

# Pension & Benefits Committee

May 23, 2025

1:00 p.m. - 3:30 p.m.

Needles Hall or Zoom

NH 3318

Waterloo Campus

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## 2025 05 23 Pension & Benefits Committee

### AGENDA

#### 1 Governance Resources

- 1.1 <https://uwaterloo.ca/secretariat/governing-bodies/board-governors/pension-benefits-committee>

#### 2 OPEN SESSION

1:00 p.m.

#### 3 Agenda and Minutes

##### 3.1 Declarations of Conflict of Interest

- 3.1.1 Agenda and Minutes Memo 4

##### 3.2 Approval of Agenda

##### 3.3 Approval of the March 21, 2025 Minutes

- 3.3.1 Minutes - March 21, 2025 5

##### 3.4 Business Arising

- 3.4.1 Future Workplan Update - HR Services Information

1:05 p.m.

#### 4 Reports from Sub-Committees

##### 4.1 Report of the Pension Investment Committee [Basdeo]

- 4.1.1 Report of the Pension Investment Committee 8

- 4.1.2 Investment Performance, Q1 2025 9

1:20 p.m.

#### 5 Pension

##### 5.1 Annual Audit of the Pension Plan Fund and Financial Statements

- 5.1.1 Financial Statements [Hadley] Decision

- 5.1.1.1 Annual Audit of the Pension Plan Fund and Financial Statements Memo 27

- 5.1.1.2 University of Waterloo Pension Plan for Faculty and Staff Financial Statements, December 31, 2024 28

- 5.1.2 Previous Years' Fees and Expenses [Hadley] Information

- 5.1.2.1 Pension Plan Management and Administrative Fees Incurred in 2024 46

- 5.1.3 Audit Results [KPMG] Information

- 5.1.3.1 Audit Findings Report for the year ended December 31, 2024 47

- 5.2 Pension Risk Management Dashboard, Q1 2025 [Aon] Information

	5.2.1 Pension Risk Management Dashboard Memo		83
	5.2.2 Pension Risk Dashboard Report		84
	5.3 Carbon Disclosure Report [Wendland]	Information	
	5.3.1 Carbon Disclosure Memo		101
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2:55 p.m.	6 Other Business		
	6.1 Review of Work Plan [Figueiredo]	Information	
	6.1.1 Review of Workplan Memo		109
	6.1.2 Pension & Benefits Committee Work Plan 2024-2025		110
	6.2 Annual Report to the Community	Information	
	6.2.1 Annual Report to the Community Memo		112
	6.2.2 Report to the Community 2024		113
	7 Confidential Session		
3:15 p.m.	8 Agenda and Minutes		
	8.1 Approval of Minutes of March 21, 2025 Meeting		
	8.1.1 Minutes - March 21, 2025		116
	8.2 Business Arising		
3:20 p.m.	9 Other Business		
	9.1 Update on University Pension Plan Initiative [Reitsma, Hadley and Hollis]	Information	
	9.1.1 Update on University Pension Plan Initiative Memo		118
	9.1.2 Update on University Pension Plan Initiative Report		119
	9.2 Board Governance Review and Committee Restructure [Gauthier-Chalifour]	Information	
	9.2.1 Board Governance Review and Committee Restructure Memo		123
	9.3 Annual Evaluation Survey Results [Fortney]	Information	
	9.3.1 Committee Self-Assessment Memo		125
	9.3.2 Pension & Benefits Committee Self-Assessment Results		126
3:30 p.m.	10 Adjournment		

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

**Date of Meeting:** May 23, 2025

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

**From:** Melanie Figueiredo, Governance Officer

**RE:** **3. Agenda and Minutes**

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**3.1 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.

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

**3.2 Approval of Agenda****Recommendation:**

**That the May 23, 2025 meeting agenda be approved.**

**3.3 Minutes of the March 21, 2025 Meeting****Recommendation:**

**That the minutes of the March 21, 2025 meeting be approved.**

**3.4 Business Arising**

At the March 21, 2025 meeting, a suggested a revision to the work plan regarding HR services. Jacinda Reitsma will speak to this item

**Documentation Provided:**

- March 21, 2025 Meeting Minutes

**University of Waterloo**  
**PENSION AND BENEFITS COMMITTEE**  
**Minutes of the March 21, 2025 Meeting**  
**[in agenda order]**

**Present:** Teresa Fortney (chair), Trevor Askes, Linda Blair, Sara Cressman, Elizabeth Demers, Danielle Deveau, Melissa Graham, Sarah Hadley, Michelle Hollis, Lily Hua, Jacinda Reitsma, James Rush, David Taylor, James Thompson, Sarah Willey-Thomas (secretary).

**Resources/Guests:** Anata Alphonso, Linday Byron, Melanie Figueiredo, Gen Gauthier-Chalifour, Yessenia Guerrero, Patti Hancock, Lee Hornberger, Alyssa Kuron, Sue McGrath, Christine McWebb, Brad Richards, Allan Shapira, Jessica Tenneama, Jessica Tran, Michael Wallace, Tyler Wendland.

**Organization of Meeting:** Teresa Forney took the chair and Sarah Willey-Thomas acted as secretary. The secretary advised that a quorum was present.

**OPEN SESSION**

**1. Governance Resources**

**2. Confidential Session**

**3. Agenda and Minutes**

**3.1. Declarations of Conflict of Interest**

No conflicts of interest were declared.

**3.2. Approval of Agenda**

The Committee discussed consideration of the Health Care Spending Account on the agenda. The Committee discussed the approval process for the agenda and how the agenda is set.

Hollis and Blair.

**That the March 21, 2025 meeting agenda be approved.**

**CARRIED (two abstentions)**

**3.3. Approval of the January 17, 2025 Minutes**

The Committee noted that Lee Hornberger was not present for the January 17, 2025 meeting.

Hollis and Deveau.

**That the minutes of the January 17, 2025 meeting be approved, as amended.**

**CARRIED**

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### **3.4. Business Arising**

The Committee received the matters of business arising for information.

## **4. Reports from Sub-Committees**

### **4.1. Report of the Pension Investment Committee**

Sarah Hadley presented the report of the Pension Investment Committee as included in the agenda package. The Committee discussed the performance of the various investment classes; benchmarks used by the fund; impact of decline of interest rates; number of years considered for the presentation of returns as indicated in the SIPP; and results of other major pension plans.

## **5. Benefits**

### **5.1. Health Care Spending Account**

### **5.2. Group Benefits Renewal**

Lee Hornberger presented the Group Benefits Renewal item as included in the agenda package. The Committee discussed the cost sharing arrangements for various benefits plans, including the benefit rate for the long term disability benefit.

## **6. Pension**

### **6.1. Pension Risk Management Dashboard, Q4 2024**

Linda Byron presented the Pension Risk Management Dashboard for Q4 2024 as included in the meeting book. The Committee noted two typographical errors in the report.

### **6.2. Cost of Living Adjustments**

Lee Hornberger presented the Cost of Living Adjustments to the Plan as included in the meeting book.

The Committee discussed the approach to smooth the carry forward over a three-year period; reason for the catchup; request to codify the catchup policy at a future meeting;

Taylor and Graham.

**That the Pension & Benefits Committee approve to apply a 3.28% Cost of Living Adjustment ("COLA") for pension benefits earned up to December 31, 2013 and 1.89% COLA for pension benefits earned on or after January 1, 2014, effective May 1, 2025, as presented.**

**That the Pension & Benefits Committee approve to apply a 0% Cost of Living Adjustment ("COLA") for pension benefits earned up to December 31, 2013 and 0% COLA for pension benefits earned on or after January 1, 2014, effective May 1, 2025, as presented.**

**That the Pension & Benefits Committee approve to index salaries by 2.38% for pension purposes for members in receipt long-term disability benefits ("LTD"), effective May 1, 2025.**  
**CARRIED**

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### **6.3. RPP Actuarial Valuation and Filing**

Linda Byron and Allan Shapira presented the RPP Actuarial Valuation and Filing as included in the meeting book.

The Committee discussed the discount rate used and how the discount rate is selected; non-investment expenses related to the change; performance of the fund relative to the benchmark; summary for the payroll plan.

The Committee requested additional information regarding the number of individuals in receipt of the payroll plan.

Hadley and Thompson.

**That the Pension & Benefits Committee recommend that the Board of Governors approve the filing of the actuarial valuation as of January 1, 2025 for the University of Waterloo Pension Plan with the regulator, as presented.**

**CARRIED**

## **7. Other Business**

### **7.1. Review of Work Plan**

The Committee received the work plan for information.

### **7.2. Annual Report to the Community**

The Committee received the Annual Report to the Community. The Committee requested additional clarification to replace reference of the Fairness Protocol to a Plan amendment to more appropriately reflect the change made to the Plan.

### **7.3. Committee Self-Assessment**

The Chair provided an overview of the Committee self-assessment.

March 21, 2025

Sarah Willey-Thomas,  
Associate University Secretary

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

**Date of Meeting:** May 23, 2025

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

**From:** Melanie Figueiredo, Governance Officer

**RE:** **4. Reports from Sub-Committees**

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**4. 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 Q1 2025.

**Key Items:**

Please note that the May PIC meeting will be held the morning of May 23, 2025, with the Pension & Benefits Committee meeting following in the afternoon. As such, key highlights of the investment performance report have been provided below and a more comprehensive verbal update will be provided by the Chair of PIC at the Pension & Benefits Committee meeting.

*Investment Performance Report:*

An abridged version of the Pension Investment Performance report for Q1, 2025 has been included in the Committee's agenda package and appended to this report.

*Key Highlights:*

- The Pension Plan returned -0.4% over the quarter, underperforming the benchmark return of 0.5% by 0.9%, ranking in fourth quartile of the Eckler DB Pension Client Universe.
- The Pension Plan has underperformed its benchmark over all annualized periods reviewed ending March 31, 2025 on a gross return basis. The Pension Plan has also underperformed the CPI + 3.5% target over 3-and 4-year periods reviewed ending March 31, 2025.

**Documentation Provided:**

- Summary of Total Fund Investment Performance, Q1 2025





**ECKLER**

# **University of Waterloo Pension Plan**

Investment Performance Review – P&B Committee

First Quarter 2025

Jason Campbell, CFA, CAIA

Gino Di Censo, CFA, CAIA

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## **Executive Summary**

# Capsule

## *Fund Update:*

- The Pension Plan returned -0.4% over the quarter, underperforming the benchmark return of 0.5% by 0.9%, and ranking in the fourth quartile of the Eckler DB Pension Client Universe.
- The Pension Plan has underperformed its benchmark over all annualized periods reviewed ending March 31, 2025 on a gross return basis. The Pension Plan has also underperformed the CPI + 3.5% target over 3-and 4-year periods reviewed ending March 31, 2025.
- Compared to the Eckler DB Pension Clients Universe, the Total Fund has ranked in the fourth quartile over longer-term annualized periods ending March 31, 2025.
- University of Waterloo's initial commitment to the Northleaf Senior Private Credit Fund's December 2024 closing was fully called in early April. As it relates to the commitment to the March 2025 closing, Northleaf expects this to be fully called on July 2, 2025.

## *Market Update:*

- In the first quarter, volatility within equity markets increased due to the introduction of US tariffs against its international trading partners. US equities declined sharply as investors moved capital to gold, bonds, and equities outside the US.
- In Canada, the S&P/TSX advanced 1.5%, outperforming the US S&P 500's -4.2% return. Performance in the Canadian equity market was primarily driven by gains in the Materials; Information Technology, Financials, and Industrials detracted value. Over the quarter inflation in Canada increased slightly due to the temporary GST/HST holiday tax exemption. In both Canada and the US, the inflation rates remain within both Central Banks' target inflation range.
- The US Federal Reserve held interest rates steady over the quarter due to concerns over inflation and uncertainty about government fiscal and trade policy.
- Emerging markets broadly rallied by 3.0% in part due to expectations of Chinese government stimulus measures and the release of Chinese AI models developed at a fractional cost relative to US.
- International Equities as represented by the MSCI EAFE posted strong gains over the quarter as a result of declining interest rates, expansionary fiscal policy and strong corporate earnings, especially within Defense & Aerospace (Industrials sector) and Financials. By quarter end, the strong returns in the Eurozone were under pressure because of the potential US tariffs on EU trading partners.
- The Bank of Canada cut its policy interest rate by 50 basis points over the quarter to 2.75%. The reduction was the result of concerns about the potential impact of US tariffs on an already-weak Canadian economy. The divergence in interest rate decisions between Canada and US and US tariffs initially caused the Canadian dollar to depreciate, much of which later reversed due to concerns over the impact of tariffs on the US economy. By quarter end the Canadian dollar depreciated 0.1% against the US Dollar.

# Capsule

## *Sources of Performance (over the quarter):*

### **Passive Funds:**

- The TD Emerald Canadian Equity fund returned 1.5% during the quarter, tracking the S&P/TSX Composite return.
- The TD Emerald Pooled U.S. fund returned -4.2% during the quarter, tracking the S&P 500 (\$C) return.
- The TD Emerald International Equity Index fund returned 7.0% during the quarter, tracking the MSCI EAFE Index (\$C) return.
- The TD Canadian Long Bond Broad Market Index fund returned 1.8% during the quarter, tracking the FTSE Canada Long Bond Index return.

### **Active Funds:**

- The TD Active Short Term Corporate fund returned 1.6% during the quarter, matching its benchmark's return.
- The RBC Global Focus Equity Fund returned -3.4% during the quarter, underperforming the MSCI ACWI Index (\$C) return of -1.3% by 2.1%.
- The Mirova Global Sustainable Equity Fund returned -0.8% during the quarter, outperforming the MSCI ACWI Index (\$C) return of -1.3% by 0.5%.
- The Walter Scott Global Equity Fund returned -3.2% during the quarter, underperforming the MSCI World Index (\$C) return of -1.7% by 1.5%.
- The IFM Global Infrastructure Fund returned 2.7% (\$CAD) during the quarter, matching its benchmark return.
- The CBRE Global Alpha Real Estate fund returned (\$CAD as of Q4 2024) 3.4%, outperforming its benchmark return of 1.7% by 1.7%.

### **Public Real Assets:**

- The iShares S&P/TSX Capped REIT Index ETF returned 1.7% during the quarter, underperforming its benchmark's return of 1.9% by 0.2%.
- Brookfield Infrastructure Partners L.P. (BIP.UN) returned -4.9% during the quarter, underperforming its benchmark return of 5.1% by 10.0%.
- Brookfield Renewable (BEP.UN) returned -1.0% during the quarter, underperforming its benchmark return of 5.1% by 6.1%.

# Capsule

## SIP&P

- The SIP&P was last updated and approved effective November 1, 2024.

## Compliance

- IFM, CBRE, Walter Scott, PH&N, Mirova and TDGIS claimed compliance with the SIP&P in the first quarter of 2025.

## Total Fees (Estimated as of March 31, 2025)

Manager	Mandate	Market Values as of March 31, 2025	Quarterly Fee (\$)	Quarterly Fee (%)	Annual Fee (%)
TDGIS	Passive Fixed Income and Equities	\$ 1,313,854,054	\$ 78,068	0.01%	0.02%
TDGIS	Active Fixed Income	\$ 96,919,935	\$ 41,961	0.04%	0.17%
PH&N*	Active Global Equities	\$ 114,493,387	\$ 151,867	0.13%	0.53%
Mirova	Active Global Equities	\$ 123,952,675	\$ 170,435	0.14%	0.55%
Walter Scott*	Active Global Equities	\$ 558,311,821	\$ 685,886	0.12%	0.49%
IFM	Global Infrastructure	\$ 93,861,348	\$ 180,683	0.19%	0.77%
CBRE**	Global Real Estate	\$ 73,713,346	\$ 82,928	0.11%	0.45%
Northleaf ***	Private Debt	\$ 41,738,250	\$ 88,694	0.21%	0.85%
SoundPoint	Private Debt	\$ 21,835,124	\$ 68,235	0.31%	1.25%
UW	Managed Account	\$ 309,568,999	N/A	N/A	N/A
UW	Operating Account	\$ 33,948,177	N/A	N/A	N/A
<b>Total</b>		<b>\$ 2,782,197,115</b>	<b>\$ 1,548,756</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. The aggregation discount for Walter Scott is reflected in the table above.

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

\*\*\* Northleaf's first capital call occurred on April 1, 2025 for US\$29M.

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

Please also note IFM, CBRE, SoundPoint, Northleaf & Mirova fees are netted.



## **Performance and Risk**

# Performance Summary (Net of Fees)

Fund	Net Annualized Rate Of Return (%) as of March 31, 2025						
	MRQ	YTD	1 Year	2 Years	3 Years	4 Years	5 Years
<b>Total Fund</b>	<b>-0.5</b>	<b>-0.5</b>	<b>7.7</b>	<b>9.6</b>	<b>6.2</b>	<b>5.9</b>	<b>8.2</b>
Total Fund Benchmark <sup>1</sup>	0.5	0.5	13.4	13.4	8.1	7.5	10.4
CPI + 3.5% <sup>2</sup>	2.3	2.3	5.9	6.0	6.7	7.6	7.2
Value Added (Total Fund Benchmark)	-1.0	-1.0	-5.7	-3.8	-1.9	-1.6	-2.2
Value Added (CPI + 3.5%)	-2.8	-2.8	1.8	3.6	-0.5	-1.7	1.0
<b>Canadian Equities</b>							
<b>TD Emerald Canadian Equity Index<sup>3</sup></b>	<b>1.5</b>	<b>1.5</b>	<b>15.8</b>	<b>14.9</b>	<b>7.8</b>	<b>10.7</b>	<b>16.7</b>
S&P/TSX Composite Index	1.5	1.5	15.8	14.9	7.8	10.7	16.8
Value Added	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
<b>U.S. Equities</b>							
<b>TD Emerald Pooled U.S. Fund</b>	<b>-4.2</b>	<b>-4.2</b>	<b>15.2</b>	<b>22.2</b>	<b>14.3</b>	<b>14.5</b>	<b>18.8</b>
S&P 500 (\$C)	-4.2	-4.2	15.1	22.3	14.3	14.5	18.9
Value Added	0.0	0.0	0.1	-0.1	0.0	0.0	-0.1
<b>Active Global Equities</b>	<b>-2.9</b>	<b>-2.9</b>	<b>5.0</b>	<b>12.3</b>	<b>9.2</b>	<b>8.3</b>	<b>11.3</b>
Global Equity Benchmark <sup>6</sup>	-1.3	-1.3	14.0	18.5	12.1	10.8	15.5
Value Added	-1.6	-1.6	-9.0	-6.2	-2.9	-2.5	-4.2
<b>Walter Scott Global Equity</b>	<b>-3.3</b>	<b>-3.3</b>	<b>3.6</b>	<b>11.4</b>	<b>9.5</b>	<b>8.8</b>	<b>12.4</b>
MSCI World Index Net (\$C)	-1.7	-1.7	13.8	19.3	12.8	11.9	16.4
Value Added	-1.6	-1.6	-10.2	-7.9	-3.3	-3.1	-4.0
<b>RBC Global Focus Equity<sup>4</sup></b>	<b>-3.5</b>	<b>-3.5</b>	<b>10.1</b>	<b>14.3</b>	<b>7.0</b>	<b>6.2</b>	<b>13.1</b>
<b>Mirova Global Sustainable Equity<sup>4*</sup></b>	<b>-0.8</b>	<b>-0.8</b>	<b>7.2</b>	<b>15.1</b>	<b>10.1</b>	<b>8.4</b>	<b>13.9</b>
MSCI ACWI Index Net (\$C)	-1.3	-1.3	14.0	18.5	12.1	10.7	15.4
Value Added (RBC Global Focus Equity)	-2.2	-2.2	-3.9	-4.2	-5.1	-4.5	-2.3
Value Added (Mirova Global Sustainable Equity)	0.5	0.5	-6.8	-3.4	-2.0	-2.3	-1.5
<b>International Equities</b>							
<b>TD Emerald International Equity Index</b>	<b>7.0</b>	<b>7.0</b>	<b>11.7</b>	<b>13.4</b>	<b>11.2</b>	<b>8.5</b>	<b>12.1</b>
MSCI EAFE Index Net (\$C)	6.9	6.9	11.5	13.4	11.2	8.4	12.0
Value Added	0.1	0.1	0.2	0.0	0.0	0.1	0.1

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



# Performance Summary (Net of Fees)

Fund	Net Annualized Rate Of Return (%) as of March 31, 2025						
	MRQ	YTD	1 Year	2 Years	3 Years	4 Years	5 Years
<b>Fixed Income</b>							
<b>TDAM Canadian Long Bond Broad Market Index</b>	1.8	1.8	7.0	3.9	0.1	-1.4	-1.1
FTSE Canada Long Bond Index	1.8	1.8	7.0	3.9	0.0	-1.4	-1.2
Value Added	0.0	0.0	0.0	0.0	0.1	0.0	0.1
<b>TDAM Active Short Term Corporate</b>	1.6	1.6	7.8	6.6	4.6	2.5	3.2
FTSE Canada Short Term Corporate Bond Index	1.6	1.6	8.0	6.8	4.8	2.7	3.4
Value Added	0.0	0.0	-0.2	-0.2	-0.2	-0.2	-0.2
<b>Real Estate<sup>5</sup></b>							
<b>iShares S&amp;P/TSX Capped REIT Index ETF</b>	1.7	1.7	-0.2	-1.5	-5.7	0.7	5.6
FTSE EPRA Nareit Developed	1.9	1.9	11.7	10.1	1.4	4.6	7.5
Value Added	-0.2	-0.2	-11.9	-11.6	-7.1	-3.9	-1.9
<b>Real Estate<sup>5</sup> (Lagged)</b>							
<b>CBRE Global Alpha - Net (\$C)*</b>	3.4	7.0	7.0	-0.2	2.7	4.6	4.7
CBRE Global Alpha - Net (Local \$)*	1.1	1.9	1.9	-1.9	0.3	4.0	3.6
MSCI Global Property Fund Index (\$C)*	1.7	3.4	3.4	-3.2	-0.4	2.5	2.8
Value Added (\$C)	1.7	3.6	3.6	3.0	3.1	2.1	0.8
<b>Infrastructure<sup>5</sup></b>							
<b>IFM Global Infrastructure Fund - Net (\$C)</b>	2.7	2.7	12.0	8.4	9.3	11.0	10.5
OECD Total CPI +5%	2.7	2.7	9.4	10.2	11.1	11.9	11.0
Canadian CPI +5%	2.7	2.7	7.4	7.7	8.3	9.2	8.8
Value Added (IFM Global Infrastructure Fund)	0.0	0.0	2.6	-1.8	-1.8	-0.9	-0.5
<b>Brookfield Infrastructure Partners L.P. (BIP.UN)</b>	-4.9	-4.9	6.7	1.9	-3.4	2.9	9.9
<b>Brookfield Renewable (BEP.UN)</b>	-1.0	-1.0	7.2	-8.5	-	-	-
FTSE Global Core Infrastructure 50/50 Index	5.1	5.1	21.2	12.4	8.3	9.9	10.5
Value Added (Brookfield Infrastructure Partners L.P. (BIP.UN))	-10.0	-10.0	-14.5	-10.5	-11.7	-7.0	-0.6
Value Added (Brookfield Renewable (BEP.UN))	-6.1	-6.1	-14.0	-20.9	--	--	--
<b>Private Debt</b>							
<b>SoundPoint U.S. Direct Lending III**</b>	-	-	-	-	-	-	-
<b>Northleaf Senior Private Credit (Levered) *</b>	9.3	21.7	21.7	16.0	--	--	--
SOFR + 4%	2.2	2.2	16.0	12.7	13.8	11.1	6.9
Value Added (\$C)	7.1	19.5	5.7	3.3			

\*Returns as of December 31, 2024, Q1 2025 returns were not available at the time of this report.

\*\*Returns not yet available.

# 4-Year Performance (Net of Fees)

Fund	4-Year Rolling Net Annualized Returns (%) as of March 31,			
	2025	2024	2023	2022
<b>Total Fund</b>	<b>5.9</b>	<b>8.3</b>	<b>4.9</b>	<b>6.6</b>
Total Fund Benchmark <sup>1</sup>	7.5	9.7	5.1	7.8
CPI + 3.5% <sup>2</sup>	7.6	7.6	7.1	6.5
Value Added (Total Fund Benchmark)	-1.6	-1.4	-0.2	-1.2
Value Added (CPI + 3.5%)	-1.7	0.7	-2.2	0.1
<b>Canadian Equities</b>				
<b>TD Emerald Canadian Equity Index</b>	<b>10.7</b>	<b>17.0</b>	<b>9.0</b>	<b>12.6</b>
S&P/TSX Composite Index	10.7	17.0	9.0	12.6
Value Added	0.0	0.0	0.0	0.0
<b>U.S. Equities</b>				
<b>TD Emerald Pooled U.S. Fund</b>	<b>14.5</b>	<b>19.7</b>	<b>12.0</b>	<b>15.5</b>
S&P 500 (\$C)	14.5	19.8	12.0	15.6
Value Added	0.0	-0.1	0.0	-0.1
<b>Global Equities</b>	<b>8.3</b>	<b>13.0</b>	<b>6.2</b>	<b>8.0</b>
Global Equity Benchmark <sup>6</sup>	10.8	15.9	8.6	10.6
Value Added	-2.5	-2.9	-2.4	-2.6
<b>Walter Scott Global Equity</b>	<b>8.8</b>	<b>14.8</b>	<b>9.7</b>	<b>12.3</b>
MSCI World Index Net (\$C)	11.9	17.0	9.4	11.2
Value Added	-3.1	-2.2	0.3	1.1
<b>RBC Global Focus Equity</b>	<b>6.2</b>	<b>13.9</b>	<b>7.8</b>	<b>12.4</b>
<b>Mirova Global Sustainable Equity*</b>	<b>8.4</b>	<b>15.6</b>	<b>11.3</b>	<b>13.7</b>
MSCI ACWI Index Net (\$C)	10.7	15.8	8.4	10.0
Value Added (RBC Global Focus Equity)	-4.5	-1.9	-0.6	2.4
Value Added (Mirova Global Sustainable Equity)	-2.3	-0.3	2.9	3.7
<b>International Equities</b>				
<b>TD Emerald International Equity Index</b>	<b>8.5</b>	<b>12.1</b>	<b>5.8</b>	<b>4.1</b>
MSCI EAFE Index Net (\$C)	8.4	12.1	5.8	4.0
Value Added	0.1	0.0	0.0	0.1

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

# 4-Year Performance (Net of Fees)

Fund	4-Year Rolling Net Annualized Returns (%) as of March 31,			
	2025	2024	2023	2022
<b>Fixed Income</b>				
<b>TDAM Canadian Long Bond Broad Market Index</b>	-1.4	-3.1	-2.0	1.6
FTSE Canada Long Bond Index	-1.4	-3.1	-2.0	1.6
Value Added	0.0	0.0	0.0	0.0
<b>TDAM Active Short Term Corporate</b>	2.5	2.1	1.1	1.8
FTSE Canada Short Term Corporate Bond	2.7	2.3	1.3	2.1
Value Added	-0.2	-0.2	-0.2	-0.3
<b>Real Estate</b>				
<b>iShares S&amp;P/TSX Capped REIT Index ETF</b>	0.7	7.1	1.3	10.1
FTSE EPRA Nareit Developed	4.6	6.5	-0.8	7.5
Value Added	-3.9	0.6	2.1	2.6
<b>Real Estate (Lagged)</b>				
<b>CBRE Global Alpha - Net (\$C)*</b>	4.6	4.1	6.5	8.4
<b>CBRE Global Alpha - Net (Local \$)*</b>	4.0	4.0	7.4	8.9
MSCI Global Property Fund Index (\$C)*	2.5	2.6	5.5	7.2
Value Added (\$C)	2.1	1.5	1.0	1.2
<b>Infrastructure</b>				
<b>IFM Global Infrastructure Fund</b>	11.0	10.2	10.3	10.8
OECD Total CPI +5%	11.9	11.4	10.3	8.9
Canadian CPI +5%	9.2	9.2	8.7	--
Value Added (IFM Global Infrastructure Fund)	-0.9	-1.2	0.0	1.9
<b>Brookfield Infrastructure Partners L.P. (BIP.UN)</b>	2.9	10.7	13.1	20.0
<b>Brookfield Renewable (BEP.UN)</b>	--	--	--	--
FTSE Global Core Infrastructure 50/50 Index	9.9	7.9	5.1	9.5
Value Added (BIP.UN)	-7.0	2.8	8.0	10.5
<b>Private Debt</b>				
<b>SoundPoint U.S. Direct Lending III**</b>	--	--	--	--
<b>Northleaf Senior Private Credit (Levered) *</b>	13.0	7.6	5.5	
SOFR + 4%	11.1	4.8	5.6	4.3
Value Added (\$C)	1.9	2.8	-0.1	

\*\*Historical returns not available.



## **Review of Fund Assets**

# Asset Allocation

		Canadian Equities	Global Equities	Fixed Income	Real Estate	Infrastructure	Private Debt	Cash & Short-Term	Total Market Value
<b>TD Global Investment Solutions</b>		<b>168,149,320</b>	<b>588,043,516</b>	<b>653,436,186</b>				<b>1,144,966</b>	<b>1,410,773,989</b>
	% of Mandate	11.9%	41.7%	46.3%				0.1%	100.0%
	% of Fund	6.0%	21.1%	23.5%				0.0%	50.7%
<b>PH&amp;N</b>			<b>114,493,387</b>						<b>114,493,387</b>
	% of Mandate		100.0%						100.0%
	% of Fund		4.1%						4.1%
<b>Walter Scott</b>			<b>558,311,821</b>						<b>558,311,821</b>
	% of Mandate		100.0%						100.0%
	% of Fund		20.1%						20.1%
<b>Mirova</b>			<b>123,952,675</b>						<b>123,952,675</b>
	% of Mandate		100.0%						100.0%
	% of Fund		4.5%						4.5%
<b>IFM</b>						<b>93,861,348</b>			<b>93,861,348</b>
	% of Mandate					100.0%			100.0%
	% of Fund					3.4%			3.4%
<b>CBRE</b>					<b>73,713,346</b>				<b>73,713,346</b>
	% of Mandate				100.0%				100.0%
	% of Fund				2.6%				2.6%
<b>iShares S&amp;P/TSX Capped REIT Index ETF</b>					<b>63,008,229</b>				<b>63,008,229</b>
	% of Mandate				100.0%				100.0%
	% of Fund				2.3%				2.3%
<b>Brookfield Infrastructure Partners L.P. (BIP.UN)</b>						<b>70,556,231</b>			<b>70,556,231</b>
	% of Mandate					100.0%			100.0%
	% of Fund					2.5%			2.5%
<b>Brookfield Renewable (BEP.UN)</b>						<b>43,784,402</b>			<b>43,784,402</b>
	% of Mandate					100.0%			100.0%
	% of Fund					1.6%			1.6%
<b>Northleaf</b>							<b>41,738,250</b>		<b>41,738,250</b>
	% of Mandate						100.0%		100.0%
	% of Fund						1.5%		1.5%
<b>SoundPoint</b>							<b>21,835,124</b>		<b>21,835,124</b>
	% of Mandate						100.0%		100.0%
	% of Fund						0.8%		0.8%
<b>BAs/U.S. and CDN Cash</b>								<b>132,220,138</b>	<b>132,220,138</b>
	% of Mandate							100.0%	100.0%
	% of Fund							4.8%	4.8%
<b>UW Operating</b>								<b>33,948,177</b>	<b>33,948,177</b>
	% of Mandate							100.0%	100.0%
	% of Fund							1.2%	1.2%
<b>Total Fund</b>		<b>168,149,320</b>	<b>1,384,801,399</b>	<b>653,436,186</b>	<b>136,721,574</b>	<b>208,201,980</b>	<b>63,573,374</b>	<b>167,313,280</b>	<b>2,782,197,115</b>
	% of Total Fund - Current Quarter	6.0%	49.8%	23.5%	4.9%	7.5%	2.3%	6.0%	100.0%
<b>Investment Policy Asset Mix</b>		<b>5.0%</b>	<b>48.0%</b>	<b>20.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>5.0%</b>	<b>2.0%</b>	<b>100.0%</b>
<b>Current Constraints</b>		<b>0%-10%</b>	<b>40%-55%</b>	<b>15%-30%</b>	<b>10%-30%</b>	<b>10%-30%</b>	<b>0%-10%</b>	<b>0%-5%</b>	

Notes: All market values shown above are as reported by the CIBC Mellon custodial statements with the exception of SoundPoint which was provided by the manager.

Northleaf's first capital call occurred on April 1, 2025 for USD\$29 million. The value shown above has been converted to CAD using the Bank of Canada exchange rate.



## Appendix A

# Footnotes to Performance Summary

## **Notes:**

<sup>1</sup>Total Fund Benchmark was implemented as a performance objective in February 2022. As of November 1, 2024 the Total Fund Benchmark consists of 2% FTSE Canada 91-Day T-Bill, 20% FTSE Canada Long Bond Index, 5% S&P/TSX Composite, 48% MSCI ACWI, 5% FTSE Developed Core Infrastructure 50/50, 5% FTSE EPRA/NAREIT Developed (CAD), 5% OECD CPI +5%, 5% MSCI Global Property Fund Index, and 5% SOFR +4%. Prior to November 1, 2024, the Total Fund Benchmark consisted 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).

The MSCI Global Property Fund Index return as of Q1 2025 was unavailable at the time of this report. The return of 0.0% has been used as a proxy for this period.

<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.

<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).

# Disclosures

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

**Date of Meeting:** May 23, 2025

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

**From:** Melanie Figueiredo, Governance Officer

**RE:** **5. Pension**

---

**5.1 Annual Audit of the Pension Plan Fund and Financial Statements****Background:**

The [terms of reference](#) for the Pension & Benefits Committee establish that the committee is responsible for review of the annual audit of the Pension Plan Fund financial statements.

In accordance with the terms of reference, Sarah Hadley, Chief Financial Officer, will present the financial statements for the fiscal year ending December 31, 2024 for review and approval.

KPMG will present the Audit Findings Report for the year ended December 31, 2024. Members will recall KPMG was appointed as the external auditor in 2023.

In addition, the committee is provided with the previous years' pension plan management and administrative fees incurred in 2024 for information.

**Recommendation:**

**That the Pension & Benefits Committee approve the financial statements for the University of Waterloo Pension Plan as of December 31, 2024.**

**Documentation Provided:**

- University of Waterloo Pension Plan for Faculty and Staff Financial Statements, December 31, 2024
- Pension Plan Management and Administrative Fees Incurred in 2024
- Audit Findings Report for the year ended December 31, 2024

# **University of Waterloo Pension Plan for Faculty and Staff**

**[Ontario Registration Number 0310565]**

**Financial statements**

**December 31, 2024**

DRAFT



**KPMG LLP**  
120 Victoria Street South  
Suite 600  
Kitchener, ON N2G 0E1  
Canada  
Telephone 519 747 8800  
Fax 519 747 8811

## **INDEPENDENT AUDITOR'S REPORT**

To the Pension and Benefits Committee of the University of Waterloo

### ***Opinion***

We have audited the financial statements of the University of Waterloo Pension Plan for Faculty and Staff (the "Plan"), which comprise:

- the statement of net assets available for benefits as at December 31, 2024
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies  
(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2024, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions Regulation 909, Section 76 of the Pension Benefits Act (Ontario).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to Note 1 in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.



### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of Regulation 909, Section 76 of the Pension Benefits Act (Ontario) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.



Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***DRAFT***

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

(date)

**University of Waterloo Pension Plan for Faculty and Staff**

[Ontario Registration Number 0310565]

**Statement of net assets available for benefits**

As at December 31

	2024 \$	2023 \$
<b>Assets</b>		
Investment income receivable	2,671,791	4,108,060
Other receivables	678,307	—
Investments, at fair value [note 4[a]]	2,791,443,491	2,412,230,282
Total assets	2,794,793,589	2,416,338,342
<b>Liabilities</b>		
Benefits payable		
Retirement	—	55,148
Termination	1,669,052	3,676
Death	685,726	29,206
Management and administrative fees payable [note 7[b]]	1,572,473	1,465,407
Total liabilities	3,927,251	1,553,437
Net assets available for benefits	2,790,866,338	2,414,784,905

*See accompanying notes*



## University of Waterloo Pension Plan for Faculty and Staff

### Statement of changes in net assets available for benefits

Year ended December 31

	2024 \$	2023 \$
<b>Increase in net assets</b>		
Required employee contributions	52,084,705	49,235,221
Employer contributions		
Current service	52,853,000	65,855,000
Special	19,720,275	2,689,209
Transfers from other plans [note 8]	306,624	1,705,036
Interest income [note 4[d]]	33,461,940	26,612,887
Dividend income [note 4[d]]	33,852,809	31,222,467
Partnership income [note 4[d]]	3,049,015	—
Realized gains on investments	25,640,698	59,888,355
Unrealized gains on investments	263,044,179	151,665,210
Unrealized gains on foreign exchange	5,760,624	4,175
<b>Total increase in net assets</b>	<b>489,773,869</b>	<b>388,877,560</b>
<b>Decrease in net assets</b>		
Benefit expenses		
Retirement benefits	94,321,950	85,707,389
Terminations	11,528,072	7,119,437
Death benefits	1,164,881	3,911,429
Management and administrative expenses [note 7[a]]	6,677,533	5,680,884
	<b>113,692,436</b>	<b>102,419,139</b>
Net increase in net assets for the year	<b>376,081,433</b>	<b>286,458,421</b>
Net assets available for benefits, beginning of year	<b>2,414,784,905</b>	<b>2,128,326,484</b>
<b>Net assets available for benefits, end of year</b>	<b>2,790,866,338</b>	<b>2,414,784,905</b>

See accompanying notes

# University of Waterloo Pension Plan for Faculty and Staff

## Notes to financial statements

December 31, 2024

### 1. Basis of presentation

These financial statements of the University of Waterloo Pension Plan for Faculty and Staff [the "Plan"] have been prepared on a going concern basis and in accordance with the significant accounting policies set out below that comply with the financial reporting provisions of the Financial Services Regulatory Authority of Ontario for financial statements under Regulation 909, Section 76 of the *Pension Benefits Act* (Ontario). The basis of accounting used in these financial statements materially differs from Canadian accounting standards for pension plans in Section 4600, *Pension Plans*, in Part IV of the *CPA Canada Handbook* in part because it excludes the Plan's pension obligations and related disclosures. Consequently, these pension fund financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations. These financial statements present the information of the Plan as a separate reporting entity independent of the Sponsor and Plan participants.

In accordance with Section 4600, Canadian accounting standards for private enterprises in Part II of the *CPA Canada Handbook* have been adopted for policies that do not relate to the Plan's investment portfolio to the extent that those standards do not conflict with the requirements of Section 4600.

### 2. Description of the plan

The Plan is a contributory defined benefit pension plan covering employees of the University of Waterloo [the "University" or the "Sponsor"]. The Board of Governors of the University is the administrator of the Plan [the "Administrator"]. The University's Pension and Benefits Committee has been appointed by the Board of Governors to administer the Plan. CIBC Mellon Trust Company is the custodian and trustee of the Plan. The assets of the Plan are held "in trust" within CIBC Mellon Trust Company. Aon has served as the actuary of the Plan during 2024. The Plan is registered under the *Pension Benefits Act* (Ontario) under Registration Number 0310565.

#### Funding policy

The Plan's Funding Policy & Guideline provides the formal framework to achieve the Plan's funding requirements, subject to the provisions of the Plan Text and Applicable Laws. The Plan is open to all full-time and part-time salaried employees who meet certain eligibility requirements. Under the terms of the Plan, the employees are required to contribute 7.80% of base earnings up to the Canada Pension Plan's Yearly Maximum Pensionable Earnings ["YMPE"] limit plus 11.20% of base earnings exceeding the YMPE. The University contributes the balance of the cost required to fund the Plan, as determined by an actuarial valuation of the Plan.

#### Funding valuation

The most recent actuarial valuation, filed with the Financial Services Regulatory Authority of Ontario, was as of January 1, 2024 and was prepared by Aon. The rate of compensation increase used was 4.0% per year and the discount rate was 6%. The next required actuarial valuation is due no later than January 1, 2027.

#### Benefits

On the normal retirement date, a member is entitled to an annual pension equal to 1.4% of his or her Final Average Earnings ["FAE"] up to the YMPE average, plus 2.0% of his or her FAE in excess of the YMPE average multiplied by his or her years of credited service. FAE is the member's average annual base earnings during the averaging period's continuous months of highest earnings during the member's last 10 years of employment at the University. The averaging period for FAE is a 60-month averaging period. The YMPE average is determined by averaging the YMPE in the year of retirement plus the YMPE in the four preceding years. Benefits are limited to the lesser of the maximum benefits allowable under the Income Tax Act or a hard dollar cap.

## University of Waterloo Pension Plan for Faculty and Staff

### Notes to financial statements

December 31, 2024

Effective May 1, 2014, the Plan adjusted its guaranteed indexation related to post-retirement cost of living adjustments. Any pension benefits earned as at December 31, 2013, will be indexed at 100% of the Consumer Price Index ["CPI"] subject to the condition that if CPI exceeds 5%, the indexation adjustment may be limited to an amount not lower than 5%. Any pension benefit earned as of an employee's date of retirement less the pension benefit earned as at December 31, 2013, will be indexed at 75% of CPI, subject to the condition that if CPI exceeds 5%, the indexation adjustment may be limited to an amount not lower than 3.75%. Note that in any year where the cost-of-living adjustment is less than 100% or 75% of CPI as applicable, the difference will be carried forward and a catch-up will be given in a future year when Plan resources permit.

Vested retirement benefits of the Plan are payable upon satisfaction of early retirement eligibility requirements [as early as age 55] and prior to the member's normal retirement date [age 65]. Vested retirement benefits are also payable in the case of termination of employment prior to retirement. A death benefit is payable to the beneficiary of a member as designated.

#### Income taxes

The Plan is a Registered Pension Trust as defined in the *Income Tax Act* (Canada) and, as such, is not subject to income taxes.

### 3. Summary of significant accounting policies

#### Recognition of contributions and benefits

All contributions from the Sponsor and the Plan participants are reflected in the year of the related participant's earnings.

Contributions and benefits payable are recognized on the accrual basis of accounting. Termination benefits payable consist of amounts owing but not yet paid to employees who were terminated from the Plan before the year end. Retirement benefits payable consist of amounts owing but not yet paid to employees who retired before the year-end.

Lump-sum payments or transfers out of the Plan are accounted for in the period in which the election to affect such payment or transfer is made.

#### Investments

Investments are recorded at fair market value on the statement of net assets available for benefits.

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of investment assets is determined as follows:

- [a] Cash and short-term deposits are valued at amortized cost which approximates fair value;
- [b] Bonds, debentures, equities, preferred shares and derivative financial instruments are valued by reference to quoted market prices;
- [c] Investments in pooled funds are valued based on fair value information provided by the fund managers.
- [d] Limited Partnerships are valued at the Plan's proportionate share of the estimated fair value of the underlying net assets.

## University of Waterloo Pension Plan for Faculty and Staff

### Notes to financial statements

December 31, 2024

Investment liabilities are stated at fair value and represent liabilities that are incurred by the Plan in investment related activities. These may include, but are not limited to, derivatives in a liability position, repurchase agreements, financial instruments sold but not yet purchased, and cash collateral received from counterparties.

Net realized gains or losses on disposal and unrealized changes in fair value for the year are recognized in the statement of changes in net assets available for benefits. Interest earned on investments is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. Transaction costs are expensed as incurred.

#### Foreign currency translation

Investments denominated in foreign currencies are translated into Canadian dollars at rates of exchange as at the year-end date. Transactions of investments denominated in foreign currencies are translated into Canadian dollars at rates of exchange applicable on the transaction dates.

#### Use of estimates

The preparation of financial statements requires the Plan's Administrator to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies as at the date of the financial statements, and the reported amounts of increases and decreases in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

#### 4. Investments

##### [a] Summary of investments

Investments are comprised of the following:

	2024		2023	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
<b>Equities</b>				
Canadian companies	181,648,081	155,495,026	179,900,787	152,443,773
Canadian equity pooled funds	165,655,975	128,193,704	136,226,281	123,653,887
Foreign equity pooled funds	1,409,077,182	930,241,077	1,142,260,237	875,171,874
Limited Partnership - Infrastructure	91,370,629	85,864,370	84,244,239	82,000,000
Limited Partnership - Real Estate	75,781,643	70,395,000	—	—
	<b>1,923,533,510</b>	<b>1,370,189,177</b>	<b>1,542,631,544</b>	<b>1,233,269,534</b>
<b>Bonds, cash and short-term deposits</b>				
Canadian fixed term bonds	185,410,168	179,935,731	377,740,637	374,853,952
Bond pooled funds	547,928,223	550,298,819	336,760,400	358,688,207
Limited Partnership - Private Debt	23,761,772	21,084,020	—	—
Cash and short-term deposits	110,809,818	110,810,247	155,097,701	155,097,701
	<b>867,909,981</b>	<b>862,128,817</b>	<b>869,598,738</b>	<b>888,639,860</b>
	<b>2,791,443,491</b>	<b>2,232,317,994</b>	<b>2,412,230,282</b>	<b>2,121,909,394</b>

# University of Waterloo Pension Plan for Faculty and Staff

## Notes to financial statements

December 31, 2024

### [b] Investment managers

The investments are managed by the following investment managers:

	2024		2023	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
<b>TD Asset Management</b>				
Bonds				
Canadian fixed-term bonds	185,410,168	179,935,731	377,740,637	374,853,952
Bond pooled funds	547,928,223	550,298,819	336,760,400	358,688,207
Equities				
Canadian equity pooled funds	165,655,975	128,193,704	136,226,281	123,653,887
Foreign equity pooled funds	589,032,066	366,384,312	463,832,862	355,985,024
Cash and short-term deposits	1,900,206	1,900,206	646,006	646,006
	<b>1,489,926,638</b>	<b>1,226,712,772</b>	<b>1,315,206,186</b>	<b>1,213,827,076</b>
<b>University of Waterloo Managed Fund</b>				
Equities				
Canadian equities [infrastructure and real estate]	181,648,081	155,495,026	179,900,788	152,443,773
Cash and short-term deposits	84,631,932	84,631,932	135,178,999	135,178,999
	<b>266,280,013</b>	<b>240,126,958</b>	<b>315,079,787</b>	<b>287,622,772</b>
<b>Walter Scott &amp; Partners</b>				
Equities				
Foreign equity pooled funds	576,583,389	353,052,390	485,041,919	312,618,147
<b>Fiera Capital</b>				
Equities				
Foreign equity pooled funds	124,999,349	103,663,788	101,519,191	103,364,333
<b>RBC Global Asset Management</b>				
Equities				
Foreign equity pooled funds	118,462,378	107,140,587	91,866,264	103,204,370
<b>IFM Investors</b>				
Limited Partnership				
Infrastructure	91,370,629	85,864,370	84,244,239	82,000,000
<b>CBRE Investment Management</b>				
Limited Partnership				
Real estate	75,781,643	70,395,000	—	—

# University of Waterloo Pension Plan for Faculty and Staff

## Notes to financial statements

December 31, 2024

	2024		2023	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
<b>University of Waterloo Operating Fund</b>				
Cash and short-term deposits	24,277,680	24,278,109	19,272,696	19,272,696
<b>Sound Point Capital Limited Partnership</b>				
Private debt	23,761,772	21,084,020	—	—
<b>Total investments</b>	<b>2,791,443,491</b>	<b>2,232,317,994</b>	<b>2,412,230,282</b>	<b>2,121,909,394</b>

### [c] Significant investments

The Plan contains the following individual investments, which exceed 1% of the cost or market value of the total investments as at December 31, 2024:

	Fair value	Cost
	\$	\$
<b>Short-term deposits</b>		
Government of Canada treasury bill	41,599,444	41,599,444
Government of Canada treasury bill	41,249,492	41,249,492
<b>Pooled public equity funds</b>		
Walter Scott NCS Global Equity Fund	576,583,389	353,052,390
TD Emerald Pooled US Equity Index Fund	376,539,015	192,579,658
TD Emerald International Equity Index Fund	212,493,052	173,804,654
TD Emerald Canadian Equity Index Fund	165,655,975	128,193,704
(Fiera) Mirova Global Sustainable Equity Fund	124,999,349	103,663,788
RBC Global Equity Focus Pension Trust	118,462,378	107,140,587
<b>Pooled public bond funds</b>		
TD Emerald Canadian Long Bond Broad Market Index Fund	547,928,223	550,298,819
<b>Canadian public equities</b>		
Brookfield Infrastructure Partners	75,286,350	22,543,179
Ishares S&P/TSX Capped REIT	61,367,908	69,616,376
Brookfield Renewable Partners	44,993,761	63,335,429
<b>Limited partnerships</b>		
IFM Global Infrastructure Fund	91,370,629	85,864,370
CBRE Global Alpha Fund	75,781,643	70,395,000

## University of Waterloo Pension Plan for Faculty and Staff

### Notes to financial statements

December 31, 2024

#### [d] Investment income by type

	2024	2023
	\$	\$
Dividend income		
Canadian equities	14,253,366	12,553,055
Foreign pooled funds	19,599,443	18,669,412
	<b>33,852,809</b>	<b>31,222,467</b>
Interest income		
Bonds, cash and short-term deposits	4,003,219	3,283,880
Canadian fixed-term bonds	15,393,656	13,023,539
Pooled funds	14,065,065	10,305,468
	<b>33,461,940</b>	<b>26,612,887</b>
Partnership Income		
Infrastructure	1,481,836	—
Private Debt	1,567,179	—
	<b>3,049,015</b>	<b>—</b>

#### [e] Forward foreign exchange contracts

There were no forward foreign exchange contracts as at December 31, 2024 or December 31, 2023.

### 5. Fair value measurements

Canadian accounting standards for pension plans require disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of an asset or liability as at the financial statement date. The three levels are defined as follows:

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.

Level 2: Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar [but not identical] assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes pooled funds, hedge funds, Government of Canada, provincial and other government bonds, Canadian corporate bonds, and certain derivative contracts.

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes private equity investments and securities that have liquidity restrictions.

## University of Waterloo Pension Plan for Faculty and Staff

### Notes to financial statements

December 31, 2024

	2024			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and short-term deposits	110,809,818	—	—	110,809,818
Equities	181,648,081	—	—	181,648,081
Pooled funds	—	2,122,661,380	—	2,122,661,380
Bonds	—	185,410,168	—	185,410,168
Limited partnerships	—	—	190,914,044	190,914,044
	<b>292,457,899</b>	<b>2,308,071,548</b>	<b>190,914,044</b>	<b>2,791,443,491</b>

	2023			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and short-term deposits	155,097,701	—	—	155,097,701
Equities	179,900,787	—	—	179,900,787
Pooled funds	—	1,615,246,918	—	1,615,246,918
Bonds	—	377,740,637	—	377,740,637
Limited partnerships	—	—	84,244,239	84,244,239
	<b>334,998,488</b>	<b>1,992,987,555</b>	<b>84,244,239</b>	<b>2,412,230,282</b>

Reasonable possible changes at the reporting date to the unobservable inputs for Level 3 would not result in a significantly higher or lower fair value measurement. The following table shows a reconciliation of the beginning and ending fair value measurements for Level 3 financial instruments:

	2024	2023
	\$	\$
Beginning balance	84,244,239	—
Purchases	95,787,972	82,000,000
Sales	(444,581)	—
Net fair value changes	11,326,414	2,244,239
Ending balance	<b>190,914,044</b>	<b>84,244,239</b>

#### 6. Financial instruments and risk management

The Plan's investment performance is subject to financial risks as a result of its investing activities. These financial risks could impact net assets available for benefits. These financial risks include credit risk, liquidity risk, interest rate risk, other price risk, foreign exchange risk and market risk. The Administrator manages these risks in accordance with the Statement of Investment Policies and Procedures [the "SIPP"]. The SIPP includes aggregate investment limits by asset class in order to achieve the Plan's investment objectives at an acceptable level of risk. In addition, the SIPP outlines individual investment limits and diversification objectives within different asset classes and permitted investment categories within the asset classes. The Administrator monitors adherence to the policy and the performance of investment managers relative to the applicable benchmarks and action is taken as deemed necessary.



## University of Waterloo Pension Plan for Faculty and Staff

### Notes to financial statements

December 31, 2024

#### Credit risk

Credit risk relates to the potential exposure that the other party to a financial instrument will fail to discharge an obligation and cause the Plan to incur a financial loss. Concentration of credit risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions.

The SIPP restrictions require Canadian bonds or debentures to be rated a minimum of BBB or equivalent, establishes a cap of US denominated fixed income securities, which the plan may only invest in if issued by the US government, and does not allow the purchase of other foreign currency fixed income securities. In addition, the SIPP states that the Plan shall not, directly or indirectly, lend or invest moneys to, or in, any one person, any associated persons or any affiliated corporations if the total aggregate amount would exceed 10% of the total market value of the Plan's assets.

All of the Plan's fixed-term investments are invested in Canadian short-term bonds, for which the investment management agreement outlines that a maximum of 50% of the portfolio may be invested in bonds with a rating of BBB, or equivalent. The credit risk of the Canadian short-term bonds are detailed in the following chart:

Credit ratings	AAA	AA	A	BBB	Total
As at December 31, 2024	0.8%	2.4%	52.7%	44.1%	100%
As at December 31, 2023	0.7%	0.8%	55.8%	42.5%	100%

#### Liquidity risk

Liquidity risk is the risk that the Plan may be unable to meet pension payment obligations as they come due. The SIPP requires that the Plan provide sufficient liquidity to meet its financial obligations as they come due, and provided that this liquidity requirement is met, the Plan may invest a portion of its assets in illiquid assets. The Plan's exposure to liquidity risk is considered minimal.

The following is a maturity analysis of the fixed-term bonds held by the plan:

	2024 \$	2023 \$
Less than 1 year	19,579,098	12,946,107
1 – 5 years	138,784,770	296,248,164
5 – 10 years	24,900,397	68,546,366
More than 10 years	2,145,903	—
Total	185,410,168	377,740,637

#### Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's net assets available for benefits and changes in net assets available for benefits. This risk arises as changes in market interest rates affect the fair market value of the Plan's assets as well as the returns that the plan can earn. The SIPP outlines a range of 15% – 25% for fixed income securities. The Administrator adjusts the investment mix in the portfolio in response to changes in market interest rates.

## University of Waterloo Pension Plan for Faculty and Staff

### Notes to financial statements

December 31, 2024

The following analysis summarizes the impact on the Plan's net assets available for benefits, following reasonably possible changes in interest rates to each bond category to which the Plan has a significant exposure:

	Impact of change in interest rates	
	-1%	+1%
Canadian fixed-term bonds	5,339,813	(5,339,813)
Bond pooled funds	83,175,504	(83,175,504)
	88,515,317	(88,515,317)

#### Other price risk

Other price risk is the risk that the value of the investments will fluctuate as a result of changes in market prices. Significant global economic uncertainty and volatility continues to have widespread impact on financial markets. As the Plan records all investments at fair value, investment values reflected in the statement of net assets available for benefits represent the maximum exposure to market risk. The SIPP outlines a range of 40% – 65% for equities and 10% - 30% for real assets. The Administrator adjusts the investment mix in the portfolio in response to changes in market conditions.

#### Foreign exchange risk

The Plan is exposed to foreign currency fluctuations to the extent that its foreign investments are denominated in foreign currencies. Fluctuations in the value of the Canadian dollar against foreign currencies can have an impact on the fair value of foreign investments. The SIPP allows for hedging of portfolio assets denominated in foreign currencies into Canadian dollars as a strategy to mitigate foreign exchange risk.

The following sensitivity analysis summarizes the impact on the Plan's net assets available for benefits, following reasonably possible changes in foreign currency exchange rates, for each currency to which the Plan has a significant exposure.

	Impact of change in exchange rates	
	+5%	-5%
United States Dollar [\$]	52,991,028	(52,991,028)
Euro [€]	7,104,013	(7,104,013)
Japanese Yen [¥]	4,187,444	(4,187,444)
British Pound Sterling [£]	3,548,459	(3,548,459)
Swiss Francs [F]	1,911,621	(1,911,621)
Danish Krone [Øre]	1,480,143	(1,480,143)

#### Market risk for equity investments

The table below demonstrates the sensitivity of the fair value of the Plan's investments in equities to a possible change of 10% in the relevant equity indices. The beta of each equity mandate, a measure of volatility, has been applied in estimating this sensitivity.

## University of Waterloo Pension Plan for Faculty and Staff

### Notes to financial statements

December 31, 2024

	Fluctuation of	Impact of % change in fair value on net assets	Sensitivity \$
Equities			
Canadian	Stock market indices	+10%	18,046,302
		-10%	(18,046,302)
Pooled funds	Stock market indices	+10%	155,561,810
		-10%	(155,561,810)

#### 7. Management and administrative expenses

##### [a] Management and administrative expenses

Management and administrative expenses consist of the following:

	2024 \$	2023 \$
Investment management	4,240,926	3,660,505
Custodial	196,766	174,500
Actuarial and consulting	394,025	351,979
Audit	20,600	22,920
Administration	1,155,589	982,541
Harmonized Sales Tax	669,627	488,439
	<b>6,677,533</b>	<b>5,680,884</b>

##### [b] Management and administrative fees payable

Management and administrative fees payable consist of the following:

	2024 \$	2023 \$
Investment management	1,000,033	875,310
Custodial	31,325	28,962
Actuarial and consulting	65,372	61,991
Audit	20,600	21,400
Administration	397,650	420,601
Harmonized Sales Tax	57,493	57,143
	<b>1,572,473</b>	<b>1,465,407</b>

##### [c] Contributions

There were no required contributions past due at December 31, 2024.

# University of Waterloo Pension Plan for Faculty and Staff

## Notes to financial statements

December 31, 2024

### 8. Transfers from other plans

Transfers from other plans represent transfers into the Plan from external pension plans of Plan Participants' previous employers.

### 9. Capital management

The capital of the Plan is represented by the net assets available for benefits. The Plan's objectives when managing its capital are to: [i] safeguard its ability to continue as a going concern including compliance with regulatory requirements under the *Pension Benefits Act* (Ontario), and [ii] satisfy its obligations to pay benefits to the Plan participants. In meeting these objectives, the Sponsor periodically reviews the funding and investment policies of the Plan, the results of the actuarial funding valuation and the level of benefits provided to participants.

The Administrator has adopted a SIPP which states investment objectives, guidelines and benchmarks used in investing the capital of the Plan, permitted categories of investments, asset mix diversification and rate of return expectations. The SIPP was last updated effective November 1, 2024. The amendments to the SIPP better identify the risk factors that the Plan's investments are subject to and update the asset mix table with new asset categories and benchmarks.

The portfolio return objectives in the SIPP are: a) to earn a rate of return, after investment expenses of CPI + 3.5% over four-year moving periods and b) to achieve a minimum absolute rate of return, after investment expenses, which exceeds the benchmark return by 0.25% over four-year moving periods. These objectives were not achieved for the four-year period ended December 31, 2024.

The SIPP prescribes asset categories that the Plan can invest in along with a targeted asset allocation for each of these categories. The following table presents the asset categories, the permitted asset mix allocation, and the asset mix allocation as at December 31, 2024. Within the permitted asset allocation, percentages for "total" asset category may not be equal to the sum of the minimum and maximum percentages for each sub-category. Differences may be included to facilitate risk mitigation efforts within each larger asset category.

Asset categories	Permitted asset mix allocation	Asset mix allocation as at December 31, 2024
Cash	0% - 5%	3.97%
Fixed income	15% - 25%	26.27%
<b>Total fixed income</b>	<b>15% - 30%</b>	<b>30.24%</b>
Canadian equity	0% - 10%	5.93%
Global equity	40% - 55%	50.48%
<b>Total equity</b>	<b>40% - 65%</b>	<b>56.41%</b>
Listed infrastructure	0% - 10%	3.27%
Direct infrastructure	0% - 10%	4.31%
Listed real estate	0% - 10%	2.72%
Direct real estate	0% - 10%	2.20%
<b>Total real assets</b>	<b>10% - 30%</b>	<b>12.50%</b>
<b>Private debt</b>	<b>0% - 10%</b>	<b>0.85%</b>
		<b>100.00%</b>

## University of Waterloo Pension Plan for Faculty and Staff

### Notes to financial statements

December 31, 2024

The investments fell within the targeted asset mix ranges as specified in the SIPP at December 31, 2024, with the exception fixed income. Fixed income investments will be used to facilitate remaining commitments to the private debt asset class. A commitment, \$41.5 million CAD (\$29 million USD), was called in April 2025, which brings the fixed income and total fixed income asset classes back within permitted ranges

#### 10. Comparative information

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2024 financial statements.

**Pension Plan Management and Administrative Fees Incurred in 2024<sup>1</sup>**  
**with 4 prior years of comparative information**

<b>Expense Category</b>	<b>2024 ('000s)</b>	<b>2023 ('000s)</b>	<b>2022 ('000s)</b>	<b>2021 ('000s)</b>	<b>2020 ('000s)</b>
<b>Investment Management Fees</b>	<b>\$ 4,241</b>	<b>\$ 3,661</b>	<b>\$ 3,584</b>	<b>\$ 3,502</b>	<b>\$ 3,492</b>
<b>Custodian Fees</b>	<b>197</b>	<b>174</b>	<b>222</b>	<b>258</b>	<b>239</b>
Aon (Actuarial & Consulting)	238	352	303	329	307
Eckler (Consulting)	156	-	-	-	-
<b>Total Actuarial &amp; Consulting Fees</b>	<b>394</b>	<b>352</b>	<b>303</b>	<b>329</b>	<b>307</b>
Telus Health	409	374	377	350	306
HR Administration	521	518	376	290	262
Finance Administration	124	-	-	-	-
Other Administration Fees <sup>2</sup>	101	91	89	87	75
<b>Administration Fees</b>	<b>1,155</b>	<b>983</b>	<b>842</b>	<b>727</b>	<b>643</b>
<b>Audit Fees</b>	<b>21</b>	<b>23</b>	<b>19</b>	<b>19</b>	<b>19</b>
<b>Total Pre-Tax Management and Administrative Fees</b>	<b>\$ 6,008</b>	<b>\$ 5,193</b>	<b>\$ 4,970</b>	<b>\$ 4,835</b>	<b>\$ 4,700</b>
<b>HST<sup>3</sup></b>	<b>670</b>	<b>488</b>	<b>588</b>	<b>417</b>	<b>494</b>
<b>Total Management and Administrative Fees</b>	<b>\$ 6,678</b>	<b>\$ 5,681</b>	<b>\$ 5,558</b>	<b>\$ 5,252</b>	<b>\$ 5,194</b>

**Notes:**

- 1 Amounts from the audited annual financial statements
- 2 Amounts include annual fees from the Financial Services Regulatory Authority of Ontario, UN PRI Association, and performance measurement and data analytics fees from BNY Mellon.
- 3 UW recovers HST paid by the pension fund where possible through HST rebates. HST recoveries are recorded when the returns are filed.



# The University of Waterloo Pension Plan for Faculty and Staff

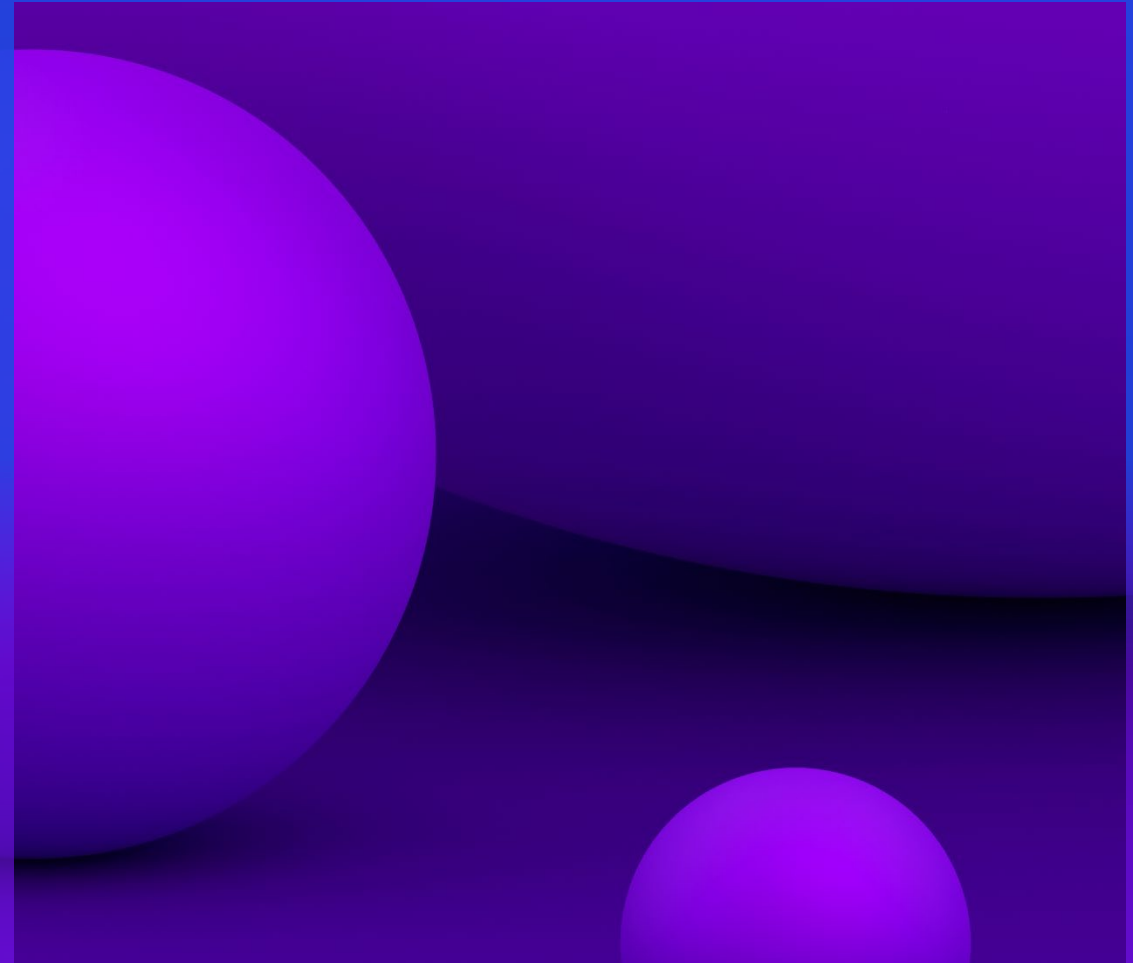
**Audit Findings Report  
for the year ended  
December 31, 2024**

A stylized signature of 'KPMG LLP' in a cursive font, with a horizontal line underneath.

Licensed Public Accountants

Prepared as of May 6, 2025 for the presentation  
to the Pension Committee on May 23, 2025

[kpmg.ca/audit](https://kpmg.ca/audit)



# KPMG contacts

Key contacts in connection with this engagement



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# Table of contents

## Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

<b>4</b>	Highlights	<b>5</b>	Status	<b>6</b>	Risk and results	<b>14</b>	Policies and practices
<b>15</b>	Specific topics	<b>17</b>	Control deficiencies	<b>18</b>	Audit quality		
<b>20</b>	Independence	<b>21</b>	Appendices				

The purpose of this report is to assist you, as a member of the Pension & Benefits Committee, in your review of the findings for our audit of the financial statements. This report is intended solely for the information and use of Management, the Pension & Benefits Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Pension & Benefits Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



# Audit highlights



No matters to report



Matters to report – see link for details

## Status

We have completed the audit of the financial statements of The University of Waterloo Pension Plan for Faculty and Staff ("Plan"), with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.



## Risks and results



### Significant risks



- Fraud risk from management override of controls
- We have rebutted the presumed fraud risk involving improper revenue recognition.



### Other risks of material misstatement



- Investments – Level I and III
- Investments – Level III
- Termination and benefits
- Operating expenses
- Contributions



### Going concern matters

## Independence

- We confirm that, as of the date of this communication, we are independent of the Plan and University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

## Uncorrected misstatements



### Uncorrected misstatements

- There are no uncorrected misstatements to report.

## Corrected misstatements



### Corrected misstatements

- There are no corrected misstatements to report.

## Control deficiencies



### Control deficiencies



- We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

## Policies and practices & specific topics



### Significant unusual transactions



### Accounting policies and practices



### Other financial reporting matters



### Related party transactions

# Status

As of May 6, 2025, we have completed the audit of the Plan, with the exception of certain remaining procedures, which include amongst others:

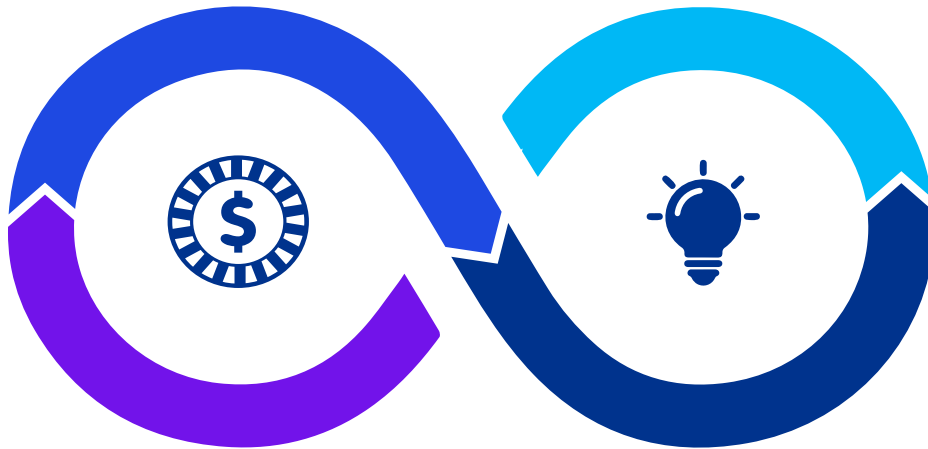
- Final audit quality file review;
- Completing our discussions with the Pension & Benefits Committee;
- Obtaining evidence of the Pension & Benefits Committee's approval of the financial statements; and
- Obtaining the signed management representation letters.

We will update the Pension & Benefits Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's reports is provided in Appendix: Draft Auditor's Reports.



# Materiality



We **determined materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

## Plan and perform the audit

We **determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

## Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



# Materiality

Materiality determination	Comments	Amount
<b>Materiality</b>	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.	\$74 million
<b>Benchmark (most relevant to the users)</b>	Based on total assets from the audited financial statements.	\$2.7 billion
<b>% of Benchmark</b>	Our auditing methodology prescribes that total assets should fall within the 0.5 – 3.0% range based on the Plan's risk profile.	2.65%
<b>Performance Materiality (PM)</b>	Threshold used to determine the nature, timing and extent of audit procedures. It is calculated utilizing 75% of materiality.	\$55 million
<b>Audit Misstatement Posting Threshold (AMPT)</b>	Threshold used to accumulate misstatements identified during the audit.	\$3.7 million

## We will report to the Pension & Benefits Committee



Corrected audit  
misstatements



Uncorrected audit  
misstatements

# Involvement of others

The following parties are involved in the audit of the financial statements:

Involved party	Nature and extent of planned involvement
KPMG IT Audit	Review of service organization controls report over certain controls at the custodian.





# Required inquiries of the committee



## Inquiries regarding risk assessment, including fraud risks

- What are the Pension & Benefits Committee's views about fraud risks, including management override of controls, in the Plan? And have you taken any actions to respond to any identified fraud risks?
- Is the Pension & Benefits aware of, or has the Pension & Benefits identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
  - If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Pension & Benefits exercise oversight of the Plan's fraud risks and the establishment of controls to address fraud risks?



## Inquiries regarding Plans processes

- Is the Pension & Benefits Committee aware of tips or complaints regarding the Plan's financial reporting (including those received through the Pension & Benefits Committee's internal whistleblower program, if such programs exist)? If so, the Pension & Benefits Committee's responses to such tips and complaints?



## Inquires regarding related parties and significant unusual transactions

- Is the Pension & Benefits Committee aware of any instances where the Plan entered into any significant unusual transactions?
- What is the Pension & Benefits Committee's understanding of the Plan's relationships and transactions with related parties that are significant to the Plan?
- Is the Pension & Benefits Committee concerned about those relationships or transactions with related parties? If so, the substance of those concerns?



# Risk assessment summary

Our audit is based on an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Plan and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the Plan's components of its system of internal control, including our business process understanding.

		Risk of fraud	Risk of error	Risk rating
●	Management Override of Controls	✓		Significant
●	Investments – Level I & II		✓	Base
●	Investments – Level III		✓	Elevated
●	Operating expenses		✓	Base
●	Terminations and Benefits		✓	Base
●	Contributions		✓	Base

● SIGNIFICANT RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER RISK OF MATERIAL MISSTATEMENT

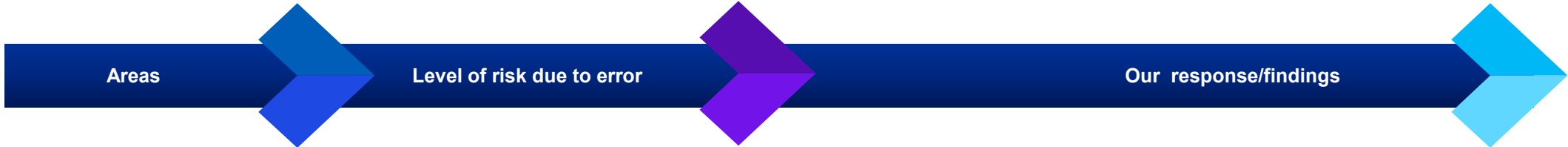


# Significant risks

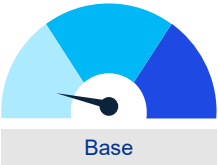
<div></div> <div>Management Override of Controls (non-rebuttable significant risk of material misstatement)</div>		<div>RISK OF</div> <div></div> <div>FRAUD</div>
<div><div>Presumption of the risk of fraud resulting from management override of controls</div></div>	Why is it significant?	Our response
	<p>Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.</p>	<ul style="list-style-type: none"><li>• As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:</li><li>• testing of journal entries and other adjustments;</li><li>• performing a retrospective review of estimates;</li><li>• evaluating the business rationale of significant unusual transactions; and</li><li>• review of relevant General IT controls at custodian and plan.</li></ul>
Our findings		
<p>There are no significant findings to report.</p>		



# Other risks of misstatement



## Investments – Level I and II



- Obtained an understanding of the activities related to the investment process and management's classification of assets within the fair value hierarchy.
- Obtained third party confirmation of cash and investment balances.
- Performed reconciliations between investment manager and custodian confirmations.
- Obtained and reviewed the service organization auditors' report over controls at the investment custodian.
- Ensured that all necessary note disclosure requirements are met.
- There are no significant findings to report.

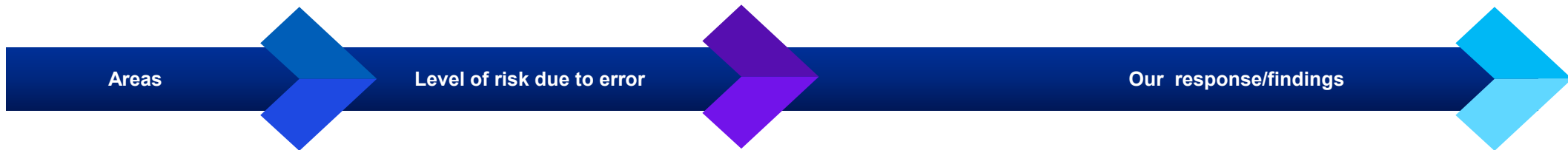
## Investments – Level III



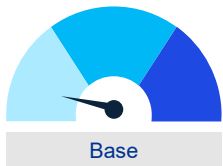
- Obtained an understanding of the activities related to the investment process and management's classification of assets within the fair value hierarchy.
- Obtained third party confirmation of the investment balances.
- Inspected the agreement relating to the purchase of the investment during the course of the fiscal year.
- Obtained the prior year audited financial statements as part of our retrospective assessment. Reviewed the audit opinion and basis of accounting to ensure that the investments were accounted for at fair value.
- Ensured that all necessary note disclosure requirements are met.
- There are no significant findings to report.



# Other risks of misstatement



## Terminations and benefits



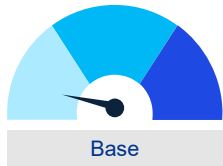
- Performed analytical and other substantive procedures on terminations and benefits for the year.
- Reconciled terminations and benefits payments per pension records with general ledger records.
- Performed cut-off procedures to ensure termination payments are fairly stated for the year.
- Ensured that all necessary note disclosure requirements are met.
- There are no significant findings to report.

## Operating expenses



- Performed analytical and other substantive procedures on expenses for the year.
- Reconciled expenses per pension records with general ledger records (if significant)
- Performed cut-off procedures to ensure expenses are fairly stated for the year.
- Ensured that all necessary note disclosure requirements are met.
- There are no significant findings to report.

## Contributions



- Performed analytical and other substantive procedures on contributions for the year.
- Reconciled contributions between pension payroll records and general ledger records.
- Performed cut-off procedures to ensure contributions are fairly stated for the year.
- Ensured that all necessary note disclosure requirements are met.
- There are no significant findings to report.



# Accounting policies and practices



## Initial selection of significant accounting policies and practices

No changes in accounting policies and practices.



## Description of new or revised significant accounting policies and practices

There were no changes to accounting policies and practices during the year.



## Significant qualitative aspects

No significant qualitative aspects of accounting policies and practices



# Other financial reporting matters

We also highlight the following:



**Financial statement presentation - form, arrangement, and content**



No matters to report.



**Concerns regarding application of new accounting pronouncements**



Amendments to Section 4600 Pension Plans in Part IV of the CPA Canada Handbook – Accounting Standards for Pension Plans required to be adopted January 1, 2024 did not have an impact on the defined benefit and defined contribution pension plan financial statements prepared for the purposes for filing with the Financial Services Regulatory Authority for the year ended December 31, 2024.

The Accounting Standards Board has issued an Exposure Draft to improve the presentation and disclosure of pension plan financial statements. Changes proposed to improve disclosure and presentation of investments such as fair value disclosures, disclosures of interest in investment vehicles, presentation and disclosure of investments expenses. The proposal if approved would be effective for the Pension Plan's year ended December 31, 2026.



**Significant qualitative aspects of financial statement presentation and disclosure**



No matters to report.



# Specific topics

We have highlighted the following that we would like to bring to your attention:

Matter	Finding
Illegal acts, including noncompliance with laws and regulations, or fraud (identified or suspected)	No matters to report
Other information in documents containing the audited financial statements	No matters to report
Significant difficulties encountered during the audit	No matters to report
Difficult or contentious matters for which the auditor consulted	No matters to report
Disagreements with management	No matters to report
Related parties	No matters to report
Significant issues in connection with our appointment or retention	No matters to report
Other matters that are relevant matters of governance interest	No matters to report
Significant matters subject to correspondence with management	No matters to report
Issues with sending external confirmation requests	No matters to report

# Control deficiencies

## Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Plan's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

## A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

## Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

**No significant control deficiencies were identified throughout the audit.**

# Audit quality - How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

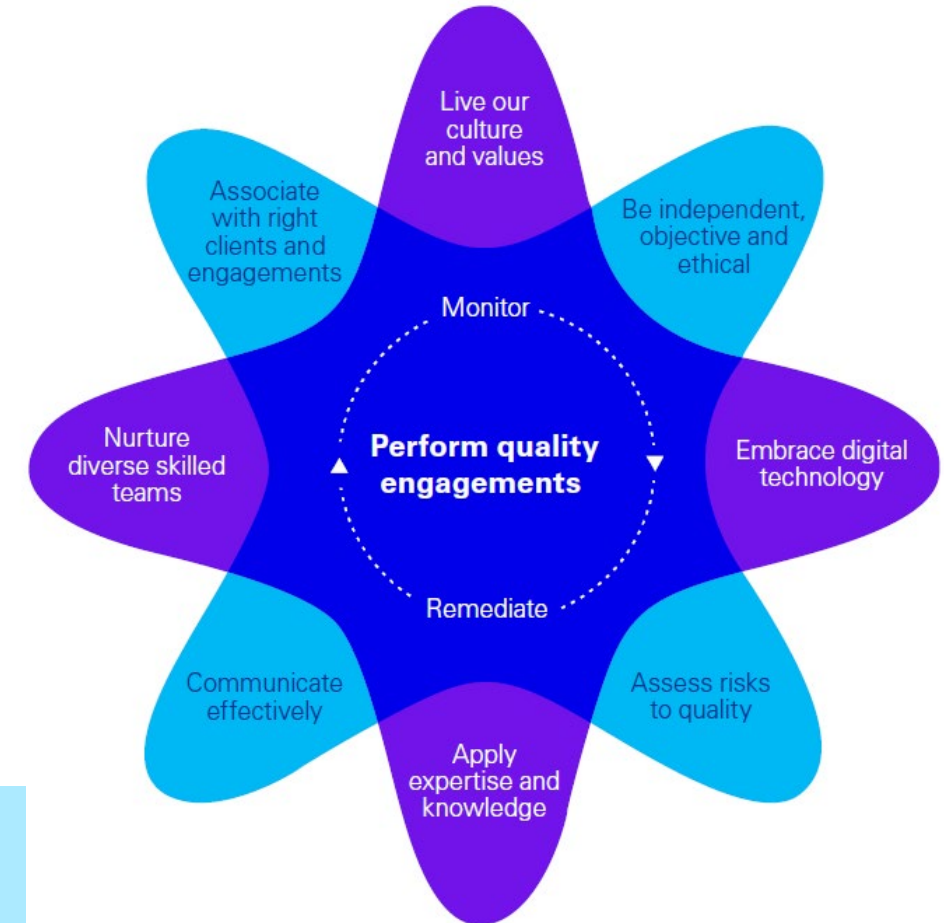
The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:

[KPMG Canada Transparency Report](#)

[Statement on the effectiveness of the System of Quality Management of KPMG LLP as at September 30, 2024](#)

**We define 'audit quality' as being the outcome when:**

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



**Doing the right thing. Always.**





# Audit quality - Indicators (AQIs)

The objective of these measures is to provide the Pension & Benefits Committee and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that we have agreed with management are relevant for the audit.



## Team composition



### Experience of the team

- Engagement Partner: over 30 years' experience in the industry
- Engagement Senior Manager: 9 years' experience in the industry
- Other team members have relevant industry experience to carry out the audit



## Technology in the audit



### Implementation of Technology in the Audit

- We have utilized a number of technologies in the audit:
  - **KPMG Clara for Clients Site ("KCfc")** – secure PBC document sharing site
  - **KPMG Clara Workflow ("KCw")** – audit workflow to allow us to deliver globally consistent engagements
  - **Datasnipper** – Excel based tool, which allows us to automatically match Excel data with underlying source documents and form data extraction from documents with the same layout



## Timing of prepared by client (PBC) items



### Timeliness of PBC items

- We initially requested a number of PBCs, with various follow-up requests as a result of our findings.
- We had confirmed the availability of initial PBCs with management in advance of interim and year-end fieldwork.
- All PBC requests were received on time and in due course.





# Independence

As a firm, we are committed to being and being seen to be independent. We have strict rules and protocols to maintain our independence that meet or exceed those of the IESBA Code<sup>1</sup> and CPA Code. The following are the actions or safeguards applied to reduce or eliminate threats to an acceptable level:



Dedicated ethics & independence partners



Process for reporting breaches of professional standards and policy, and documented disciplinary policy



Ethics, independence and integrity training for all staff



International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest



Operating policies, procedures and guidance contained in our quality & risk management manual



Mandated procedures for evaluating independence of prospective audit clients



Restricted investments and relationships



Annual ethics and independence confirmation for staff

## Statement of compliance

We confirm that, as of the date of this communication, **we are independent** of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

We are not aware of any relationships or other matters between our firm and the Plan that, in our professional judgement, may reasonably be thought to bear on our independence.

<sup>1</sup> International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)



# Appendices

**A**

Draft auditor's reports

**B**Other required  
communications**C**Management's  
representation letters**D**Signed  
engagement letter



# Appendix A: Draft auditor's report



KPMG LLP  
120 Victoria Street South  
Suite 600  
Kitchener ON N2G 0E1  
Canada  
Tel 519-747-8800  
Fax 519-747-8811

## INDEPENDENT AUDITOR'S REPORT

To the Pension and Benefits Committee of the University of Waterloo

### ***Opinion***

We have audited the financial statements of the University of Waterloo Pension Plan for Faculty and Staff (the "Plan"), which comprise:

- the statement of net assets available for benefits as at December 31, 2024
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2024, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions Regulation 909, Section 76 of the Pension Benefits Act (Ontario).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to Note 1 in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of Regulation 909, Section 76 of the Pension Benefits Act (Ontario) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

DATE



# Appendix B: Other required communications



## CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Pension Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2024 Interim Inspections Results](#)





# Appendix C: Management representation letter

KPMG LLP  
120 Victoria Street South,  
Suite 600  
Kitchener, ON N2G 0E1  
Canada

#### DATE

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the special purpose financial statements (hereinafter referred to as “financial statements”) of The University of Waterloo Pension Plan for Faculty and Staff (“the Plan”) as at and for the period ended December 31, 2024.

#### *General:*

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### *Responsibilities:*

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 25, 2023 with an amendment dated March 20, 2025, including for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.  
  
Significant interpretations, if any, related to the financial provisions of the relevant financial reporting framework are appropriately disclosed in the financial statements.
  - b) determining that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances.
  - c) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
    - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
    - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
  - d) providing you with unrestricted access to such relevant information.
  - e) providing you with complete responses to all enquiries made by you during the engagement.

- f) providing you with additional information that you may request from us for the purpose of the engagement.
  - g) providing you with unrestricted access to persons within the Plan from whom you determined it necessary to obtain audit evidence.
  - h) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
  - i) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
  - j) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the Plan, did not intervene in the work the internal auditors performed for you.
- 2) We acknowledge that these financial statements:
- i) are not general-purpose financial statements.
  - ii) may not comply with, or may not satisfy, the Plan's incorporating or other governing legislation.
  - iii) are solely for the information and use of the addressee and are not intended to be, and should not be, used by anyone other than the specified users or for any other purpose.
  - iv) are not intended for distribution to anyone other than the specified users.
- 3) We acknowledge that should we extend the distribution beyond the specified users, you accept no responsibility for the distribution or use of the financial statements and the report thereon.

*Internal control over financial reporting:*

- 4) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

*Fraud & non-compliance with laws and regulations:*

- 5) We have disclosed to you:
- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
    - management;
    - employees who have significant roles in internal control over financial reporting; or
    - others
 where such fraud or suspected fraud could have a material effect on the financial statements.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.

- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

*Subsequent events:*

- 6) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted and disclosed in the financial statements.

*Related parties:*

- 7) We have disclosed to you the identity of the Plan's related parties.
- 8) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 9) All related party relationships and transactions/balances have been appropriately accounted for in the financial statements and disclosed to you and disclosed in the financial statements.

*Estimates:*

- 10) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

*Going concern:*

- 11) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 12) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Plan's ability to continue as a going concern.

*Accounting policies:*

- 13) The accounting policies selected and applied are appropriate in the circumstances.
- 14) The Plan has satisfactory title to all owned assets.
- 15) We have no knowledge of any plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Yours very truly,

---

Jacinda Reitsma  
Vice President, Administration and Finance

---

Sarah Hadley  
Chief Financial Officer

---

Lee Hornberger  
Director, HR Total Compensation

## ***Attachment I – Definitions***

### ***Materiality***

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### ***Fraud & error***

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an Plan's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.



# Appendix D: Signed engagement letter



**KPMG LLP**

120 Victoria Street South  
Suite 600  
Kitchener, ON N2G 0E1  
Canada  
Telephone 519 747 8800  
Fax 519 747 8811

**PRIVATE AND CONFIDENTIAL**

Sarah Hadley  
Chief Financial Officer  
University of Waterloo  
200 University Avenue West  
Waterloo, ON N2L 3G1

March 20, 2025

Except as specified herein, all provisions of the most recent Engagement Letter between KPMG and the University of Waterloo Pension Plan for Faculty and Staff ("the Plan") dated October 25, 2023 continue in effect from period to period unless amended or terminated in writing or unless revised due to the issuance of new professional standards.

This letter amends the following terms of our engagement:

***Use of KPMG Clara for clients***

The terms and conditions for use of KPMG Clara for clients apply to the use of the collaboration tool and can be found [here](#).

***Fees***

We update our previous engagement letter dated October 25, 2023 with the revised fees. The Plan and KPMG agree to fees for the 2024 audit as settled with management and by the Audit & Risk Committee of the University of Waterloo.

\*\*\*\*\*



We are available to discuss these amendments to the terms of our engagement with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign the copy in the space provided and return it to us.

Yours very truly,

Handwritten signature of KPMG LLP in black ink, with a horizontal line underneath.

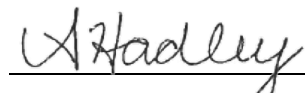
Matthew Betik, CPA, CA  
Partner, responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body  
519-747-8245

Enclosure

cc: Pension & Benefits Committee

\*\*\*\*\*

The terms of the engagement for the University of Waterloo set out are as agreed:

  
\_\_\_\_\_  
Sarah Hadley, Chief Financial Officer  
(having the appropriate authority to engage the Plan as defined above)

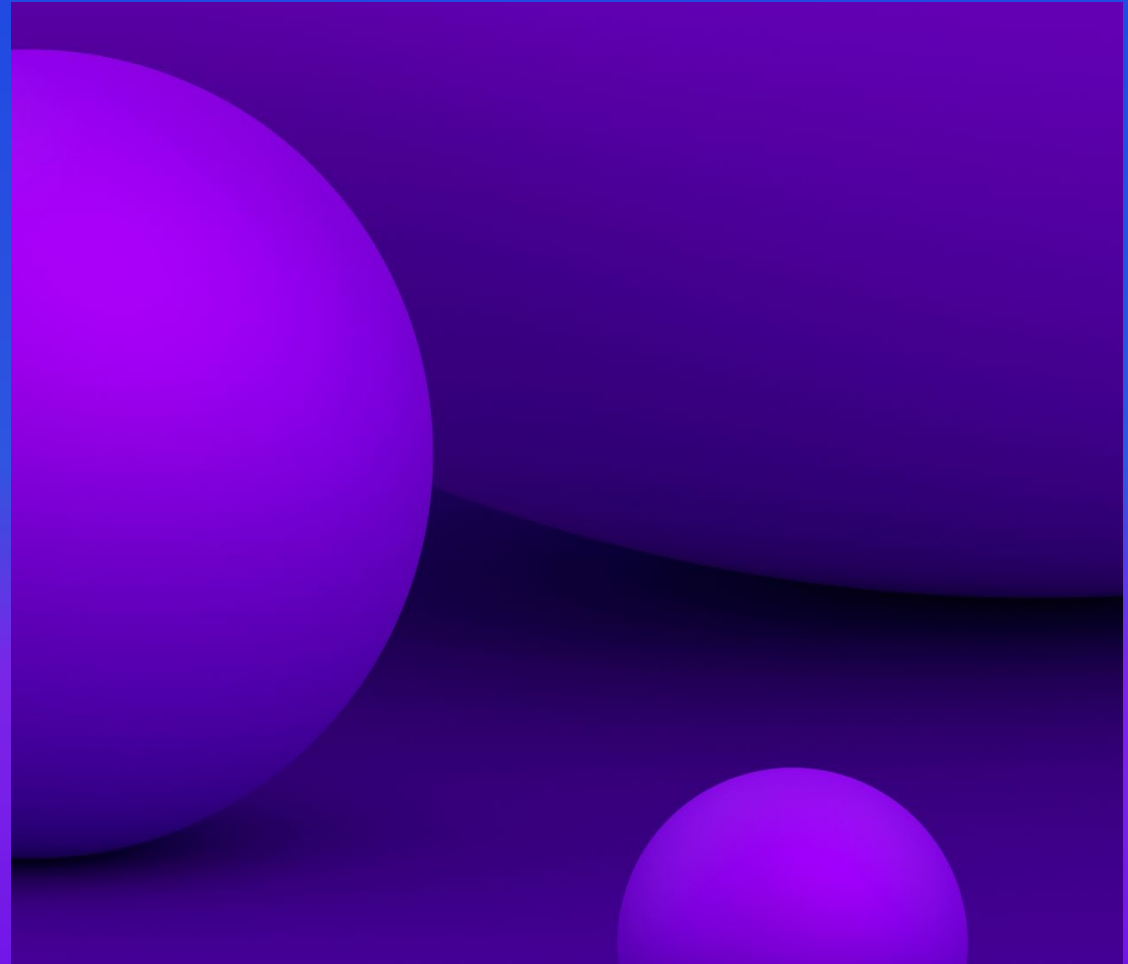
April 1, 2025  
\_\_\_\_\_

Date



[kpmg.ca](https://kpmg.ca)

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

**Date of Meeting:** May 23, 2025

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

**From:** Melanie Figueiredo, Governance Officer

**RE:** **5. Pension**

---

**5.2 Pension Risk Management Dashboard, Q1 2025****Background:**

Linda Byron, Aon, will present the Pension Risk Management Dashboard for Q1 2025, 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.

The Pension Investment Committee reviewed the Pension Risk Management Dashboard at its meeting on March 23, 2025.

**Documentation Provided:**

- Pension Risk Management Dashboard, Q1 2025



# Pension Risk Management Dashboard

University of Waterloo

As of March 31, 2025



# 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?

# Highlights

## Over the Quarter:

- The fund had a rate of return after fees of -0.4%.
- Nominal risk-free rates decreased.
- Inflation expectations implicit in the underlying bond yields marginally increased.
- A new funding valuation using updated membership data as at January 1, 2025 was carried out, and is reflected in the financial position of the Plan as at March 31, 2025.

## As a Result:

- The going concern funded position declined from a \$159.7 million surplus to a \$91.7 million surplus over the quarter. This was primarily due to the impact of using updated membership data which increased the Plan's liabilities plus lower than expected returns on the Plan's return seeking assets. This was partially offset by contributions exceeding the cost of new benefit accruals.
- The risk-free deficit increased from \$474.8 million to \$660 million over the quarter primarily due to the lower than expected returns on the Plan's return seeking assets, a reduction in the net interest rate used to measure the liabilities and the impact of using the updated membership data.
- The solvency surplus decreased from \$476.9 million to \$394.0 million over the quarter due to similar reasons as for the change in the risk-free position, although the overall impact was less.



## Highlights (cont'd)

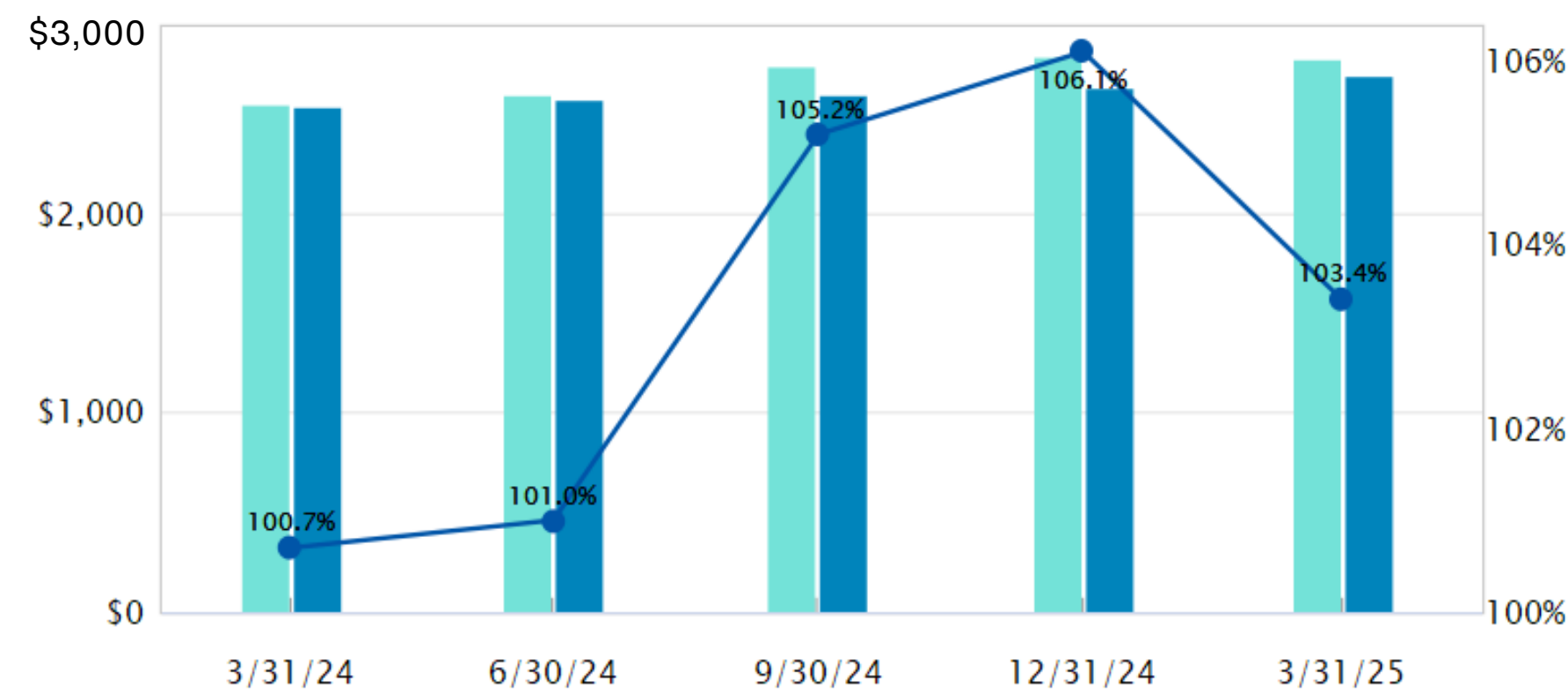
- The estimated March 31, 2025 liabilities are projected based on the final results of the most recent actuarial valuation of the Plan as at January 1, 2025.
- The December 31, 2024 liabilities shown are based on the January 1, 2024 actuarial valuation projected forward.
- The annuity purchase guidance educational note for valuations on or after March 31, 2025 (published as of April 29, 2025) has been reflected in the interest rates used to calculate the March 31, 2025 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



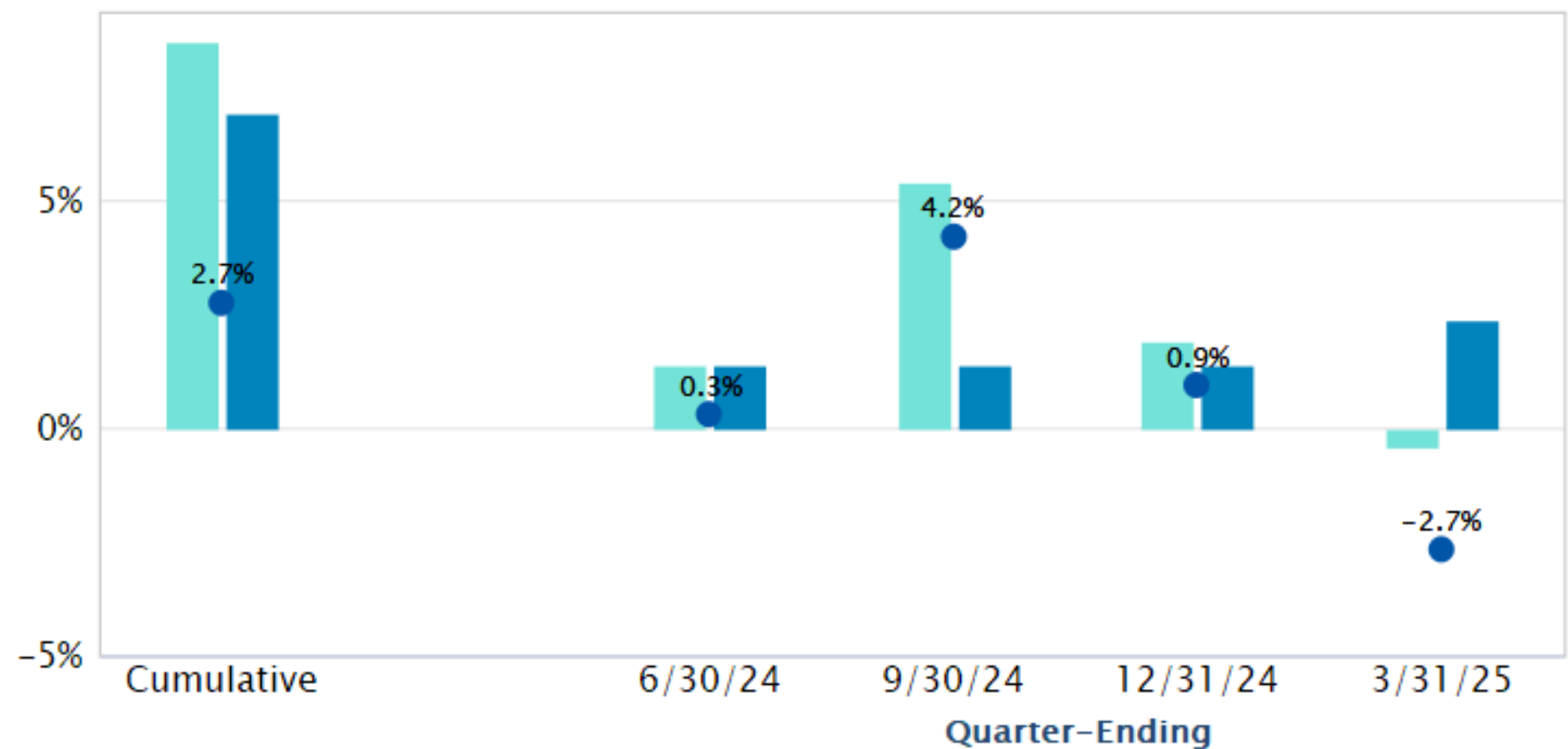
### Highlights for the Quarter-Ending 03/31/25

The plan's funded ratio decreased to 103.4% at 03/31/25. This result was primarily due to lower than expected asset returns and the impact of the new funding valuation, partially offset by contributions exceeding new benefit accruals.

	3/31/24	6/30/24	9/30/24	12/31/24*	03/31/25*
Market Value of Assets	\$ 2,555.6	\$ 2,595.7	\$ 2,737.9	\$ 2,794.1	\$ 2,782.2
Going Concern Liability	2,538.5	2,570.9	2,601.4	2,634.4	2,690.5
Surplus/(Deficit)	\$ 17.1	\$ 24.8	\$ 136.5	\$ 159.7	\$ 91.7
Effective Interest Rate	6.00%	6.00%	6.00%	6.00%	6.00%
Periodic Contributions	\$ 30.6	\$ 30.8	\$ 32.0	\$ 31.3*	\$ 31.1*
Funded Ratio:					
Assets/Going Concern Liability	100.7%	101.0%	105.2%	106.1%	103.4%

\* 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 03/31/25

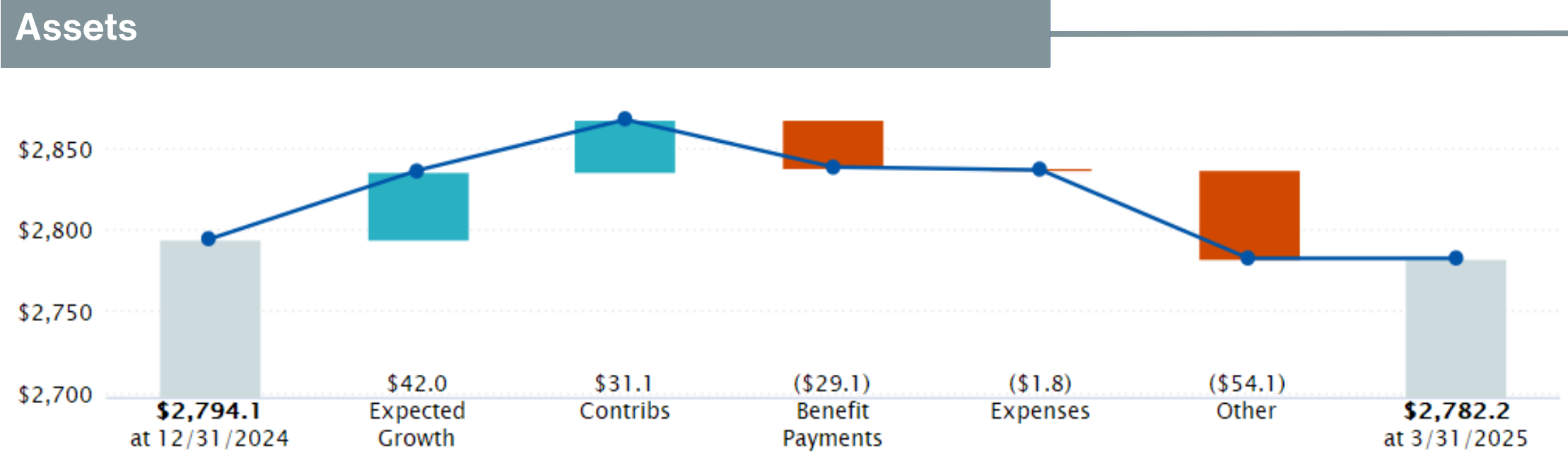
Assets returned -0.4% during the quarter while liabilities returned 2.4%, resulting in a funded status decrease of 2.7%.

Periodic Return/Change	Cumulative	6/30/24	9/30/24	12/31/24	03/31/25
Market Value of Assets Return	8.5%	1.4%	5.4%	1.9%	-0.4%
Going Concern Liability:					
Return	6.9%	1.3%	1.4%	1.4%	2.4%
Funded Ratio Change	2.7%	0.3%	4.2%	0.9%	-2.7%

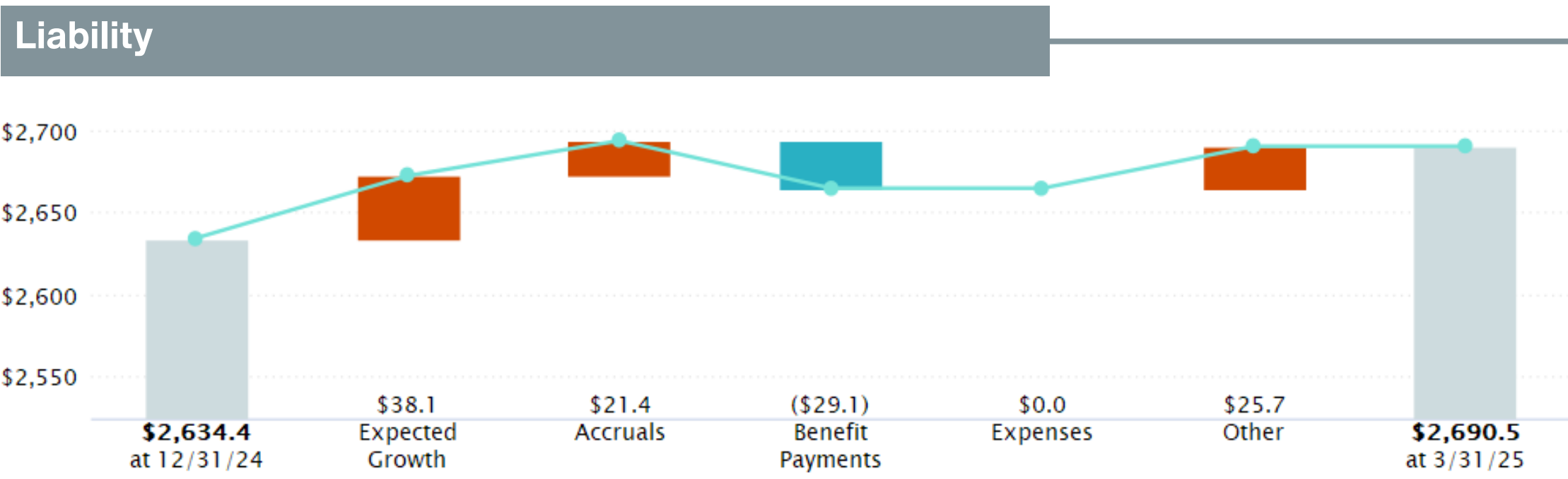


# Asset-Liability Performance Attribution – Going Concern

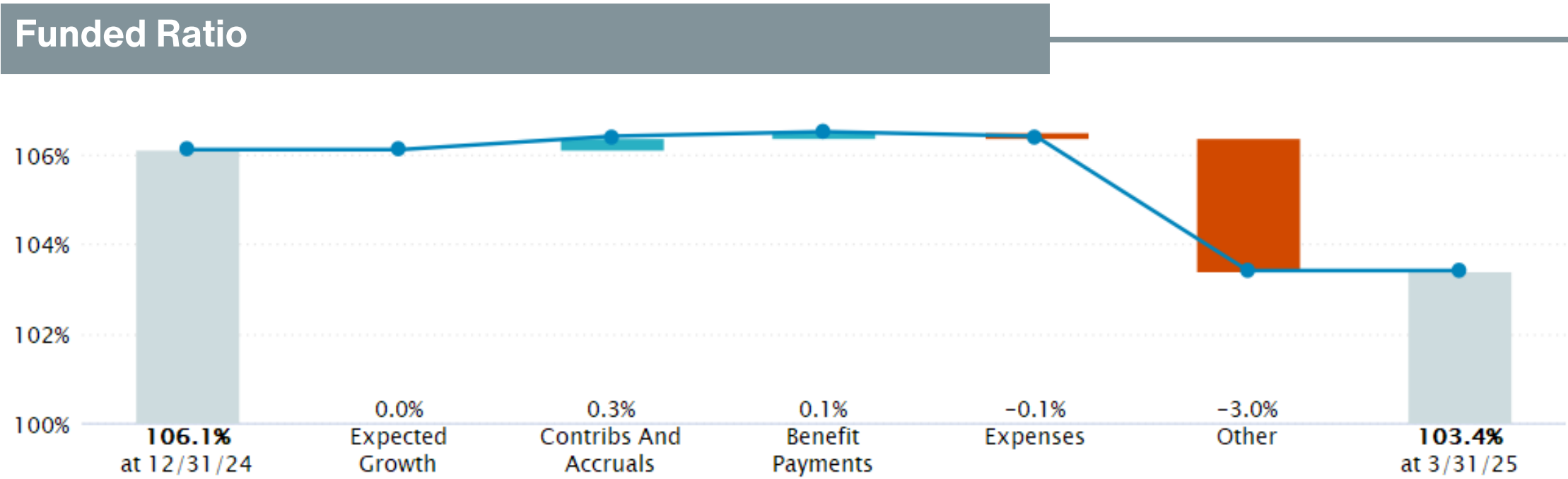
Values in \$1,000,000 (CAD)



- Overall, assets returned -0.4% during this quarter.
- Return-seeking assets performed lower than expected during the quarter.
- The University and members made \$31.1 million in contributions during the quarter and the trust paid \$29.1 million in benefits to the participants.
- “Other” represents the difference in the Plan’s asset performance relative to expectation.



- Liabilities were expected to grow by \$38.1 million due to interest cost during the quarter.
- New benefit accruals increased the liability by \$21.4 million during the quarter and paying Plan benefits decreased the liability by \$29.1 million during the quarter.
- “Other” represents the impact of new funding valuation, using updated membership data as at January 1, 2025.

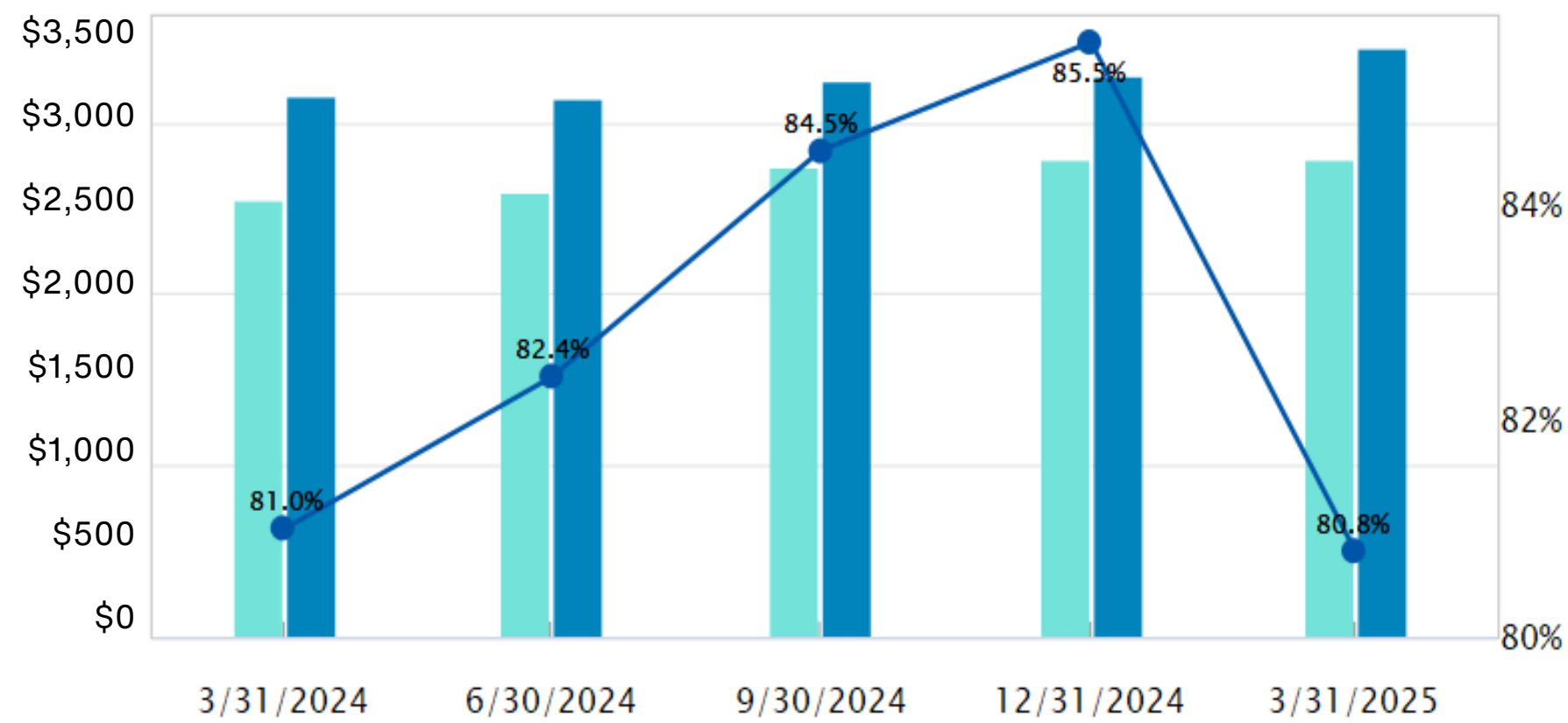


- Contributions exceeded benefit accruals over the quarter, resulting in a net increase of 0.3% in the Plan’s funded ratio.
- “Other” represents the impact of asset performance relative to the liabilities (including the impact of using updated membership data as at January 1, 2025) which resulted in a decrease in funded ratio of 3.0%.

# Executive Summary – Risk Free

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

## Funded Status



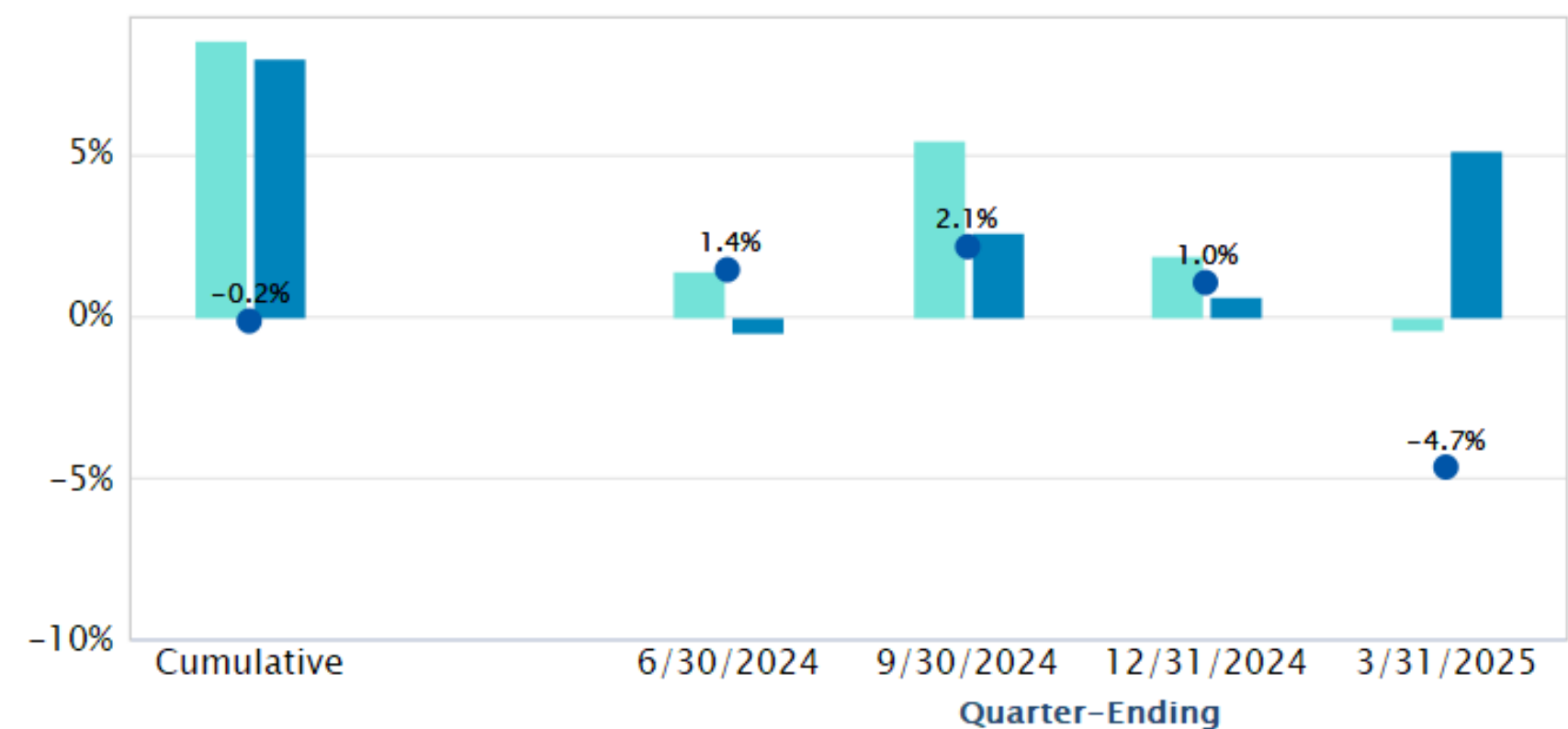
### Highlights for the Quarter-Ending 03/31/25

The plan's funded ratio decreased to 80.8% at 03/31/25. This result was primarily due to lower than expected asset returns on the Plan's return seeking assets and the reduction in bond yields (net of inflation) plus the impact of the new funding valuation.

	3/31/24	6/30/24	9/30/24	12/31/24*	03/31/25*
Market Value of Assets	\$ 2,555.6	\$ 2,595.7	\$ 2,737.9	\$ 2,794.1	\$ 2,782.2
Risk-Free Liability	3,154.9	3,149.2	3,238.6	3,268.9	3,442.2
Surplus/(Deficit)	\$ (599.3)	\$ (553.5)	\$ (500.7)	\$ (474.8)	\$ (660.0)
Discount Rate	1.90%	1.99%	1.89%	1.91%	1.77%
Periodic Contributions	30.6	\$ 30.8	\$ 32.0	\$ 31.3*	\$ 31.1*
Funded Ratio:					
Assets/Risk-Free Liability	81.0%	82.4%	84.5%	85.5%	80.8%

\* 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 03/31/25

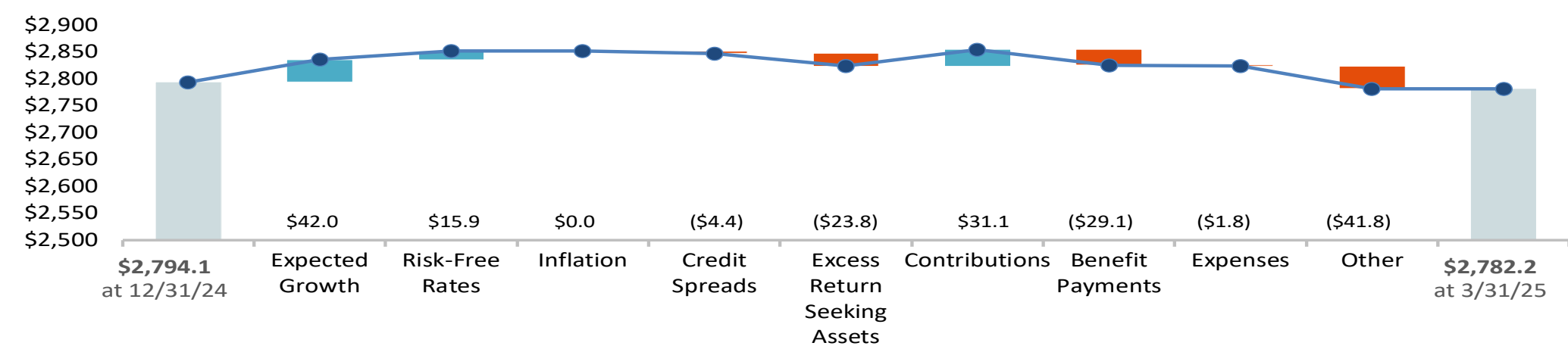
Assets returned -0.4% during the quarter while liabilities returned 5.1%, resulting in a funded status decrease of 4.7%.

Periodic Return/Change	Cumulative	6/30/24	9/30/24	12/31/24	3/31/25
Market Value of Assets Return	8.5%	1.4%	5.4%	1.9%	-0.4%
ABO:					
Return	8.0%	-0.5%	2.6%	0.6%	5.1%
Funded Ratio Change	-0.2%	1.4%	2.1%	1.0%	-4.7%

# Asset-Liability Performance Attribution – Risk Free

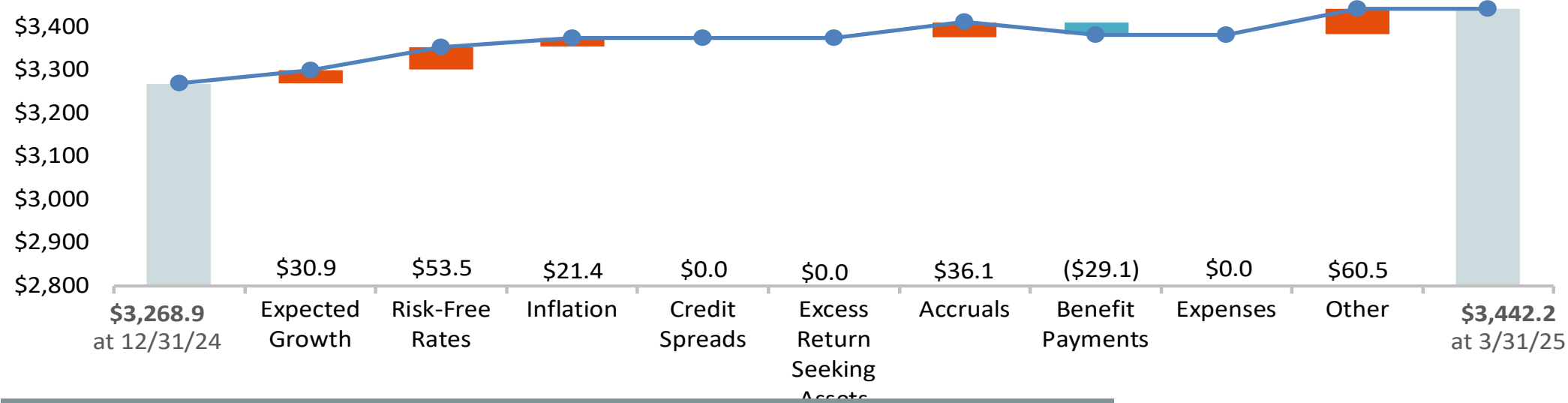
Values in \$1,000,000 (CAD)

## Assets



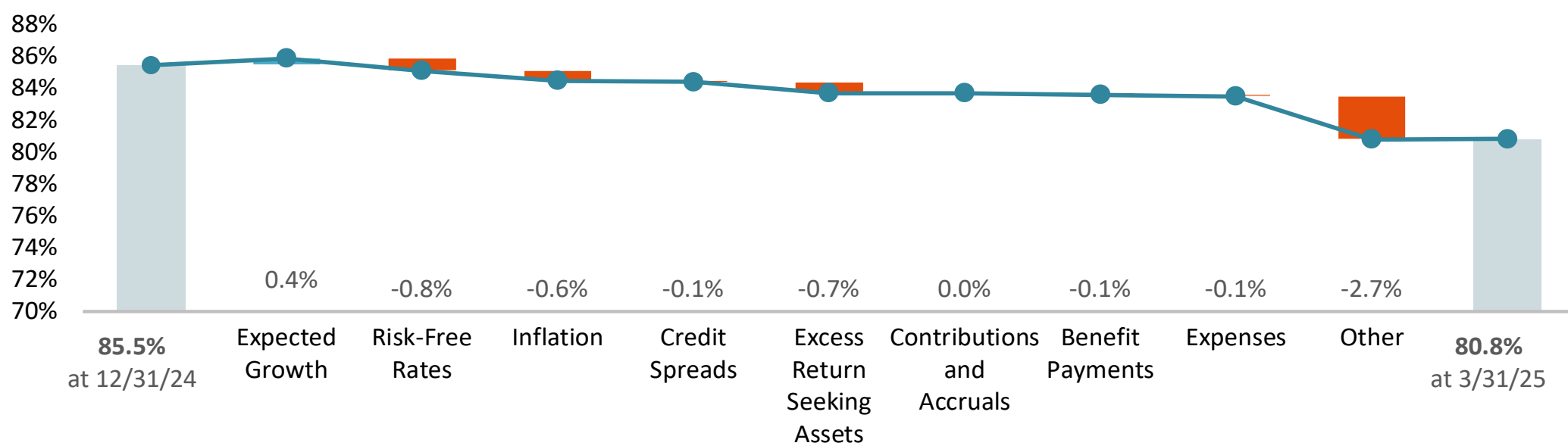
- Overall, assets returned -0.4% during the quarter.
- Return-seeking assets performed lower than expected during the quarter, resulting in a loss of \$23.8 million.
- The University and members made \$31.1 million in contributions during the quarter and the trust paid \$29.1 million in benefits to the participants.
- “Other” includes the impact of active management, and differences between benchmark and actual investment allocations.

## Liability



- Liabilities were expected to grow by \$30.9 million due to the interest cost during the quarter.
- New benefit accruals increased the liability by \$36.1 million during the quarter and paying Plan benefits decreased the liability by \$29.1 million during the quarter.
- A decrease in the risk-free rate net of inflation led to an increase of approximately \$74.9 million in the Plan’s liabilities.
- “Other” mainly represents the impact of new funding valuation, using updated membership data as at January 1, 2025.

## Funded Ratio

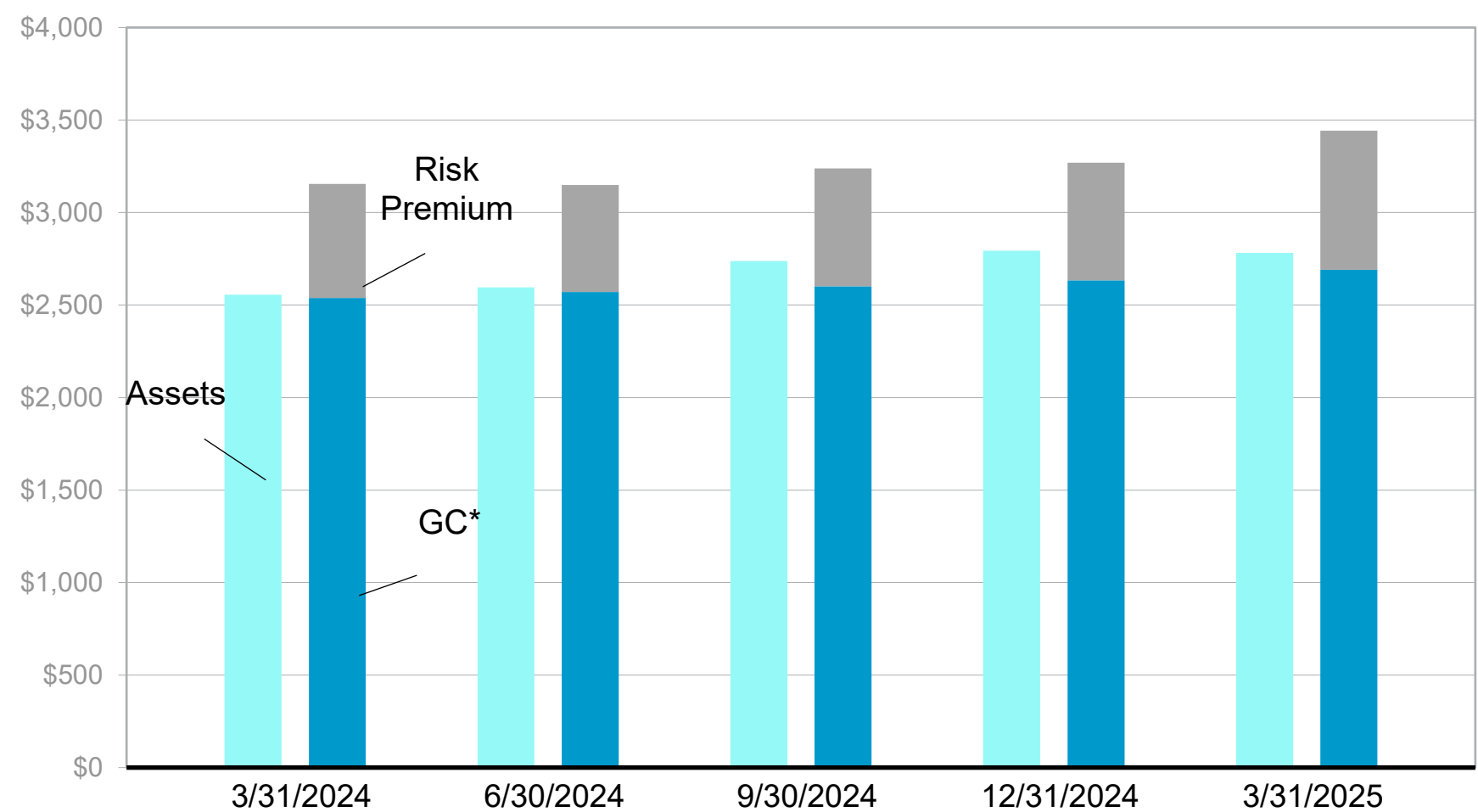


- The decrease in the risk-free rate used to measure liabilities combined with an increase in inflation expectations led to 1.4% decrease in the Plan’s funding ratio.
- Lower than expected returns on the Plan’s return seeking assets contributed to a 0.7% decrease in the Plan’s funding ratio.
- However, the largest impact was due to the new funding valuation, using updated membership data as at January 1, 2025 which resulted in a decrease of 2.4% in the Plan’s funding ratio.

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

## Funded Status

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



\* Going Concern

	03/31/24	06/30/24	09/30/24	12/31/24	03/31/25
Market Value of Assets	\$ 2,555.6	\$ 2,595.7	\$ 2,737.9	\$ 2,791.1	\$ 2,782.2
Going Concern Liability	\$ 2,538.5	\$ 2,570.9	\$ 2,601.4	\$ 2,634.4	\$ 2,690.5
Risk Premium	<u>616.4</u>	<u>578.3</u>	<u>637.2</u>	<u>634.5</u>	<u>751.7</u>
Risk-Free Liability	\$ 3,154.9	\$ 3,149.2	\$ 3,238.6	\$ 3,268.9	\$ 3,442.2

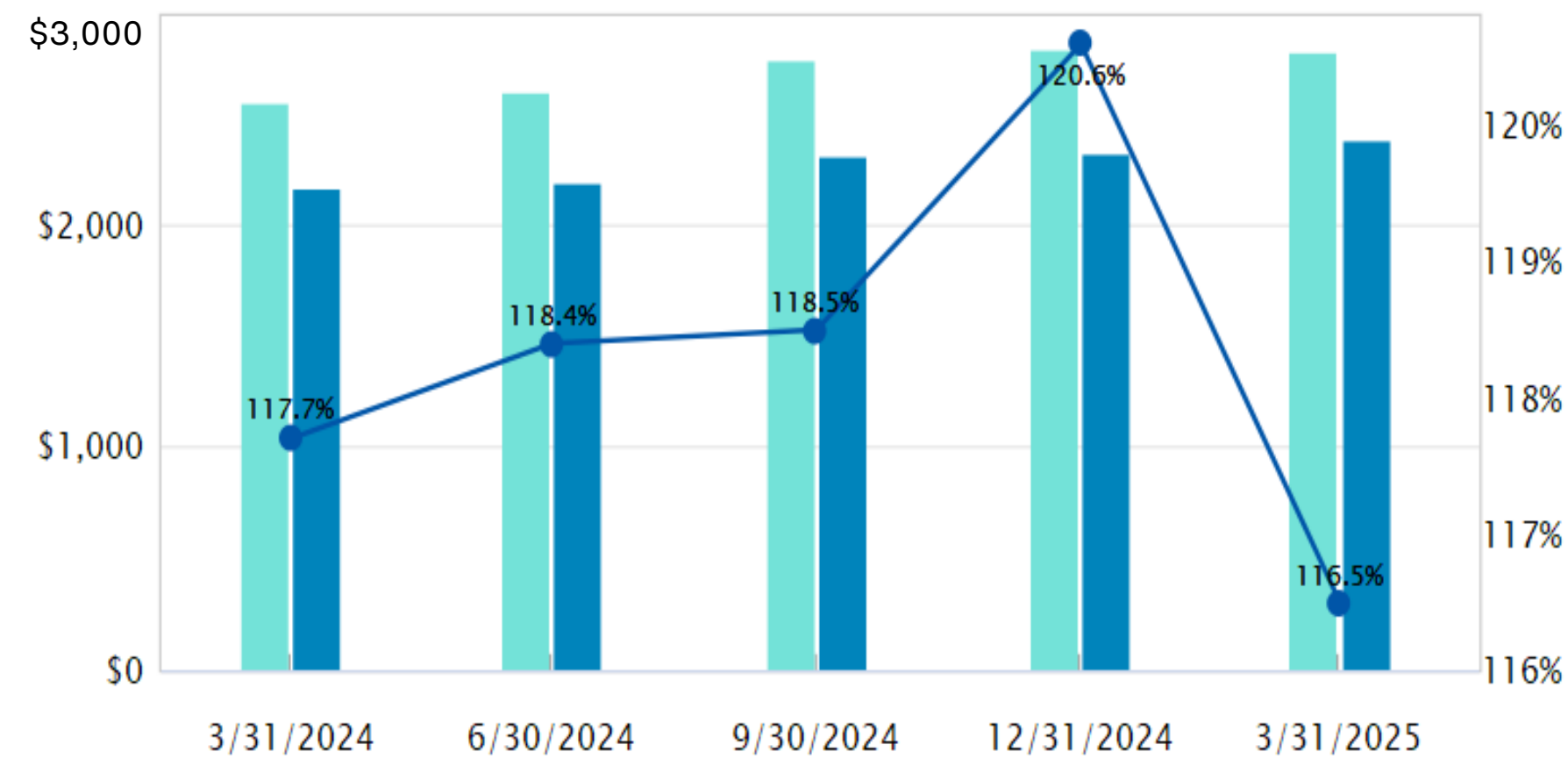
The difference between the Risk-Free Liability and the Going Concern Liability is a measure of the amount of risk premium on which the Pension Plan funding is based.



# Executive Summary – Solvency

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

## Funded Status



### Highlights for the Quarter-Ending 03/31/25

The plan's solvency ratio decreased to 116.5% at 03/31/25. This result was primarily due to the combined effect of lower than expected returns on the plan's return seeking assets and the decrease in the effective interest rate used to determine the liabilities, plus the impact of the new funding valuation.

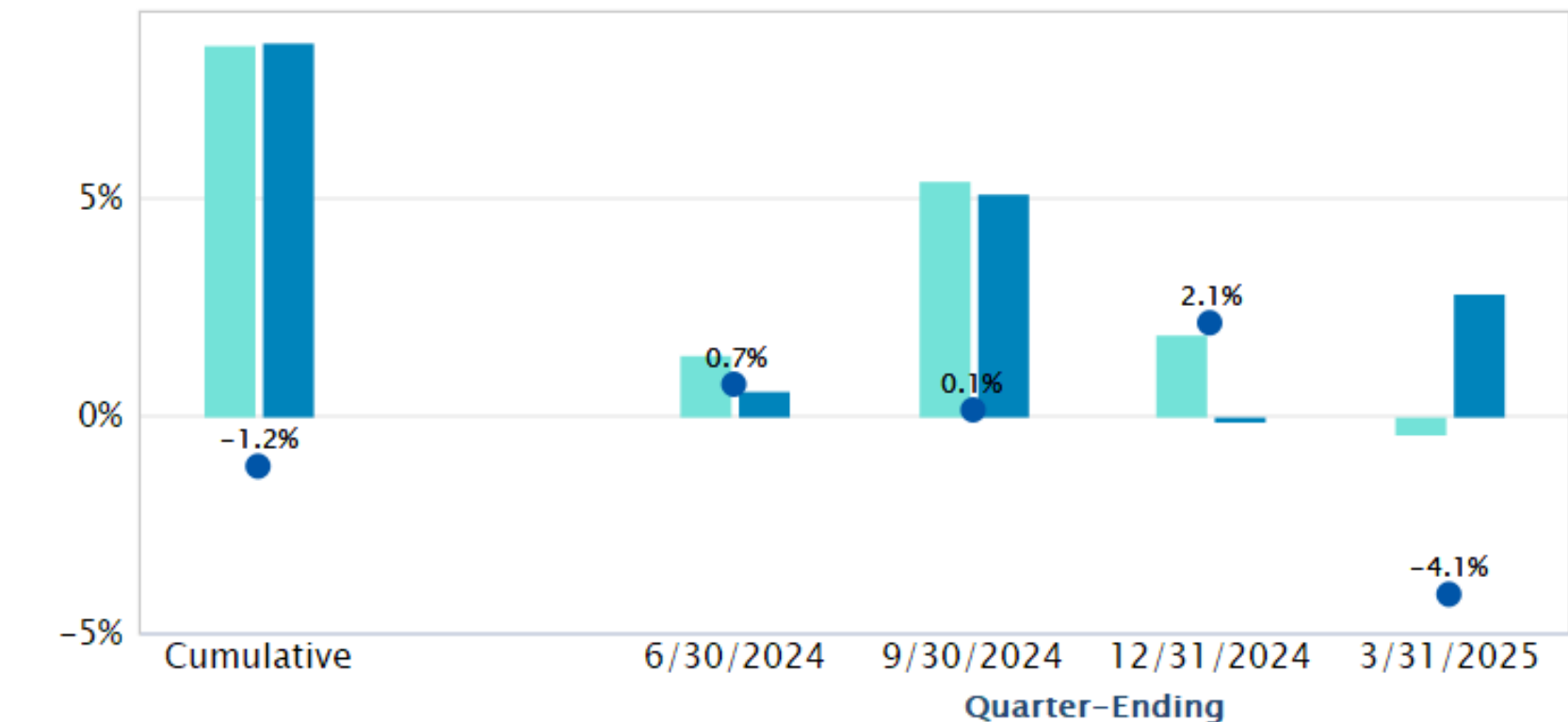
	3/31/24	6/30/24	9/30/24	12/31/24*	03/31/25*
Market Value of Assets	\$ 2,555.6	\$ 2,595.7	\$ 2,737.9	\$ 2,794.1	\$ 2,782.2
Solvency Liability	2,170.7	2,192.2	2,310.6	2,317.2	2,388.2
Surplus/(Deficit)	\$ 384.9	\$ 403.5	\$ 427.3	\$ 476.9	\$ 394.0
Effective Interest Rate	4.72%	4.77%	4.46%	4.56%	4.46%
Periodic Contributions	30.6	\$ 30.8	\$ 32.0	\$ 31.3*	\$ 31.1*

### Funded Ratio:

Assets/Solvency Liability	117.7%	118.4%	118.5%	120.6%	116.5%
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\* 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 03/31/25

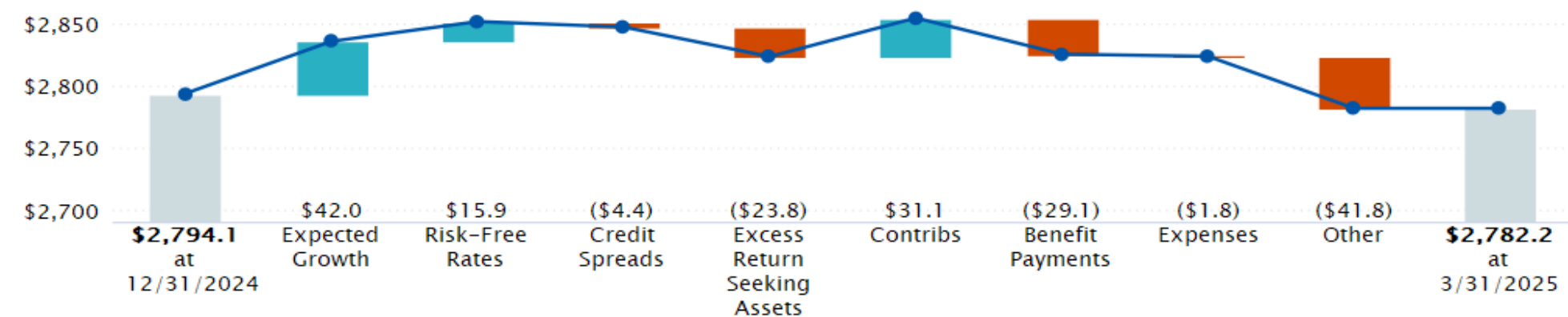
Assets returned -0.4% during the quarter while liabilities returned 2.8%, resulting in a funded status decrease of 4.1%.

Periodic Return/Change	Cumulative	6/30/24	9/30/24	12/31/24	03/31/25
Market Value of Assets Return	8.5%	1.4%	5.4%	1.9%	-0.4%
Return	8.6%	0.6%	5.1%	-0.1%	2.8%
Solvency Ratio Change	-1.2%	0.7%	0.1%	2.1%	-4.1%

# Asset-Liability Performance Attribution – Solvency

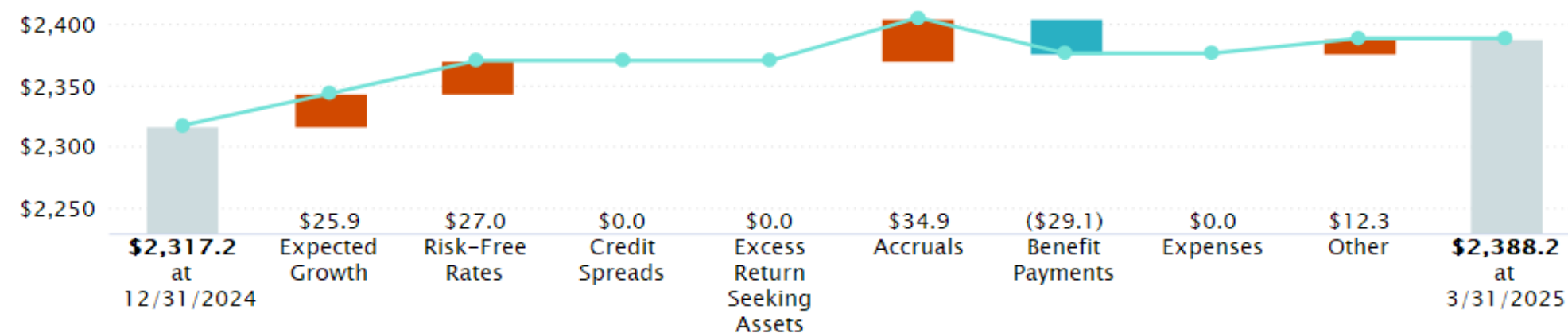
Values in \$1,000,000 (CAD)

## Assets



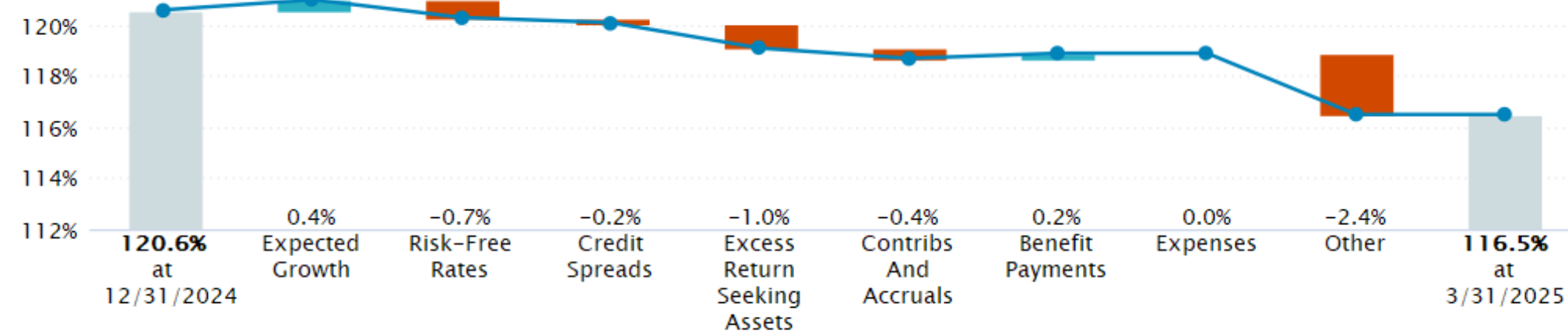
- Overall, assets returned -0.4% during the quarter.
- Return-seeking assets performed lower than expected during the quarter, resulting in a loss of \$23.8 million.
- The University and members made \$31.1 million in contributions during the quarter and the trust paid \$29.1 million in benefits to the participants.
- “Other” includes the impact of active management, and differences between benchmark and actual investment allocations.

## Liability



- Liabilities were expected to grow by \$25.9 million due to interest cost during the quarter.
- Risk-free rates used for Annuities (net of pricing premiums) decreased, resulting in a net increase of \$27.0 million.
- New benefit accruals increased the liability by \$34.9 million during the quarter and paying Plan benefits decreased the liability by \$29.1 million during the quarter.
- “Other” mainly represents the impact of new funding valuation, using updated membership data as at January 1, 2025.

## Funded Ratio



- The difference in exposure to risk-free rates between assets and liabilities combined with changes in risk-free rates resulted in a decrease in solvency ratio of 0.7%.
- Lower than expected returns on the Plan’s return seeking assets resulted in a 1.0% decrease in the Plan’s funding ratio.
- The combined impact of active management, differences between benchmark and actual investment allocation, plus the impact of the new funding valuation as at January 1, 2025 resulted in a reduction of 2.4% in the Plan’s solvency ratio.

# Appendix





# Plan Provisions & Membership Data



The Plan provisions and membership data are outlined in the Actuarial Valuation as at January 1, 2025.



# Actuarial Methods & Assumptions

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

	03/31/24	06/30/24		09/30/24	12/31/24	03/31/25
<b>Going Concern</b>						
Discount Rate	6.00%	6.00%		6.00%	6.00%	6.00%
Inflation	2.00%	2.00%		2.00%	2.00%	2.00%
Salary Increase	4.00%	4.00%		4.00%	4.00%	4.00%
PfAD	9.60%	9.60%		9.60%	9.60%	10.10%
Mortality	CPM2014Public	CPM2014Public		CPM2014Public	CPM2014Public	CPM2014Public
Asset – Interest Rate Sensitivity	1.4	1.3		1.3	1.6	1.5
Liability – Interest Rate Sensitivity	13.5	13.4		13.4	13.4	13.4
<b>Risk-Free Benchmark</b>						
Discount Rate (Net of inflation)	1.90%	1.99%		1.89%	1.91%	1.77%
Liability – Interest Rate Sensitivity	16.5	16.3		16.3	16.3	16.3
<b>Solvency</b>						
Annuity Purchase Interest Rate	4.87%	4.92%		4.61%	4.72%	4.59%
Effective Date of Annuity Purchase Guidance Used	4/29/24	6/30/24		9/30/24	12/31/24	03/31/25
Lump Sum Value Interest Rate (Years 1-10) <sup>1</sup>	4.30%	4.40%		3.70%	3.90%	3.70%
Lump Sum Value Interest Rate (Years 10+) <sup>1</sup>	4.60%	4.60%		4.60%	4.60%	4.80%
Mortality <sup>2</sup>	CPM2014	CPM2014		CPM2014	CPM2014	CPM2014
Liability – Interest Rate Sensitivity	11.7	12.8		12.8	12.8	12.3
<b>Underlying Canadian Reference Data</b>						
CANSIM v39054 (7 Year)	3.45%	3.49%		2.81%	3.07%	2.78%
CANSIM v39056 (30 Year Long Term)	3.34%	3.39%		3.19%	3.33%	3.23%
CANSIM v39057 (30 Year Real Return)	1.50%	1.59%		1.49%	1.51%	1.37%
CANSIM v39062 (Over 10 Years)	3.37%	3.42%		3.11%	3.32%	3.19%

<sup>1</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>2</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, 2025. 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 March 31, 2025.**

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  
May 2025

# Asset Allocation and Benchmarking

Asset Class	03/31/25
Alternatives	
• FTSE EPRA NAREIT DEVELOPED Total Return Index USD	4.99%
• MSCI USA Infrastructure Index	7.60%
Fixed Income	
• CAN FTSE/TMX Long – CAD (CAD)	29.93%
Equities	
• MSCI World Index	50.54%
• S&P TSX	6.14%
Private Debt	
• SPBDAL – S&P/LSTA Leveraged Loan USD (All Loans) (USD)	0.80%
Total	100.0%

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

**Date of Meeting:** May 23, 2025

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

**From:** Melanie Figueiredo, Governance Officer

**RE:** **5. Pension**

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**5.3 Carbon Disclosure Report**

Tyler Wendland, Director, Treasury, will present the annual Carbon Disclosure Report to the Committee.

The Board of Governors endorsed recommendations of the Responsible Investing Advisory Group at its meeting on June 1, 2021. The Carbon Disclosure Report is one of the recommendations contemplated in the report of the Responsible Investing Advisory Group.

**Documentation Provided:**

- Carbon Disclosure Report



# INVESTMENT CARBON ANALYSIS & DISCLOSURES

As at December 31, 2024

PENSION & BENEFITS COMMITTEE



# Carbon Reduction Targets

- Approved in 2021
- Applied to Pension Plan and Endowment investments
- Carbon footprint reduction targets, for scope 1 & 2 emissions
  - 50% by 2030, relative to 2018
  - Carbon Neutral by 2040

# Carbon Measurement Process

The University has contracted with various service providers to facilitate the carbon reporting process.

- BNY Mellon
  - Investment Analytics
- MSCI
  - ESG One Portal (includes carbon data<sup>1</sup>)
  - Index data (used in benchmarking)
- FTSE Russell
  - Index data (used in benchmarking)

<sup>1</sup>MSCI carbon data is based on reported carbon from individual companies, or is estimated using a proprietary carbon emissions estimation model. MSCI carbon assessments and estimates are generated semi-annually; however due to timing differences and fiscal year cycles, carbon data could lag up to two years.



# Carbon Measurements

- Total Carbon Emissions
  - The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO<sub>2</sub>e
- Carbon Footprint
  - Total carbon emissions for a portfolio, normalized by the market value of the portfolio, expressed in tons CO<sub>2</sub>e / \$M USD invested
- Weighted Average Carbon Intensity
  - The portfolio’s exposure to carbon-intensive companies, expressed in tons CO<sub>2</sub>e / \$M USD revenue

Formula

$$\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{issuer's market capitalization}_i} * \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)$$

Formula

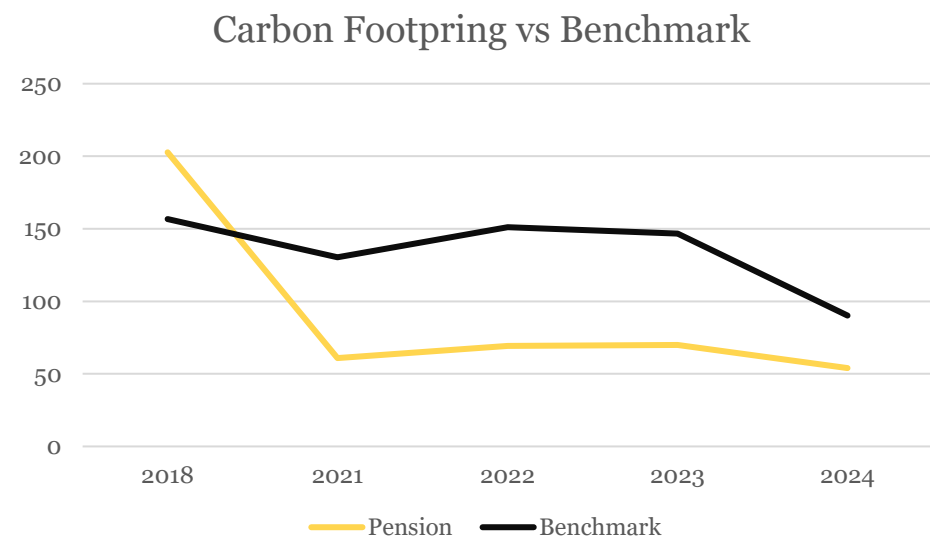
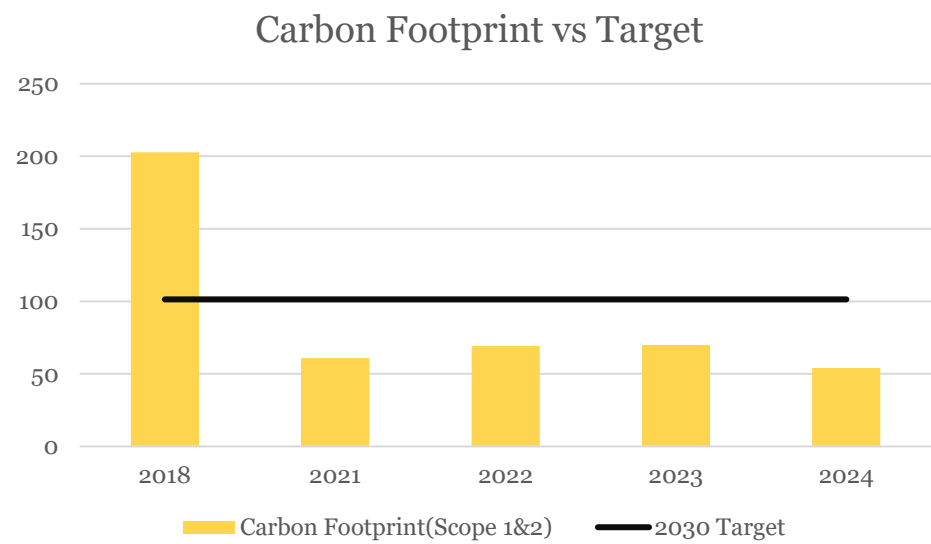
$$\frac{\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{issuer's market capitalization}_i} * \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)}{\text{current portfolio value (\$M)}}$$

Formula

$$\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{current portfolio value}} * \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{issuer's \$M revenue}_i} \right)$$

# Pension Full Portfolio - Scorecard

Carbon Measure	Total Carbon Emissions	Carbon Footprint	Weighted Average Carbon Intensity	Coverage	Market Value (CAD)
2018 Full Portfolio	221,711	202.7	317.3	64.1%	\$1,321,110,707
2018 Benchmark	171,397	156.7	257.5	69.8%	
2023 Full Portfolio	118,307	70.0	100.9	85.1%	\$2,239,143,876
2023 Benchmark	210,916	146.7	227.3	78.5%	
2024 Full Portfolio	100,187	54.0	107.8	77.7%	\$2,667,874,810
2024 Benchmark	129,184	90.2	211.4	79.7%	



# Scorecard Considerations

- Carbon Footprint reduction:
  - -23% vs 2023
  - -73% vs 2018
- Overall coverage rate has fallen due to shifting asset allocation (85.1% to 77.7%)
  - Larger allocation to long bond fund (<10% coverage)
  - New allocation to private debt (0% coverage)
- Portfolio and Benchmark footprints have decreased due to declining overall carbon share, and higher market values
- Fixed income funds have a much lower coverage than equity funds leading to large changes in carbon footprints year-over-year

# UNIVERSITY OF WATERLOO



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

**Date of Meeting:** May 23, 2025

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

**From:** Melanie Figueiredo, Governance Officer

**RE:** **6. Other Business**

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**6.1 Review of 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. The work plan has been extended to reflect the recent change to the governance year (now September 1 through August 31).

The Work Plan is derived from responsibilities outlined in the Committee's terms of reference.

**Documentation Provided:**

- 2024/25 Pension & Benefits Committee Work Plan

## 2024-2025 Pension & Benefits Committee Work

Pension & Benefits Committee Agenda Items  P – Planned ✓ – Complete	May 17, 2024	June 11, 2024	September 13, 2024	October 17, 2024	November 15, 2024	January 17, 2025	February 11, 2025	March 21, 2025	May 23, 2025
<b>OPEN SESSION</b>									
Execution against Committee Work Plan	✓	✓	✓	✓	✓	✓		✓	✓
Minutes of the Previous Meeting	✓	✓	✓	✓	✓	✓		✓	✓
<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		✓	✓		✓				✓
Statement of Investment Policies and Procedure and Fund Implementation Procedures; Pension Statement SIPP					✓				
Pension Risk Management Dashboard (Quarterly)	✓		✓		✓				✓
Approval of Actuarial Valuation Assumptions						✓			
RPP Actuarial Valuation, decision on filing								✓	
Review of RPP Contribution and Protocol Caps					✓				
<b>BENEFITS</b>									
Extended Health & Dental Benefits – Indexation of Maxima effective January 1					✓				
Retiree Life Insurance – Indexation of Coverage effective January 1					<b>P</b>				
Annual Benefits Utilization Report					✓	✓			
Maximum Pension Limits and Caps Adjustments, Based on Average Industrial Wage Increase (AIW)					✓				
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>								✓	
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>								<b>P</b>	

## 2024-2025 Pension & Benefits Committee Work

Pension & Benefits Committee Agenda Items  P – Planned ✓ – Complete	May 17, 2024	June 11, 2024	September 13, 2024	October 17, 2024	November 15, 2024	January 17, 2025	February 11, 2025	March 21, 2025	May 23, 2025
<b>GOVERNANCE</b>									
Review of Committee Terms of Reference		✓							P
Annual Report to the Community								✓	
Annual Committee Self-Assessment									✓
Committee Planning									P
<b>CONFIDENTIAL SESSION</b>									
Minutes of the Previous Meeting	✓	✓	✓	✓	✓	✓		✓	✓
Other Business	✓	✓	✓	✓	✓	✓		✓	✓
<b>IN CAMERA SESSION</b>									
Minutes of the Previous Meeting	✓	✓	✓	✓		P		P	P
Other Business	✓	✓	✓	✓		P		P	P

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

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

**Date of Meeting:** May 23, 2025

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

**From:** Melanie Figueiredo, Governance Officer

**RE:** **6. Other Business**

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**6.2 Annual Report to the Community**

In accordance with the Pension's [Fund Implementation Procedures \(1\) \(c\) \(viii\)](#), the Pension & Benefits Committee is required to report annually to Plan members.

Members will find enclosed a copy of the final report. The tracked changes included in the report capture feedback provided at the meeting on March 21, 2025.

**Documentation Provided:**

- Report to the Community 2024



## **PENSION & BENEFITS COMMITTEE**

### **2024 Report to the Community**

This report provides an overview of issues addressed by the Pension & Benefits Committee for the calendar year (January 1, 2024 – December 31, 2024). Further information on any of these topics may be obtained by contacting the Secretariat or by visiting the [committee webpage](#).

#### **A. The Committee and its Members**

The Pension & Benefits Committee (Committee) is a standing committee of the Board of Governors (Board) responsible for overseeing the University's employee pension plans, health care and dental plans, sick leave benefits, long-term disability benefit, and life insurance benefit (Plans). The Committee consists of representatives from the University's employee groups, administration, the Board, retirees, and affiliated and federated institutions of Waterloo. The Committee meets regularly (eight meetings during the calendar year). Meetings are open to the University community and agendas and minutes are available on the Committee's [webpage](#). The Committee monitors the health and oversees the administration of the Plans. Changes and improvements to the Plans are developed by the committee with support from staff and external consultants and recommended to the Board for approval.

The Committee annually participates in governance activities related to Committee orientation and engages in a committee self-assessment.

The Committee amended its terms of reference to include one staff representative from OPSEU.

#### **B. Benefits**

**Health Care Spending Account.** The Committee received an informational update from Aon regarding the features of a Health Care Spending Account (HCSA), followed by informational updates from administration regarding the HCSA. The HCSA was deferred for decision to a future meeting of the Committee (outside of the reporting period).

**Extended Health Benefits Plan Design Amendment.** The Committee recommended changes to approve the Biosimilar Transition Program, add gender affirmation coverage and expand prescribers for medical equipment.

**GreenShield Update.** The Committee received an update from GreenShield regarding compound coverage, online portal and coverage for biosimilars.

**Annual Work Plan Items.** In accordance with the annual work plan for the committee, the committee:

- Received reports on the benefits plan utilization rates and did not recommend to approve any increases to the associated premium/budget rates; and
- Reviewed and approved a number of other items that occur annually according to plan provisions e.g. indexation of extended health and dental benefits maxima, life insurance for future retirees.

#### **C. Pension**

**January 1, 2024 Actuarial Valuation and Filing.** An actuarial valuation report is required to be filed at least every three years; notwithstanding this, a valuation is completed on an annual

basis for the purposes of assisting with planning and the University's budgeting. The most recent actuarial valuation was filed as of January 1, 2024.

P&B receives a presentation from the pension actuary annually on the actuarial valuation of the Registered Plan and based on this information makes recommendations including on the funding guideline and policy and filing the actuarial valuation with the pension regulator. The University continues to make additional contributions to the Registered Plan in order to achieve funding sustainability and lower contribution volatility.

**Pension Contribution, Protocol Caps and Overview of Pension Protocols.** The Committee received informational updates from the pension actuary, Aon, regarding RPP contribution, protocol caps and overview of pension protocols. The Committee later recommended changes to the Fairness Protocol, effective January 1, 2025. The Fairness Protocol provided the University with a methodology for tracking over-contributions to the RPP that were then provided at retirement or termination as either a lump sum payment from the Payroll Pension Plan (PPP) or a non-indexed pension payable from the PPP. The approved changes to the Fairness Protocol remove the option to take overcontributions as a lifetime pension. Overcontributions will now be paid to retirees as a lump sum only. These changes were made as a matter of administrative efficiency.

**Pension Investment Committee.** The Committee received quarterly reports from the Pension Investment Committee (PIC) on pension fund investments, meetings with investment managers and other activities of PIC. The Committee further recommended and the Board approved changes to the SIPP (Statement of Investment Policies and Procedures) and FIP (Fund Implementation Procedures), which included both strategic and compliance-related changes. An annual review of the RIP (Responsible Investment Policy) was also undertaken.

**Education and Monitoring.** The Committee received regular reports from the consulting actuary on legislative and policy changes anticipated and in force that impact public sector pensions, as well as changes implemented by other public sector pension plans. The Committee completed a series of education sessions, delivered by Aon, with respect to the University Pension Plan (UPP).

**Annual Work Plan Items.** In addition to the above, the Committee:

- Reviewed and approved the audited pension fund financial statements for filing and that no adjustments to the financial statements were needed due to the audit;
- Reviewed and approved COLA increases to pensionable earnings of pensions in pay and individuals on long-term disability for the purpose of calculating pension entitlements. The Committee reviewed but did not approve any increases for eligible deferred pensions;
- Reviewed the Carbon Disclosure report as it relates to the University's pension investments;
- Reviewed and recommended changes to Plan Text to replace references to "Definite Term Lecturers" and "Definite Term Assistant Professors, Teaching Stream" in alignment with recent changes to Policy 76 – Faculty Appointments and Policy 77 – Tenure and Promotion of Faculty Members; and,
- Provided oversight to a number of other items that occur annually according to plan provisions, e.g. maximum annual contribution for pensions.

We would appreciate your feedback on this report. If you have any suggestions, for example, on content, timing or format, please send them to the [Committee secretary](#).

*DATE TBD*