - coordination with provincial drug plan

 - Employee/Retiree Inquiry Support Model (Step 1, Step 2, Step 3)

Employee & Family Assistance Program (EFAP)

Procurement Process for Provider Contract Effective September 1, 2023

The University of Waterloo (UW) implemented an Employee & Family Assistance Program (EFAP) with Homewood Health effective September 1, 2016. Approximately 5,000 employees are eligible for the EFAP along with their eligible family members. Eligibility extends to the employees of the Affiliated and Federated Institutes of Waterloo (AFIW) with the exception of St. Jerome's University College.

The initial contract with Homewood Health was for a 3-year period, which was renewed for 2 additional years (i.e. September 1, 2016 to August 31, 2021) with no change to cost. Due to the pandemic and the level of satisfaction with existing arrangements, the contract was extended on an exceptional basis for an additional two-year period (i.e. until August 31, 2023) with no change to cost. A competitive bidding process is required in order to enter into a new contract. A Request for Proposal (RFP) process to support a new EFAP contract commenced in early 2023; activities to date include the following:

- Early January 2023 – Project team with leadership from Procurement (Christine Henderson) formed, comprised of fourteen (14) evaluators and advisors:
 - UW: Cheri Bilitz (CS), Michelle Hollis (HR), Lee Hornberger (HR-TR), Karen Parkinson (OH), Melanie Will (HR-OHD), Andriana Vanezi (IST)
 - AFIW: Paul Penner, Melanie McKellar, Mike Steinmann
 - CUPE Local 793: Tuesdae Stone
 - Faculty Association: Katie Damphouse, David Mather
 - Staff Association: Renate Donovan, Ashley McKnight
- Mid-January to early February – RFP document developed (requirements based on maintaining existing level of services)
- February 15 – RFP advertised on Merx for vendors' submission consideration
- March 14 – five (5) proposals available to project team through Bonfire
- March 30 – preliminary evaluations and three (3) shortlist vendors identified
- April 19-21 – presentations by three (3) shortlisted vendors
- April 24 – project team regroup to discuss presentations and discuss next steps
- May 18 – evaluation of all submissions completed through Bonfire

Based on the evaluation, the project team recommended to award the five (5) year contract with a two (2) year renewal option, to Homewood Health effective September 1, 2023 at a rate of \$2.99 per employee per month (\$180,000 per year) plus fee for service elements. This cost represents an increase of 20% to the current rate of \$2.50 per employee per month; however, the rate is guaranteed for a 7-year period. Invoices for the University of Waterloo component will continue to be processed through the Human Resources' budget and separate invoices will continue to be sent to each of the AFIW for their components.

Although this represented no change in provider, the project team recommended that Homewood Health be engaged through the contract process to support an advertising campaign to enhance campus' understanding of the various components of the EFAP.

Action Required: *Receive for Information*

Family Planning Benefit

Proposed amendment to the extended health benefit

In December 2022, the Pension & Benefits Committee received a report from the In-vitro Fertilization (IVF) working group (see page 6 to 11 from the [December 9, 2022 agenda package](#)). The working group had been tasked with a fact-finding exercise regarding benefits coverage for plan members with family aspirations, and to examine the prospective implications (financial/regulatory/contractual requirements) to expand provision of coverage for reproductive procedures that extend beyond the current scope (e.g. for those plan members without a uterus or whose uterus cannot or will not be utilized).

The working group's report included the following five recommendations:

1. Extension of current fertility coverage to surrogates acting for covered plan members
2. Removal of the requirement that provincial government coverage be exhausted first
3. Removal of the two-cycle limit for coverage, while retaining the overall maximum of \$30,000 in the program
4. Addition of coverage under the benefits plan to provide coverage for members who are acting as surrogates
5. Create a new taxable benefit to support family formation, which covers surrogacy and adoption

Members discussed that the legislative landscape is changing which would impact the fifth recommendation and agreed to adopt an active watching brief to monitor for changes that will allow for future action.

In January 2023, the Pension & Benefits Committee was informed that Bill C-32 received Royal Assent on 15 December 2022. This enabled the expansion of the Medical Expense Tax Credit (METC) commencing with the 2022 tax year, to include eligible medical expenses in cases where an individual would rely on a surrogate or a donor in order to become a parent. Human Resources was then tasked with investigating what GreenShield is or will be offering to address the new legislation.

GreenShield is in the process of developing a family planning benefit in response to the legislation change and has confirmed that effective September 1, 2023, it will be possible to implement such coverage through an amendment to the extended health benefit. Details from GreenShield with respect to supporting systems and processes will be shared at the September 15, 2023 meeting.

The University proposes that the Committee submits a recommendation to the Board of Governors for an amendment to the extended health benefit. The amendment would revise the IVF coverage by removing the exhaustion of the provincial coverage requirement, removing the two-cycle limit for coverage, maintaining the limit of \$30,000, and extending eligibility to individuals who are acting as surrogates for members of the benefit.

Action Required: *Decision – Recommendation to the Board of Governors*

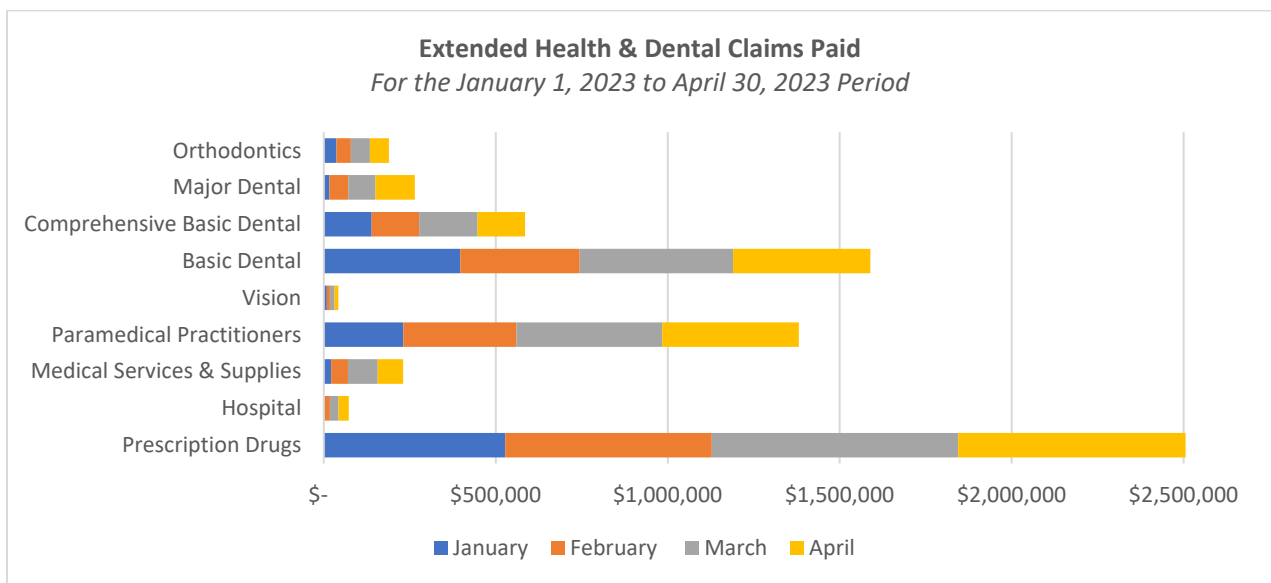
GreenShield Update

New Extended Health and Dental (EHD) benefits provider effective January 1, 2023

The University of Waterloo’s extended health and dental (EHD) benefits provider is GreenShield (formerly Green Shield Canada), providing coverage for approximately 18,000 individuals (employees, retirees, spouses, dependent children) and their eligible expenses incurred on or after January 1, 2023. A claims run off period with Canada Life was arranged for eligible expenses incurred prior to 2023.

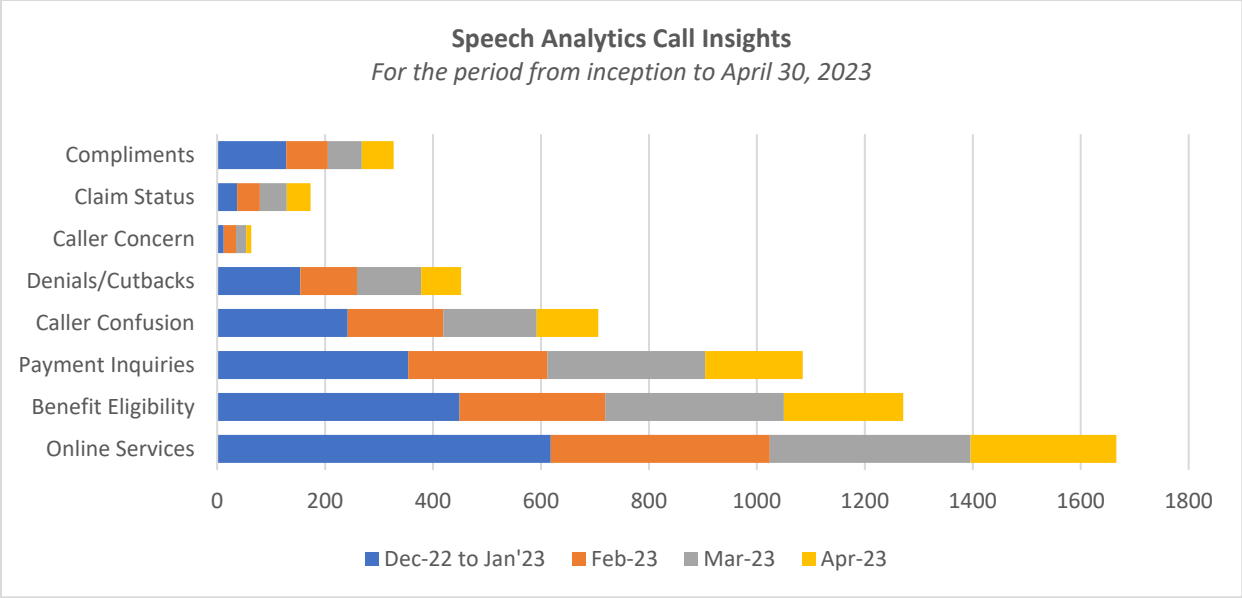
Experience Dashboard

Claims Experience. GreenShield provided expense reimbursement in the amount of \$6,891,276 for the January 1, 2023 to April 30, 2023 four-month period; 10,363 claimants were reimbursed for 78,091 extended health expenses and 6,346 claimants were reimbursed for 31,930 dental expenses.



Online Portal. GSCeverywhere can be used to check benefits coverage, submit claims, and review claims status/history. As of June 1, 2023, there were 8,021 employees/retirees who have benefits with GreenShield. Of these, 5,198 (64.8%) have registered for the online portal and of these, 86.5% have registered for direct deposit. The target is to achieve a registration level of 70% which would align with registration for the previous provider’s online portal (Canada Life’s GroupNet).

Contact Centre. GreenShield supported 4,032 calls from inception to April 30, 2023. On average, the calls involved 337 seconds of actual talk time (does not include wait time for an agent to answer). Voice analytics indicates that support for online services continues to be the most frequent type of assistance required, followed by benefit eligibility and payment inquiries.



Note: GreenShield agents commenced supporting inquiries through their contact centre following the release of welcome kits in December 2022

Action Required: *Receive for Information*

UW GreenShield Plan Design Comparison with GreenShield’s Standard

A regular practice of benefits providers, including GreenShield (formerly Green Shield Canada), is to review the standard contract provisions and apply changes through time as deemed appropriate. Standard contract provisions include expenses that are eligible but also claims management processes that are applied to those expenses to determine eligibility. Since the University’s contract is an Administrative Services Only (ASO) arrangement, GreenShield’s standard contract provisions are not automatically applied but available through an amendment to the ASO contract.

As required through the RFP process, the University’s plan design was implemented effective January 1, 2023 (with some changes as decided in the Fall 2022); however, there are differences relative to GreenShield’s standard contract provisions. Items shaded in the table below were presented in the Fall and additional differences identified since implementation, are newly included for awareness.

Provision	UW GreenShield Plan Design	GreenShield’s Standard
Custom fitted foot orthotics & custom-fitted orthopedic shoes	Prescription required by a Physician, Podiatrist, and Chiropodist (<i>reconfirmed with CL May 2023</i>)	Diagnosis and prescription by a Physician, Nurse Practitioner, Podiatrist, and Chiropodist
Dental Implants	Covered to the cost of a 3-unit bridge (subject to major services maximum)	Covered to the cost of an implant, allowing crowns on implants (subject to major services maximum)
Glucose Monitoring System/Supplies – eligibility	Covered for those requiring insulin (short, intermediate or long acting insulin)	Covered for Type 1 diabetics (short or intermediate acting insulin)
Glucose Monitoring System/Supplies – coverage	CGMs/FGMs and related supplies combined \$4,000 annual maximum; R&C limit of \$75 applies to the FGM reader	Annual category maximum of \$4,000 with R&C limits within as follows: -GMS Receiver (reader) \$120 for Free Style (\$499 for Dexcom) -GMS Sensors \$115 -GMS Transmitter \$340
Mental Health	Eligible practitioners: <ul style="list-style-type: none"> Registered Psychologist Registered Social Worker holding a Master’s degree in Social Work (MSW) Registered Psychotherapist 	Eligible practitioners: <ul style="list-style-type: none"> Becoming standard: Counsellor/Social Worker Registered Psychologist Registered Social Worker holding a Master’s degree in Social Work Registered Psychotherapist
Acupuncture	Eligible, if performed by a covered practitioner (Acupuncturist is not a covered practitioner)	Eligible, if performed by an Acupuncturist
Prescribers for Audio (Hearing Aids) – including Cochlear implant / BAHA supplies and repair	Prescribers are an Audiologist, Physician, or Physician Assistant	Prescribers are an Audiologist, Physician, and ENT
Dental Anesthesia	Covered	Covered for oral surgery only
Anterior mandibular positioner	Excluded	Included
Maxillofacial prosthesis (obturator)	Included	Excluded

Parenteral feeding, nutrient, supplies	Included	Excluded
Parenteral feeding system	Included	Excluded
IV supplies	Included	Excluded
Medical Equipment and Aids for Daily Living	<p>The following items are included:</p> <ul style="list-style-type: none"> • Bath Chair/Transfer Bench • Blood pressure monitor and supplies • Bone growth stimulator, rental • Intrauterine Contraceptive Devices • Enteral feeding, nutrient, supplies • Enteral feeding-system • Bath Chair/Transfer bench, rental • Bandages • Toilet seat, raised • Toilet seat, raised, rental • Miscellaneous Respiratory / Cardiology <ul style="list-style-type: none"> ○ Pulse Oximeter ○ Adaptive-Servo Ventilator pump ○ ASV pump rental • General Medical Items: <ul style="list-style-type: none"> ○ Cochlear implant / BAHA supplies & repair ○ Knee Scooter / Walker ○ Knee Scooter / Walker rental (weekly) • Optometric Diagnostic Services <ul style="list-style-type: none"> ○ Heidelberg Retinal Tomography ○ OCT – Optimal Coherence Tomography ○ Optic Nerve Imaging ○ Pachymetry 	Excluded
In-vitro Fertilization	Included	Excluded
Mobility Aid – Power Scooter	Excluded	Included
Medical Equipment	Where maximums are specified, maximums are coded. For all other items, R&C apply.	R&C applies
Prescribers for Diabetic, Aids for Daily Living, Braces, Generally excluded Medical Items/Services, Incontinence/Ostomy, Mobility Aids, Musculo-skeletal, Prosthetics, Respiratory/Cardiology, Vascular Compression	Physician prescription required	Prescribers are a Physician and Nurse Practitioner
Program Treatment	Only Donwood Institute and Homewood Health Centre are considered eligible facilities for the Program Treatment benefit.	No facilities are specified; any facility that would fall under Semi Private Room, Hospital

		provincially funded, for Program Treatment would be eligible.
Visual Training	Eligible when performed by a Physiotherapist	Excluded as a standard service. Where clients allow Visual Training, this is typically allowed when performed by an Optometrist.
Claims Submission Rules	12 months from end of calendar year in which the claim was incurred	12 months from the service date of claim
Anti-obesity Drugs	Excluded	Effective March 1, 2023: Standard for all plans unless plan sponsor opt out is provided
Denture Reline & Rebase	Reline – once every 3 years First Paid Claim (FPC), eligible 6 months post-insertion Rebase – once every 3 years FPC, eligible 2 years post-insertion	Once every 24 months based on First Paid Claim (FPC)
Chiropractor	80% of \$12.00 per visit for the first 15 visits; thereafter 80% per person, per calendar year	Reimbursement applies to all visits up to the calendar year maximum
Compression Stockings	12 pairs per calendar year	2 pairs every 4 months
Glasses, Contacts and Medically Necessary Contacts	Excluded	Typically included for comparable sized plans
Convalescent/Rehabilitation	Excluded	Included
Erectile Dysfunction	No R&C limits	R&C limits apply
Dental Scaling	16 units every calendar year Combined with Perio Scaling & Root Planing	8 units of scaling per year

Action Required: *Receive for Information*

Coverage for Prescription Drugs

Prescription drug coverage is the most highly utilized component of the extended health benefit. Between January 1 and April 30, 2023, GreenShield provided members of the University's benefits with reimbursement for claims in the amount of \$2,535,811, representing 59% of total paid extended health claims during the period.

The University has one plan design that applies to eligible active employees and employees who retired with eligibility on or after June 6, 2000; two grandfathered plan designs apply to employees who retired with eligibility prior to 1996 and between 1996 and June 5, 2000. The plan design for these categories as it relates to prescription drug coverage is as follows:

	Employees who retired with eligibility prior to January 1, 1996	Employees who retired with eligibility between January 1, 1996 and June 5, 2000	Active Employees and Employees who retired with eligibility on or after June 6, 2000
Reimbursement Level	100% reimbursement	80% reimbursement; 100% reimbursement after out-of-pocket maximum is reached; \$7.00 dispensing fee cap	80% reimbursement; 100% reimbursement after out-of-pocket maximum is reached; \$7.00 dispensing fee cap
Out of pocket maximum for 2023	\$60 single / \$119 family per calendar year (n/a to prescription drugs)	\$138 single / \$277 family per calendar year	\$138 single / \$277 family per calendar year
Generic Pricing	Only physician choice for no substitution Reimbursement is made up to the cost of the lowest priced equivalent drug unless prescribing physician indicates "no substitution" on the prescription	Mandatory product selection (generic only) Reimbursement is made up to the cost of the lowest priced equivalent drug	Mandatory product selection, brand allowed with approved ADR form* Reimbursement is made up to the cost of the lowest priced equivalent drug; if a brand name is medically required due to a serious medical reaction to at least two generic equivalent drugs, special process applies
Medications that require a prescription	Included as per provider's drug formulary, access for some requires Prior Authorization**	Included as per provider's drug formulary, access for some requires Prior Authorization**	Included as per provider's drug formulary, access for some requires Prior Authorization**
Over the Counter (OTC) Products	Excluded	Excluded	Excluded
Natural Health Products (NHP)	Excluded	Excluded	Excluded

**GreenShield requires a copy of the "Health Canada Vigilance Adverse Reaction Reporting Form" completed by the medical practitioner, to determine eligibility for coverage*

***GreenShield's Prior Authorization process ensures that medical criteria for the list of approximately 150 prescription drugs is met before approval for coverage is granted (requires completion of Prescription Drug Special Authorization Request Form)*

Although the University's plan design was matched by GreenShield with the transition from Canada Life, administration between the two providers differs (i.e. reasonable and customary charges, technological capabilities, and other policies/practices) which impacts claims adjudication decisions. The transition analyses in the Fall 2022 identified several items that were highlighted for information or decision, including compound medications and medications that were identified as OTC products and/or off label usage based on personal characteristics of claiming members (i.e. Flonase, Finasteride, Gardasil) including age and gender.

The criteria for medication to be eligible for reimbursement through the extended health benefit is not limited to a prescription from a physician. Employers utilize providers with specific expertise to administer prescription drug coverage to ensure alignment with plan design, to monitor service providers to ensure the plan is protected from fraud, and to process claim payments on an accurate, timely, and confidential basis. With eligibility data provided by the employer, providers process claims for prescription drugs in accordance with the drug formulary and thereby provide support to members with the safe and effective achievement of health outcomes.

Drug Formulary. Drugs approved for sale by Health Canada are issued a Notice of Compliance (NOC), as well as a Drug Identification Number (DIN). Health Canada approves drugs for a specific use (i.e. indication) based on a review of its safety, efficacy, and quality (i.e. manufactured in accordance with good practice) to safeguard Canadians. After receiving Health Canada approval, drugs are not automatically added to drug formularies of plan administrators.

With GreenShield, an internal review process is undertaken after Health Canada approval for all new drugs, as well as newly approved indications of existing drugs, to ensure that the drug and its approved use align with the intent of a health benefits plan and that the drug is both clinically and cost effective before listing on the formulary. Generally, if the drug is used for cosmetic purposes or does not provide a meaningful, additional clinical or cost benefit relative to other medications available, GreenShield does not add it to the drug formulary. Once a drug is reviewed and a decision is made to add it to its formularies, it is operationalized in GreenShield's system with parameters in alignment with the Health Canada's approved use, and whenever, possible utilizes its rules-based technology for claims adjudication. GreenShield advises that their committee responsible for the review of drugs is comprised of health professionals with expertise in wide range of key practice areas such as community, hospital, and specialty pharmacy. As the need arises, the committee consults with external experts committed to the provision of transparent, objective, and evidence-based advice.

Compound Medications. Compound drug products do not undergo Health Canada review for evaluation of their safety, efficacy and quality and as such, do not have a DIN assigned. GreenShield's Compound Policy aims to protect the benefit plan from unnecessary spend for unapproved drug products by allowing coverage of compounds only where specific criteria is met:

- Contains an active ingredient in a therapeutic concentration that is considered an eligible benefit (i.e. included in the drug formulary)
- Is not a duplication of a formulation of a manufactured pharmaceutical product
- Is not experimental or for a cosmetic use

While there is no individual appeals process – a compound medication is either included or excluded in accordance with GreenShield's compound policy. What is allowed within the policy is informed by an ongoing review process that takes place as evidence and the regulatory space evolve. If there are

complaints around a particular type of compound, GreenShield reviews whether new information is now available that supports coverage of the medication.

Aon has advised that every provider has parameters in place to determine eligibility for compound medications coverage. Although the details of the previous provider's compound policy are available (the Telus compound policy is publicly available and was used by Canada Life); GreenShield does not build other carriers' compound policies into their systems.

While the removal of GreenShield's compound policy is an option available, doing so would eliminate criteria for coverage and instead, all compound medications as prescribed by a physician would be eligible for reimbursement. This would result in coverage for ingredients that are ineligible under the drug formulary, including drugs used for cosmetic purposes, as well as provide coverage for OTC products and NHPs even though on their own (i.e. not mixed with other ingredients), each is ineligible. It also exposes the plan to coverage of compounded products for which a Health Canada approved alternative is commercially available. This action would be contrary advice to the UW/Aon/GS working group's March 2023 report which was supportive of the decision in the Fall 2022 to implement GreenShield's compound policy.

To ease the transition to GreenShield's Compound Policy, the Pension & Benefits Committee initially agreed to a one-time claims exception process ending April 30, 2023. Subsequently, in May 2023, the Pension & Benefits Committee agreed to continue coverage for those members with a compound medication that were prescribed and covered prior to 2023. The continuation of coverage decision has been implemented by GreenShield and communicated to impacted members who had previously reached out to Human Resources.

Off-label Usage of Medications. For non-compounded medications, GreenShield's drug formulary is aligned with Health Canada as a foundation, and then narrowed based on the above-mentioned review process which results in the drug formulary. Health Canada approves medications for a specified use in a specific patient population and at a specific dosage based on supporting evidence. Medications prescribed for use outside of the approved Health Canada indication is considered off label usage. In some circumstances, where there is supporting clinical evidence for the treatment and it has become a standard of care, GreenShield will approve coverage for certain medications that are prescribed for off-label use.

Physicians prescribe medications for their patients based on a number of factors, and in doing so, may prescribe a drug for an off-label use; however, this practice involves risk to patients when not supported by evidence. It is not illegal for physicians to prescribe drugs for off-label use; however, it is illegal for drug manufacturers to promote off-label uses.

While it is possible to remove age and gender parameters that currently exist in the GreenShield's system and align with Health Canada approved indications, doing so would expose the University to risk and constitutes deciding against the provider's expertise.

GreenShield advises that they recognize that balancing drug access and plan sustainability is a complex and delicate assignment and as such, they monitor industry trends and evolving healthcare practice to provide drug plan management expertise that supports rational drug access for patients. When changes of significance occur in clinical practice, they undertake a re-evaluation of applicable current formulary

decisions and drug management strategies to ensure the plan management strategies continue to be relevant and appropriate.

Off-label medication use could potentially be ineffective or harmful which is an unnecessary risk when cost-effective alternative treatments supported by clinical evidence are available.

In the Fall 2022, Pension & Benefits Committee decided that members who had received reimbursement by Canada Life for the three prescription drug classification as identified as off-label usage (i.e. Flonase and its generic equivalent for adults, Gardasil for members outside of the 9-45 age bracket, and Finasteride for male members under age 50 who are not diagnosed with benign prostatic hyperplasia or female members) would not receive reimbursement through GreenShield. Subsequently, in May 2023, the Pension & Benefits Committee agreed to continue Flonase and its generic equivalent coverage for adults who had received reimbursement from Canada Life. The continuation of coverage decision has been implemented by GreenShield and letters have been issued to all impacted members.

Coordination with Provincial Drug Plan. GreenShield's provincial coordination policy safeguards the benefit plan from expenditures for benefits eligible under a provincial health insurance plan for covered individuals. In Ontario, individuals who are age 65 and older are covered under the Ontario Drug Benefit (ODB) program. The extended health benefit supplements the coverage available under the provincial plan; and as such, members are required to seek coverage for their prescription drug under the ODB program first.

On December 20, 2022, the Ontario Ministry of Health announced transitioning to biosimilars for certain high-cost drugs (Copaxone, Enbrel, Humalog, Humira, Lantus, NovoRapid, Remicade, and Rituxan) and insulins (Lantus, Humalog, Novorapid). The ODB program is working closely with prescribers and pharmacists to transition patients taking any of the above listed medications before December 29, 2023. More information is available here: <https://www.health.gov.on.ca/en/pro/programs/biosimilars/default.aspx>

In accordance with GreenShield's provincial coordination policy, impacted members receive a communication from GreenShield reminding them to speak to their doctor or pharmacist about transitioning to the biosimilar. Letters for patients taking one of the high-cost drugs listed above were sent in late May 2023 by GreenShield (no members for the University have been impacted by the high-cost drugs listed above and as such no letters have been mailed). GreenShield's preliminary analysis for insulin indicates that there will be approximately 40 members of the University's extended health benefit will be impacted. Communication to impacted members is planned by GreenShield for late September 2023 and GreenShield will share a final impact assessment with Human Resources in advance (i.e. early September 2023).

Over the past few months, Committee members have raised specific concerns related to expectations for compound medications coverage outside of GreenShield's policy (i.e. requirement for allergies) and for off-label usage of prescription drugs (i.e. Flonase for adults). Future changes to the plan design provisions for prescription drug coverage should only be considered after a review of the options that might be available, as well as their corresponding costs. Such changes should be considered in conjunction with confirmation of the purpose of the extended health benefit and eligible expenses within, including the University's philosophy for coverage and the rationale for engaging an external provider to manage the administration of the plan design based on their expertise.

Action Required: *Receive for Information*

Employee/Retiree Inquiry Support Model

Note: the following copy will be formatted after content is finalized, and posted to the HR website

GreenShield has been engaged by the University of Waterloo to administer the extended health and dental benefits based on eligibility data that is provided by Human Resources. The Human Resources website (uwaterloo.ca/human-resources/support-employees/benefits) includes information about the plan design including eligible expenses, coinsurance levels, and annual/lifetime maximums.

Please ensure that your employment/eligibility record within Workday, the Human Resources Information System (HRIS) is accurate and maintained as changes occur (e.g. you and your eligible dependents' personal information including name, date of birth, gender, etc) in order for GreenShield to manage the administration accurately. GreenShield is responsible for maintaining your address, direct deposit, and coordination of benefits information but otherwise, relies on Human Resources to provide eligibility data required for administration.

If you need assistance with navigating Workday or updating your information, please contact Human Resources at hrhelp@uwaterloo.ca or at 519-888-4567 x45935. Note that any changes applied to your pertinent details are provided to and loaded into GreenShield's system on a weekly basis.

If your information in Workday is accurate and you are experiencing challenges with your extended health and dental benefits, the following support model is in place to assist you:

STEP ONE: SELF-SERVICE

GreenShield has two key resources available to support members on a self-service basis:

- GSCeverywhere is an online portal that can be used to check enrolment, benefits coverage, submit claims, and review claims status/history. Access this portal through the website: <https://gsceverywhere.ca/login> or download the app for your mobile device.
- Support Centre provides information about how to submit a claim, obtain travel assistance, understand coverage available. Access this support through the website: <https://support.greenshield.ca/SupportCentre>

University of Waterloo resources available to support members on a self-service basis include:

HR websites have detailed information on the benefit plans along with Frequently asked questions documents as follows:

- Frequently asked questions for benefits: [Benefits FAQ](#)
- Detailed benefit information: [Benefit Information](#)
- HR Chat Bot for general information inquiries: [HR Chatbot](#)

In addition, with your WatIAM login details, you can access Workday to view your information and access Workday user guides for support on how to make changes:

- Workday link: [Workday](#)
- Workday User Guides link: [Workday User Guides](#)

STEP TWO: CONTACT GREENSHIELD

If you continue to need assistance with understanding your coverage or have a question about your claim including processes to follow (e.g. predetermination, coordination with provincial plans, prior authorization process, etc), including updating your address, direct deposit or coordination of benefits information, please contact an agent at GreenShield's Customer Contact Centre:

- Toll free within Canada at: 1-888-711-1119
- Email to: customer.service@greenshield.ca

GreenShield's Customer Contact Centre is available Monday to Friday from 8:30am to 8:30pm EST. GreenShield agents are committed to responding to your call inquiry promptly and if by email, within 48 hours.

If you encounter a medical emergency while travelling, please contact GreenShield:

- Toll free within Canada at: 1-800-936-6226
- Collect with operator assistance: 0-519-742-3556

GreenShield's Travel Assistance agents are available 24/7/365 (including holidays) and are committed to support you through your medical emergency as it relates to benefits coverage available and supporting processes.

When contacting GreenShield, please ensure to quote your identification number on your benefits card (WTL + Employee ID) so that agents are able to review your records and provide you with necessary support.

STEP THREE: CONTACT HUMAN RESOURCES

If you continue to need assistance, please contact Human Resources and provide as much detail as possible to enable support (e.g. information sent to and received from GreenShield).

- Phone: 519-888-4567 x45935
- Email to: hrhelp@uwaterloo.ca

Human Resources is available Monday to Friday from 8:30am to 4:30pm EST and is committed to acknowledging your inquiry typically within 24-48 hours. The timeline for resolution will depend on the nature of the support required.

Human Resources works together with GreenShield to provide a response to your inquiry, escalating internally within Human Resources as required using the following structure:

- Tier 1 – HR Operations team, with support from GreenShield's Plan Sponsor Inquiry Team
 - GreenShield's Plan Sponsor Inquiry team is available Monday to Friday (excluding holidays) during regular work hours and is committed to responding to Human Resources within 48 hours
- Tier 2 – Benefits Administrator, within the HR Operations & Systems team, with support from Tier 3 as well as the GreenShield Client Representative assigned to the University of Waterloo account

- GreenShield’s Client Representative is available Monday to Friday (excluding holidays) during regular work hours and is committed to responding to Human Resources within 24 hours

- Tier 3 – Manager/Director level, with engagement from the GreenShield Account Manager assigned to the University of Waterloo account, if and as needed

The Pension & Benefits Committee of the University of Waterloo is responsible for the plan design of the benefits program and Human Resources has received delegated authority to provide necessary direction to GreenShield to ensure alignment. Individual exceptions are not permitted; however, feedback collected by Human Resources through inquiry management are monitored and can inform considerations for change to the plan design through time. Human Resources provides regular updates to the Pension & Benefits Committee as it relates to the annual workplan as well as special topics of interest that arise through time.



Review of University Pension Plan Ontario (UPP) — Funding Structure and Plan Design

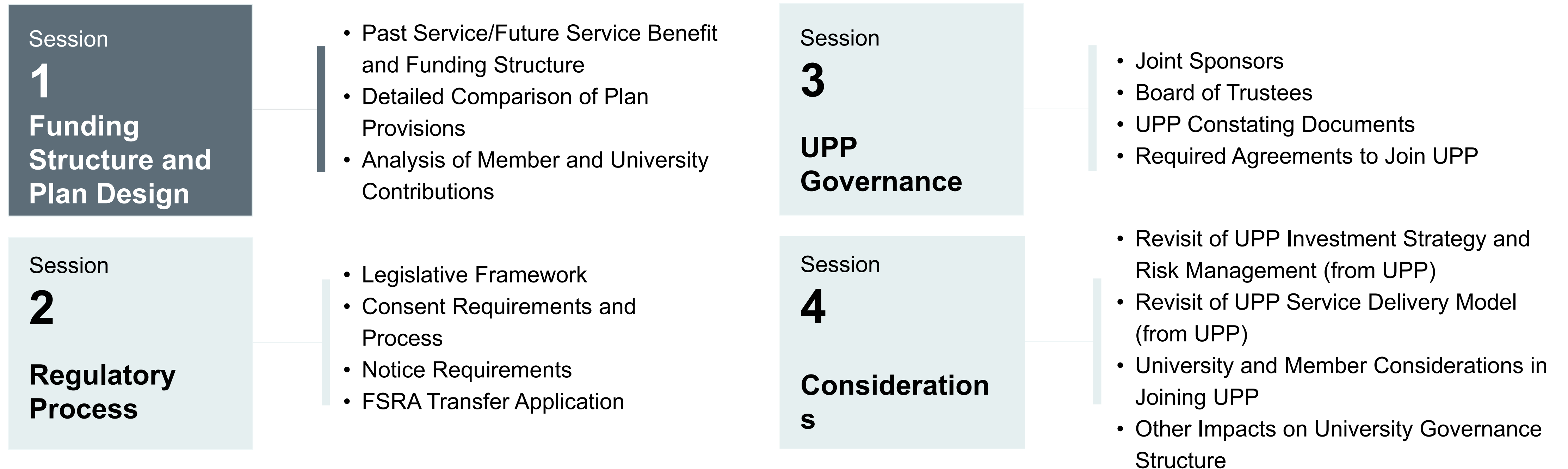
University of Waterloo Pension & Benefits Committee

Meeting on May 19, 2023



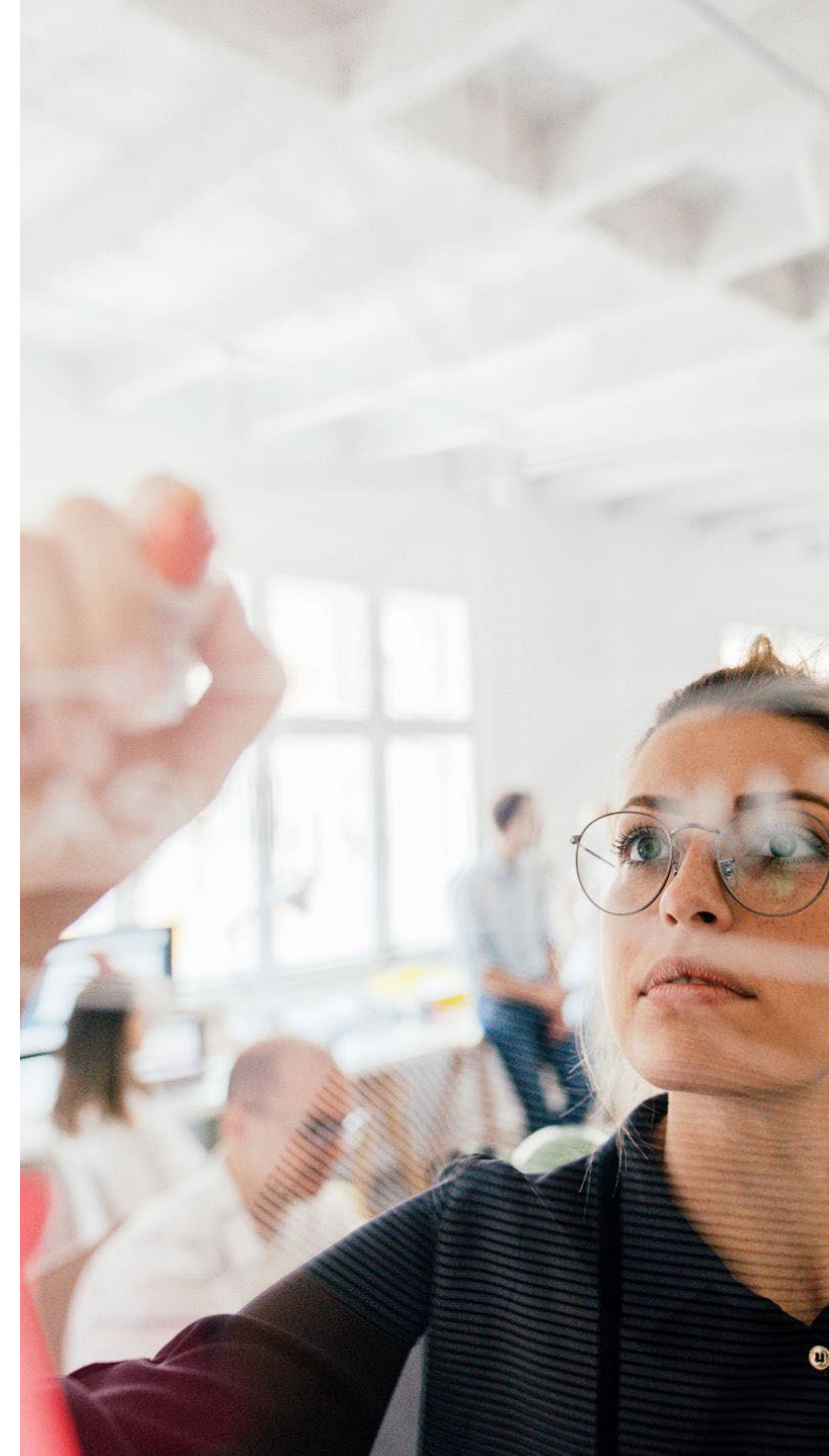
Approach for Reviewing the UPP

As agreed to at March 10, 2023 meeting of P&B Committee:



UPP Benefit Structure

Pension Benefits From UPP	
Pre-Conversion Date Pensionable Service	Post-Conversion Date Pensionable Service
Prior university plan provisions for pre-Conversion Date Pensionable Service will be replicated under UPP	UPP provisions apply as of Conversion Date forward
Each participating university will have different benefit provisions for pre-Conversion Date Pensionable Service	Common benefit provisions for all participating universities and employees



UPP Funding Structure

UPP Pension Fund Invested as One Fund	
Assets and Liabilities for Pension Benefits Transferred Into UPP (Pre-Conversion Service)	Assets and Liabilities for Pension Benefits Earned From Conversion Date (Post-Conversion Service)
Assets and liabilities from prior university plans transferred into UPP	One joint cost- and risk-sharing arrangement across all participating universities and employees
Each participating university responsible for its own funded status on Conversion Date and for any losses/gains on pre-Conversion Date assets and liabilities for first 10 years from Conversion Date, followed by 10-year transition to 50/50	Contributions are shared 50/50 between universities and employees including sharing of any losses/gains that arise for UPP service



Comparison of Plan Provisions

Provisions	UW Pension Plan	UPP
Eligibility	<p>Employees employed on a full-time or part-time basis (with at least one-third annual commitment) eligible to join on first day of any month coincident with or next following date of employment; mandatory enrollment on first day of month coincident with or next following date of employment if age 35 or over on date of employment, or first day of calendar year coincident with or next following attainment of age 35 if under age 35 at date of employment</p> <p>Full-time or part-time definite-term lecturers who have attained age 35 required to join on first day of month coincident with or next following earlier of promotion to a higher rank or completion of 5 years of service</p> <p>Employees employed at less than one-third annual commitment eligible to join on first day of any month coincident with or next following two immediately preceding calendar years of either earnings of at least 35% of YMPE or hours of work of at least 700</p>	<p>Full-Time Employees: Mandatory enrollment on the first day of the month coincident with or next following date of employment</p> <p>Other Than Continuous Full-Time Employees: Optional enrollment on first day of any month if either earnings* of at least 35% of YMPE or 700 hours* of work, in each of two consecutive calendar years immediately prior to applying for membership</p> <p><i>*from an eligible class of employment</i></p> <p>Transition: All members of the university plan on the Conversion Date become members of the UPP</p>

Comparison of Plan Provisions

Provisions	UW Pension Plan	UPP
Retirement Dates		
Normal Retirement Date	First day of month coincident with or next following attainment of age 65	Last day of month coincident with or in which member reaches age 65 (but no later than normal retirement date under university plan)
Early Retirement Date	Within 10 years of normal retirement date	Last day of month coincident with or in which member attains age 55
Postponed Retirement Date	First day of any month following normal retirement date, subject to pension commencing no later than December 1 of calendar year in which member attains age 71	Last day of any month in which member retires following normal retirement date, subject to no later than November 30 of calendar year in which member attains age 71
Pension Commencement Date	Same date as above for normal, early or postponed retirement	First day of month following normal, early or postponed retirement date

Comparison of Plan Provisions

Provisions	UW Pension Plan	UPP
Benefit Formula		
Average Earnings	Best 60 consecutive months of pensionable earnings	Best 48 non-consecutive months of pensionable earnings (definition of pensionable earnings that applied under university plan continues under UPP)
Average Year's Maximum Pensionable Earnings (YMPE)	Last 5 years	Last 48 consecutive months; Year's Additional Maximum Pensionable Earnings (YAMPE = 1.14 × YMPE) to be used as breakpoint starting in 2025
Benefit Rate Per Year of Pensionable Service	1.4% / 2.0%	1.6% / 2.0%
Maximum Benefit	Income Tax Act maximum pension, subject to cap of \$4,000 per year of pensionable service effective January 1, 2023, increased thereafter each calendar year starting in 2024 by one-third of percentage increase in Average Industrial Wage	Income Tax Act maximum pension; automatically increased with percentage increase in Average Industrial Wage

Comparison of Plan Provisions

Provisions	UW Pension Plan	UPP
Normal Form of Payment		
Without Spouse	Lifetime pension with 10-year guarantee period	Lifetime pension with 10-year guarantee period
With Spouse	Lifetime pension with 10-year guarantee period (LG10); statutory 60% survivor pension actuarially reduced from LG10 pension	Lifetime pension with 50% survivor pension; statutory 60% survivor pension actuarially reduced from 50% survivor pension
Unreduced Early Retirement		
	Age 62	Age 60 and 80 age-plus-service points (e.g., age 60 and 20 years of service; age 62 and 18 years of service); only applies to pension benefit earned for UPP service but pre-Conversion Date service counts for eligibility
Reduced Early Retirement		
	Accrued pension reduced 6% per year from age 62	Accrued pension reduced 5% per year from age 65
Reduction for Early Commencement of Deferred Pension		
	3% per year from ages 65 to 60, plus 6% per year from ages 60 to 55	Actuarial reduction from age 65

Comparison of Plan Provisions

Provisions	UW Pension Plan	UPP
Cost-of-Living Adjustments (Indexation)		
Pensions in Payment	<p>For pension benefits accrued on and after January 1, 2014: Guaranteed indexation at 75% of increase in Consumer Price Index (CPI), up to a maximum adjustment of 3.75%; any indexation over 3.75% determined by P&B Committee based on financial health of plan</p> <p>For pension benefits accrued prior to January 1, 2014: Guaranteed indexation at 100% of increase in CPI, up to a maximum adjustment of 5.00%; any indexation over 5.00% determined by P&B Committee based on financial health of plan</p>	<p>Funded conditional indexation at 75% of increase in CPI</p> <p>Indexation at 75% of CPI included in contribution rates based on long-term actuarial assumptions and granted each year subject to funding policy under which Joint Sponsors can decide to reduce future indexation adjustments below 75% of CPI level given financial health of plan</p>
Deferral Period	<p>No indexation provided on pension benefit for post-January 1, 2008 Pensionable Service unless member has 20 or more years of service or is within 10 years of normal retirement date at termination of employment</p> <p>Indexation amount for eligible pension benefit determined annually by P&B Committee</p>	No indexation provided

Comparison of Plan Provisions

Provisions	UW Pension Plan	UPP
Disability		
	<p>Members in receipt of income under university LTD plan:</p> <ul style="list-style-type: none"> • Cease to contribute while disabled; and • Continue to accrue pensionable service with pensionable earnings at date of disability increased each year by a percentage determined by P&B Committee 	<p>Members in receipt of income under university LTD plan:</p> <ul style="list-style-type: none"> • Cease to contribute while disabled (university makes both member and university contributions); and • Continue to accrue pensionable service with pensionable earnings at date of disability increased at same rate and at same time as disability income under LTD plan
Termination of Membership		
	Deferred pension or commuted value prior to eligibility for early retirement	Deferred pension or commuted value prior to eligibility for early retirement
Death in Service		
	Committed value of accrued pension	Committed value of accrued pension

Comparison of Plan Provisions

Provisions	UW Pension Plan	UPP
Member Contributions		
	7.80% up to YMPE, plus 11.20% above YMPE, up to maximum salary for contribution purposes (\$222,646 in 2023) Ratio of contribution rate to benefit rate: 5.6	9.20% up to YAMPE, plus 11.50% above YAMPE, up to maximum salary for contribution purposes (\$196,200 in 2023) Ratio of contribution rate to benefit rate: 5.75

About Aon

Aon plc (NYSE: AON) exists to shape decisions for the better—to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

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**Report to the Pension & Benefits Committee
16 June 2023**

FOR DISCUSSION

**Considerations for Review of Pension Plan Design Change
From Finance & HR**

The following due diligence by the University is required as a part of considering any pension plan design change:

- Rationale associated with the investigation of a plan design change (e.g. legislative or regulatory change, financial sustainability, employee value proposition, etc);
- Actuarial analysis to determine the estimated impact on the current service cost;
- A review of administrative impacts and the feasibility of supporting system and process changes, and any related technology, vendor, and administration staffing requirements;
- Financial analysis associated with the implementation effort and ongoing management of a plan design change;
- A review of options (i.e. comparability to pension plans at peer institutions and within the comparator market); and
- Assessment of community involvement to support change management for active, retired, and deferred plan participants.

There are two active plan design considerations at present; one brought forward as a proposal from a Committee member and another due to the upcoming change to the Canada Pension Plan (CPP).

COLA Proposal

Following a high-level review of the COLA Proposal submitted by Mary Hardy, Finance and HR have identified that support from Aon and Telus Health (formerly LifeWorks) will be necessary in order to conduct the above due diligence. Please note that the proposal introduces a service break in the formula; pension after such a change would have to be tracked separately. Calculations such as for commuted values and optional forms would have to be done separately on the two pieces of benefits because of the difference in indexation.

CPP Enhancement: Introduction of YAMPE

Further, the Committee is scheduled to assess whether or not to address, and if so how, the integration between the pension plan and the enhanced Canada Pension Plan (CPP), with the upcoming introduction of the related Year's Additional Maximum Pensionable Earnings (YAMPE). Addressing integration between the plan and the enhanced CPP, would result in a service break in the formula.

Next Steps

Both of the above plan design considerations would require service breaks in the formula and therefore should be considered concurrently. Finance and HR will engage with Aon and Telus Health for input, in order to provide a report to the Committee for its September 2023 meeting.

UW Pension cost-of-living adjustment (COLA) proposal

The COLA applied to post-2013 accrued benefits currently guarantees 75% of CPI, up to a maximum of 3.75%. With inflation steady at 2% per year, the loss of purchasing power over a 30-year retirement, due to the 75% provision, is around 14%. If inflation rises to 4% and remains at that level, the loss of purchasing power over a 30-year retirement is over 25%. Furthermore, when inflation spikes (as seen this year), the loss of purchasing power in a single year from the 3.75% cap may be highly significant.

For someone retiring on a low salary, whose pension is just sufficient for their needs, and who probably has little or no savings, this erosion of purchasing power through their retirement could be devastating. For higher income retirees, the effect is less serious, as they are more likely to have savings to draw on to maintain their living standard.

There is a better way to offer COLA, at the same expected cost, that protects more vulnerable retirees. It would use the two-tier structure of the pension benefits. The annual pension benefit is

$$\begin{aligned} & 1.4\% \times \text{Final Average Earnings up to the average YMPE} \times \text{length of service in years} \\ + & 2.0\% \times \text{Final Average Earnings above the average YMPE} \times \text{length of service in years} \end{aligned}$$

The average YMPE relates to the salary that is eligible for CPP benefits; in 2023 it is \$61,840. The annual benefit is subject to a maximum of approximately $3500 \times \text{length of service in years}$.

I propose that the 75% CPI provision is replaced by the following:

- The plan would pay 100% of CPI, subject to a maximum increase of 5%, on the pension based on earnings up to the average YMPE at retirement (equivalently, the pension based on an accrual rate of 1.4%).
- The plan would pay 50% of CPI, subject to a maximum increase of 2.5%, on the pension based on earnings over the average YMPE at retirement (equivalently, the pension based on an accrual rate of 2.0%).

Based on my calculations, the cost of this proposal is approximately equal to the current, 75% CPI provision. The plan actuaries could provide more precise calculations to determine an appropriate cost-neutral factor to apply to the second tier.

The effect of this proposal would be that for future accruals, anyone retiring on a final average salary at or below the average YMPE would have the full purchasing power of their benefits protected, up to the 5% inflation limit. Those earning more than the YMPE would have partial inflation protection. For retirees with final average earnings less than around \$115,000, the proposed method would provide better inflation protection than the current approach; for those earning over \$115,000, the inflation protection under the proposed approach would be reduced, compared with the current approach.

Mary Hardy 24/Feb/2023

Appendix: Illustrations

Assume average YMPE is \$62,000. In each case we show the annual pension income using the basic pension form. The tables show the projected nominal annual pension income, and the projected real annual pension income. The real income adjusts for inflation, to give the projected pension in terms of current purchasing power. The columns headed “75% CPI” are the values based on the current CPI provisions. The columns headed “100%/50% CPI” show the projected pension under the two-tier COLA proposal. The final column shows the % increase or decrease in benefit under the 100%/50% system, compared with the current system.

Case 1.

Final Average Earnings: \$50,000
 Annual Inflation: 2.0%
 Years of pensionable Service: 30

Time from retirement (years)	75% CPI		100%/50% CPI		Increase/Decrease in Benefit
	Nominal Pension	Real Pension	Nominal Pension	Real Pension	
0	21,000	21,000	21,000	21,000	0.0%
5	22,263	20,490	23,186	21,000	2.5%
10	24,371	19,993	25,599	21,000	5.0%
20	28,284	19,034	31,205	21,000	10.3%
30	32,825	18,122	38,039	21,000	15.9%

Case 2.

Final Average Earnings: \$50,000
 Annual Inflation: 4.0%
 Years of pensionable Service: 30

Time from retirement (years)	75% CPI		100%/50% CPI		Increase/Decrease in Benefit
	Nominal Pension	Real Pension	Nominal Pension	Real Pension	
0	21,000	21,000	21,000	21,000	0.0%
5	24,345	20,100	25,550	21,000	4.9%
10	28,222	19,066	31,085	21,000	10.1%
20	37,928	17,310	46,014	21,000	21.3%
30	50,973	15,716	68,111	21,000	33.6%

Case 3.

Final Average Earnings: \$110,000

Annual Inflation: 2.0%

Years of pensionable Service: 25

Time from retirement (years)	75% CPI		100%/50% CPI		Increase/Decrease in Benefit
	Nominal Pension	Real Pension	Nominal Pension	Real Pension	
0	45,700	45,700	45,700	45,700	0.0%
5	49,232	44,591	49,183	44,456	-0.1%
10	53,037	43,509	53,963	43,448	-0.1%
20	61,551	41,422	61,530	41,408	0.0%
30	71,433	39,436	71,655	39,559	0.3%

Case 4.

Final Average Earnings: \$110,000

Annual Inflation: 4.0%

Years of pensionable Service: 25

Time from retirement (years)	75% CPI		100%/50% CPI		Increase/Decrease in Benefit
	Nominal Pension	Real Pension	Nominal Pension	Real Pension	
0	45,700	45,700	45,700	45,700	0.0%
5	52,979	43,545	52,899	43,479	-0.2%
10	61,417	41,491	61,377	41,464	-0.1%
20	82,539	37,670	83,210	37,976	0.8%
30	110,926	34,201	113,854	35,103	2.6%

Case 5.

Final Average Earnings: \$180,000

Annual Inflation: 2.0%

Years of pensionable Service: 25

Time from retirement (years)	75% CPI		100%/50% CPI		Increase/Decrease in Benefit
	Nominal Pension	Real Pension	Nominal Pension	Real Pension	
0	80,700	80,700	80,700	80,700	0.0%
5	86,937	78,741	85,968	77,864	-1.1%
10	93,656	76,830	91,625	75,164	-2.2%
20	108,691	73,146	104,236	70,148	-4.1%
30	126,141	69,639	118,830	65,602	-5.8%

Case 6.

Final Average Earnings: \$180,000

Annual Inflation: 4.0%

Years of pensionable Service: 25

Time from retirement (years)	75% CPI		100% / 50% CPI		Increase/Decrease in Benefit
	Nominal Pension	Real Pension	Nominal Pension	Real Pension	
0	80,700	80,700	80,700	80,700	0.0%
5	93,553	76,894	91,542	75,241	-2.1%
10	108,454	73,268	104,042	70,287	-4.1%
20	145,753	66,250	135,218	61,712	-7.2%
30	195,880	60,393	177,252	54,650	-9.5%

Excerpt From Actuarial Report

Cost-of-Living Adjustments

The pension of each Member receiving pension payments on May 1 of any year shall be adjusted by the Postretirement Cost-of-Living Factor for each year, provided that the Member has received at least one regular pension payment prior to May 1.

For any pension benefits accrued prior to January 1, 2014, this factor is obtained by dividing the average Consumer Price Index for the preceding calendar year by the average index for the next preceding calendar year. In the first year of retirement, the increase will be provided on a pro rata basis subject to the *Income Tax Act* rules. However, if this factor exceeds 105% and if the financial position of the Plan is not sufficient to provide for this increase, the factor may be reduced, within certain limits, to maintain the solvency of the Plan.

For any pension benefits accrued on and after January 1, 2014, this factor is obtained by dividing the average Consumer Price Index from the preceding calendar year by the average index for next preceding calendar year, and then multiplying the result by 0.75. However, if this factor exceeds 103.75% and if the financial position of the plan is not sufficient to period for this increase, the factor may be reduced, within certain limits, to maintain the solvency of the Plan.

In 2009, the date of the annual adjustment changed from July 1 to May 1, with the first such adjustment as of May 1, 2009 prorated to reflect the ten-month period since the prior adjustment.

All terminated Members who are entitled to a terminated vested pension except for those who terminated between July 1, 1977 and December 31, 1986 shall have their terminated vested pensions adjusted on May 1 (July 1 prior to 2009) of each year by a cost-of-living factor to be determined annually by the Committee, subject to the *Income Tax Act* Rules. Notwithstanding the foregoing, if a Member terminates employment on or after January 1, 2008 and is not within ten years of his or her Normal Retirement Date, or has not completed 20 years or more of continuous employment, the Cost of Living Factor shall only apply to the terminated vested member's pension earned in respect of Credited Service prior to January 1, 2008.



Impact of CPP Enhancement on University of Waterloo Pension Plan

Pension & Benefits Committee Meeting

June 16, 2023

Current Integration of UW Pension Plan With CPP

Benefit replacement under CPP (before enhancement) is 25% up to average Year's Maximum Pensionable Earnings (YMPE is \$66,600 in 2023)

Initial integration with CPP for DB registered pension plans was typically based on either:
 $25\%/35 \text{ years} = 0.71\%$ or $25\%/40 \text{ years} = 0.625\%$

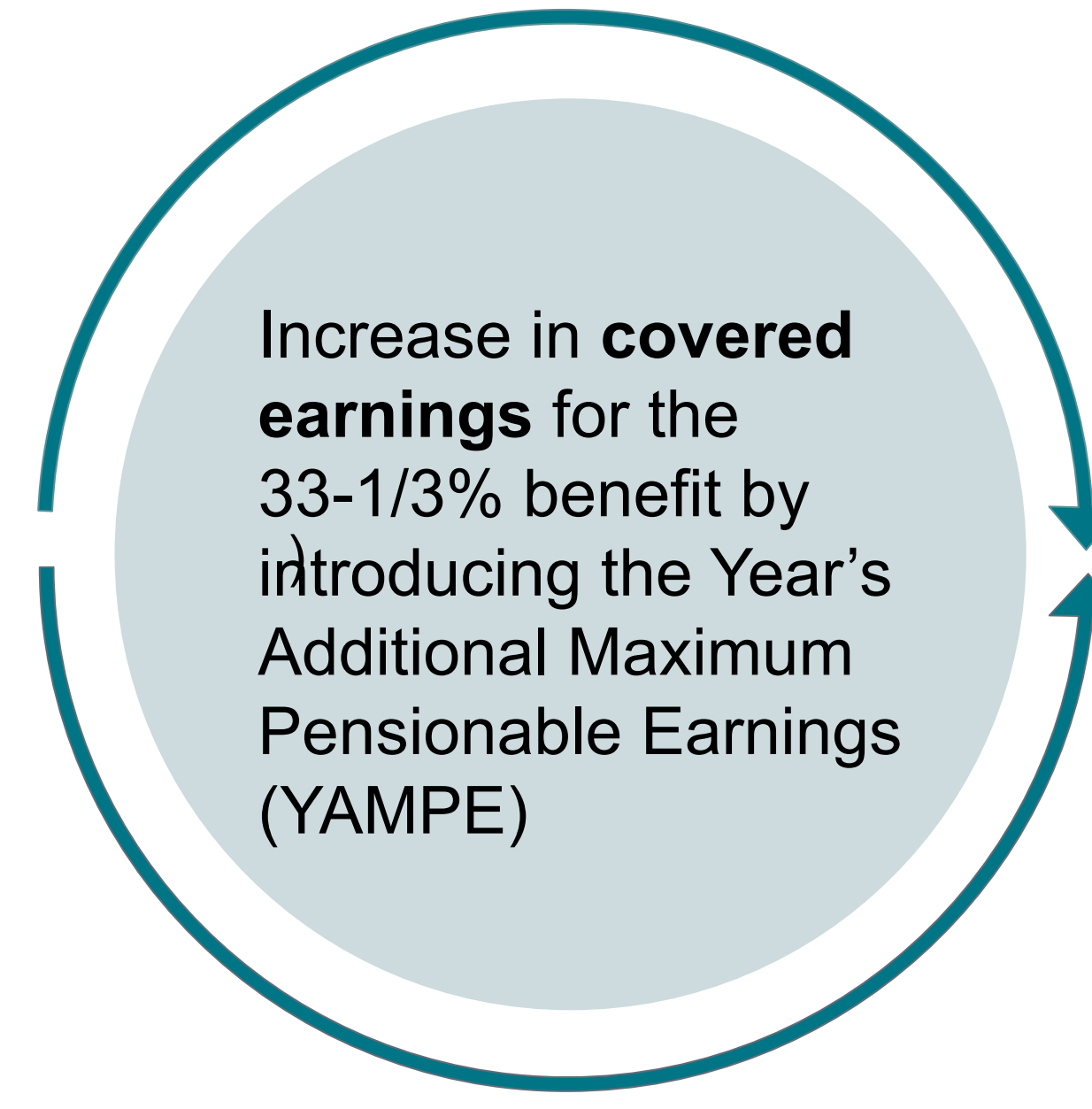
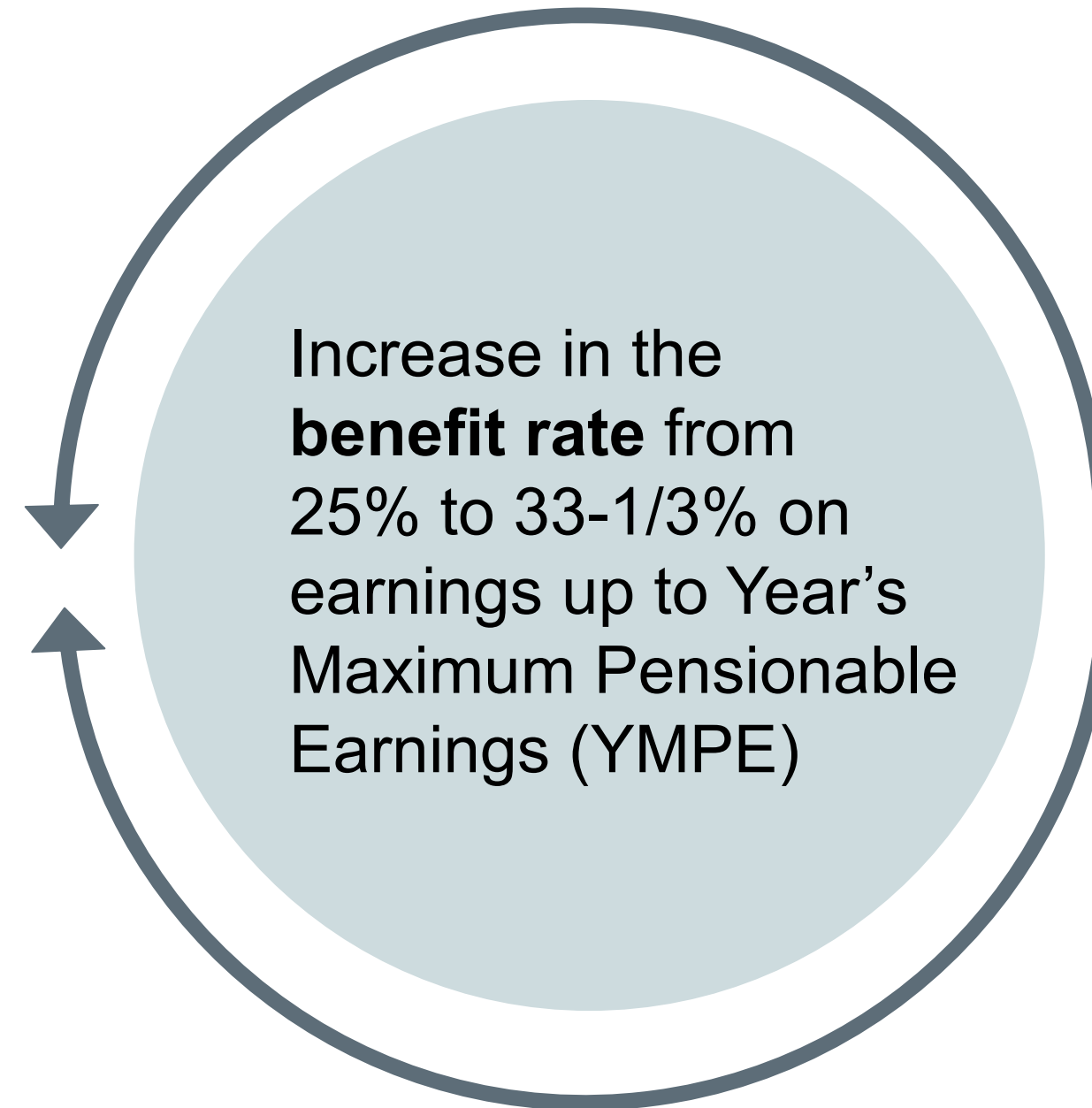
Prior to May 1, 1998, benefit rate under UW Pension Plan was 1.3% below average YMPE plus 2.0% above average YMPE; improved effective May 1, 1998 to 1.4% below average YMPE

Contribution rate to UW Pension Plan integrated with YMPE:
7.8% up to YMPE plus 11.20% above YMPE

Enhancements to CPP

Two main enhancements

- Increase in benefit rate and contribution rates phased in over period from 2019-2023; phase-in complete
- Additional 8-1/3% benefit to be earned over 40 years
- Additional contribution rate of 1% on earnings up to YMPE for both employees and employers; fully phased in by 2023



- Increase in covered earnings phased in over 2024 and 2025
- Additional benefit to be earned over 40 years
- YAMPE set at 1.07 x YMPE for 2024 and 1.14 x YMPE for 2025 and beyond
- Additional contribution rate of 4% on earnings between YMPE and YAMPE for both employees and employers

YMPE and YAMPE for Examples

- YMPE in 2023: \$66,600
- Assuming 3% increase in each of the next two years, YMPE and YAMPE would be as follows:

Year	YMPE	YAMPE
2024	\$68,600	$\$68,600 \times 1.07 = \$73,400$
2025	\$70,700	$\$70,700 \times 1.14 = \$80,600$

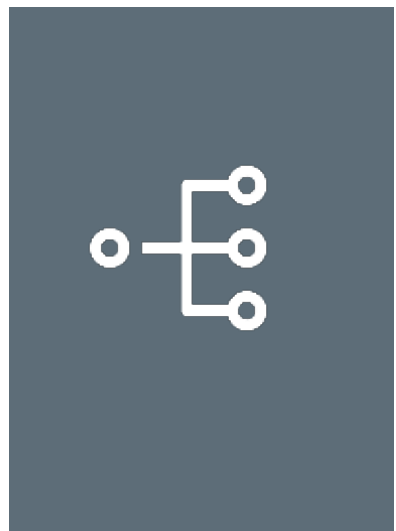


Increase in CPP Contributions Starting in 2024

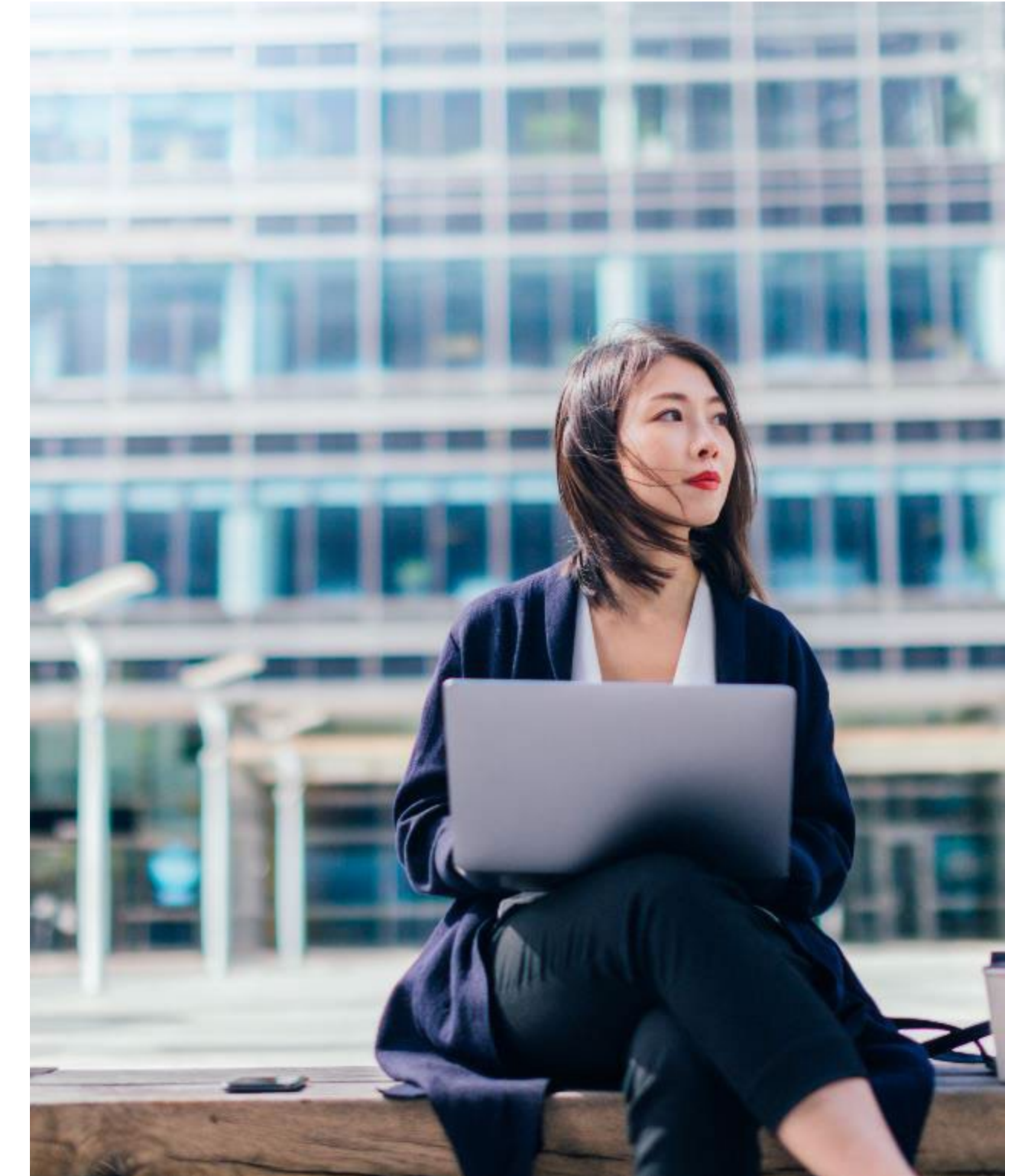


For employees earning over YAMPE, increase in CPP contributions at the 4% contribution rate will be as follows for both employees and employers:

- 2024: \$192 per year
- 2025: \$396 per year



Since CPP enhancement did not increase the YMPE, which is used in the benefit and contribution formula under the UW Pension Plan, but instead created a new breakpoint called the YAMPE, no automatic change to the breakpoint used for benefits and contributions under UW Pension Plan; any change requires plan amendment



Current Environment



Phase-in period for benefit and contribution rate increase complete, but modest change to benefit rate (8-1/3%/40 years = 0.21% per year) along with additional contribution rate of 1.0% for employees and employers has not resulted in pension plans reintegrating with first phase of enhanced CPP.

More pension plans considering the issue with the introduction of the second phase, with the full new CPP benefit rate applying to more covered earnings (33-1/3%/40 years = 0.83% per year on earnings between the YMPE and YAMPE) along with a contribution rate of 4.0% on these additional covered earnings.

Principle of integrating with earnings covered by CPP would suggest considering using the new YAMPE as the breakpoint in the benefit and contribution formula for future service; reducing the 1.4% accrual rate is more about the level of integration.

UPP was set up to use the YAMPE as the breakpoint in the benefit and contribution formula for service after January 1, 2025; however, accrual rate is 1.6% below the average YAMPE.

Integration Example

	Below YMPE		Between YMPE and YAMPE		Above YAMPE	
	Benefit Rate	Contribution Rate	Benefit Rate	Contribution Rate	Benefit Rate	Contribution Rate
CPP	0.63%	4.95%	0.00%	0.00%	0.00%	0.00%
Enhanced CPP	0.21%	1.00%	0.83%	4.00%	0.00%	0.00%
UW Pension Plan	1.40%	7.80%	2.00%	11.20%	2.00%	11.20%
Total	2.24%	13.75%	2.83%	15.20%	2.00%	11.20%

With reintegration with YAMPE



Between YMPE and YAMPE		
CPP	0.00%	0.00%
Enhanced CPP	0.83%	4.00%
UW Pension Plan	1.40%	7.80%
Total	2.23%	11.80%



Reduction of \$336.60 in 2025 versus increased CPP contributions of \$396

Note: Benefit rate applied to 5-year average YMPE and YAMPE; contribution rate applied to YMPE and YAMPE

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