

UNIVERSITY OF  
**WATERLOO**



**Board of Governors**

# Pension & Benefits

## Open Session

September 13, 2024

Needles Hall/Zoom

NH 3318

200 University Avenue West

Waterloo, ON, N2L 3G1

# UNIVERSITY OF WATERLOO



## Board of Governors

### 2024 09 13 Pension & Benefits Meeting Book

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12:00 p.m.	6. Adjournment		

**For Decision**

**Open Session**

**Date of Meeting:** September 13, 2024

**To:** Members, Pension & Benefits Committee

**From:** Sarah Willey-Thomas, Associate University Secretary

**RE:** **1) Approval of Agenda and Consent Items**

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### **1.1. Declarations of Conflict of Interest**

Members are invited to declare any conflicts related to the confidential agenda at this time. Should a conflict of interest arise during the course of discussion, Members are invited to declare a conflict of interest as it arises.

The Secretariat can provide guidance regarding any potential conflicts of interest in advance of or during the Board meeting.

Governors are invited to review the Conflict of Interest webpage on the Secretariat [website](#).

### **1.2. Approval of Agenda**

**Recommendation:**

**That the September 13, 2024 meeting agenda be approved.**

### **1.3. Minutes of the June 11, 2024 Meeting**

**Recommendation:**

**That the minutes of the June 11, 2024 meeting be approved.**

### **1.4. Business Arising**

All other matters of business arising will be addressed throughout the balance of the agenda.

**Documentation Provided:**

- June 11, 2024 Meeting Minutes



[https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1\\_Open Session/1 Agenda and Minutes.docx](https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1_Open Session/1 Agenda and Minutes.docx)

**University of Waterloo**  
**Board of Governors**  
**PENSION & BENEFITS COMMITTEE**  
**Minutes of the June 11, 2024 Meeting**  
**[in agenda order]**

**Present:** Trevor Askes, Elizabeth Demers, Teresa Fortney (chair), Melissa Graham, Sarah Hadley, Michelle Hollis, Lily Hua, Jacinda Reitsma, David Taylor, James Thompson, Sarah Willey-Thomas (Secretary), Melanie Figueiredo

**Regrets:** Danielle Deveau, James Rush

**Guests:** Anata Alphonso, Lee Hornberger, Sue McGrath, Scott Palmer (Aon), Allan Shapira, Daniel Trudelle

**OPEN SESSION**

**1. Agenda and Minutes**

**a. Declarations of Conflict of Interest**

No conflicts of interest were declared.

**b. Approval of Agenda**

Demers and Graham.

**That the June 11, 2024 meeting agenda be approved.**

**CARRIED**

**c. Approval of Minutes May 17, 2024 Minutes**

Hollis and Thompson.

**That the minutes of the May 17, 2024 meeting be approved.**

**CARRIED**

**d. Business Arising**

There were no matters of business arising.

**2. Reports from Sub-Committees**

**a. Report of the Pension Investment Committee**

**i. Summary of Total Fund Investment Performance, Q1 2024**

Sarah Hadley delivered the report on behalf of the Pension Investment Committee Chair. The Committee discussed the new format of the report and sought clarity on the percentile rank.

**3. Benefits**

**a. Health Care Spending Account**

Aon presented education session on Health Care Spending Accounts (HCSAs). The Committee discussed potential usage rates of HCSAs; benefits and drawbacks associated with HCSAs; that HCSAs are not auto coordinated to cover co-pay; differences between HCSA and personal wellness accounts; and tax advantages of a HCSA.

The Committee requested an update on pharmaceutical compounding.

**4. Pension**

**a. Carbon Disclosure Report**

Sarah Hadley presented the Carbon Disclosure Report for information. The Committee discussed disclosures by comparator universities; maintaining the current target; that carbon is one of many considerations for ESG reporting; and how reporting changes as the data improves.

**5. Other Business**

**a. Execution Against Work Plan**

The Committee received the work plan for information.

**6. Adjournment**

The meeting adjourned at 4:15 p.m.

September 10, 2024

Sarah Willey-Thomas  
Associate University Secretary

**For Information**

**Open Session**

**Date of Meeting:** September 13, 2024

**To:** Members, Pension & Benefits Committee

**From:** Sarah Willey-Thomas, Associate University Secretary

**RE:** **2. Reports from Sub-Committee**

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**a) Report of the Pension Investment Committee**

**Background:**

In accordance with the [Terms of Reference for the Committee](#), the Pension Investment Committee is a subcommittee of the Pension & Benefits Committee that is mandated to oversee the investment of the assets of the University of Waterloo Pension Plan .

Additional information about the Committee can be found on the [Secretariat website](#).

Aubrey Basdeo, Chair, Pension Investment Committee (PIC), will provide the Committee with a verbal update regarding the activities of PIC, including the Summary of Total Fund Investment Performance for Q2 2024.

**Documentation Provided:**

- Summary of Total Fund Investment Performance, Q2 2024

*[https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1\\_Open Session/2.1.1. Report of the Pension Investment Committee.docx](https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1_Open Session/2.1.1. Report of the Pension Investment Committee.docx)*



**ECKLER**

# University of Waterloo Pension Plan

Investment Performance Review – P&B Committee

Second Quarter 2024

Jason Campbell, CFA, CAIA

Gino Di Censo, CFA, CAIA

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A background image showing four business professionals in a meeting. A woman on the right is standing and gesturing with her hands while speaking. Three others (two men and one woman) are seated around a table, listening attentively. A laptop and a coffee cup are on the table. The scene is brightly lit, likely from a large window.

# Executive Summary

# Capsule

## Fund Update:

- The Pension Plan returned 1.4% over the quarter, underperforming the benchmark return of 2.2% by 0.8%, ranking in the second quartile of the Eckler DB Pension Client Universe.
- The Pension Plan has underperformed its benchmark over all annualized periods reviewed ending June 30, 2024 on a net return basis. The Pension Plan has also underperformed the CPI + 3.5% target over 3-, 4- and 5-year periods reviewed ending June 30, 2024.
- Compared to the Eckler DB Pension Clients Universe, the Total Fund (gross of fees) has ranked in the fourth quartile over longer term annualized periods ending June 30, 2024.

## Market Update:

- During the second quarter, both the Canadian and US economies continued to experience a moderation in inflationary pressures, with Canadian CPI falling further within the Bank of Canada's (BoC) target range of 1% to 3%. Consequently, both economies now appear to be firmly on a disinflationary trajectory, supporting the notion for potential rate cuts in the coming months.
- In Canada, it was a similar story to last quarter, with the TSX trailing the S&P 500 by 6.0% in Canadian Dollar terms and posting a -0.5% return for the quarter. This continues to be largely driven by broader economic weakness in Canada across sectors, the TSX's lower index weighting in the Information Technology sector and lower exposure to mega-capitalization technology companies. The rally in US equities has become increasingly concentrated, with the Magnificent 7 continuing to lead the market as driven by Nvidia, Apple and Alphabet. As of the quarter end, the Magnificent 7 accounted for 32.0% of the S&P500's market capitalization.
- Elsewhere, international equities (MSCI EAFE Index (\$C)) failed to keep pace with their US counterparts, but nonetheless outpaced the TSX and returned 0.7%. The performance was attributed to gains in the Health Care, Financials and Energy sectors while on an absolute basis the index's largest detractors were the Consumer Discretionary and Real Estate sectors.
- Fixed Income markets experienced positive returns with both the Bank of Canada and European Central Bank cutting interest rates by 0.25% during the second quarter. As a result, the FTSE Canada Universe Bond Index finished the second quarter up 0.9%, with the BoC indicating the possibility of further rate cuts on the horizon. This also marked the beginning of the rate cutting cycle for the ECB as they cut rates for the first time in five years. As of July 24th, the Bank of Canada cut interest rates again by 0.25% to now 4.50%.



# Capsule

## *Sources of Performance (net of fees, over the quarter):*

### **Passive Funds:**

- The TD Emerald Canadian Equity fund returned -0.5% during the quarter, tracking the S&P/TSX Composite return.
- The TD Emerald Pooled U.S. fund returned 5.5% during the quarter, tracking the S&P 500 (\$C) return.
- The TD Emerald International Equity Index fund returned 0.8% during the quarter, tracking the MSCI EAFE Index (\$C) return.
- The TD Universe Bond Index fund returned 0.8% during the quarter, tracking the FTSE Canada Universe Bond Index return.

### **Active Funds:**

- The TD Active Short Term Corporate fund returned 1.4% during the quarter, matching its benchmark's return.
- The RBC Global Focus Equity Fund returned 3.3% during the quarter, underperforming the MSCI ACWI Index (\$C) return of 4.0% by 0.7%.
- The Mirova Global Sustainable Equity Fund returned 3.9% during the quarter, underperforming the MSCI ACWI Index (\$C) return of 4.0% by 0.1%.
- The Walter Scott Global Equity Fund returned 1.2% during the quarter, underperforming the MSCI World Index (\$C) return of 3.8% by 2.6%.
- The IFM Global Infrastructure Fund returned 1.5% (\$CAD) during the quarter, underperforming its benchmark return of 2.1% by 0.6%.
- The CBRE Global Alpha Real Estate fund returned (\$CAD as of Q1 2024) 0.9%, underperforming its benchmark return of 1.6% by 0.7%.

### **Public Real Assets:**

- The iShares S&P/TSX Capped REIT Index ETF returned -6.4% during the quarter, underperforming its benchmark's return of -1.1% by 5.3%.
- Brookfield Infrastructure Partners L.P. (BIP.UN) returned -9.9% during the quarter, underperforming its benchmark return of 2.1% by 12.0%.
- Brookfield Renewable (BEP.UN) returned 9.0% during the quarter, outperforming its benchmark return of 2.1% by 6.9%.

# Capsule

## Investment Manager Updates:

- No significant investment manager updates over the quarter.

## SIP&P

- The SIP&P was last updated effective April 1, 2023.

## Compliance

- IFM, Walter Scott, PH&N, Mirova and TDGIS claimed compliance with the SIP&P in the second quarter of 2024.

## Total Fees (Estimated as of June 30, 2024)

Manager	Mandate	Market Values as of June 30, 2024	Quarterly Fee (\$)	Quarterly Fee (%)	Annual Fee (%)
TDAM	Passive Fixed Income and Equities	\$ 1,014,665,700	\$ 62,981	0.01%	0.02%
TDAM	Active Fixed Income	\$ 390,627,354	\$ 93,360	0.02%	0.10%
PH&N*	Active Global Equities	\$ 107,052,022	\$ 142,565	0.13%	0.53%
Mirova	Active Global Equities	\$ 120,035,452	\$ 165,049	0.14%	0.55%
Walter Scott	Active Global Equities	\$ 543,341,566	\$ 716,677	0.13%	0.53%
IFM	Global Infrastructure	\$ 85,015,010	\$ 163,654	0.19%	0.77%
CBRE**	Global Real Estate	\$ 70,248,379	\$ 79,029	0.11%	0.45%
UW	Managed Account	\$ 242,704,833	N/A	N/A	N/A
UW	Operating Account	\$ 11,671,279	N/A	N/A	N/A
<b>Total</b>		<b>\$ 2,585,361,595</b>	<b>\$ 1,423,315</b>	<b>0.06%</b>	<b>0.22%</b>

\*Actual PH&N fees might be lower than the fees estimated as UW benefits from an aggregation discount

\*\*CBRE offers a 0.05% discount for Eckler clients (aggregation discount). The fund's standard fee is 0.50%.

There are performance fees with hurdles and catch-up considerations for the IFM and CBRE Funds which is not taken into consideration for this table.

Please also note IFM, CBRE & Mirova fees are netted

A background image showing four business professionals in a meeting. A woman on the right is standing and gesturing with her hands while speaking. Three others (two men and one woman) are seated around a table, listening attentively. A laptop and a coffee cup are on the table. The scene is brightly lit, likely from a large window in the background.

## Performance and Risk

# Performance Summary (Net of Fees)

Fund	Market Values as of June 30, 2024	Net Annualized Rate Of Return (%) as of June 30, 2024 and Percentile Rank						
		MRQ	YTD	1 Year	2 Years	3 Years	4 Years	5 Years
<b>Total Fund</b>	<b>\$ 2,585,361,595</b>	<b>1.4</b>	<b>7.0</b>	<b>11.0</b>	<b>11.9</b>	<b>4.4</b>	<b>6.8</b>	<b>6.1</b>
Total Fund Benchmark <sup>1</sup>		2.2	8.2	14.4	12.5	4.9	7.6	6.8
CPI + 3.5% <sup>2</sup>		1.9	3.7	6.3	6.3	8.2	7.8	7.1
Value Added (Total Fund Benchmark)		-0.8	-1.2	-3.4	-0.6	-0.5	-0.8	-0.7
Value Added (CPI + 3.5%)		-0.5	3.3	4.7	5.6	-3.8	-1.0	-1.0
<b>Canadian Equities</b>		-0.5	6.0	12.2	11.3	6.0	13.1	7.1
<b>TD Emerald Canadian Equity Index<sup>3</sup></b>	<b>\$ 144,451,110</b>	-0.5	6.0	12.1	11.3	6.0	12.3	9.3
S&P/TSX Composite Index		-0.5	6.1	12.1	11.3	6.0	12.3	9.3
Value Added		0.0	-0.1	0.0	0.0	0.0	0.0	0.0
<b>U.S. Equities</b>								
<b>TD Emerald Pooled U.S. Fund</b>	<b>\$ 330,417,897</b>	5.5	19.6	28.7	25.6	13.7	17.1	16.1
S&P 500 (\$C)		5.4	19.6	28.8	25.7	13.7	17.1	16.1
Value Added		0.1	0.0	-0.1	-0.1	0.0	0.0	0.0
<b>Active Global Equities</b>	<b>\$ 770,429,041</b>	2.0	13.5	18.8	21.0	8.1	11.3	9.7
Global Equity Benchmark <sup>6</sup>		4.0	15.5	23.5	21.5	9.0	13.2	11.9
Value Added		-2.0	-2.0	-4.7	-0.5	-0.9	-1.9	-2.2
<b>Walter Scott Global Equity</b>	<b>\$ 543,341,566</b>	1.2	11.7	16.9	21.4	8.7	12.1	11.6
MSCI World Index Net (\$C)		3.8	16.0	24.3	22.9	10.5	14.3	12.8
Value Added		-2.6	-4.3	-7.4	-1.5	-1.8	-2.2	-1.2
<b>RBC Global Focus Equity<sup>4</sup></b>	<b>\$ 107,052,022</b>	3.3	16.2	21.9	15.0	3.3	10.0	10.0
<b>Mirova Global Sustainable Equity<sup>4*</sup></b>	<b>\$ 120,035,452</b>	3.9	18.2	22.3	21.9	7.9	12.2	13.6
MSCI ACWI Index Net (\$C)		4.0	15.5	23.4	21.5	9.0	13.2	11.8
Value Added (RBC Global Focus Equity)		-0.7	0.7	-1.5	-6.5	-5.7	-3.2	-1.8
Value Added (Mirova Global Sustainable Equity)		-0.1	2.7	-1.1	0.4	-1.1	-1.0	1.8
<b>International Equities</b>								
<b>TD Emerald International Equity Index</b>	<b>\$ 205,094,724</b>	0.8	9.3	15.3	18.5	6.4	9.7	7.5
MSCI EAFE Index Net (\$C)		0.7	9.3	15.3	18.5	6.4	9.7	7.4
Value Added		0.1	0.0	0.0	0.0	0.0	0.0	0.1

\*Beginning Q3 2023, the fees were charged directly to the investment vehicle

# Performance Summary (Net of Fees)

Fund	Market Values as of June 30, 2024	Net Annualized Rate Of Return (%) as of June 30, 2024 and Percentile Rank						
		MRQ	YTD	1 Year	2 Years	3 Years	4 Years	5 Years
<b>Fixed Income</b>	\$ 722,782,380	0.7	0.6	5.1	4.0	-0.3	-0.2	1.0
TDAM Universe Bond Index	\$ 317,907,626	0.8	-0.5	3.6	3.3	-1.8	-2.0	-0.1
FTSE Canada Universe Bond Index		0.9	-0.4	3.7	3.4	-1.8	-1.9	0.0
Value Added		-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.1
TDAM Canadian Long Bond Broad Market Index	\$ 16,794,343	0.2	-3.4	0.3	3.1	-5.2	-5.6	-2.4
FTSE Canada Long Bond Index		0.2	-3.4	0.4	3.1	-5.2	-5.6	-2.3
Value Added		0.0	0.0	-0.1	0.0	0.0	0.0	-0.1
TDAM Active Short Term Corporate	\$ 388,080,411	1.4	2.3	7.1	4.8	1.3	1.5	2.1
FTSE Canada Short Term Corporate Bond Index		1.4	2.3	7.3	4.9	1.4	1.6	2.2
Value Added		0.0	0.0	-0.2	-0.1	-0.1	-0.1	-0.1
<b>Real Estate<sup>5</sup></b>	\$ 129,341,942							
iShares S&P/TSX Capped REIT Index ETF	\$ 59,093,564	-6.4	-6.9	-5.4	-2.4	-4.6	3.7	-0.5
FTSE EPRA Nareit Developed		-1.1	0.5	9.3	4.0	-0.6	4.7	1.2
Value Added		-5.3	-7.4	-14.7	-6.4	-4.0	-1.0	-1.7
<b>Real Estate<sup>5</sup> (Lagged)</b>								
CBRE Global Alpha - Net (\$C)*	\$ 70,248,379	0.9	0.9	-7.8	-1.2	3.6	2.0	3.4
CBRE Global Alpha - Net (Local \$)*		0.2	0.2	-4.8	-2.0	3.9	3.8	4.3
FTSE EPRA NAREIT Developed*		1.6	1.6	8.6	-3.4	2.3	6.5	1.0
Value Added (\$C)		-0.7	-0.7	-16.4	2.2	1.3	-4.5	3.3
<b>Infrastructure<sup>5</sup></b>	\$ 193,470,756							
IFM Global Infrastructure Fund - Net (\$C)	\$ 85,015,010	1.5	0.9	4.4	7.5	9.0	10.4	8.9
Brookfield Infrastructure Partners L.P. (BIP.UN)	\$ 61,936,538	-9.9	-7.5	-18.2	-8.3	-2.7	4.8	7.1
Brookfield Renewable (BEP.UN)	\$ 46,519,209	9.0	0.1	-8.3	-8.5	-	-	-
FTSE Global Core Infrastructure 50/50 Index		2.1	6.6	8.9	5.8	6.5	7.0	4.8
Value Added (IFM Global Infrastructure Fund)		-0.6	-5.7	-4.5	1.7	2.5	3.4	4.1
Value Added (Brookfield Infrastructure Partners L.P. (BIP.UN))		-12.0	-14.1	-27.1	-14.1	-9.2	-2.2	2.3
Value Added (Brookfield Renewable (BEP.UN))		6.9	-6.5	-17.2	-14.3	--	--	--

\*Returns as of Q1 2024, Q2 2024 returns were not available for CBRE at the time of this report.

# 4-Year Performance and Risk Metrics Summary

Fund	4-Year Rolling Net Annualized Returns (%) as of June 30,				Risk Analyses (over 4 years)				
	2024	2023	2022	2021	Std. Dev	Risk Return	Info Ratio	UMC	DMC
<b>Total Fund</b>	6.8	5.0	3.6	7.6	9.3	SE	-0.4	94.9	99.7
Total Fund Benchmark <sup>1</sup>	7.6	5.0	4.1	8.6	9.6	SE			
CPI + 3.5% <sup>2</sup>	7.8	7.3	7.1	5.7	N/A	SW			
Value Added (Total Fund Benchmark)	-0.8	0.0	-0.5	-1.0					
Value Added (CPI + 3.5%)	-1.0	-2.3	-3.5	1.9					
<b>Canadian Equities</b>					11.9	SE	0.5	104.2	99.5
<b>TD Emerald Canadian Equity Index</b>	12.3	8.6	6.9	10.7	11.4	SE			
S&P/TSX Composite Index	12.3	8.6	6.9	10.7	11.4	SE			
Value Added	0.0	0.0	0.0	0.0					
<b>U.S. Equities</b>									
<b>TD Emerald Pooled U.S. Fund</b>	17.1	13.1	10.0	16.2	13.0	NW			
S&P 500 (\$C)	17.1	13.1	10.0	16.2	13.0	NW			
Value Added	0.0	0.0	0.0	0.0					
<b>Global Equities</b>	11.3	7.5	3.9	11.3	14.4	SE	-0.5	101.5	128.3
Global Equity Benchmark <sup>6</sup>	13.2	9.2	5.9	12.7	12.5	NW			
Value Added	-1.9	-1.7	-2.0	-1.4					
<b>Walter Scott Global Equity</b>	12.1	10.3	7.2	15.3	14.6	NE	-0.4	101.0	125.3
MSCI World Index Net (\$C)	14.3	10.1	6.3	12.7	12.7	NW			
Value Added	-2.2	0.2	0.9	2.6					
<b>RBC Global Focus Equity</b>	10.0	7.3	7.2	18.1	14.9	SE	-0.5	95.5	126.1
<b>Mirova Global Sustainable Equity*</b>	12.1	11.6	9.2	17.9	16.0	NE	-0.1	117.6	148.5
MSCI ACWI Index Net (\$C)	13.2	9.0	5.6	12.2	12.5	NW			
Value Added (RBC Global Focus Equity)	-3.2	-1.7	1.6	5.9					
Value Added (Mirova Global Sustainable Equity)	-1.2	2.6	3.6	5.7					
<b>International Equities</b>									
<b>TD Emerald International Equity Index</b>	9.7	5.6	0.6	6.7	13.6	NW			
MSCI EAFE Index Net (\$C)	9.7	5.6	0.6	6.6	13.6	NW			
Value Added	0.0	0.0	0.0	0.1					

Note: Risk analyses metrics were calculated using gross of fee returns.

# 4-Year Performance and Risk Metrics Summary

Fund	4-Year Rolling Net Annualized Returns (%) as of June 30,				Risk Analyses (over 4 years)				
	2024	2023	2022	2021	Std. Dev	Risk Return	Info Ratio	UMC	DMC
<b>Fixed Income</b>	-0.2	0.0	0.8	3.2	5.2	NW	0.7	78.8	59.9
<b>TDAM Universe Bond Index</b>	-2.0	-1.1	-0.1	3.2	7.4	SW			
FTSE Canada Universe Bond Index	-1.9	-1.0	0.0	3.3	7.4	SW			
Value Added	-0.1	-0.1	-0.1	-0.1					
<b>TDAM Canadian Long Bond Broad Market Index</b>	-5.6	-3.1	-1.8	4.2	14.2	SW			
FTSE Canada Long Bond Index	-5.6	-3.0	-1.7	4.3	14.2	SW			
Value Added	0.0	-0.1	-0.1	-0.1					
<b>TDAM Active Short Term Corporate</b>	1.5	0.8	1.4	3.0	3.6	NE	-0.1	98.8	98.6
FTSE Canada Short Term Corporate Bond	1.6	0.9	1.5	3.1	3.5	NE			
Value Added	-0.1	-0.1	-0.1	-0.1					
<b>Real Estate</b>									
<b>iShares S&amp;P/TSX Capped REIT Index ETF</b>	3.7	0.8	3.8	9.3	16.6				
FTSE EPRA Nareit Developed	4.7	-0.7	1.5	5.9	13.7				
Value Added	-1.0	1.5	2.3	3.4					
<b>Real Estate (Lagged)</b>									
<b>CBRE Global Alpha - Net (\$C)*</b>	2.0	6.5	7.1	6.6	5.6				
CBRE Global Alpha - Net (Local \$)*	3.8	6.7	8.9	7.1	4.9				
FTSE EPRA Nareit Developed	6.5	-0.8	7.5	4.1	13.8				
Value Added (\$C)	-4.5	7.3	-0.4	2.5					
<b>Infrastructure</b>									
<b>IFM Global Infrastructure Fund</b>	10.4	10.1	11.2	11.9	3.1				
<b>Brookfield Infrastructure Partners L.P. (BIP.UN)</b>	4.8	14.6	18.6	15.7	18.5				
<b>Brookfield Renewable (BEP.UN)</b>	--	--	--	--	--				
FTSE Global Core Infrastructure 50/50 Index	7.0	3.9	7.0	6.2	8.3				
Value Added (IFM Global Infrastructure Fund)	3.4	6.2	4.2	5.7					
Value Added (BIP.UN)	-2.2	10.7	11.6	9.5					

\*Returns as of Q1 2024, Q2 2024 returns were not available for CBRE at the time of this report.



# Review of Fund Assets



# Asset Allocation

	Canadian Equities	Global Equities	Fixed Income	Real Estate	Infrastructure	Cash & Short-Term	Total Market Value <sup>(1)</sup>
<b>TD Global Investment Solutions</b>	<b>144,451,110</b>	<b>535,512,621</b>	<b>722,782,380</b>			<b>2,546,943</b>	<b>1,405,293,054</b>
% of Mandate	10.3%	38.1%	51.4%			0.2%	100.0%
% of Fund	5.6%	20.7%	28.0%			0.1%	54.4%
<b>PH&amp;N</b>		<b>107,052,022</b>					<b>107,052,022</b>
% of Mandate		100.0%					100.0%
% of Fund		4.1%					4.1%
<b>Walter Scott</b>		<b>543,341,566</b>					<b>543,341,566</b>
% of Mandate		100.0%					100.0%
% of Fund		21.0%					21.0%
<b>Mirova</b>		<b>120,035,452</b>					<b>120,035,452</b>
% of Mandate		100.0%					100.0%
% of Fund		4.6%					4.6%
<b>IFM</b>					<b>85,015,010</b>		<b>85,015,010</b>
% of Mandate					100.0%		100.0%
% of Fund					3.3%		3.3%
<b>CBRE</b>				<b>70,248,379</b>			<b>70,248,379</b>
% of Mandate				100.0%			100.0%
% of Fund				2.7%			2.7%
<b>iShares S&amp;P/TSX Capped REIT Index ETF</b>				<b>59,093,564</b>			<b>59,093,564</b>
% of Mandate				100.0%			100.0%
% of Fund				2.3%			2.3%
<b>Brookfield Infrastructure Partners L.P. (BIP.UN)</b>					<b>61,936,538</b>		<b>61,936,538</b>
% of Mandate					100.0%		100.0%
% of Fund					2.4%		2.4%
<b>Brookfield Renewable (BEP.UN)</b>					<b>46,519,209</b>		<b>46,519,209</b>
% of Mandate					100.0%		100.0%
% of Fund					1.8%		1.8%
<b>BAs/U.S. and CDN Cash</b>						<b>75,155,523</b>	<b>75,155,523</b>
% of Mandate						100.0%	100.0%
% of Fund						2.9%	2.9%
<b>UW Operating</b>						<b>11,671,279</b>	<b>11,671,279</b>
% of Mandate						100.0%	100.0%
% of Fund						0.5%	0.5%
<b>Total Fund</b>	<b>144,451,110</b>	<b>1,305,941,662</b>	<b>722,782,380</b>	<b>129,341,942</b>	<b>193,470,756</b>	<b>89,373,745</b>	<b>2,585,361,595</b>
% of Total Fund - Current Quarter	5.6%	50.5%	28.0%	5.0%	7.5%	3.5%	100.0%
<i>Policy Asset Mix</i>	<i>5.0%</i>	<i>48.0%</i>	<i>25.0%</i>	<i>10.0%</i>	<i>10.0%</i>	<i>2.0%</i>	<i>100.0%</i>
<i>Constraints</i>	<i>0%-10%</i>	<i>40%-55%</i>	<i>20%-35%</i>	<i>5%-15%</i>	<i>5%-15%</i>	<i>0%-5%</i>	



# Appendix A

# Footnotes to Performance Summary

## **Notes:**

<sup>1</sup>Total Fund Benchmark was implemented as a performance objective in February 2022. The Total Fund Benchmark consists of 2% FTSE TMX Canada 91-Day T-Bill, 25% FTSE TMX Universe Bond, 5% S&P/TSX Composite, 48% MSCI ACWI, 10% FTSE Developed Core Infrastructure 50/50 and 10% FTSE EPRA/NAREIT Developed (CAD).

<sup>2</sup>CPI+3.5% benchmark has been implemented since February 2022. CPI+3.6% benchmark has been implemented retrospectively since 1 November 2018. From 1 January 2017 to 31 October 2018, CPI+3.5% benchmark was used. From 1 January 2016 to 31 December 2016, CPI + 3.7% benchmark was used. From 1 January 2014 to 31 December 2016, CPI+3.75% benchmark was used. Prior to 1 January 2014, CPI+3.85% benchmark was used. The benchmark return provided

<sup>3</sup>TD Emerald Canadian Equity Index added July 2020. Returns prior to these dates are presentative only.

<sup>4</sup>In August 2021, RBC Global Focus Equity and Mirova Sustainable Global Equity strategies were added. Returns prior to these dates are representative only.

<sup>5</sup>Quartiles not shown due to limited number of comparable funds.

<sup>6</sup>Global Equities Benchmark is 100% MSCI ACWI as of February 2022. The benchmark was MSCI World in the period before that.

# Footnotes to 4-Year Performance and Risk Metrics Summary

- Figures in **green** font exceed the relevant benchmark; figures in **red** font fall short of the relevant benchmark.
- Risk/return quadrant refers to the location on a volatility versus return scattergram, where:
  - the upper left or northwest (NW) quadrant represents higher return and lower volatility than the median manager
  - the upper right or northeast (NE) quadrant represents higher return and higher volatility than the median manager
  - The lower left or southwest (SW) quadrant represents lower return and lower volatility than the median manager
  - The lower right or southeast (SE) quadrant represents lower return and higher volatility than the median manager
- Risk measures are based on 4 years of data.

# Definitions

**Alpha (value-added)** – is a measure of incremental return that a manager has earned due to non-market factors. A positive alpha indicates that the manager has been able to add value above expectations based on the level of market risk taken.

**Information Ratio** - is a measure of the value added over an index per unit of active risk. As such, we can view it as a measure of performance “efficiency” (i.e., are we getting enough excess return for the active risk being taken?).

**Market Capture Ratio** - is a measure of the manager’s performance in up (or down) markets relative to the market itself. A value of 110 suggests the manager performs ten percent better (worse) than the market when the market is up (down) during the selected time period. The return for the market for each quarter is considered an up (down) market if it is greater than or equal to (less than) zero. The ideal position in a market capture chart is toward the upper left or NW corner (higher upside capture – lower downside capture).

**Standard Deviation** - is a measure of how widely dispersed or tightly bunched a set of returns are around their average return. The higher the standard deviation, the higher the dispersion over time and hence it is used to gauge performance volatility. Generally, equity performance has higher standard deviation than fixed income performance. The ideal position in a risk vs. returns chart is toward the upper left or NW corner (higher return – lower risk or volatility).

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**For Information****Open Session**

**Date of Meeting:** September 13, 2024

**To:** Members, Pension & Benefits Committee

**From:** Sarah Willey-Thomas, Associate University Secretary

**RE:** **3. Benefits**

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**3.1. Health Care Spending Account**

Michelle Hollis, Chief Human Resource Officer, will present the Health Care Spending Account (HCSA) report.

The report includes relevant background information relevant to the University of Waterloo as well as general information about an HCSA benefit.

Members will recall Aon delivered an education session at the June 2024 meeting regarding HCSA benefits.

**Documentation Provided:**

- Report - Health Care Spending Account (HCSA)

[https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1\\_Open Session/3.1.1. Health Care Spending Account.docx](https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1_Open Session/3.1.1. Health Care Spending Account.docx)

**Report to the Pension & Benefits Committee  
13 September 2024**

**FOR INFORMATION**

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**Health Care Spending Account (HCSA)  
From Human Resources and Finance**

**Background**

The arbitrated settlement effective May 1, 2024 for the faculty employee group includes a recommendation to the Pension & Benefits Committee to introduce a new benefit for faculty members, in the form of a Health Care Spending Account (HCSA). The settlement contemplates an HCSA in the amount of \$300 per policy year effective date of May 1, 2025 per faculty member actively employed on that date (i.e. those who are eligible for the annual Faculty Salary Increase process); however, if the HCSA is not approved by the Pension & Benefits Committee, the amount shall be awarded as additional salary for FAUW members only (this provision will not be extended to other employee groups).

The CUPE Local 793 collective agreement (3-year term) was ratified July 26, 2024. The salary agreement for the Staff employee group (1-year term) effective May 1, 2024, to April 30, 2025, was finalized early August 2024 and negotiations for an OPSEU Local 231 collective agreement for 19 employees effective May 1, 2024 are scheduled for October 2024.

If this benefit would be extended to all active employees in the Full Benefits Program, this new benefit is anticipated to cost the University an additional \$1.69M per year based on current benefits participation data.

Organization	Description	Headcount*	Eligible for HCSA
University of Waterloo	Eligible active employees in the Full Benefits Program	5648	Yes
	Eligible active employees in the Temporary Benefits Program	410	No
	Retirees with extended health benefit	2137	No
AFIW (4 colleges)	All eligible employees and retirees	378	No
	<i>Combined</i>	8573	65.9%

\*Source: GreenShield benefits participation data as of August 19, 2024

**What is an HCSA?**

At the June 2024 Pension & Benefits Committee meeting, Aon’s information session provided an understanding of an HCSA benefit. The information below was covered during that session.

An HCSA is an individual employee account that employees can use to obtain reimbursement for newly eligible medical expenses that would previously have been an out-of-pocket expense (paid for through net income) since they are not currently covered under provincial health insurance plans or other employer sponsored benefit plans. In addition to an eligible employee’s personal expenses, expenses of their dependents would also be eligible for reimbursement and employees need to take an active role in directing the use of funds appropriately.



An HCSA can be used to pay extended health and dental expenses (that are eligible under a Private Health Services Plan) for the member or the member's eligible dependents, including but not limited to:

- Prescribed over-the-counter and other medications not included in the extended health benefit's existing drug formulary
- Paramedical practitioner services (e.g. psychologist, chiropractor) above the annual maximums or ineligible through the extended health benefit (e.g. acupuncturist)
- Prescription eyeglasses, contact lenses, and surgery not included in the extended health benefit
- Dental services that may not be part of the existing benefit (e.g. crowns on implants)
- Dental expenses above the benefit's annual or lifetime maximums
- Home renovations when medically required
- Cosmetic surgery

Eligible plan members would receive an individual HCSA allocation at the beginning of each period (i.e. each May 1) and balances would be tracked by GreenShield. Plan members submit eligible claims directly to GreenShield for reimbursement (similar to extended health and dental coverage today) and a member's HCSA balance would be forfeited if unused in a two-year period (i.e. balance remaining from a May 1, 2025 allocation would be forfeited on May 1, 2027).

Aon has advised that based on an HCSA of \$300 per year for 5648 members, the cost equates to ~\$1.69M. GreenShield charges 2.75% of paid claims for administration services plus applicable taxes; however, Aon has advised that these charges are typically offset (or even slightly more than offset) by forfeitures (i.e. amounts that go unused by plan members, either due to their low claims volumes, lack of education on how to use the benefit, or termination mid-year). The University's cost associated with the benefit would be invoiced on a monthly basis based on claims reimbursed and the corresponding charges.

**For Information**

**Open Session**

**Date of Meeting:** September 13, 2024  
**To:** Members, Pension & Benefits Committee  
**From:** Sarah Willey-Thomas, Associate University Secretary  
**RE:** **3. Benefits**

---

### **3.2. Extended Health Benefit**

#### **3.2.1. Biosimilar Transition Program**

Aon will speak to the enclosed Biosimilar Transition Program presentation. The presentation explores current coverage as well as exploration of the biosimilar transition program offered by GreenShield.

#### **3.2.2. Plan Design Amendment – Gender Affirmation, prescribers for Medical Equipment, Biosimilar Transition Program**

Lee Hornberger, Director, Total Rewards, will present the Plan Design Amendment Report. The Report highlights various areas of coverage that have been raised by the Committee in recent months, such as gender affirming care, medical equipment and biosimilar drugs.

#### **Documentation Provided:**

- Report – Extended Health Plan Design Options
- Presentation – Biosimilar Transition Program (Aon)



**AON**

# University of Waterloo

## Biosimilar Transition Program

September 13, 2024





# Biosimilar Transition Program

## Agenda

**1**

Introduction

**2**

What's a Biologic Drug?

**3**

GreenShield's Biosimilar Management Strategy

**4**

Health Outcomes & Member Impact

# Biosimilar Transition Program

## Agenda

**1**

Introduction

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What's a Biologic Drug?

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GreenShield's Biosimilar Management Strategy

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Health Outcomes & Member Impact

# Introduction

## Purpose

- This document has been prepared for review by the University of Waterloo's Pension & Benefits Committee

## Biosimilar Transition Costing

- Current coverage: plan reimburses biologic drugs as prescribed and approved through the prior authorization process, if applicable
- Option under exploration: introduction of Biosimilar transition program offered by GreenShield
- Estimated cost impact:
  - Actives: -\$429,000 (or 3.1% reduction of Extended Health costs)
  - Retirees: -\$95,000 (or 2.2% reduction of Extended Health costs)
  - Note:
    - Projected claims impacts were provided by GreenShield based on University of Waterloo data for the period January 1, 2024 to June 30, 2024.
    - Cost impacts include projected changes to claims costs (inclusive of administrative fees, pool charge, and applicable taxes)
    - The cost reduction for retirees would have an associated impact to the post-retirement benefits liability and annual expense, which is not captured within this document
- Additional comments:
  - Additional savings to the University likely due to the recent delisting of coverage for some biologic drugs (i.e. Copaxone, Enbrel, Humira, Remicade, Rituxan, Lantus, Humalog, and Novorapid) by the Ontario Drug Benefit in late 2023
  - In Fall 2023, GS indicated 41 ODB eligible participants would be impacted by this coordination with ODB based on active prescriptions

# Biosimilar Transition Program

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What's a Biologic Drug?

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# What's a Biologic Drug?

## Biologic drugs are:

- Made from living cells, like animal cells, bacteria or yeast
- Since biologic drugs are made by living cells, every batch that is made is almost the same
- A **biosimilar** is a biologic drug that is highly similar to a biologic drug that was already authorized for sale
- Health Canada authorizes biosimilars for sale using the same rigorous regulatory standards for quality, efficacy and safety as for all other biologic drugs

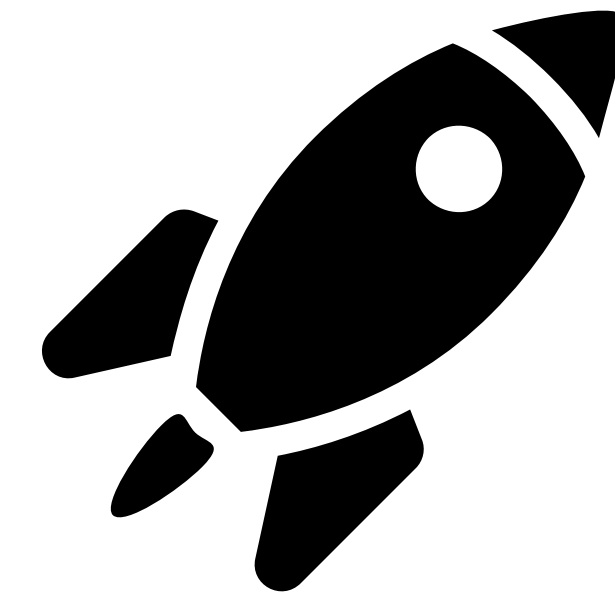
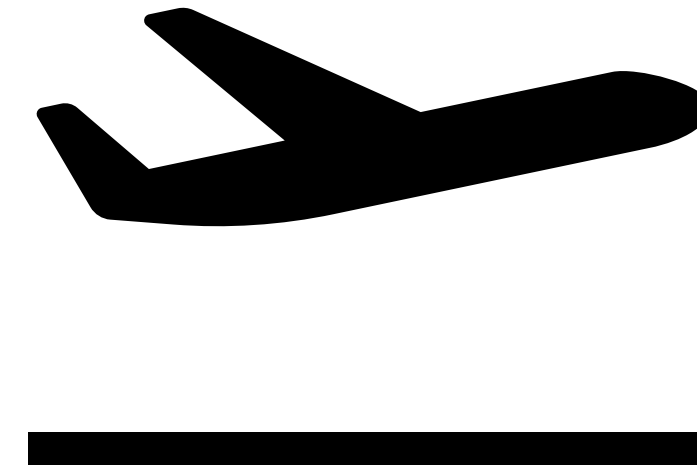
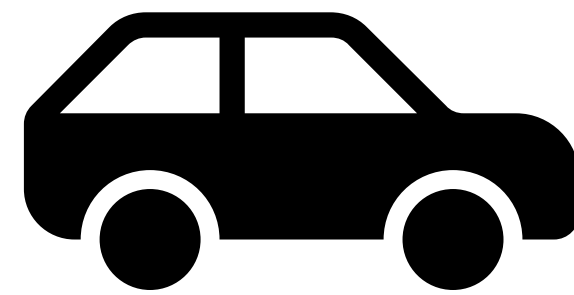
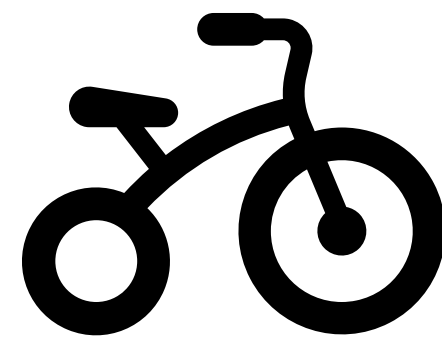
## Biologics include:

- Insulins
- Vaccines
- Interferons
- Erythropoietin (to “boost” red blood cells)
- Monoclonal antibodies





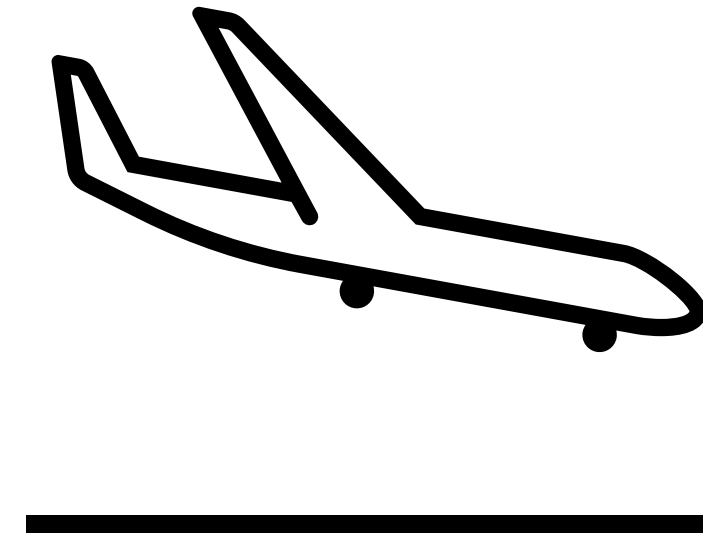
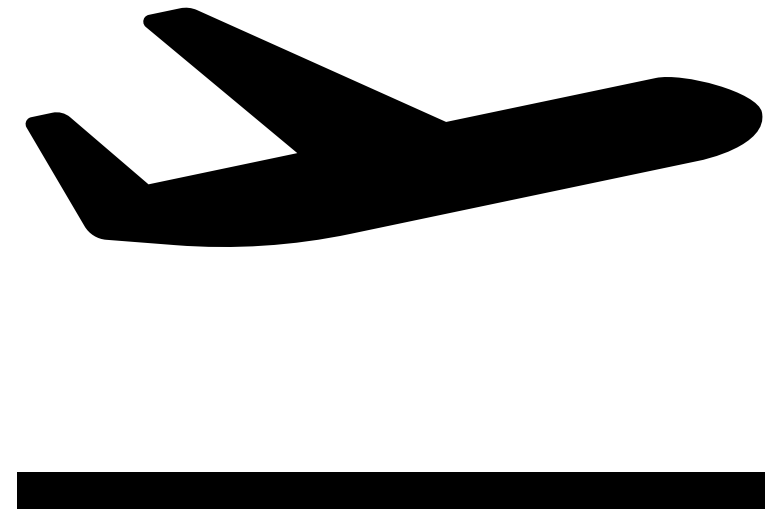
# What's a Biologic Drug?



Traditional Drug	Small Biologic	'Standard' Biologic Drug	Gene Therapy
Ozempic® Most chronic disease drugs Oral treatments for cancer	Insulins (NovoRapid®, Lantus®, Humalog®) Neupogen® Lovenox®	Enbrel®, Humira® Lucentis®, Remicade® Rituxan®, Stelara®	Hemgenix®
Generics	Biosimilars	Biosimilars	-
Usually < \$2 000/year (though some treatments may be very expensive)	\$1 000-\$3 000/year	\$7 000 and more/year	\$1 million dollars and more for a one-time treatment

# What's a Biologic Drug?

## What's a Biosimilar?



Biologic Drug (Reference)	Biosimilar
<p>Humira<sup>®</sup> , Lovenox<sup>®</sup>, Enbrel<sup>®</sup>                      Neupogen<sup>®</sup>, Remicade<sup>®</sup>                      NovoRapid<sup>®</sup>, Lantus<sup>®</sup>                      Humalog<sup>®</sup>, Lucentis<sup>®</sup>                      Rituxan<sup>®</sup>, Stelara<sup>®</sup></p>	<p>Several biosimilars are available for every reference biologic.</p> <p><b>Humira<sup>®</sup>:</b> Abrilada, Hyrimoz, Hadlima, Amgevita, Hulio, Idacio, Simlandi, Yuflyma</p> <p><b>Lantus<sup>®</sup>:</b> Basaglar, Semglee</p> <p><b>Rituxan<sup>®</sup>:</b> Riabni, Riximyo, Ruxience, Truxima</p>
<p>~ \$1 000 to \$30 000/year</p>	<p>~ \$750 to \$22 500/year</p>

# Biosimilar Transition Program

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# GreenShield's Biosimilar Management Strategy

## Overview

- Launched in 2016
- The GreenShield Biosimilar Management Strategy consists of :
  - Biosimilar New Start Program ✓
  - Biosimilar Transition Program ○





# GreenShield's Biosimilar Management Strategy

## Biosimilar New Start Program

- Launched in 2016
- Claimants newly started on biologic therapy are covered for the biosimilar version only
- Originator products for new claimants are covered only in exceptional circumstances
- Already in place for the University of Waterloo's drug plan design
- Standard to all GreenShield plans
- Provincial drug plans and private plans favor biosimilars for new claimants
- Little to no impact for claimants since there is no requirement to "switch" from an originator drug to a biosimilar version

# GreenShield's Biosimilar Management Strategy

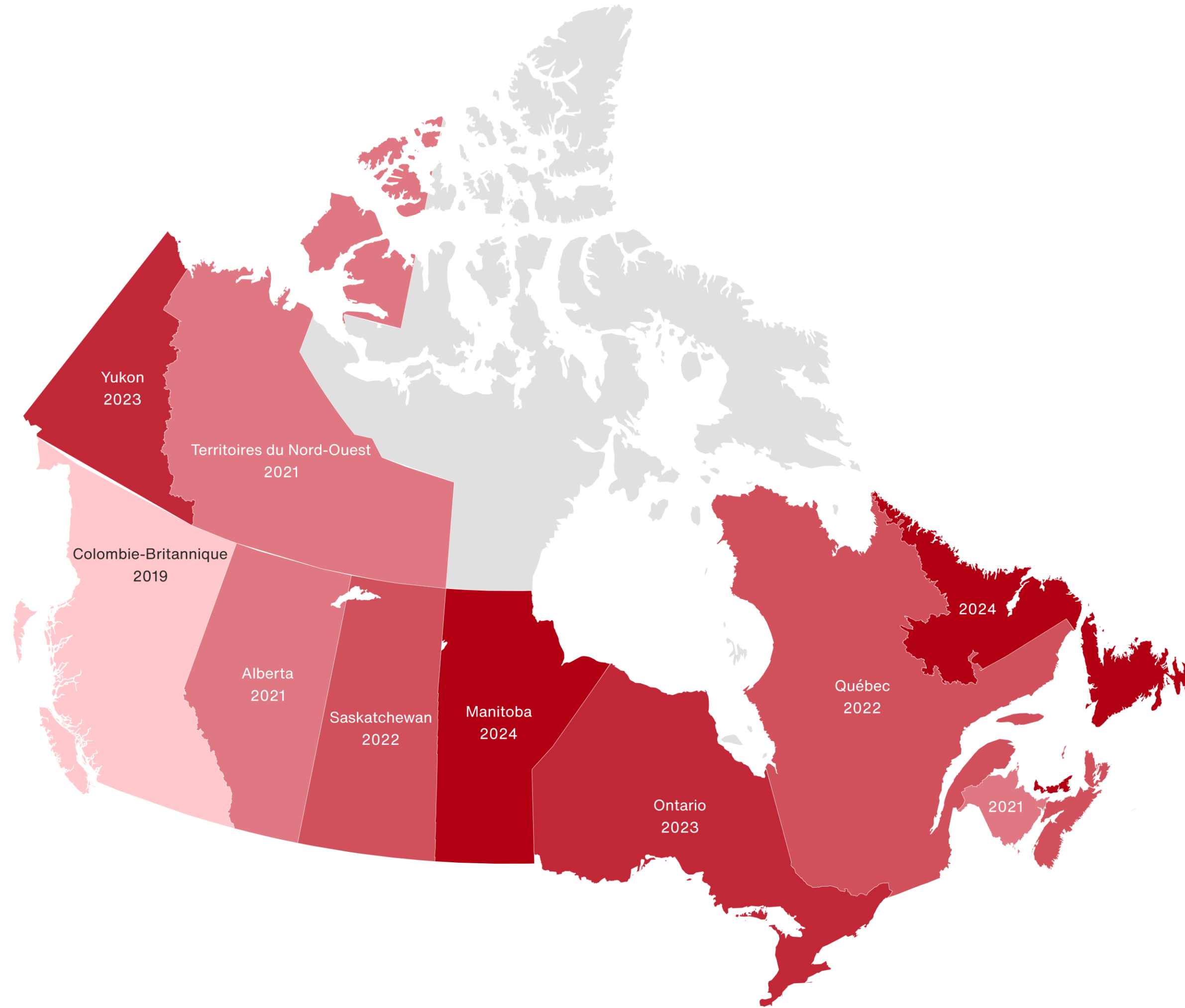
## Biosimilar Transition Program

- Launched in 2018
- Patients currently on reference biologic are required to transition to the biosimilar equivalent
- For select reference biologics, GreenShield recognizes two tiers of biosimilars (Humira and
- Opt-in program for plan sponsors:
  - Personalized letter sent to all affected claimants
  - Claimants are required to transition to the biosimilar within 90 days of the start of the program
  - Should the claimant continue to claim the reference biologic after the 90-day deadline, the reimbursement of the claim will be limited to the cost of the biosimilar drug
  - Individual exceptions may apply

# GreenShield's Biosimilar Management Strategy

## Biosimilar Transition Policy Adoption – Provincial Plans

Implementation of Biosimilar Transition Policy by Province



**All provincial plans and territories, except for Nunavut have implemented a biosimilar transition policy**



# Biosimilar Transition Program (cont.)

## Biosimilar Transition Policy Adoption – Group Insurers

### Biosimilar Transition

**beneva**

canada **life**™

 **co-operators**

 **Desjardins**  
Insurance  
Life • Health • Retirement

 Equitable™ 

 **Manulife**

### Plan Sponsor's Choice

 **GreenShield**™

 **MEDAVIE BLUE CROSS**™

### Prescriber's Choice

 **Sun Life**  
(Plan Sponsor's choice will be available in 2024)



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# Biosimilar Transition Program (cont.)

## Health Outcomes & Member Impact

### Health Outcomes

- Biosimilar transition policies for provincial plans Canada since 2019
- Most Canadian private group insurers have also implemented a biosimilar transition policy or offer the possibility to implement this policy
- Exception process are available should there be a contre-indication for biosimilar use
- Public plans from [several countries](#) have implemented automatic substitution (Australia, France, Germany, Norway, and the United States for select drugs)

### Member Impact

- GreenShield has estimated that 58 participants would be affected at the University of Waterloo (46 active participants and 12 retired participants)
- In addition to the above, approximately 41 Ontario Drug Benefit (ODB) participants would be impacted by the delisting of some biosimilar drugs due to provincial changes

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**Report to the Pension & Benefits Committee  
13 September 2024**

**FOR INFORMATION**

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**Extended Health – Plan Design Options  
From Human Resources**

**Background**

At the September 2023 Pension & Benefits Committee, the concept of an annual non-pension benefits plan design review was proposed as a means for the University to address feedback for potential change in an aggregate manner. Employees and retirees have provided feedback on areas where additional coverage for healthcare expenses would be beneficial. The Pension & Benefits Committee has discussed that the costs associated with the extended health and dental benefits continue to increase on an annual basis with the existing plan design, and that the University is currently conducting significant and important work to return to a balanced annual operating budget. The cost increase estimated by Aon for the 2024-2025 fiscal year amounts to 9.8% for extended health and 13.2% for dental. This indicates that there are opportunities for Pension & Benefits Committee to consider how to optimize the budget for extended health and dental benefits to provide benefits that employees value while managing the costs of such benefits.

On October 31, 2023, the Board of Governors approved the recommendation from the Pension & Benefits Committee to amend the extended health plan relative to in-vitro fertilization coverage. The recommendation was the result of a working group that was struck following the introduction of the in-vitro fertilization coverage effective May 1, 2021. The corresponding increase to the University's costs (estimated at an additional expense of \$100,000 per year) was deemed necessary to address the challenges with the initial introduction of coverage, from an equity perspective.

Since the Fall of 2023, there have been several discussions concerning potential plan design changes. Concurrently, the negotiations between the University of Waterloo and the Faculty Association for a salary settlement effective May 1, 2024 highlighted that benefits were of interest for inclusion, as a component of employee compensation. While the Pension & Benefits Committee identified interest in examining a subset of the inventory of potential plan design options, there was general understanding that the salary agreements with each of the employee groups would first need to be concluded.

Three of the four salary agreements effective May 1, 2024 have been finalized and it is unlikely that the one remaining (i.e. OPSEU Local 231 which represents 19 employees) will include a provision for consideration by the Pension & Benefits Committee. The purpose of this document is to return to the items that were identified as of interest to explore further.

**Gender Affirmation**

GreenShield's standard is to provide coverage of \$10,000/lifetime (\$5,000 per claim maximum) and eligibility for coverage is limited to those with a diagnosis of gender dysphoria. Coverage includes two categories:

- Foundation (1<sup>st</sup> code) – allows for all major top and bottom affirmation surgeries not covered within the patient's home province including the following that assists in the physical alignment of the patient's transitioned gender: tracheal shave, facial feminization, vocal surgery, laser hair removal, chest contouring/breast construction, vaginal dilators

- Focused (2<sup>nd</sup> code) – includes surgical enhancement procedures of the patient’s features that follow their accepted gender ideal: liposuction/lipofilling, face life, eyelid life, nose surgery, lip/cheek fillers, hair transplant, gluteal life/implants, hair implants

Aon estimates that the cost associated with GreenShield’s standard coverage amounts to \$14,500 per year.

### **Medical Equipment – Eligible Prescribers**

GreenShield’s standard is to allow nurse practitioners to be prescribers of medical equipment (e.g. diabetic aids for daily living, braces, generally excluded medical items/services, incontinence/ostomy, mobility aids, musculo-skeletal, prosthetics, respiratory/cardiology, vascular compression) in addition to physicians; however, the University’s current coverage requires that the prescription be provided by a physician only. The current coverage was in place with the previous provider and as such, matched with the transition to GreenShield. The current state of the healthcare system in Ontario results in this provision being a barrier to the necessary medical care for members and adopting GreenShield’s standard would provide improved access to coverage.

Aon estimates that the cost associated with GreenShield’s standard provision would amount to \$35,900 per year.

### **Biosimilar Transition Program**

At the end of 2023 (i.e. December 29, 2023), the Ontario Drug Benefit (ODB) delisted coverage for some biologic drugs (i.e. Copaxone, Enbrel, Humira, Remicade, Rituxan, Lantus, Humalog, Novorapid) and only biosimilar drugs are covered. At that time, GreenShield indicated 41 ODB eligible participants would be impacted by this coordination with ODB, based on active prescriptions (i.e. Humalog, Lantus, Novorapid, Enbrel, and Humira). The University’s plan has become the first payer for these biologic drugs which were previously covered by ODB.

GreenShield’s standard is to provide coverage for biosimilar drugs when one exists for biologic drugs unless the biologic drug is required for exceptional circumstances (i.e. the prescriber must submit a clinical rationale for why the plan member is not able to use a biosimilar product). The University’s extended health benefit currently includes GreenShield’s Biosimilar New Start Program; however, it does not include GreenShield’s Biosimilar Transition Program. In August 2024, GreenShield indicated 58 participants (46 actives, 12 retirees) would be impacted by the implementation of the Biosimilar Transition Program through the following process:

- GreenShield identifies plan members eligible for the transition.
- GreenShield sends each plan member a letter advising them that a biosimilar is now available for their originator biologic drug and reimbursement is changing within 90 days.
- Plan member is given a choice of remaining with the originator product or transitioning to biosimilar medication. For plan members who choose to remain on the originator biologic drug, GreenShield will reimburse the cost of the biosimilar, and the plan member will be responsible for the difference in cost.
- The plan member is provided with a contact number for a patient-support nurse who will assist them with the transition process and reach out to their physician should they choose that option.

Aon estimates that the cost savings associated with GreenShield’s standard would amount to approximately (\$524,000) per year through a reduction in coverage (i.e. delisted drugs) but with comparable outcomes. Aon has prepared a *Biosimilar Transition Program* presentation to further explain biologic and biosimilar drugs.

### **Summary**

By amending the extended health benefit to adopt GreenShield’s standard coverage and provisions relative to gender affirmation, prescribers for medical equipment, and the Biosimilar Transition Program, the University can expect an estimated cost savings of \$473,600 per year, based on the following:

<b>Extended Health Benefit – Plan Design Provision</b>	<b>Description of Change</b>	<b>Estimated Annual Cost Impact</b>
Gender Affirmation	Add coverage of \$10,000/lifetime (\$5,000 per claim maximum); eligibility for coverage is limited to those with a diagnosis of gender dysphoria	\$14,500
Medical Equipment – Eligible Prescribers	Improved access to coverage by recognizing nurse practitioners as eligible prescribers in addition to physicians	\$35,900
Biosimilar Transition Program	Provide coverage for biosimilar drugs when one exists for biologic drugs unless the biologic drug is required for exceptional circumstances	(\$524,000)
Combined		(\$473,600)

Should the Pension & Benefits Committee wish to pursue these extended health benefit plan design changes, a recommendation will need to be brought forward to the Board of Governors for approval. Following approval, including confirmation of the effective date of the changes, implementation efforts will be led by Human Resources.

**For Information****Open Session**

**Date of Meeting:** September 13, 2024

**To:** Members, Pension & Benefits Committee

**From:** Sarah Willey-Thomas, Associate University Secretary

**RE:** **3. Benefits**

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**3.3. GreenShield Update**

Lee Hornberger, Director, Total Rewards, will speak to the enclosed report.

This report serves as an update to members about compound coverage, use of the online portal, and coverage for biosimilars, further to updates received by the Pension & Benefits Committee in September 2023 and June 2024.

**Documentation Provided:**

- GreenShield Update Report

[https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1\\_Open Session/3.3.1. GreenShield Update.docx](https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1_Open Session/3.3.1. GreenShield Update.docx)

**Report to the Pension & Benefits Committee  
13 September 2024**

**FOR INFORMATION**

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**GreenShield Update  
From Human Resources**

**Compound Policy**

With the implementation of the extended health and dental benefits with GreenShield effective January 1, 2023, the University elected to adopt GreenShield's compound policy (while maintaining an exception for those members who had received coverage through Canada Life for their compound medications).

In September 2023, representatives from GreenShield provided the Pension & Benefits Committee with a presentation to explain their pharmacy benefit management strategy which includes their compound policy and advised that a review of their compound policy was underway. In June 2024, GreenShield announced that they would modernize their compound policy, through the implementation of several phases that focus on specific reimbursement conceptions and compound categories. Phase 1 is scheduled for implementation on September 3, 2024 (affecting all claims adjudicated on that date and onwards) and includes the following:

*What is changing?*

There are four changes to widen eligibility criteria:

- Allowing pure raw chemicals to be used in compounds.
- Removing the limited list of eligible ingredients allowed in topical compounds, so that more ingredients can be mixed into our list of eligible bases.
- Allowing compounds to be used for different routes of administration than those approved by Health Canada for the ingredients used.
- Allowing compounds that duplicate a manufactured product in the event of a drug shortage, provided that there are no therapeutic alternatives available.

*What is not covered and why?*

- Compounded hormone replacement therapy (HRT) and topical pain therapies continue to be excluded from the policy.
  - There is a lack of well-designed trials that look at whether compounded HRT is superior to commercially available alternatives. Furthermore, safety concerns regarding possible underdosing/overdosing due to the compounding process pose a noteworthy risk that is not present in commercially available products. As there are many other therapeutic alternatives for the treatment of pain with better evidence for efficacy and/or safety, compounded topical pain therapies fail to fill an unmet need in pain management.

*What can we expect for future phases?*

- GreenShield's Pharmacy team will review the clinical and operational aspects of the compound policy; other teams such as Finance, Claims, Call Centre and others are involved tangentially. Future phases will be driven by a review of the financial impact and plan member experience of Phase 1 of the new policy. GreenShield plans to wait at least 6 months to analyze data from Phase 1 and their current plan is for there to be at least a Phase 2 of the compound policy modernization project. The earliest Phase 2 would be released is Q3 2024 since Phase 1 data will be reviewed at the earliest in Q2 2025.



## Online Portal

As of August 1, 2024, there were 8588 employees/retirees who have benefits with GreenShield. Of these, 78.5% have registered for the online portal (i.e. check benefits coverage, submit claims, review claims status/history, etc.) and 69.7% have registered for direct deposit.

GreenShield is replacing their GSCeverywhere online portal with a new application called GreenShield+ which is intended to provide better support and a more favourable experience for members through improved access, convenience and integration. GreenShield began the client migrations to the new portal in May 2024 and beginning June 1, 2024 the existing GSCeverywhere website included reference to this upcoming change to build awareness.

What is changing	What is not changing
<ul style="list-style-type: none"> <li>• New mobile app and website</li> <li>• Unified phone number for members with options for insurance and health (EAP, telemedicine, digital pharmacy)</li> <li>• Integrated GS+ health ecosystem</li> <li>• Improved reporting via Tableau dashboards</li> </ul>	<ul style="list-style-type: none"> <li>• Member login information</li> <li>• Member IDs for claiming</li> <li>• Existing URL will redirect members to GS+ website</li> <li>• Existing insurance phone number can continue to be used</li> </ul>

University of Waterloo members are scheduled to migrate to GreenShield+ on October 23, 2024. To support the migration, a joint communication strategy has been developed with two phases: (i) Awareness; and, (ii) Implementation and Adoption.

Who	Phase	What	When
GS	One	Advance marketing of GS+ digital experience has already commenced for members signing on to GSCeverywhere (website and mobile app), to provide notification of the upcoming change and where to learn more	Since June 2024
		Retirees will be receiving a GS+ migration letter mailed to their home address	Week of October 14 <sup>th</sup>
	Two	Those registered for GSCeverywhere will receive an email from GreenShield announcing the migration to GreenShield+  Plan members will be automatically redirected to GS+ when logging into GSCeverywhere (through the website)  Benefit booklets will continue to reference <i>GSCeverywhere</i> as the application until a future plan design amendment	October 23 <sup>rd</sup>  October 23 <sup>rd</sup> onwards  January 2025
UW	One	Blast communication to all benefit eligible employees, social media post, HR news item	Week of October 14 <sup>th</sup>
	Two	Daily Bulletin reminder, website updates, social media post	October 23, 2024

### Biosimilar New Start Program

Currently, for those who are newly starting biologic therapy, GreenShield covers only biosimilars (if one exists) and allows originator products only in exceptional circumstances (i.e. the prescriber must submit a clinical rationale for why the plan member is not able to use a biosimilar product).

*Present experience: If a member receives a prescription for an originator biologic, the pharmacist will advise that there is no coverage unless approved by GreenShield through prior authorization; alternatively, the member can obtain a prescription for the covered biosimilar.*

As of October 15, 2024, patients who are newly starting treatment with a “low-cost” biologic drug have the option to use either the originator product or a biosimilar alternative. For those who choose the originator product, GreenShield will reimburse up to the cost of the biosimilar and the plan member will be responsible for the difference.

*Future experience: If a member receives a prescription for an originator biologic, the pharmacist will advise that there is coverage up to the cost of the biosimilar only (while dispensing the originator biologic); alternatively, they can pursue prior authorization through GreenShield for the originator biologic to determine if exceptional circumstances exist which would allow for full coverage of the originator biologic.*

This change applies to the following “low cost” biologics that have biosimilars available:

Indications	Drug	Originator Biologic Brand Name	Biosimilar(s) Available
Diabetes	Insulin aspart	NovoRapid	Kirsty Trurapi
	Insulin glargine	Lantus	Basaglar Semglee
	Insulin lispro	Humalog	Admelog
Neutropenia	Filgrastim	Neupogen	Grastofil Nivestym Nypozi
Thromboembolic Disorder	Enoxaparin	Lovenox Lovenox HP	Inclunox Inclunox HP Noromby Noromby HP Redesca Redesca HP Elonox Elonox HP

Since this change impacts future claimants only, a communication to impacted individuals is not possible; however, GreenShield is investigating options to enable messaging through the online portal. In addition, GreenShield is providing information to pharmacists and their call centre agents to support patients.

Note: GreenShield’s Biosimilar New Start Program differs from GreenShield’s Biosimilar Transition Program (the latter is not a component of the University’s benefit coverage at present).

**For Information****Open Session**

**Date of Meeting:** September 13, 2024

**To:** Members, Pension & Benefits Committee

**From:** Sarah Willey-Thomas, Associate University Secretary

**RE:** **4. Pension**

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**4.1. Pension Risk Management Dashboard, Q2 2024****Background:**

Linda Byron, Aon, will present the Pension Risk Management Dashboard for Q2 2024, presented for the Committee's information.

Members will recall that this report is provided quarterly to the Committee and is intended to track changes in the funded status of the Pension Plan and quantify risk to which the Pension Plan is exposed.

**Documentation Provided:**

- Pension Risk Management Dashboard, Q2 2024

*[https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1\\_Open Session/4.1.1. Pension Risk Management Dashboard.docx](https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1_Open Session/4.1.1. Pension Risk Management Dashboard.docx)*





# Pension Risk Management Dashboard

University of Waterloo

As of June 30, 2024





# About these Materials

This dashboard was prepared for the University of Waterloo to track changes in the funded status of the Pension Plan over successive reporting periods, as well as quantify the amount of risk to which the Pension Plan is exposed. The report presents the funded status and performs the analysis on three bases:

**Risk-Free Benchmark Basis** – This liability is calculated using best estimate assumptions for retirement, termination and other demographic experience, and discount rate and inflation assumptions determined with reference to the risk-free environment. For this report, the liability has been determined using the real return bond yield plus a 40 basis point credit spread to reflect the additional yield that can be achieved with relatively little additional risk. This liability differs from the solvency calculation in that the demographic assumptions are best estimate and statutory “grow-in” provisions are not included.

**Going Concern Basis** – This liability is calculated using the going concern assumptions at the most recent valuation. The analysis is performed using the market value of assets with a Provision for Adverse Deviation, as prescribed by the *Pension Benefits Act* (Ontario).

**Solvency Basis** – This liability is calculated using assumptions determined in accordance with the Canadian Institute of Actuaries Annuity Purchase guidance and Commuted Value standards in effect at each measurement date shown in this report. A summary of these assumptions is included on page 15.

This dashboard also contains a reconciliation that compares the going concern liability with the liability calculated using the risk-free benchmark. The difference between the two liabilities represents the amount of return expected to be provided by taking on risk in the investment portfolio. Over successive quarters the tool helps quantify how that risk changes as the underlying interest rates change.

On all bases the following information is shown:

- Current Funded Status and Historical Asset Liability Performance
  - How well funded is the plan?
  - What has been the return on plan assets and liabilities?
- Detailed Asset and Liability Performance Attribution
  - What factors drove the performance of assets and liabilities over the prior period?
  - What is the relative impact of these factors on the assets and liabilities in isolation and in combination?

For the Risk-Free Benchmark Basis, the following information is also shown:

- Scenario Testing
  - What risk exposures does the plan face?
  - What would be the impact of a downside event for each risk factor?

# Highlights

## Over the Quarter:

- The fund had a rate of return after fees of 1.4%.
- Nominal risk-free rates increased marginally.
- Inflation expectations implicit in the underlying bond yields decreased.

## As a Result:

- The going concern funded position improved from a \$17.1 million surplus to a \$24.8 million surplus over the quarter. This was primarily due to contributions exceeding the cost of benefit accruals.
- The risk-free deficit decreased from \$599.3 million to \$553.5 million over the quarter primarily due to the combination of an increase in risk free rates and a decrease in inflation expectations.
- The solvency surplus increased from \$384.9 million to \$403.5 million over the quarter primarily due to the increase in risk free rates.



## Highlights (cont'd)

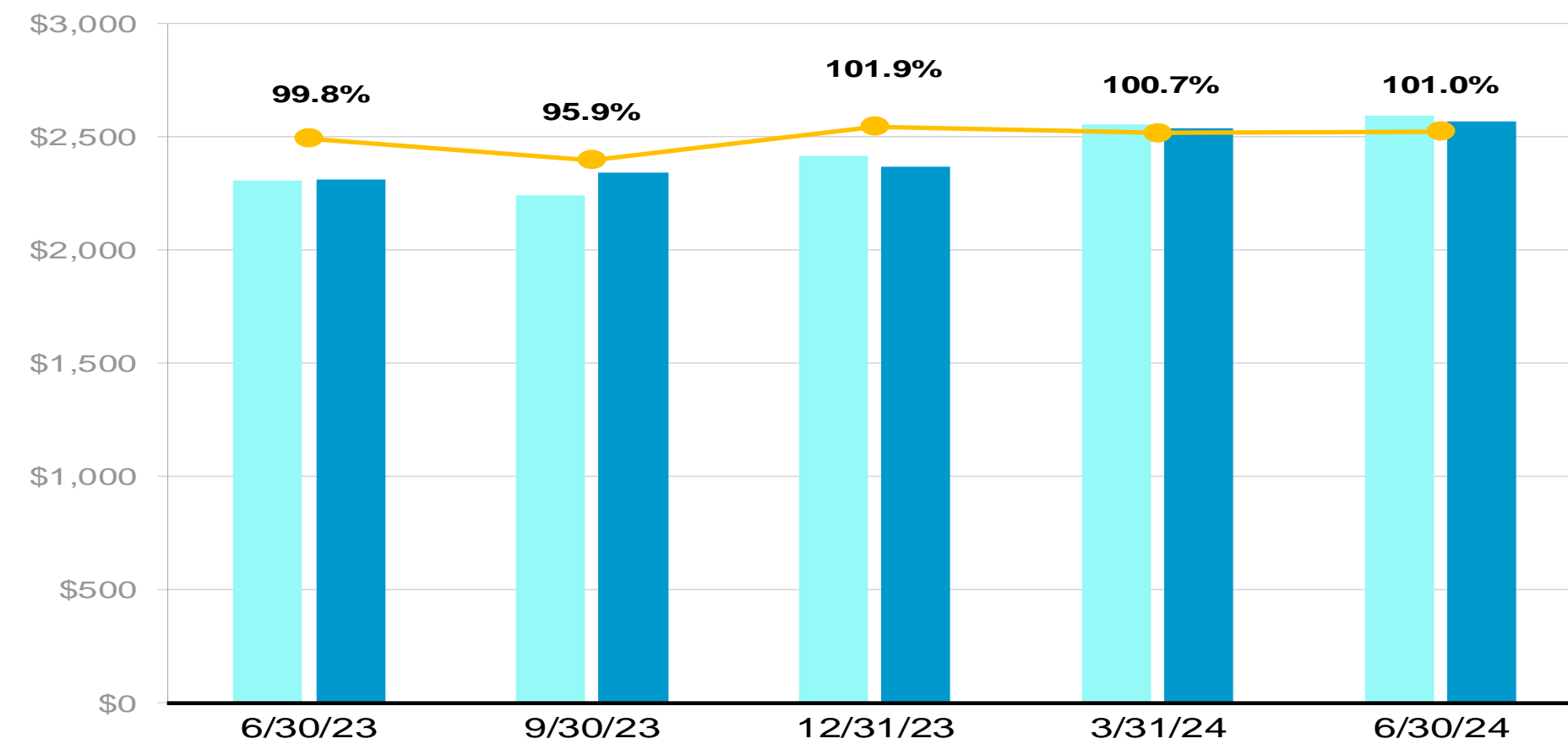
- The estimated June 30, 2024 liabilities are projected based on the final results of the most recent actuarial valuation of the Plan as at January 1, 2024. We have updated the March 31, 2024 liabilities as well with the final new valuation cashflows. The only impact of using the updated cashflows was to reduce the solvency liabilities. The solvency liabilities as at March 31, 2024 are now approximately \$25M or 1% lower than previously reported.
- The December 31, 2023 liabilities shown are based on the December 31, 2022 actuarial valuation projected forward.
- The annuity purchase guidance educational note for valuations on or after June 30, 2024 (published as of June 30, 2024) has been reflected in the interest rates used to calculate the June 30, 2024 Solvency liabilities.
- The estimated transfer ratio has not decreased by 10% or more over the period; no Regulation 19 filing is required.
- All figures are in \$1,000,000 (CAD).



# Executive Summary – Going Concern

Values in \$1,000,000 (CAD)

## Funded Status



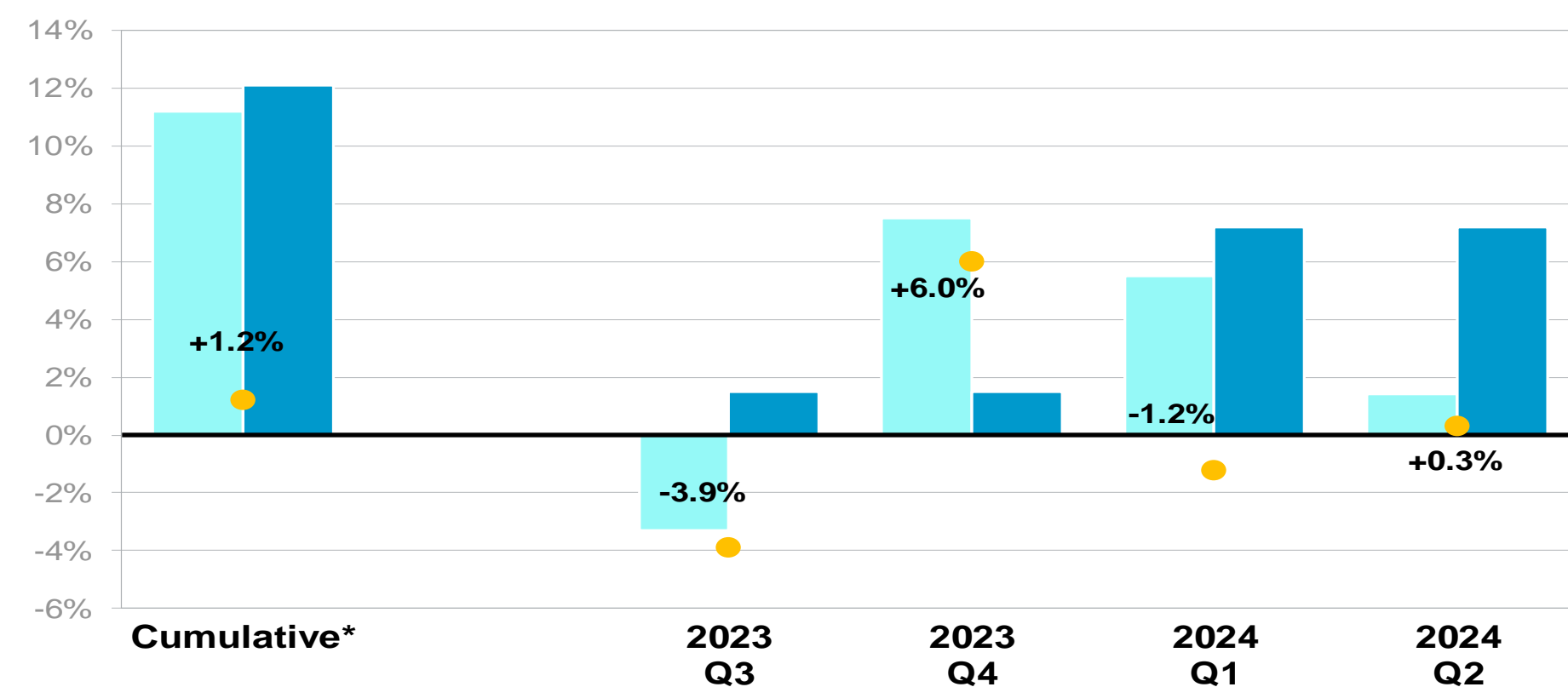
### Highlights for the Quarter-Ending 06/30/24

The plan's funded ratio increased to 101.0% at 06/30/24. This result was primarily due to Contributions exceeding new benefit accruals.

	06/30/23	09/30/23	12/31/23	03/31/24	06/30/24*
Market Value of Assets	2,307.5 \$	2,244.4 \$	2,416.3 \$	2,555.6 \$	2,595.7 \$
Going Concern Liability	2,312.5	2,341.2	2,370.4	2,538.5	2,570.9
Surplus/(Deficit)	(5.0) \$	(96.8) \$	45.9 \$	17.1 \$	24.8
Periodic Contributions	28.5 \$	39.8 \$	30.6 \$	30.6 \$	30.8*
Effective Interest Rate	6.25%	6.25%	6.25%	6.00%	6.00%
Funded Ratio:	99.8%	95.9%	101.9%	100.7%	101.0%
Interest rate sensitivity:					
Asset:	1.5	1.4	1.5	1.4	1.3
Going Concern Liability					
Duration:	13.2	13.2	13.2	13.5	13.4

\* Includes employee and University contributions to end of quarter; excludes investment manager and consulting expenses not yet invoiced

## Asset-Liability Return



### Asset Liability Return for Quarter-Ending 06/30/24

Assets returned 1.4% during the quarter while liabilities returned 1.3%, resulting in a funded status increase of 0.3%.

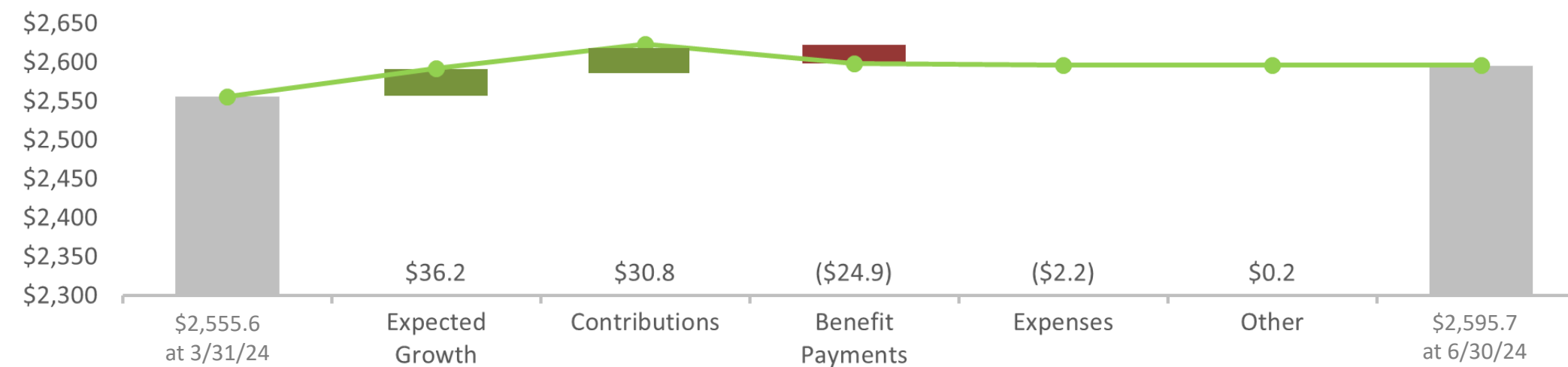
	Periodic Return/Change	Cumulative	09/30/23	12/31/23	03/31/24	06/30/24
Market Value of Assets Return		11.2%	-3.3%	7.5%	5.5%	1.4%
Going Concern: Return		12.1%	1.5%	1.5%	7.2%	1.3%
Funded Ratio Change		1.2%	-3.9%	6.0%	-1.2%	0.3%



# Asset-Liability Performance Attribution – Going Concern

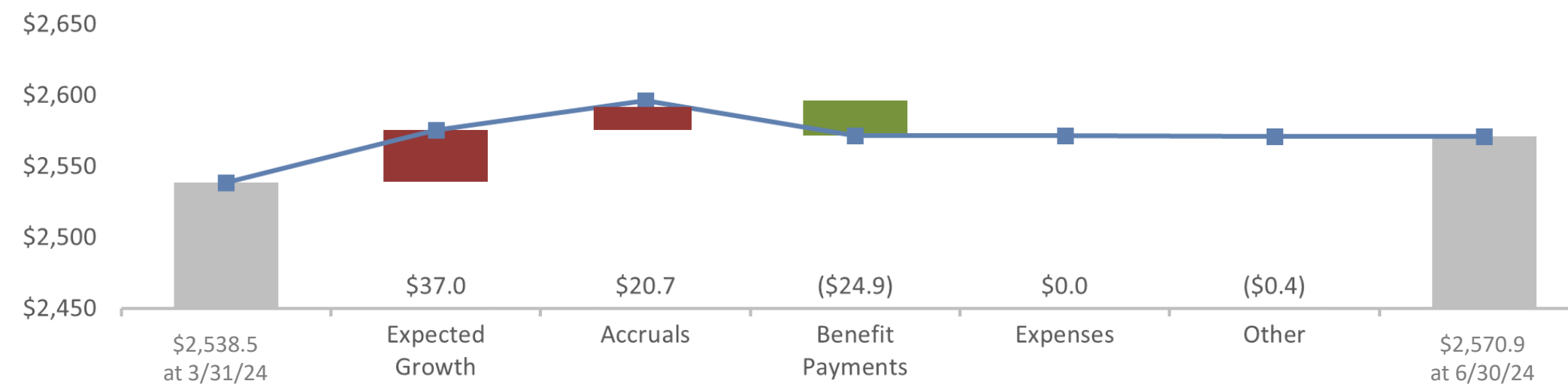
Values in \$1,000,000 (CAD)

## Assets



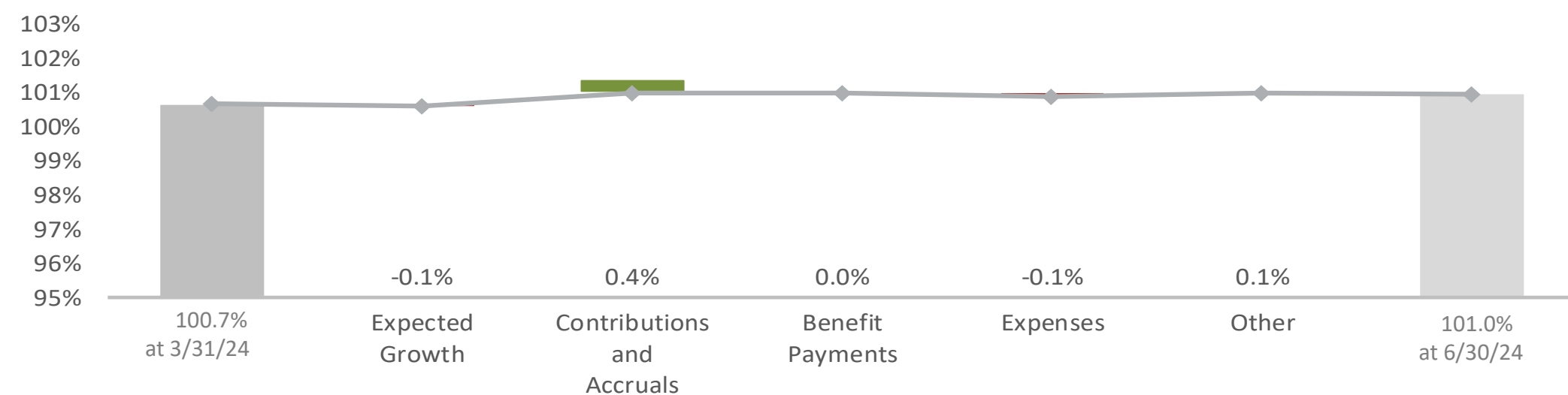
- Overall, assets returned 1.4% during this quarter.
- Return-seeking assets performed better than expected during the quarter.
- The University and members made \$30.8 million in contributions during the quarter and the trust paid \$24.9 million in benefits to the participants.
- “Other” represents the scale of the Plan’s asset outperformance relative to expectation.

## Liability



- Liabilities were expected to grow by \$37.0 million due to interest cost during the quarter.
- New benefit accruals increased the liability by \$20.7 million during the quarter.
- Plan liabilities decreased by \$24.9 million during the quarter as benefits were paid.

## Funded Ratio

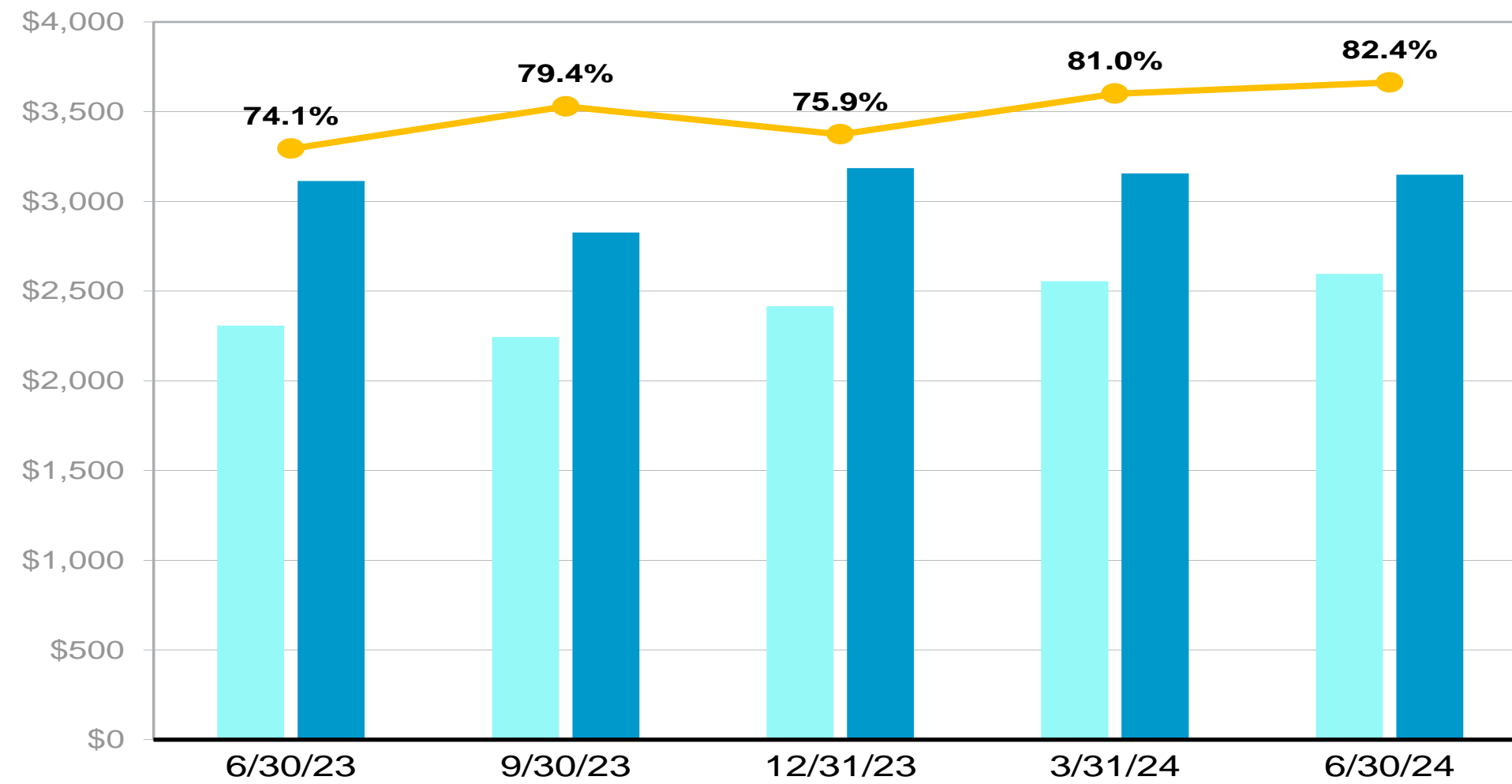


- Contributions exceeded benefit accruals over the quarter, resulting in an improvement of 0.4% in the Plan’s funded ratio.
- “Other” represents the impact of asset outperformance relative to the liabilities.

# Executive Summary – Risk Free

Values in \$1,000,000 (CAD)

## Funded Status



## Highlights for the Quarter-Ending 6/30/24

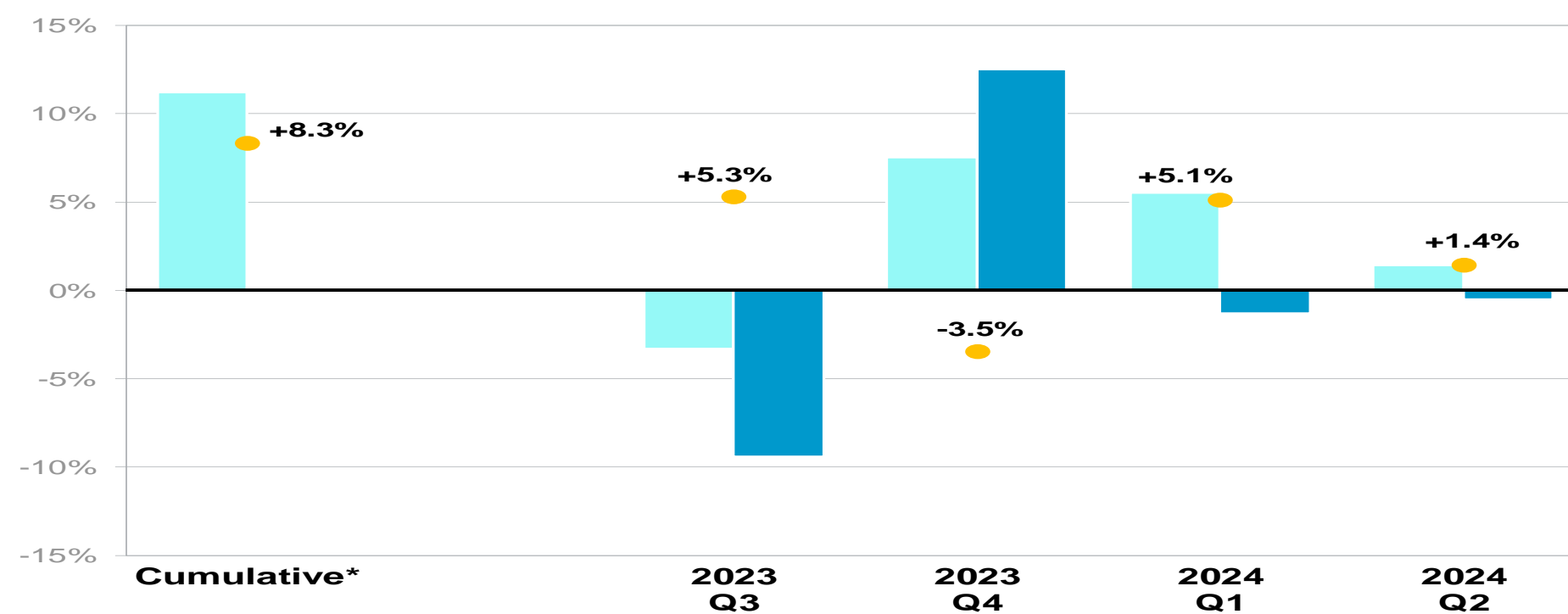
The plan's funded ratio increased to 82.4% at 6/30/24. This result was primarily due to:

- An increase in the risk free rate used to measure the liabilities, and
- A decrease in inflation expectations

	06/30/23	09/30/23	12/31/23	03/31/24	06/30/24*
Market Value of Assets	\$ 2,307.5	\$ 2,244.4	\$ 2,416.3	\$ 2,555.6	\$ 2,595.7
Risk-Free Liability	3,112.8	2,825.8	3,185.3	3,154.9	3,149.2
Surplus/(Deficit)	\$ (805.3)	\$ (581.4)	\$ (769.0)	\$ (599.3)	\$ (553.5)
Periodic Contributions	\$ 28.5	\$ 39.8	\$ 30.6	\$ 30.6	\$ 30.8*
Discount Rate	1.79%	2.46%	1.80%	1.90%	1.99%
Funded Ratio:					
Assets/Risk-Free Liability	74.1%	79.4%	75.9%	81.0%	82.4%
Interest rate sensitivity:					
Assets:	1.5	1.5	1.5	1.5	1.5
Risk-Free Liability:	16.8	15.8	16.8	16.5	16.3

\* Includes employee and University contributions to end of quarter; excludes investment manager and consulting expenses not yet invoiced

## Asset-Liability Return



## Asset Liability Return for Quarter-Ending 6/30/24

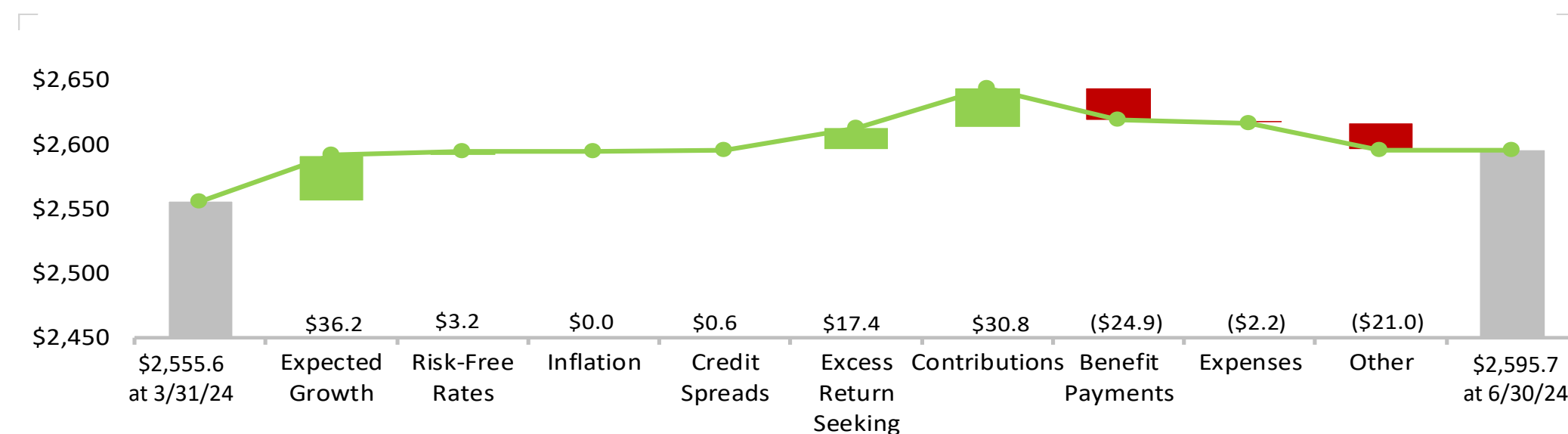
Assets returned 1.4% during the quarter while liabilities returned -0.5%, resulting in a funded status increase of 1.4%.

Periodic Return/Change	Cumulative	09/30/23	12/31/23	03/31/24	06/30/24
Market Value of Assets Return	11.2%	-3.3%	7.5%	5.5%	1.4%
Risk-Free Liability: Return	0.1%	-9.4%	12.5%	-1.3%	-0.5%
Funded Ratio Change	8.3%	5.3%	-3.5%	5.1%	1.4%

# Asset-Liability Performance Attribution – Risk Free

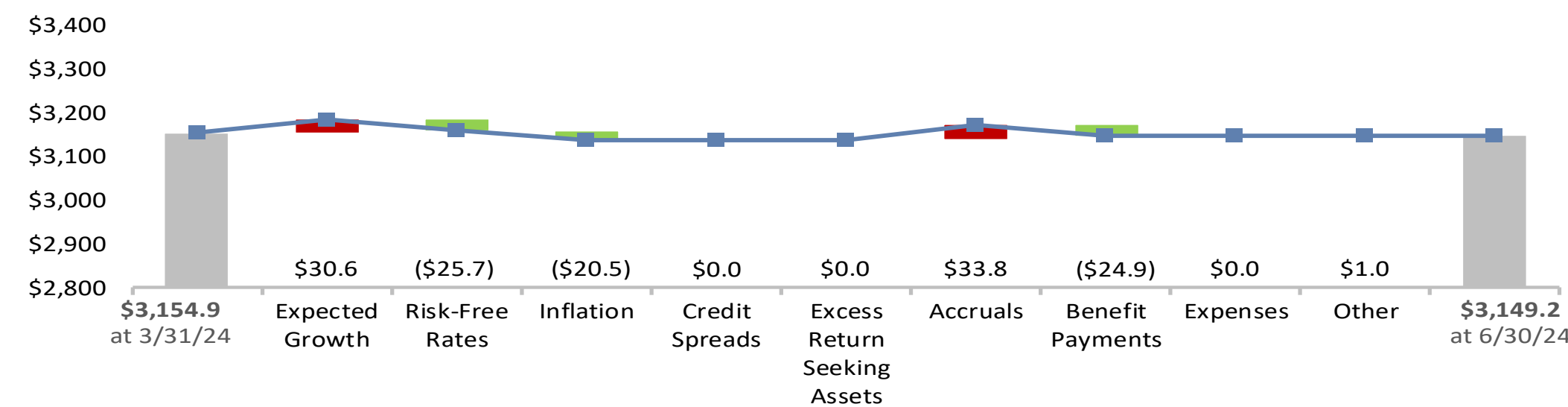
Values in \$1,000,000 (CAD)

## Assets



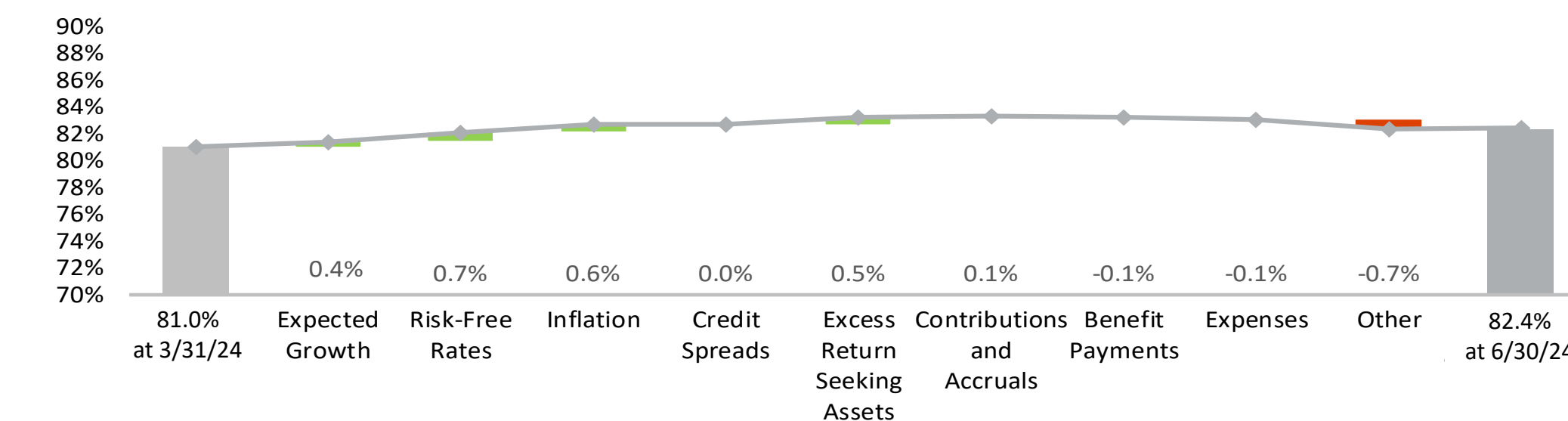
- Overall, assets returned 1.4% during this quarter.
- Return-seeking assets performed better than expected during the quarter, resulting in a gain of \$17.4 million.
- The University and members made \$30.8 million in contributions during the quarter and the trust paid \$24.9 million in benefits to the participants.
- “Other” includes the impact of active management, and differences between benchmark and actual investment allocations.

## Liability



- Liabilities were expected to grow by \$30.6 million due to the interest cost during the quarter.
- New benefit accruals increased the liability by \$33.8 million during the quarter.
- Plan liabilities decreased by \$24.9 million during the quarter as benefits were paid out.
- increases in the risk-free rate used to determine the Plan’s liabilities and a decrease in inflation expectations led to a significant decrease in the Plan’s liabilities.

## Funded Ratio

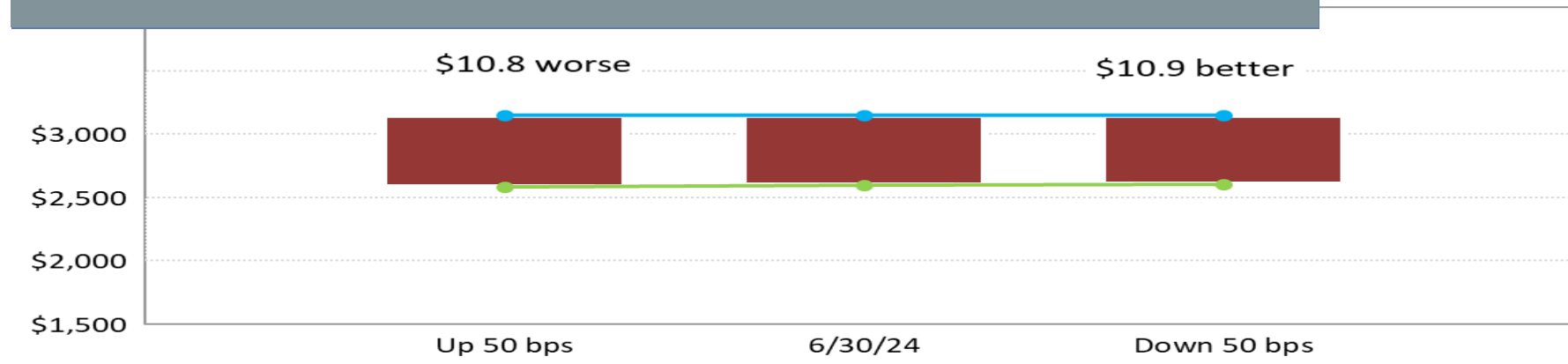


- The combination of the increase in the risk-free rate used to measure liabilities and the reduction in inflation expectations over the period resulted in an increase in the plan’s funded status of 1.3 (0.7% - in respect of risk free rate and 0.6% in respect of inflation).
- Whilst return-seeking assets provided higher returns than expected during the quarter, this was offset by the impact of active management and differences between benchmark and actual investment allocations.

# Sensitivity Analysis – Risk Free Benchmark

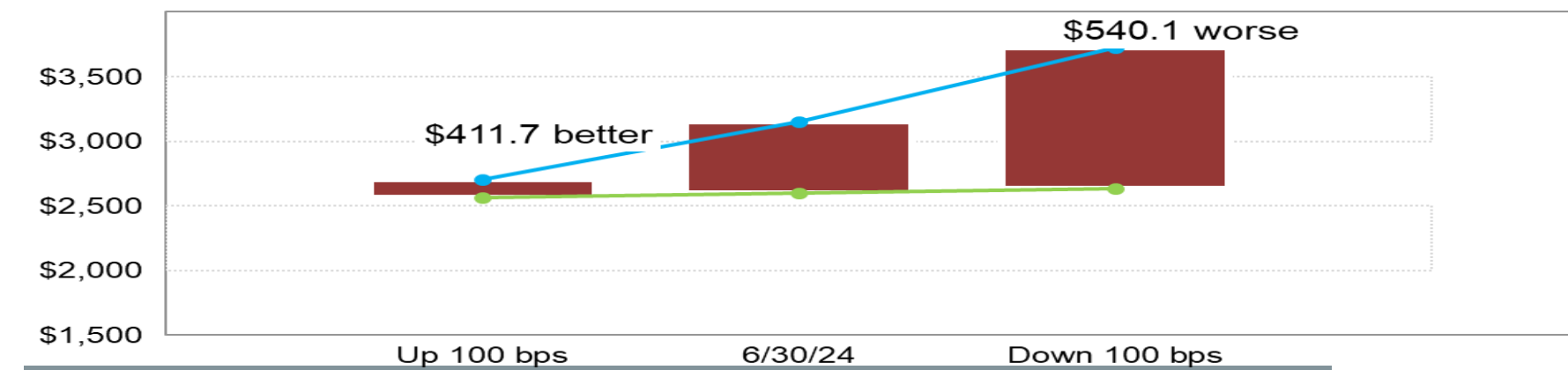
Values in \$1,000,000 (CAD)

## Credit Spreads



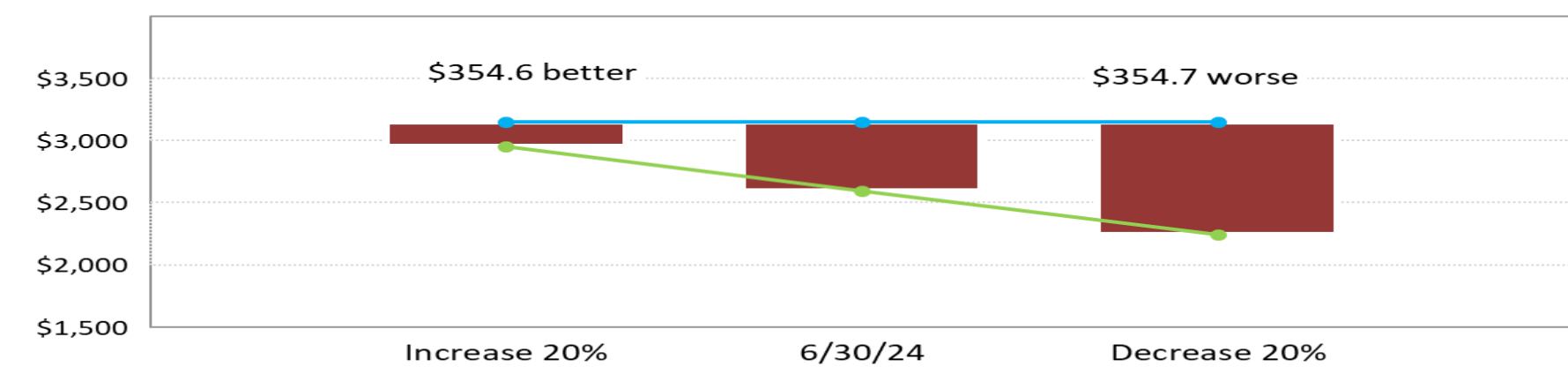
	Up 50bps	Current	Down 50bps
Market Value of Assets	\$2,584.9	\$2,595.7	\$2,606.6
Risk Free Liability	\$3,149.2	\$3,149.2	\$3,149.2
Surplus/(Deficit)	(\$564.3)	(\$553.5)	(\$542.6)
<b>Change</b>		<b>(\$10.8)</b>	<b>\$10.9</b>

## Risk Free Rates



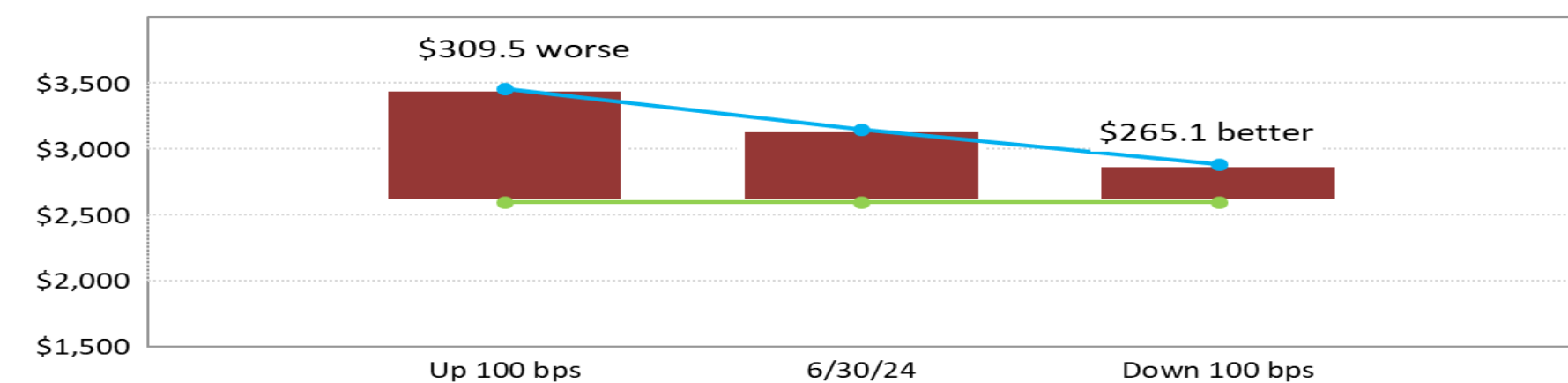
	Up 100bps	Current	Down 100bps
Market Value of Assets	\$2,561.7	\$2,595.7	\$2,630.2
Risk Free Liability	\$2,703.5	\$3,149.2	\$3,723.8
Surplus/(Deficit)	(\$141.8)	(\$553.5)	(\$1,093.6)
<b>Change</b>		<b>\$411.7</b>	<b>(\$540.1)</b>

## Return-Seeking Assets



	Increase 20%	Current	Decrease 20%
Market Value of Assets	\$2,950.3	\$2,595.7	\$2,241.0
Risk Free Liability	\$3,149.2	\$3,149.2	\$3,149.2
Surplus/(Deficit)	(\$198.9)	(\$553.5)	(\$908.2)
<b>Change</b>		<b>\$354.6</b>	<b>(\$354.7)</b>

## Inflation



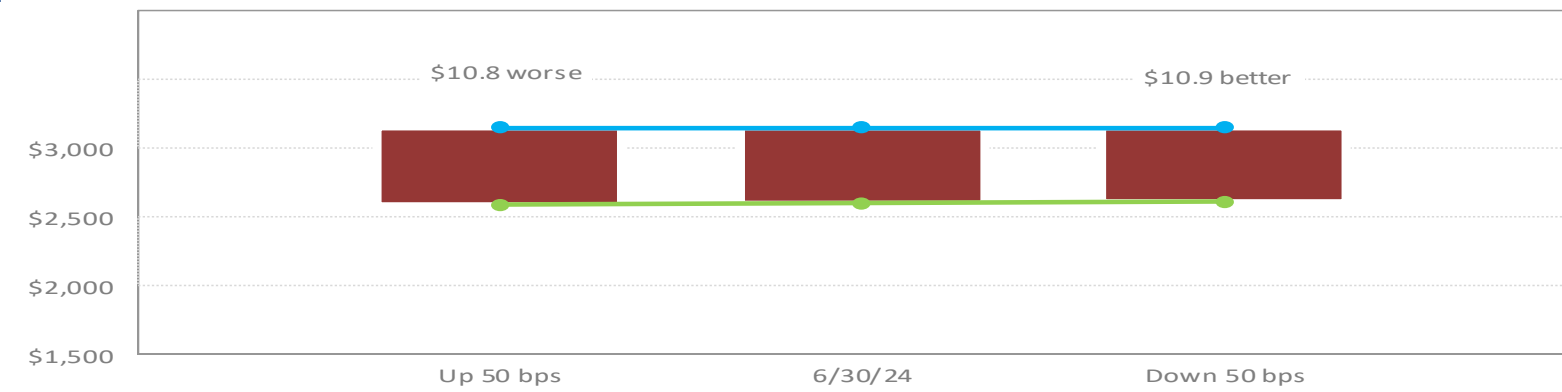
	Up 100bps	Inflation	Down 100bps
Market Value of Assets	\$2,595.7	\$2,595.7	\$2,595.7
Risk-Free Liability	\$3,458.7	\$3,149.2	\$2,884.1
Surplus/(Deficit)	(\$863.0)	(\$553.5)	(\$288.4)
<b>Change</b>		<b>(\$309.5)</b>	<b>\$265.1</b>



# Sensitivity Analysis – Risk Free Benchmark

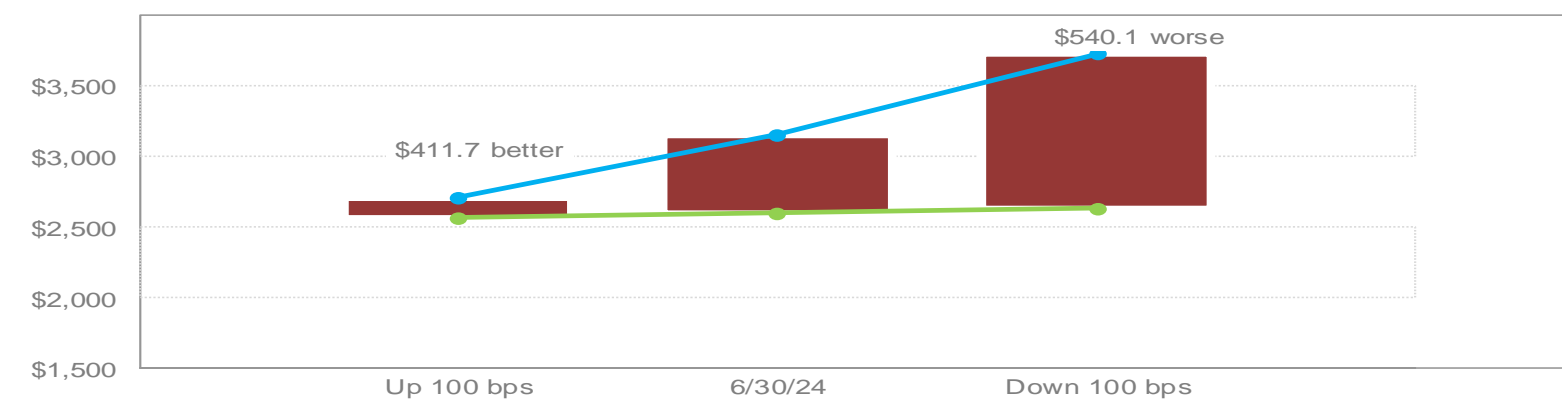
Values in \$1,000,000 (CAD)

## Credit Spreads



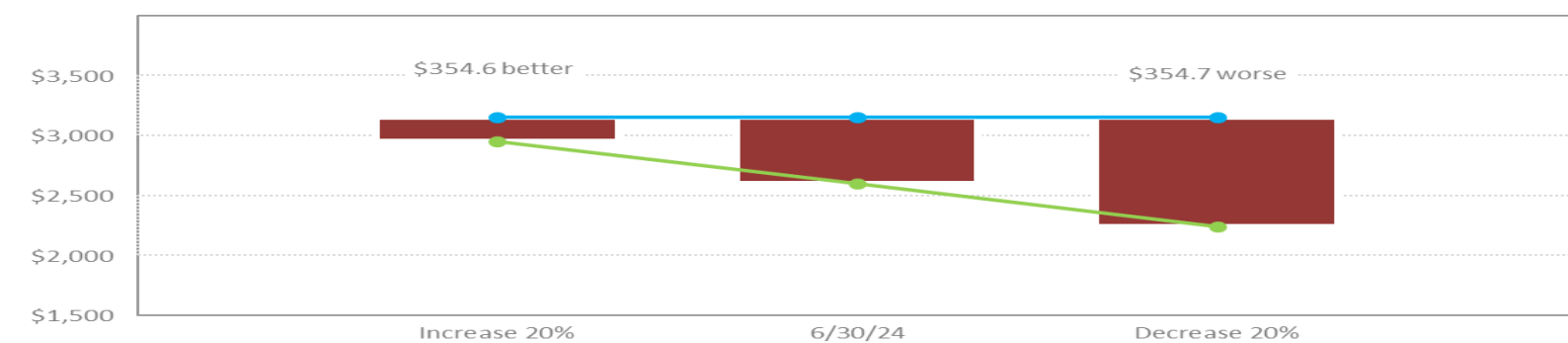
	Up 50bps	Current	Down 50bps
Market Value of Assets	\$2,584.9	\$2,595.7	\$2,606.6
Risk Free Liability	\$3,149.2	\$3,149.2	\$3,149.2
Surplus/(Deficit)	(\$564.3)	(\$553.5)	(\$542.6)
<b>Change</b>		<b>(\$10.8)</b>	<b>\$10.9</b>

## Risk Free Rates



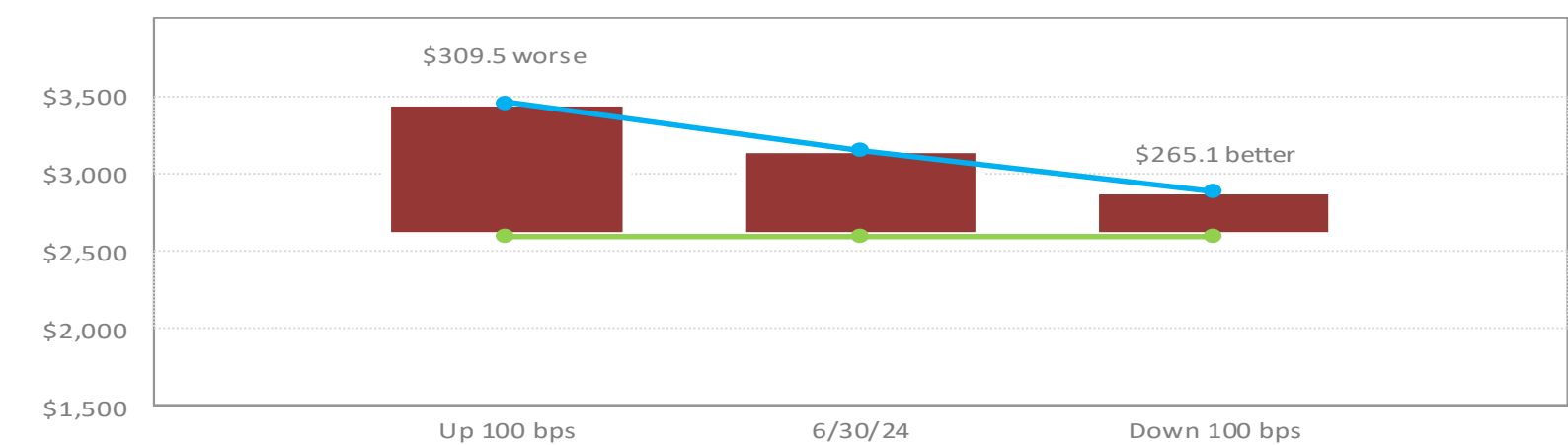
	Up 100bps	Current	Down 100bps
Market Value of Assets	\$2,561.7	\$2,595.7	\$2,630.2
Risk Free Liability	\$2,703.5	\$3,149.2	\$3,723.8
Surplus/(Deficit)	(\$141.8)	(\$553.5)	(\$1,093.6)
<b>Change</b>		<b>\$411.7</b>	<b>(\$540.1)</b>

## Return-Seeking Assets



	Increase 20%	Current	Decrease 20%
Market Value of Assets	\$2,950.3	\$2,595.7	\$2,241.0
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<b>Change</b>		<b>\$354.6</b>	<b>(\$354.7)</b>

## Inflation

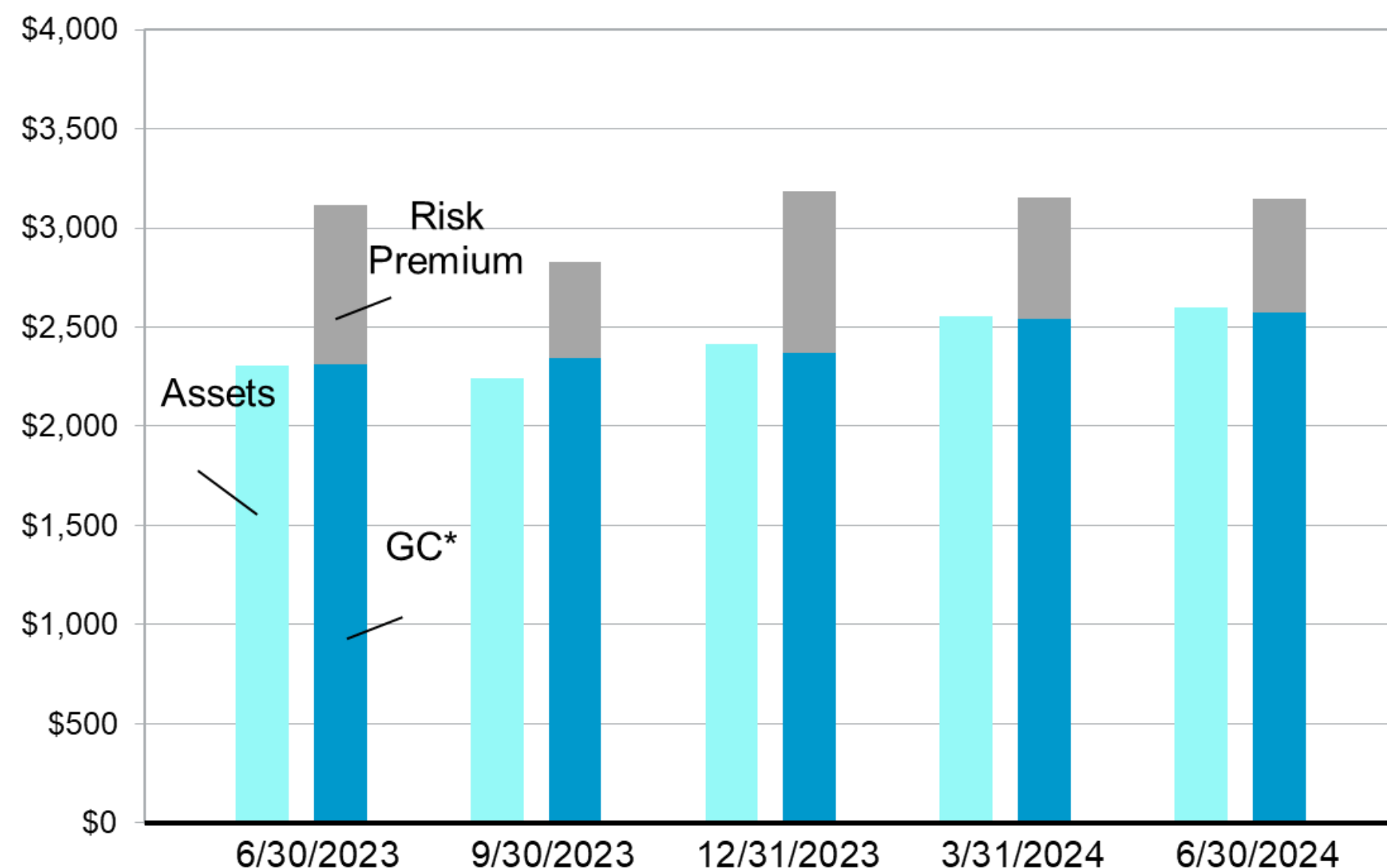


	Up 100bps	Inflation	Down 100bps
Market Value of Assets	\$2,595.7	\$2,595.7	\$2,595.7
Risk-Free Liability	\$3,458.7	\$3,149.2	\$2,884.1
Surplus/(Deficit)	(\$863.0)	(\$553.5)	(\$288.4)
<b>Change</b>		<b>(\$309.5)</b>	<b>\$265.1</b>

# Reconciliation of Risk-Free Benchmark and Going Concern Funded Status

Values in \$1,000,000 (CAD)

## Funded Status



	06/30/23	09/30/23	12/30/23	03/31/24	06/30/24
Market Value of Assets	\$ 2,307.5	\$ 2,244.4	\$ 2,416.3	\$ 2,555.6	\$ 2,595.7
Going Concern Liability	\$ 2,312.5	\$ 2,341.2	\$ 2,370.4	\$ 2,538.5	\$ 2,570.9
Risk Premium	<u>800.3</u>	<u>484.6</u>	<u>814.9</u>	<u>616.4</u>	<u>578.3</u>
Risk-Free Liability	\$ 3,112.8	\$ 2,825.8	\$ 3,185.3	\$ 3,154.9	\$ 3,149.2

\* Going Concern

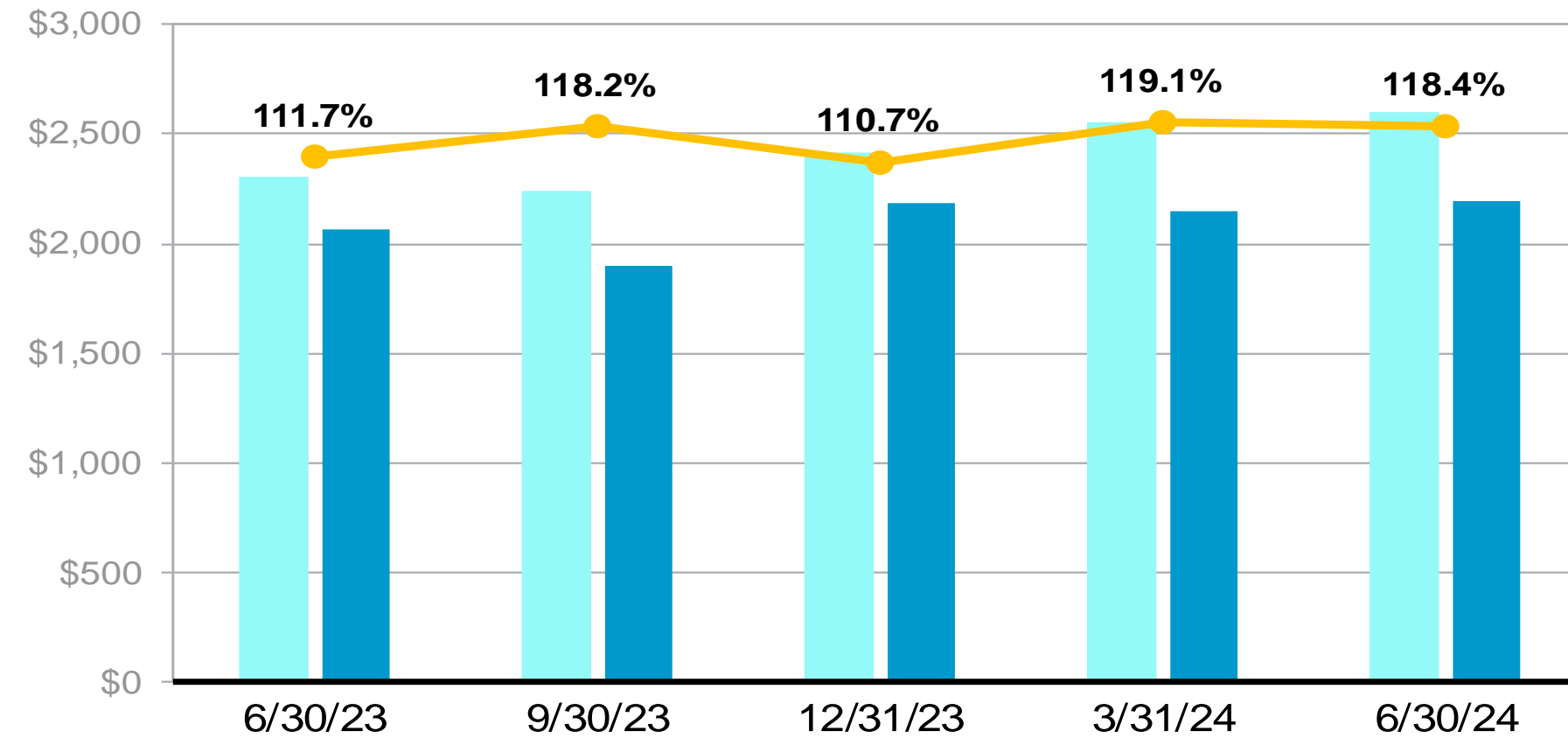
The difference between the Risk-Free Liability and the Going Concern Liability is a measure of the amount of risk premium on which the Pension Plan funding is based.



# Executive Summary - Solvency

Values in \$1,000,000 (CAD)

## Funded Status



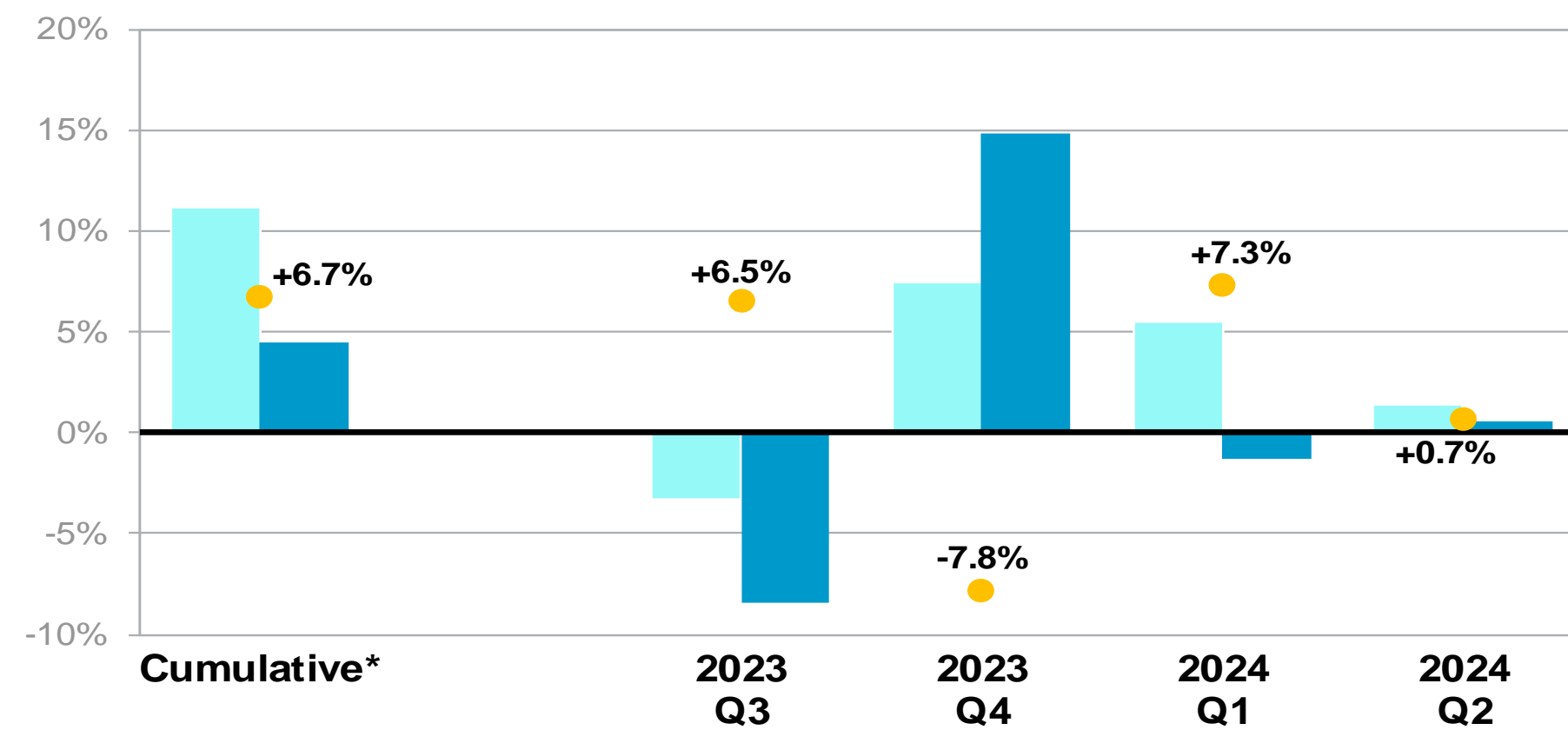
### Highlights for the Quarter-Ending 6/30/24

The plan's solvency ratio increased to 118.4% at 06/30/24. This result was primarily due to an increase in the net interest rates used to value liabilities.

	06/30/2023	09/31/2023	12/31/2023	03/31/2024	06/30/2024
Market Value of Assets	\$ 2,307.5	\$ 2,244.4	\$ 2,416.3	\$ 2,555.6	\$ 2,595.7
Solvency Liability	2,066.0	1,898.6	2,188.2	2,170.7	2,192.2
Surplus/(Deficit)	\$ 241.5	\$ 345.8	\$ 228.1	\$ 384.9	\$ 403.5
Periodic Contributions	\$ 28.5	\$ 39.8	\$ 30.6	\$ 30.6	\$ 30.8*
Effective Interest Rate	4.61%	5.44%	4.40%	4.72%	4.77%
Funded Ratio:					
Assets/Solvency Liability	111.7%	118.2%	110.7%	117.7%	118.4%
Interest rate sensitivity:					
Assets	1.5	1.5	1.5	1.5	1.5
Solvency Liability	12.6	11.7	12.8	11.7	12.8

\* Includes employee and University contributions to end of quarter; excludes investment manager and consulting expenses not yet invoiced

## Asset-Liability Return



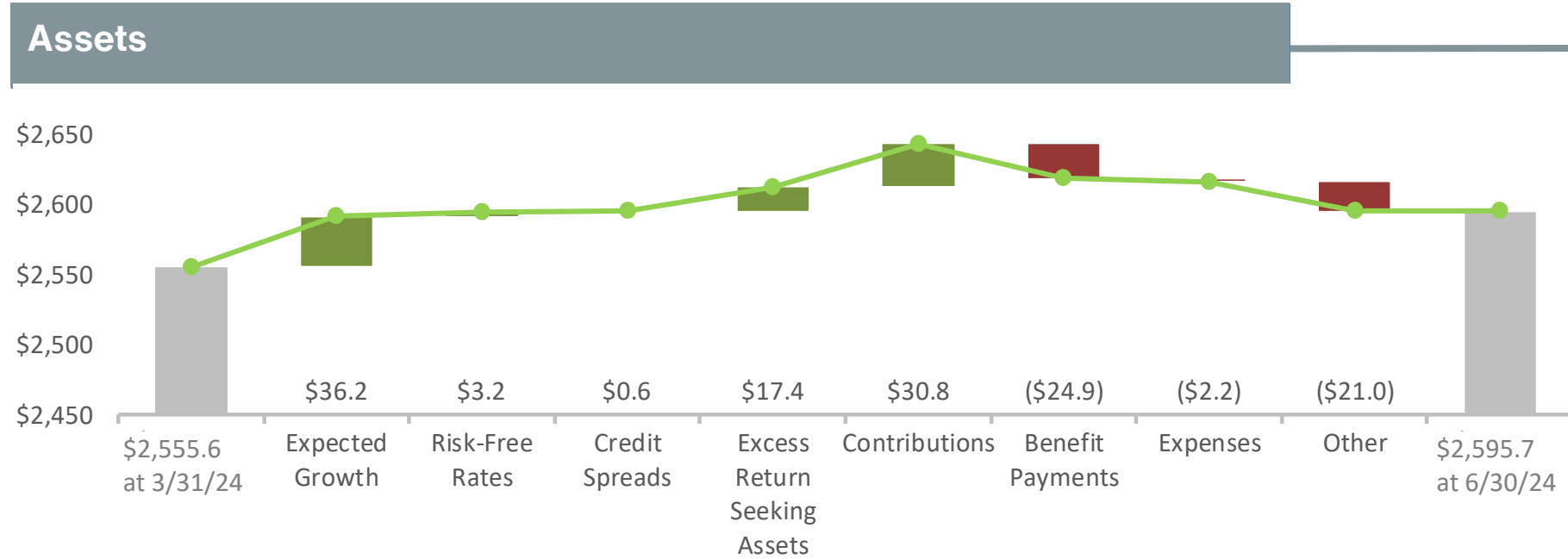
### Asset Liability Return for Quarter-Ending 06/30/24

Assets returned 1.4% during the quarter while liabilities returned 0.6%, resulting in a funded status increase of 0.7%.

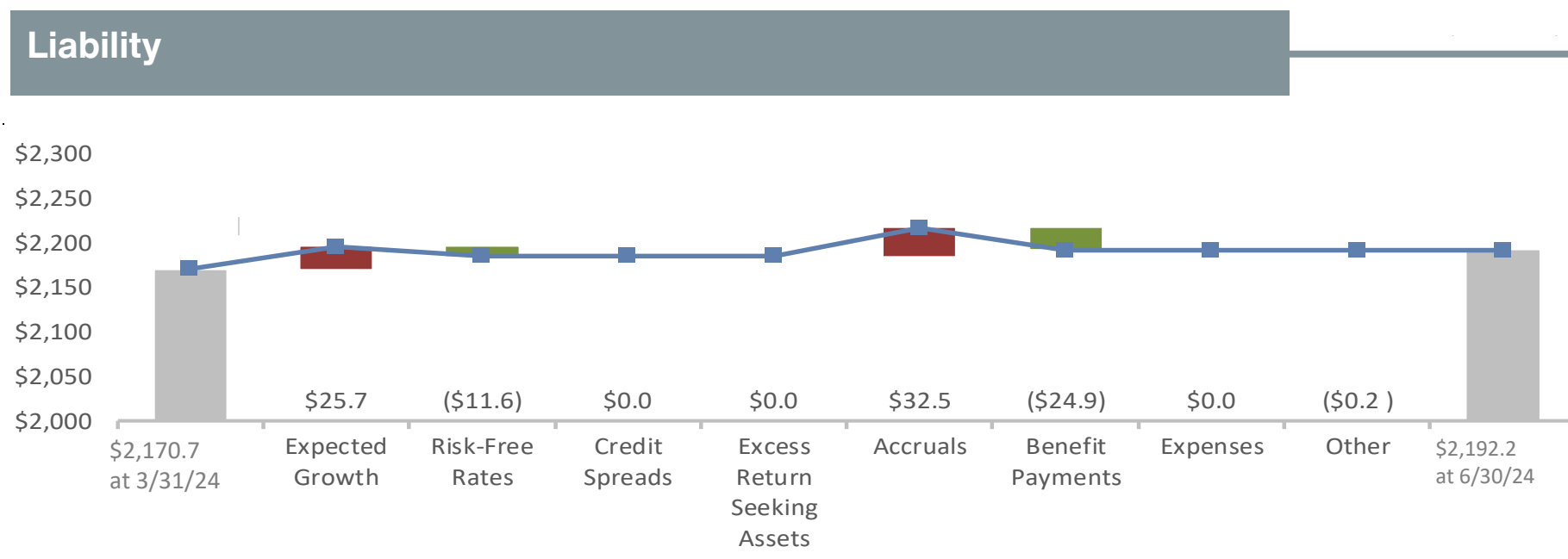
Periodic Return/Change	Cumulative	09/30/23	12/31/23	03/31/24	06/30/24
Market Value of Assets Return	11.2%	-3.3%	7.5%	5.5%	1.4%
Solvency Liability:					
Return	4.5%	-8.4%	14.9%	-1.3%	0.6%
Funded Ratio Change	6.7%	6.5%	-7.8%	7.3%	0.7%

# Asset-Liability Performance Attribution – Solvency

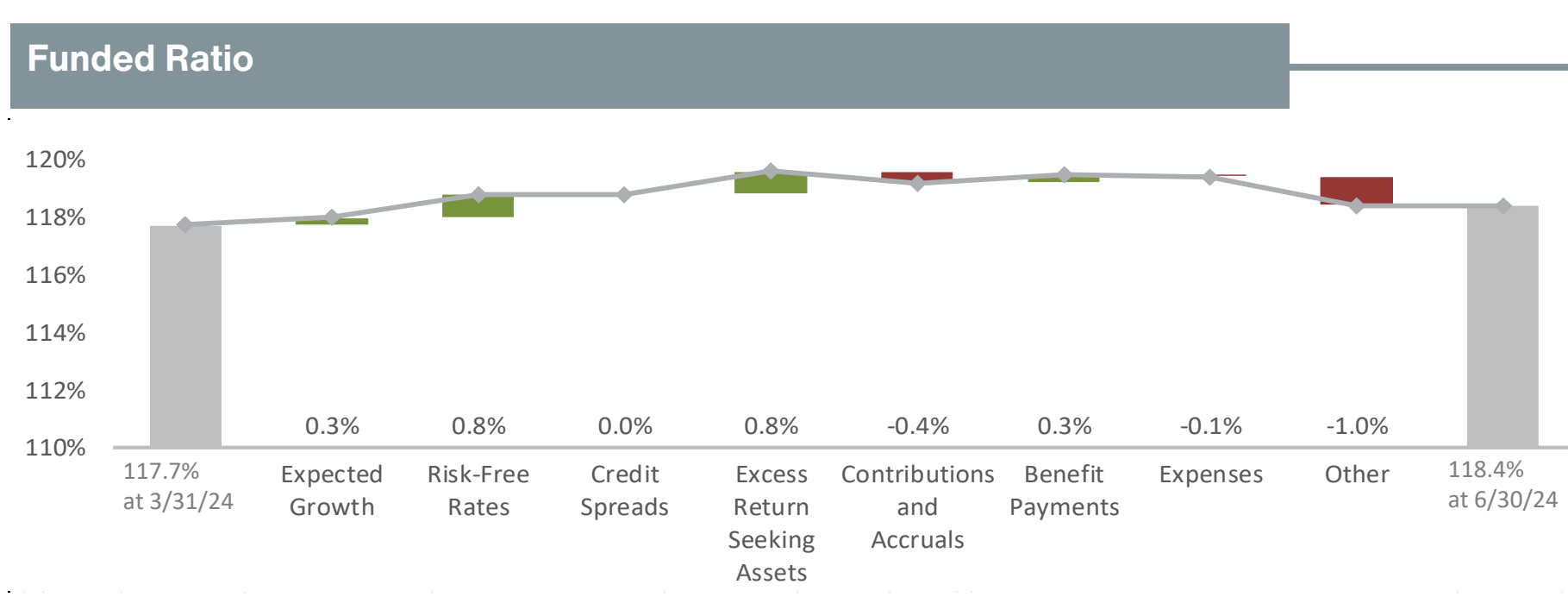
Values in \$1,000,000 (CAD)



- Overall, assets returned 1.4% during this quarter.
- Return-seeking assets performed better than expected during the quarter.
- The University and members made \$30.8 million in contributions during the quarter and the trust paid \$24.9 million in benefits to the participants.
- “Other” includes the impact of active management, and differences between benchmark and actual investment allocations.



- Liabilities were expected to grow by \$25.7 million due to interest cost during the quarter.
- Risk-free rates increased, resulting in a net decrease of \$11.6 million.
- New benefit accruals increased the liability by \$32.5 million during the quarter.
- Plan liabilities decreased by \$24.9 million during the quarter as benefits were paid out.



- The difference in exposure to risk-free rates between assets and liabilities combined with changes in risk-free rates resulted in an increase in funded status of 0.8%.
- Return-seeking assets performed in excess of expectations during the quarter, adding 0.8% to the plan's funded status during the period. However, this was offset by the impact of active management and differences between benchmark and actual investment allocations.
- Benefit accruals exceeded contributions during the quarter, resulting in a net decrease of 0.4% in the funded status.



# Appendix





# Plan Provisions & Membership Data



The Plan provisions and membership data are outlined in the Actuarial Valuation as at January 1, 2024.



# Actuarial Methods & Assumptions

Our analysis of the estimated financial position of the Pension Plan is based on the following:

	06/30/23	09/30/23	12/31/23	03/31/24	06/30/24
<b>Going Concern</b>					
Discount Rate	6.25%	6.25%	6.25%	6.00%	6.00%
Inflation	2.00%	2.00%	2.00%	2.00%	2.00%
Salary Increase	3.00%/4.00% <sup>1</sup>	3.00%/4.00% <sup>1</sup>	3.00%/4.00% <sup>1</sup>	4.00% <sup>2</sup>	4.00% <sup>2</sup>
PfAD	9.60%	9.60%	9.60%	9.60%	9.60%
Mortality	CPM2014Public	CPM2014Public	CPM2014Public	CPM2014Public	CPM2014Public
<b>Risk-Free Benchmark</b>					
Discount Rate (Net of inflation)	1.79%	2.46%	1.80%	1.90%	1.99%
<b>Solvency</b>					
Annuity Purchase Interest Rate	4.74%	5.48%	4.55%	4.87%	4.92%
Effective Date of Annuity Purchase Guidance Used	07/24/23	10/24/23	1/22/24	4/29/24	6/30/24
Lump Sum Value Interest Rate (Years 1-10) <sup>3</sup>	4.40%	5.30%	4.10%	4.30%	4.40%
Lump Sum Value Interest Rate (Years 10+) <sup>3</sup>	4.40%	5.10%	4.20%	4.60%	4.60%
Mortality <sup>4</sup>	CPM2014	CPM2014	CPM2014	CPM2014	CPM2014
<b>Underlying Canadian Reference Data</b>					
CANSIM v39054 (7 Year)	3.38%	4.11%	3.09%	3.45%	3.49%
CANSIM v39056 (30 Year Long Term)	3.09%	3.81%	3.02%	3.34%	3.39%
CANSIM v39057 (30 Year Real Return)	1.39%	2.06%	1.40%	1.50%	1.59%
CANSIM v39062 (Over 10 Years)	3.14%	3.88%	3.05%	3.37%	3.42%

<sup>1</sup> 3.00% per year for 1 year; 4.00% year thereafter

<sup>2</sup> 4.00% per year

<sup>3</sup> Lump Sum Value Interest Rates are based on rates in effect on the first day of the month following quarter end (i.e., January 1st, April 1st, July 1st and October 1st).

<sup>4</sup> With improvement scale MI-2017 for Going Concern and Risk Free and CPM-B for Solvency.

All other assumptions and methods are the same as those shown in the Actuarial Valuation Results presentation as of January 1, 2024. For the Risk-Free Benchmark basis, all other assumptions and methods are the same as those used for the Going Concern basis.

# Actuarial Attestation

**This document is intended to provide the University of Waterloo with a summary of the performance of the Pension Plan as of June 30, 2024.**

This analysis is intended to assist the University of Waterloo with a review of the associated issues and options, and its use may not be appropriate for other purposes. This analysis has been prepared solely for the benefit of the University of Waterloo. Any further dissemination of this report is not permitted without the prior written consent of Aon.

In conducting the analysis, we have relied on plan design, demographic and financial information provided by other parties, including the plan sponsor. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

Experience different than anticipated could have a material impact on the ultimate costs of the benefits. In addition, changes in plan provisions or applicable laws could have a substantial impact on cost. Actual experience may differ from our modeling assumptions.

Aon  
August 2024



# Asset Allocation and Benchmarking

Asset Class	06/30/24
Alternatives	
• FTSE EPRA NAREIT DEVELOPED Total Return Index USD	2.3%
• MSCI USA Infrastructure Index	6.0%
Fixed Income	
• FTSE TMX Universe Bond Index	31.7%
Equities	
• MSCI World Index	45.7%
• S&P TSX	14.3%
Total	100.0%

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**For Decision****Open Session**

**Date of Meeting:** September 13, 2024

**To:** Members, Pension & Benefits Committee

**From:** Sarah Willey-Thomas, Associate University Secretary

**RE:** **4. Pension**

---

**4.2. Cost of Living Adjustments****4.2.1. Pensionable Earnings for Members on LTD****Recommendation:**

**That the Pension & Benefits Committee approve to index salaries by 3.9% for pension purposes for members in receipt long-term disability benefits (“LTD”), effective May 1, 2024.**

Lee Hornberger, Director, Total Rewards, will speak to the enclosed report.

Members will recall that the Pension & Benefits Committee last reviewed the cost-of-living adjustments for pension plan members at its meeting in March 2024.

Recommendations were approved for adjustments to pensions in pay and deferred pensions. Recommendations relating to Pensionable Earnings for Members on LTD was deferred to a future meeting.

**Documentation Provided:**

- Cost of Living Adjustment – Pensionable Earnings for Members in Receipt of LTD Benefits

*[https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1\\_Open Session/4.2.1.1. Cost of Living Adjustments.docx](https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1_Open Session/4.2.1.1. Cost of Living Adjustments.docx)*

**Report to the Pension & Benefits Committee  
13 September 2024**

**FOR DECISION**

---

**Cost of Living Adjustment – Pensionable Earnings for Members in Receipt of LTD Benefits From Human Resources**

**Recommendation**

The salary increases effective May 1, 2024 have been finalized for Faculty, Staff, and CUPE Local 793 employees. Since the 100% COLA Factor is less than the increases for active employees, the recommendation is to index salaries for pension purposes for members on LTD by 3.9% effective May 1, 2024.

**Background**

At the March 2024 P&B Committee meeting, the COLA was reviewed and the following decisions were made:

	Pensioners		Deferred Members		Pensionable Earnings for LTD Benefit Recipients
	<i>Pension Benefits Earned up to December 31, 2013</i>	<i>Pension Benefits Earned on or after January 1, 2014</i>	<i>Pension Benefits Earned up to December 31, 2013</i>	<i>Pension Benefits Earned on or after January 1, 2014</i>	
COLA effective May 1, 2024	3.90%  And carry forward 1.8% (catch up from 2023) to subsequent year	2.93%  And carry forward 0.1% (catch up from 2023) to subsequent year	0%	0%	To be determined (once the Range Increase has been finalized with the employee groups)
Members as of December 31, 2023	2,566		755		108

Effective May 1, 2024, the COLA Factors are as follows:

- 100% COLA Factor is 3.90% (for pension benefits earned up to December 31, 2013)
- 75% COLA Factor is 2.93% (for pension benefits earned on or after January 1, 2014)

The application of an adjustment to pensionable earnings for LTD benefit recipients is fully at the discretion of the Pension & Benefits Committee. In November 2015, the following guiding principles were adopted:

- Members on LTD are more like active members than other groups receiving COLA increases,
- Therefore, salaries for pension purposes for members on LTD should be indexed by the lesser of 100% COLA Factor and the range increase for active employees.

**For Decision**

**Open Session**

**Date of Meeting:** September 13, 2024

**To:** Members, Pension & Benefits Committee

**From:** Sarah Willey-Thomas, Associate University Secretary

**RE:** **4. Pensions**

---

#### **4.3. Plan Text Amendment to reflect revised Policy 76/77 – Definite Term Lecturers**

**Recommendation:**

**That the Pension & Benefits Committee recommend the pension plan text be amended to replace references to “Definite Term Lecturers” with “Definite Term Assistant Professors, Teaching Stream”, effective September 1, 2024.**

Lee Hornberger, Director, Total Rewards, will speak to the enclosed report related to proposed plan text amendments.

Members will recall that University Policy 76 – Faculty Appointments and Policy 77 – Tenure and Promotion of Faculty Members were recently amended, and revisions were approved by the Board of Governors at its meeting in April 2024 and in accordance with agreed terms between the Faculty Association of the University of Waterloo and the University of Waterloo.

Plan text amendments are referred to the Board of Governors for final approval.

**Documentation Provided:**

- Report – Pension Plan Amendment to reflect revised Policy 76/77 – Definite Term Lecturers

*[https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1\\_Open Session/4.3.1. Amendment - Definite Term Lecturers.docx](https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1_Open Session/4.3.1. Amendment - Definite Term Lecturers.docx)*

**Report to the Pension & Benefits Committee  
13 September 2024**

**FOR DECISION**

---

**Pension Plan Amendment to reflect revised Policy 76/77 – Definite Term Lecturers  
From Human Resources**

**Recommendation**

The recommendation is to amend the pension plan text effective September 1, 2024 by replacing reference to “Definite Term Lecturers” with “Definite Term Assistant Professors, Teaching Stream”. The proposed language for the plan text amendment will be brought forward to an upcoming Pension & Benefits Committee meeting for review and subsequent recommendation for approval to the Board of Governors.

**Background**

Effective September 1, 2024, the University’s Policy 76-Faculty Appointments and Policy 77-Tenure and Promotion of Faculty Members has been revised impacting existing Lecturers and Clinical Lecturers as follows:

- Continuing Lecturers and Continuing Clinical Lecturers can choose to transition to “Associate Professor, Teaching Stream” and “Clinical Associate Professor, Teaching Stream” respectively, with an academic track of Permanence
- Definite-term Lecturers and Definite-term Clinical Lecturers automatically transition to “Assistant Professor, Teaching Stream” and “Clinical Assistant Professor, Teaching Stream” respectively but their academic track will be determined on a case-by-case basis, through the following categories:
  1. University Appointments Review Committee (UARC) appointment and 5 or more years of service – transition to Probationary or Permanence academic track
  2. UARC appointment but less than 5 years of service – maintain Definite-term or at the Deans’ discretion, transition to Probationary or Permanence academic track
  3. Non-UARC appointment but 5 or more years of service – maintain Definite-term academic track with existing employment end date
  4. Non-UARC appointment and less than 5 years of service – maintain Definite-term academic track with possible revised employment end date (i.e. 5 year maximum)

Definite-term Lecturers is a category of employees who are currently eligible for the pension plan with slightly different criteria than other employees and are therefore called out separately from other employees in the plan text (see [Section 3.02](#)). The key difference concerns when participation in the pension plan becomes mandatory – after five years of service for eligible Definite Term Lecturers (coincides with the maximum employment period as “definite term”) and at age 35 for all other eligible employees. Of the 104 pension eligible Definite-term Lecturers, 12 had waived participation in the pension plan as of July 2024; half of these employees are over the age of 35.

Definite-term Lecturers who were promoted to the Probationary or Permanence academic track type along with the transition to a new rank/title on September 1, 2024 (est. 66 employees) will be treated as other pension eligible employees (due to their promotion) but those who maintain their Definite-term academic track type (est. 38 employees) continue to be treated as the pension plan currently stipulates for Definite-term Lecturers.



**For Decision**

**Open Session**

**Date of Meeting:** September 13, 2024

**To:** Members, Pension & Benefits Committee

**From:** Sarah Willey-Thomas, Associate University Secretary

**RE:** **4. Pension**

---

#### **4.4.1. Fairness Protocol – Maximum Contribution Limit**

**Recommendation:**

**That the Pension and Benefits Committee recommend the following changes to the Fairness Protocol, effective January 1, 2025:**

- a) That the Fairness Protocol is phased out based on Aon’s “Approach 1 – Immediate Change”; and**
- b) That any over-contributions be paid to retirees as a lump sum only, removing the option to take overcontributions as a lifetime pension.**

Aon will present a review of the Fairness Protocol and Impact of *Income Tax Limits* on contributions and Benefits in the Pension Plan.

Human Resources and Finance will speak to a recommendation regarding the fairness protocol.

Changes to pension protocols and pension plan text are referred to the Board of Governors for final approval.

**Documentation Provided:**

- Slide Deck – Review of Fairness Protocol and Impact of *Income Tax Act Limits* on Contributions and Benefits
- Report – Fairness Protocol – Maximum Contribution Limit

[https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1\\_Open Session/4.4.1. Fairness protocol - max contribution limits.docx](https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1_Open Session/4.4.1. Fairness protocol - max contribution limits.docx)

**AON**

**Review of Fairness  
Protocol and  
Impact  
of *Income Tax Act*  
Limits on  
Contributions  
and Benefits**

University of Waterloo Pension  
Plan

September 2024

Proprietary and Confidential

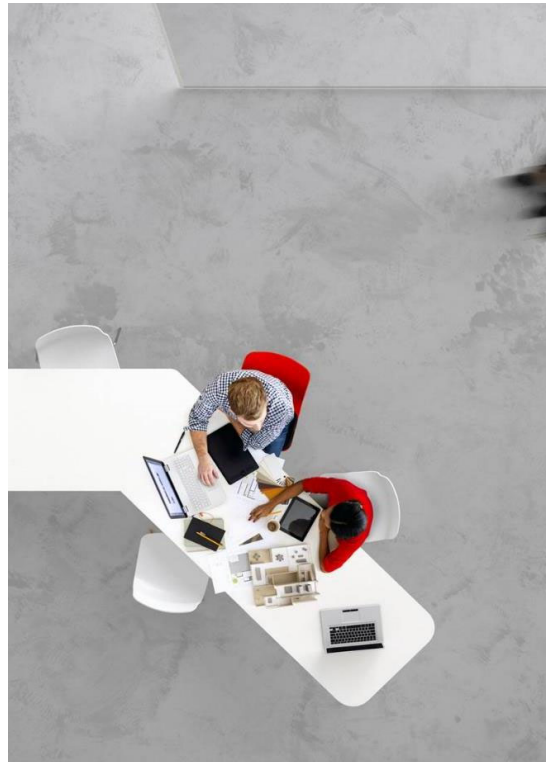


# Fairness Protocol

Recognizes that because of relationship between maximum member contributions under the University of Waterloo Pension Plan (RPP) and maximum pension under RPP (both as prescribed by *Income Tax Act*) and Payroll Pension Plan (PPP), member may end up contributing on salary on which pension is not being ultimately earned

Fairness Protocol provides methodology for tracking any over-contributions to RPP

Fairness Protocol approach adopted because of presence of the PPP with a periodically changing hard-dollar cap which made ultimate pension unknown



This material reviews recent experience under Fairness Protocol and an alternative approach that would phase out the Fairness Protocol



# Defined Benefit Contribution and Benefit Limits

- The *Income Tax Act* (ITA) limits the maximum pension payable from the RPP.
- Each January 1<sup>st</sup>, the limit is adjusted based on the year-over-year increase in the Average Industrial Wage (AIW).
- The following table shows the ITA maximum pension limit effective January 1, 2024 and the final average earnings threshold (5-year average) and estimated final earnings (last year) at which this limit is met for retirements in 2024.
- The projected limit, final average earnings threshold and final earnings threshold have been estimated for 2025 assuming a 2.75% increase in the AIW.

	2024 Limit			2025 Limit (Illustrative)		
	Maximum Annual Pension Per Year of Pensionable Service	Final Average Earnings Threshold	Estimated Final Earnings Threshold	Maximum Annual Pension Per Year of Pensionable Service	Final Average Earnings Threshold	Estimated Final Earnings Threshold
<b>RPP (ITA) Maximum Pension Limit</b>	\$ 3,610.00	\$ 199,718	\$ 215,683	\$ 3,709.28	\$ 205,383	\$ 221,801



The estimated final earnings on which benefits are earned is higher than the final average earnings threshold and has been calculated based on the assumed increase in pensionable earnings.



Previously, members earned benefits in excess of the ITA maximum pension under the PPP.

## Defined Benefit Contribution and Benefit Limits

- The ITA also governs the maximum contributions made by members into the RPP.
- Each January 1<sup>st</sup>, the limit is adjusted based on the year-over-year increase in the AIW.
- The following table shows the maximum member contributions allowed to be made into the RPP during 2024 and the projected limit for 2025 assuming a 2.75% increase in the AIW.

	2024 Limit		2025 Limit (Illustrative)	
	Maximum Member Contributions to RPP	Maximum Earnings on which Member Contributions are made to RPP	Maximum Member Contributions to RPP	Maximum Earnings on which Member Contributions are made to RPP
<b>RPP (ITA) Maximum Contribution Limit</b>	\$ 23,323	\$ 229,036	\$ 23,948	\$ 235,192



The earnings on which contributions are made (\$229,036 in 2024) is higher than the Final Earnings (last year) on which benefits are estimated to be earned (\$ 215,683 in 2024).



The Fairness Protocol was put into place to address this difference

# Calculations Under Fairness Protocol

Following calculation made at date of retirement/termination:

**1**

Calculate Final Average Earnings at which Plan cap (previously combined RPP and PPP) is reached at retirement/termination date

**2**

For each past calendar year in which member's salary exceeded the earnings level in 1; calculate the difference between the member contributions actually made and the member contributions that would have been made had the contribution been capped at the earnings level in 1.

**3**

Accumulate the difference in 2. to retirement date, including interest at the rate credited on member contributions

**4**

Determine if any excess contributions are payable from the RPP under 50% cost sharing rule

**5**

Subtract 4 from 3; this represents the over-contributions

This amount is **payable to the member in taxable cash** (from the PPP) or **converted to an increase in lifetime pension**, payable from the PPP (member's choice)



# 2023 Fairness Protocol Payments

During 2023	
<p><b>32</b> Members retired or terminated with over-contributions as calculated under the Fairness Protocol</p>	<p><b>17</b> Members elected lump-sum payment from the PPP</p>
<p><b>\$93</b> Smallest over-contribution amount</p>	
<p><b>\$38,863</b> Largest over-contribution amount</p>	<p><b>15</b> Converted their lump-sum to a non-indexed pension payable from the PPP</p>
<p><b>\$10,149</b> Average amount</p>	<p><b>\$754</b> Average annual lifetime pension</p>

Pension regulation requires that a member **cannot fund more than 50% of their benefit** but does not require a limit be placed on member contributions other than the ITA limit.

# Alternative Approach

- Many plans (including University Pension Plan) align the maximum earnings on which contributions are made to the estimated maximum earnings on which benefits are earned.
- Each January 1<sup>st</sup>, the earnings on which contributions are made is adjusted by the AIW.
- This may result in member contributions being lower than the ITA maximum allowable contribution for high income earners.
- If this approach were adopted for the RPP, the plan would be amended to set the earnings on which contributions are made to approximate the earnings on which benefits are earned.
- The maximum earnings, on which contributions would be made would be set at \$215,683 increased at the AIW for 2025 and automatically increased each year thereafter at the increase in the AIW.
- The earnings limit for contributions would be known each November when government limits are announced.

This approach would **eliminate the need for the Fairness Protocol** and the associated administration

	Estimated Earnings on Which Benefits are Earned	Maximum Earnings on Which Contributions are Currently Made
<b>2024 Limits</b>	\$ 215,683	\$ 229,035
<b>2025 Limits (Illustrative)</b>	\$ 221,801	\$ 235,192

# Transition Approaches

## Approach 1 – Immediate Change

- The maximum earnings, on which contributions would be made would be set at \$215,683 increased at the AIW for 2025 and automatically increased each year thereafter at the increase in the AIW

There would be a **reduction in contributions for members earning** in excess of the contribution earnings cap (i.e. earnings in excess of \$215,683 in 2024 dollars)

The maximum reduction for an individual member would be **\$1,495 annually** (using 2024 as an example; see below)

Would result in reduction in total member contributions of approximately **\$437,000 in 2024 dollars**

## Approach 2 – Phased Change

Hold maximum member contributions at the current level (\$23,322) until the Final Earnings (last year) at which maximum benefits are earned reaches \$229,035

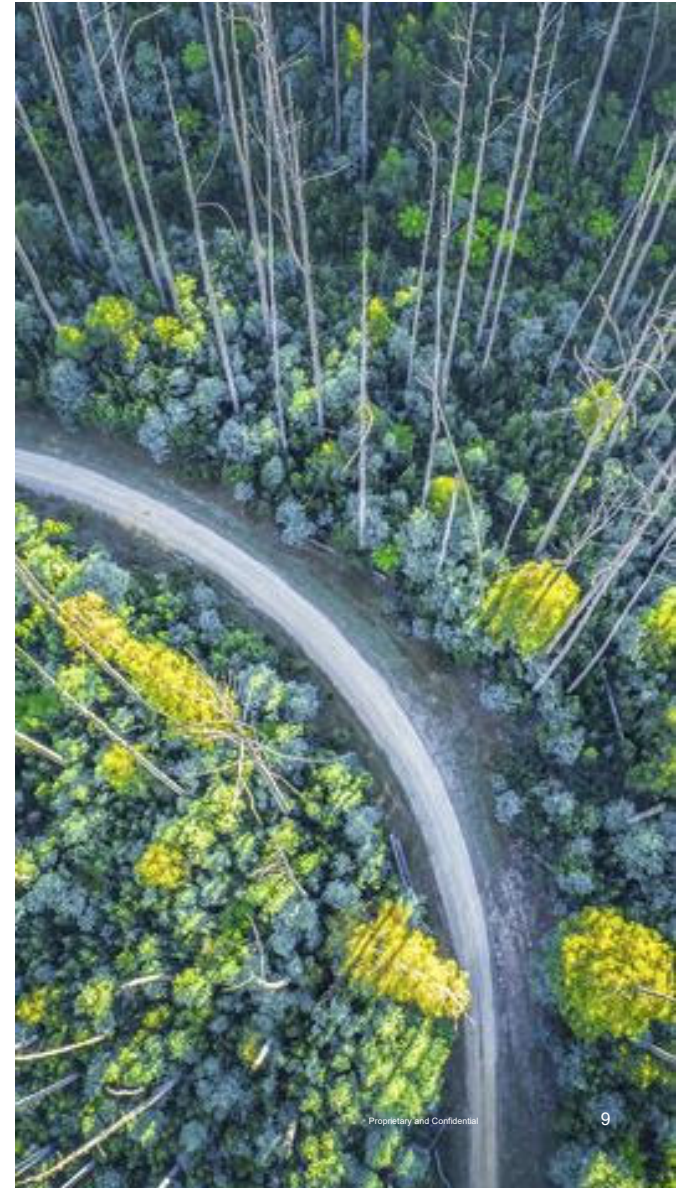
No members would have reduced contributions but some would have flat contributions for a number of years

Earnings	Contributions — Current	Contributions — Contribution Cap Aligned with Benefits Cap	Annual (2024) Difference
\$ 215,000	\$ 21,751	\$ 21,751	\$ -
\$ 220,000	\$ 22,311	\$ 21,827	\$ (484)
\$ 225,000	\$ 22,871	\$ 21,827	\$ (1,044)
\$ 229,035 +	\$ 23,322	\$ 21,827	\$ (1,495)



## Transition Approaches – Fairness Protocol

- Under Approach 1 (Immediate Change), the Fairness Protocol will continue to apply to pre-2025 years until Final Average Earnings Threshold under Protocol (\$199,718 in 2024) reaches maximum earnings on which contributions were made in 2024 (\$229,035 in 2024)
- Under Approach 2 (Phased Change), the Fairness Protocol would continue to apply to pre-2025 years as per above, and would extend to some post-2025 years until the Final Earnings (last year) at which maximum benefits are earned reaches \$229,035
- Under either approach, eliminating the option to take the over-contributions as a lifetime pension effective January 1, 2025 would reduce the administrative burden (tax reporting, valuation calculations, member election forms, etc.), and risk, associated with on-going payments from the PPP



### About Aon

[Aon plc](#) (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues in over 120 countries provide our clients with the clarity and confidence to make better risk and people decisions that protect and grow their businesses.

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**Report to the Pension & Benefits Committee  
13 September 2024**

**FOR DECISION**

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**Fairness Protocol – Maximum Contribution Limit  
From Human Resources and Finance**

**Recommendation**

The recommendation is, effective January 1, 2025:

- to phase out of the Fairness Protocol based on Aon’s “Approach 1 – Immediate Change”, and
- that any over-contributions be paid to retirees as a lump sum only (removing the option to take overcontributions as a lifetime pension) as a matter of administrative efficiency

The proposed language for the plan text amendment will be brought forward to an upcoming Pension & Benefits Committee meeting for review and subsequent recommendation for approval to the Board of Governors.

**Background**

In the current state, some plan members contribute more to the Registered Pension Plan (RPP) than the benefit that will be available. The Fairness Protocol has provided the University with a methodology for tracking over-contributions to the RPP which have then been provided at retirement or termination as either a lump sum payment from the PPP or a non-indexed pension payable from the PPP. Aon has prepared a *Review of Fairness Protocol and Impact of Income Tax Act Limits on Contributions and Benefits* with background information and a more simplified approach for the University to consider.

Moving to the more simplified approach is better for members as they wouldn’t incur overcontributions to be refunded later, and it reduces administration.

**For Information**

**Open Session**

**Date of Meeting:** September 13, 2024  
**To:** Members, Pension & Benefits Committee  
**From:** Sarah Willey-Thomas, Associate University Secretary  
**RE:** **5) Other Business**

---

### **5.1. Pension & Benefits Committee Orientation**

The Pension Investment Committee receives an annual orientation, typically held during the first meeting of Fall semester.

The orientation slide deck is enclosed for the information of members and is intended to provide a high level summary of key policies, documents and resources for the Committee as well as logistical information related to the Committee.

Committee Resources will present the Committee Orientation slide deck.

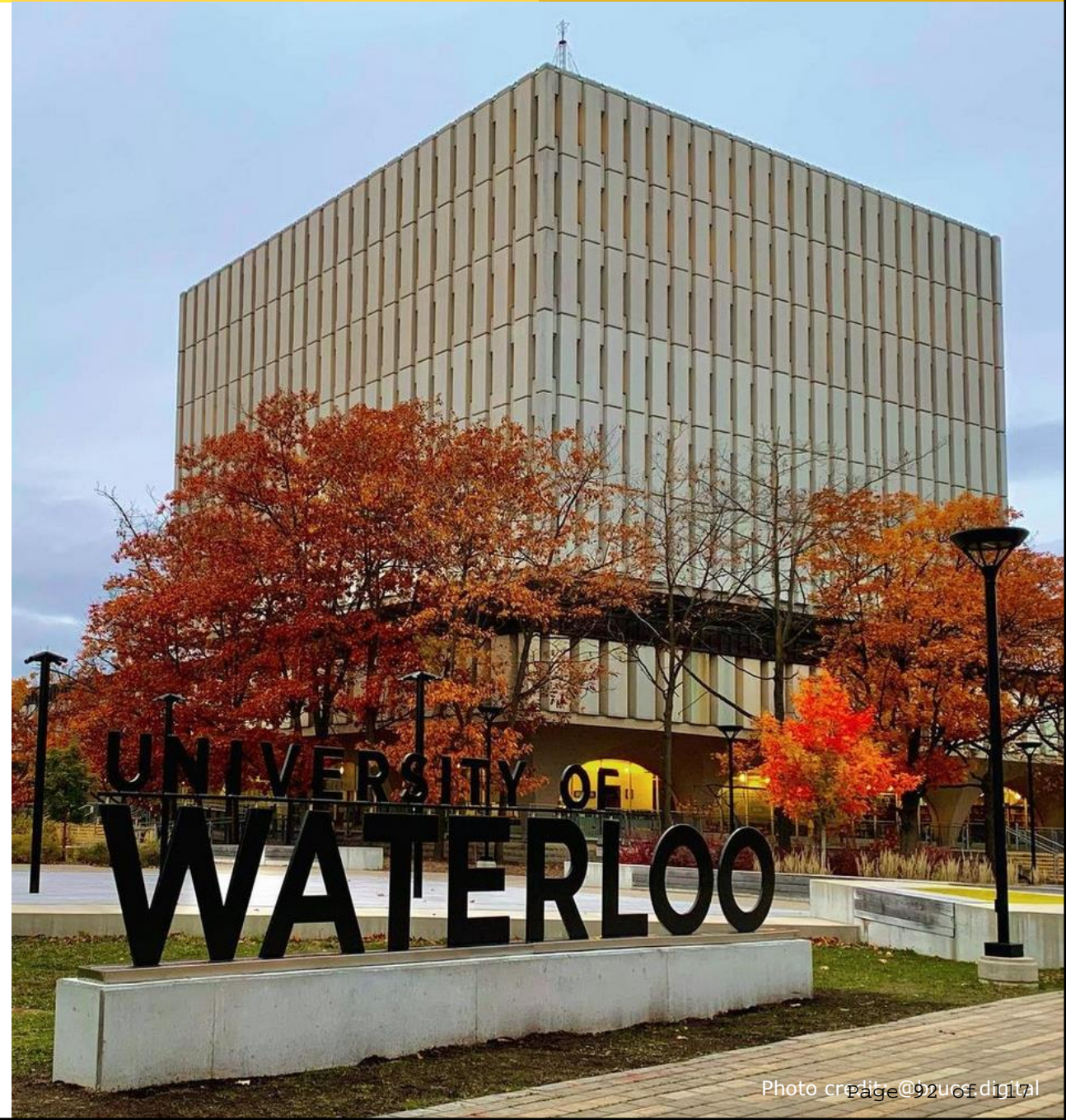
#### **Documentation Provided:**

- Slide Deck - Pension & Benefits Orientation

*[https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1\\_Open Session/5.1.1. Committee Orientation.docx](https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1_Open Session/5.1.1. Committee Orientation.docx)*

# Pension and Benefits Committee Orientation

September 2024



# **COMMITTEE TERMS OF REFERENCE**

# Key Elements of Terms of Reference

The Committee has the full power to administer the employee pension and benefits plans, including but not limited to:

- Pension Plan Administration
- Oversight of Pension Investments
- Reporting and Liaison

The Committee delegates day-to-day responsibility for the administration of the pension and benefits plans to Human Resources of the University.

The purpose of the Committee is to make and enforce such rules and regulations necessary for the effective and efficient administration of the plans.



# Key Elements of Terms of Reference - Pension Plan Administration

- Facilitate effective and efficient administration of the pension plan in accordance with legislation and regulations and decide all questions concerning the pension plan.
- Provide an annual report to the Board of Governors with respect to the operation of the Pension Plan.
- Review annual audit of the Pension Plan Fund Financial Statements.
- Appoint actuary and commission research on pension or benefits.
- Recommend changes in pension and benefits plans – being mindful of the financial context / impact to the University.
- Make policy decisions relevant to administration of benefits of plans.
- Recommend appointment of custodians / trustees to the Board.

# Key Elements of Terms of Reference - Oversight of Pension Investments

- **Investment Policy for pension assets**
  - Receive recommendations from the Pension Investment Committee on updates / revisions to:
    - Statement of Investment Policy and Procedures (SIPP) and
    - Fund Implementation Procedures (FIP)
  - Recommend Investment Policy to the Board of Governors
- **External Fund Managers**
  - Receive recommendations from the Pension Investment Committee related to:
    - The approval / termination of external fund managers and / or mandates for the pension fund investments
  - Approve on behalf of the Board of Governors
- **Responsible Investment Policy**
  - Oversee and ensure compliance with the policy through the Pension Investment Committee
- **Asset mix changes and investment decisions** where the cumulative annual amount is **greater than 20%** of the Plan's total assets
  - Approve recommendations received from PIC

# Key Elements of Terms of Reference – General Provisions

- Members of the Committee may participate in the benefits under the pension plan provided they are otherwise eligible to do so.
- No compensation for committee members except as otherwise provided by the Board of Governors of the University.
- No bond or other security shall be required of any member of the Committee in such capacity in any jurisdiction, except as expressly required by law.
- No personal liability unless willful and intentional.
- Entitled to rely conclusively on information provided by third parties and experts.
- Decisions / actions apply to all persons with like circumstances; no person specific exceptions.

# Committee Membership

<i>Constituency</i>	<i>Name</i>
<b>Vice-President, Academic &amp; Provost</b>	James Rush
<b>Vice-President, Administration &amp; Finance</b>	Jacinda Reitsma
<b>Community-at-Large / Lieutenant Governor in Council</b>	Teresa Fortney [Chair] Linda Blair
<b>Presidential Appointed members</b>	Michelle Hollis Sarah Hadley
<b>Regular Faculty</b>	James Thompson Elizabeth Demers Danielle Deveau
<b>Regular University Support Staff</b>	Lily Hua Melissa Graham
<b>CUPE Local 793 Staff</b>	Trevor Askes
<b>OPSEU</b>	Ashley-Ann Morgado
<b>Retiree</b>	David Taylor
<b>Non-Voting AFIW</b>	Sarah Cressman

# Committee Work Plan

- Provides a basic timeline for items to come before the Committee
- Intended for planning purposes but subject to change and adjustment throughout the year
- Available in each agenda package

Pension & Benefits Committee Agenda Items  P - Planned ✓ - Complete	May 17, 2024	June 11, 2024	September 13, 2024	October 11, 2024	November 15, 2024	January 17, 2025	February 14, 2025	March 21, 2025
	<b>OPEN SESSION</b>							
Execution against Audit Committee Work Plan	✓	✓	P	P	P	P	P	P
Minutes of the Previous Meeting	✓	✓	P	P	P	P	P	P
<b>GOVERNANCE</b>								
Previous Years' Fees and Expenses	✓							
Annual Audit of the Pension Plan Fund Financial Statements	✓							
Carbon Metrics Reporting	✓							
Summary of Total Fund Investment Performance		✓	P		P		P	
Statement of Investment Policies and Procedure and Fund Implementation Procedures; Pension Statement SIPP					P			
Pension Risk Management Dashboard (Quarterly)	✓		P		P		P	
Approval of Actuarial Valuation Assumptions						P		
RPP Actuarial Valuation, decision on filing								P
Review of RPP Contribution and Protocol Caps					P			
<b>BENEFITS</b>								
Extended Health & Dental Benefits - Indexation of Maxima effective January 1						P		
Retiree Life Insurance - Indexation of Coverage effective January 1						P		
Annual Benefits Utilization Report						P		
Maximum Pension Limits and Caps Adjustments, Based on Average Industrial Wage Increase (AIW)						P		
Cost of Living Adjustments <ul style="list-style-type: none"> <li>• Pensions in Pay</li> <li>• Deferred Pensions</li> <li>• Pensionable Earnings for Members on LIU</li> </ul>								P
Group Benefits program - Annual Renewal <ul style="list-style-type: none"> <li>• Life Insurance - Premium Rate</li> <li>• Long Term Disability</li> <li>• Premium Rate</li> <li>• Maximum Insured Salary (Indexation)</li> <li>• Health Care Benefits - ASU Fees/Charges</li> <li>• Health Care Benefits - Budget Rates</li> </ul>						P		



# Committee Workplan Highlights for 2024-25

- Annual Audit of the Pension Plan Fund Financial Statements
- Review of RPP Contribution and Protocol Caps
- Annual Benefits Utilization Report
- Group Benefits program – Annual Renewal
  - Life Insurance – Premium Rate
  - Long Term Disability
  - Premium Rate
  - Maximum Insured Salary (Indexation)
  - Health Care Benefits – ASO Fees/Charges
  - Health Care Benefits – Budget Rates

# OVERVIEW OF PENSION PLAN

# PIC & P&B: Registered Pension Overview

## Facts

- # of Retirees: 2,566
- # of Active Members: 5,249
- Market Value of Investments as of June 30, 2024: \$2.585b
- Going Concern Liability as of June 30, 2024: \$2.571b

## Investments

	Actual Allocation	Benchmark	Permitted Ranges
<b>Cash &amp; Equivalents</b>	<b>3.48%</b>	<b>2%</b>	<b>0%-5%</b>
<b>Fixed Income</b>	<b>27.84%</b>	<b>25%</b>	<b>20%-35%</b>
<i>Canadian Equity</i>	<i>5.60%</i>	<i>5%</i>	<i>0%-10%</i>
<i>Global Equity</i>	<i>50.58%</i>	<i>48%</i>	<i>40%-55%</i>
<b>Total Equity</b>	<b>56.18%</b>	<b>53%</b>	<b>40%-65%</b>
<i>Infrastructure</i>	<i>7.49%</i>	<i>10%</i>	<i>5%-15%</i>
<i>Real Estate</i>	<i>5.01%</i>	<i>10%</i>	<i>5%-15%</i>
<b>Real Assets</b>	<b>12.50%</b>	<b>20%</b>	<b>10%-30%</b>

# PIC & P&B: Responsible Investment

- The Board has approved a Responsible Investment Policy
  - Responsible investing actively **incorporates ESG factors into each investment decision** and monitors those decisions
- UN PRI signatory for endowment and pension
- The Board has endorsed carbon footprint reduction targets for endowment and pension
  - Scorecard approach to carbon measurement including: Total Carbon Emissions, Carbon Footprint, and Weighted Average Carbon Intensity
  - Carbon footprint reduction targets, for scope 1 & 2 emissions
  - 50% by 2030, relative to 2018, Carbon Neutral by 2040
  - New University Task Force on Social Responsibility in Investing will begin work in September 2024

# Pension Service Providers

- Aon – Actuarial Consultants
- Pension Administration – In house (UW) with Ariel system (provided by Telus Health) with payments provided by CIBC Mellon
- Pension Asset Custodian – CIBC Mellon
- Pension Investment Consultant – Eckler and Investment Managers



# Consideration of Pension Plan Changes

Design changes to pension plans are significant undertakings and as a result are infrequent due to the complexity that revisions create for participants and administrators. To ensure the impact of a change is fully understood, a review process is followed:

- 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.

# OVERVIEW OF BENEFIT PLANS

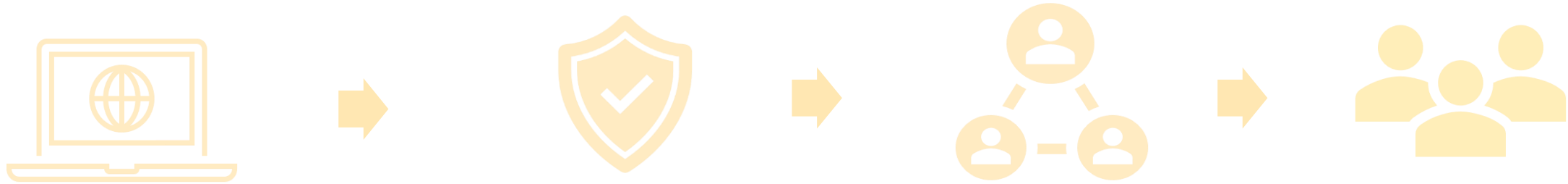
# Benefits provided

- Health & Dental Benefits
- Life Insurance
- Long Term Disability
- Employee & Family Assistance Program
- Sick Leave

# Benefits Service Providers

- Aon – Benefits Consultants
- Sun Life Financial – Life Insurance (University Health Insurance Plan) and Long Term Disability insurer
- GreenShield – Health & Dental Benefits provider
- Homewood Health – Employee & Family Assistance Program (EFAP) provider
- Sick Leave – In House (UW) with Telus Health for complex disability management case support

# Benefit Claim Support Model



## Step 1: Self-Service

- GreenShield
  - GSCeverywhere
  - Support Centre
- Human Resources
  - Websites
  - Workday
  - Chatbot

## Step 2: Contact GreenShield

- Customer Contact Centre (Email/Phone)
- Travel Assistance Agents if medical emergency while travelling

## Step 3: Contact Human Resources

- Tier 1 – HR Coordinators
- Tier 2 – Benefits Administrator
- Tier 3 – Manager/Director level

## Step 4: Contact Pension & Benefits Committee

- Contact Committee Secretary with a Copy to Director, Total Rewards

*Note: Members of the P&B Committee are welcome to contact the Director, Total Rewards with inquiries or feedback; however, members of the community need to follow the established inquiry support model*

# SECRETARIAT SUPPORT



# Secretariat Website

- Meeting dates, agendas, minutes (open session)
- Terms of Reference, membership
- Informing and Governing Documents
- Policies, Guidelines and Procedures
- Board Manual

**SECRETARIAT**

[Governing Bodies](#) [Employee and Student Relations Committees](#) [Discipline and appeals](#) [Policies and procedures](#) [Chancellor](#) [Contacts](#)

## Welcome to the Secretariat

The Secretariat's mission is to manage and support the University's bicameral governance system consistent with statutory requirements, the University of Waterloo Act, the By-laws and regulations of the Board of Governors and Senate, and good governance practices.

We provide support services for the Board of Governors, the Senate and their Committees and ensure membership is duly constituted and bodies receive materials that support informed decision-making. We ensure that decisions taken by Senate, Board and their committees are available to the university community and provide advice to senior administration and Board leadership so that the process of decision-making is clear, efficient and effective.

We also support the work of faculty, staff and student relations committees which are the primary venues for collegial employee/employer and student relations activities. We maintain the library of institutional policies and support

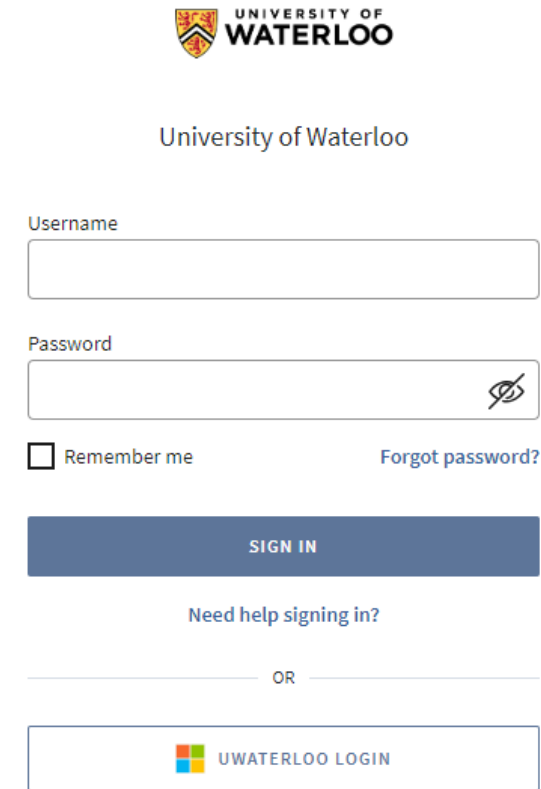
**Our greatest impact happens together**

You+Waterloo: Our greatest impact happens together

**LET'S BUILD THE FUTURE TOGETHER**

# BoardEffect Portal

- Integration with single sign on for internal users
- Dual-factor authentication for external users
- Access to meeting books, surveys, events/invitations, RSVP function
- <https://uwaterloo.boardeffect.com/login?destination=%2F>



The screenshot shows the login interface for the University of Waterloo BoardEffect Portal. At the top right is the University of Waterloo logo. Below it, the text "University of Waterloo" is centered. The login form includes a "Username" field, a "Password" field with a toggle for visibility, a "Remember me" checkbox, and a "Forgot password?" link. A blue "SIGN IN" button is positioned below the password field. Underneath the button is a link for "Need help signing in?". A horizontal line with "OR" in the center separates the main login form from a secondary "UWATERLOO LOGIN" button, which features the university's logo.

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# Secretariat Support and Main Contacts

- Committee Secretary: Sarah Willey-Thomas ([swilleythomas@uwaterloo.ca](mailto:swilleythomas@uwaterloo.ca))
- Secretariat Support for the Committee:
  - Gen Gauthier-Chalifour, University Secretary ([gen.gauthier-chalifour@uwaterloo.ca](mailto:gen.gauthier-chalifour@uwaterloo.ca))
  - Melanie Figueiredo, Governance Officer ([m2figueiredo@uwaterloo.ca](mailto:m2figueiredo@uwaterloo.ca))
  - Melissa Benjamin, Governance Assistant ([melissa.benjamin@uwaterloo.ca](mailto:melissa.benjamin@uwaterloo.ca))
- Please RSVP to meetings – for in person meetings please indicate if joining virtually or in person
- Meetings typically have a Zoom option or held via Zoom

# UNIVERSITY OF WATERLOO



Questions?

[board@uwaterloo.ca](mailto:board@uwaterloo.ca)

**For Information****Open Session**

**Date of Meeting:** September 13, 2024

**To:** Members, Pension & Benefits Committee

**From:** Sarah Willey-Thomas, Associate University Secretary

**RE:** **5. Other Business**

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**5.2. Review of Work Plan**

Sarah Willey-Thomas will provide an overview of the Committee Work Plan.

Members will recall that the work plan is an iterative document which is supplied for the Committee's information and reference at each Committee meeting.

**Documentation Provided:**

- 2024/25 Pension & Benefits Committee Work Plan

*[https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1\\_Open Session/5.2.1. Review of Work Plan.docx](https://uofwaterloo.sharepoint.com/sites/sec/RDrive Content/Temp/Board and Board Committees/Pension & Benefits/Meetings/2024-25 Meetings/2024-09-13 Meeting/1. Agenda and Minutes/1_Open Session/5.2.1. Review of Work Plan.docx)*

## 2024-2025 Pension & Benefits Committee Work Plan

<b>Pension &amp; Benefits Committee Agenda Items</b>	<b>May 17, 2024</b>	<b>June 11, 2024</b>	<b>September 13, 2024</b>	<b>October 11, 2024</b>	<b>November 15, 2024</b>	<b>January 17, 2025</b>	<b>February 14, 2025</b>	<b>March 21, 2025</b>
P - Planned ✓ - Complete								
<b>OPEN SESSION</b>								
Execution against Audit Committee Work Plan	✓	✓	P	P	P	P	P	P
Minutes of the Previous Meeting	✓	✓	P	P	P	P	P	P
<b>GOVERNANCE</b>								
Previous Years' Fees and Expenses	✓							
Annual Audit of the Pension Plan Fund Financial Statements	✓							
Carbon Metrics Reporting	✓							
Summary of Total Fund Investment Performance		✓	P		P		P	
Statement of Investment Policies and Procedure and Fund Implementation Procedures; Pension Statement SIPP					P			
Pension Risk Management Dashboard (Quarterly)	✓		P		P		P	
Approval of Actuarial Valuation Assumptions						P		
RPP Actuarial Valuation, decision on filing								P
Review of RPP Contribution and Protocol Caps					P			
<b>BENEFITS</b>								
Extended Health & Dental Benefits - Indexation of Maxima effective January 1					P			
Retiree Life Insurance - Indexation of Coverage effective January 1					P			
Annual Benefits Utilization Report					P			
Maximum Pension Limits and Caps Adjustments, Based on Average Industrial Wage Increase (AIW)					P			
Cost of Living Adjustments <ul style="list-style-type: none"> <li>• Pensions in Pay</li> <li>• Deferred Pensions</li> <li>• Pensionable Earnings for Members on LTD</li> </ul>								P
Group Benefits program - Annual Renewal <ul style="list-style-type: none"> <li>• Life Insurance - Premium Rate</li> <li>• Long Term Disability</li> <li>• Premium Rate</li> <li>• Maximum Insured Salary (Indexation)</li> <li>• Health Care Benefits - ASO Fees/Charges</li> <li>• Health Care Benefits - Budget Rates</li> </ul>					P			



## 2024-2025 Pension & Benefits Committee Work Plan

<b>Pension &amp; Benefits Committee Agenda Items</b>	May 17, 2024	June 11, 2024	September 13, 2024	October 11, 2024	November 15, 2024	January 17, 2025	February 14, 2025	March 21, 2025
P - Planned ✓ - Complete								
<b>GOVERNANCE</b>								
Review of Committee Terms of Reference		✓						
Annual Report to the Community							P	
Annual Committee Self-Assessment								P
Committee Planning								P
<b>CONFIDENTIAL SESSION</b>								
Minutes of the Previous Meeting	✓	✓	P	P	P	P	P	P
Other Business	✓	✓	P	P	P	P	P	P
<b>IN CAMERA SESSION</b>								
Minutes of the Previous Meeting	✓	✓	P	P	P	P	P	P
Other Business	✓	✓	P	P	P	P	P	P

**For more information:**  
[uwaterloo.ca/secretariat](http://uwaterloo.ca/secretariat)  
[board@uwaterloo.ca](mailto:board@uwaterloo.ca)