Board of Governors
PENSION & BENEFITS COMMITTEE
Friday 10 March 2023
9:30 a.m. to 12:00 noon
NH 3318

Time		**OPEN SESSION**	**ACTION**
9:30	1.	Report from Pension Investment Committee* [Kennedy]	
		a. Statement of Investment Policies & Procedures, Fund Implementation Procedures	Decision
		b. Update on Committee Activities	Information
9:45	2.	Approval of the 17 February 2023 Minutes (Open Session)* and Business Arising	Decision
		a. GSC Update* [Reitsma & Hornberger]	Information
		b. Compound Drugs Coverage* [Reitsma & Hornberger]	Information
10:15	3.	Execution Against the Work Plan* [Weber-Kraljevski]	Information
		a. UPP Update* [Shapira]	Information
		b. Committee Priorities	Discussion
10:30	4.	Actuarial Valuations (RPP and PPP) and Review of Caps* [Shapira & Byron]	Decision
11:00	5.	Group Benefits Program – Annual Renewal* [Hornberger]	
		a. Life Insurance – Premium Rate	Decision
		b. Long Term Disability	
		i. Premium Rate	Information
		ii. Maximum Insured Salary (Indexing)	Decision
		c. Healthcare Benefits – ASO Fees/Charges	Information
		d. Healthcare Benefits - Budget Rates	Decision
11:15	6.	Board Self-Assessment Survey* [Weber-Kraljevski]	Discussion
11:20	7.	Revisions to Finance & Investment Committee, Pension Benefits Committee, and Pension Investment Committee Resolutions/Terms of Reference* [Barr]	Decision
	8.	Other Business	
		CONFIDENTIAL SESSION	
	9.	Approval of the 17 February 2023 Minutes (Confidential Session)+ and Business Arising	Decision

Next Meeting: Friday 19 May 2023, 9:30 a.m. – 12:00 noon

*attached ** to be distributed + distributed separately

8 March 2023

Tim Weber-Kraljevski
Associate University Secretary

Please convey regrets to Melissa Benjamin at melissa.benjamin@uwaterloo.ca

Future Agenda Items

a. Pension Contribution for Members on LTD
b. Level of LTD coverage vs. practical requirements
c. EFAP Report Data Requirements
d. Communication Plan re: Handling of Member Questions/Feedback

Report to the Pension & Benefits Committee
Pension Investment Committee
10 March 2023

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

FOR APPROVAL

Motion: That the Pension & Benefits Committee (P&B) recommend that the Board of Governors (Board) approve the updates to the Statement of Investment Policies and Procedures (SIPP), Fund Implementation Procedures (FIP), and Responsible Investment Policy (RIP) as provided in Attachments 1, 2, and 3.

Background and Rationale: PIC reviews the SIPP, FIP and RIP annually, and at the 16 February 2023 meeting, PIC approved recommending the attached revisions to P&B. The attachments reflect updates to:

- add reference to the newly approved Funding Policy & Guideline for the Registered Pension Plan (RPP) to the SIPP and FIP;
- allow more flexibility for active and passive investment strategy under the SIPP;
- specify Regulation 909, under the Pension Benefits Act, in the SIPP;
- provide clarification between the Pension SIPP and the Endowment SIPP in the RIP; and
- minor text amendments to align and clarify language.

The changes to the RIP have been recommended to the Finance & Investment Committee for consideration on 9 March 2023.

INFORMATION

Fixed Income Allocation. PH&N and Aon provided an education session to PIC on fixed income as part of the process to review the RPP's fixed income allocation. It is anticipated that a working group will be struck with PIC and FI members to undertake the process of recommending any changes to the fixed income allocation and mandates.

U.S. Withholding Tax. PIC received an update that as of January 1, 2023, a 10 per cent U.S. Withholding Tax may be levied on dispositions of and distributions from all Publicly Traded Partnerships (PTPs) held by non-US persons/entities. The RPP's potential exposure through BIP and BEP holdings was discussed. Finance is monitoring all transactions within the RPP and will advise on the impact of the withholding tax.

Sheryl Kennedy
Chair, Pension Investment Committee

Statement of Investment Policies and Procedures

University of Waterloo Pension Plan (2011)

Registration number: 0310565

Effective ~~February 2, 2022~~

Replaces previous version which was last revised and effective on ~~November 1, 2020~~February 2, 2022

Contents

Introduction

1) Purpose and Scope of Policy

a) This Statement of Investment Policies and Procedures (the “Policy”) sets out the investment principles, guidelines and procedures for investing and managing the assets and the associated risks for the University of Waterloo Pension Plan (2011), registration number 0310565, as amended (the “Plan”).

b) The University of Waterloo (the “University”) was established by an Act of Legislature in the Province of Ontario. The University’s Board of Governors (the “Board”) has established a governance structure to administer the Plan.

c) The Policy is informed by the requirements of the *Income Tax Act* (Canada) (“ITA”) and the *Pension Benefits Act* (Ontario) (“PBA”), including their respective regulations and all subsequent amendments, and any other applicable federal or provincial law governing the investment of pension funds, including Schedule III to the *Pension Benefits Standards Regulation, 1985* (Canada) (“PBSA”) (the foregoing are, collectively, the “Applicable Law”).

d) The Policy is intended to summarize and explain the investment approach but does not supersede the Plan text, resolutions of the Board of Governors, ~~or~~ the Applicable Law or the Plan’s Funding Policy & Guideline (the “Governing Documents”). In case of any dispute between this document and the Governing Documents, the Governing Documents shall prevail.

e) The Pension & Benefits Committee and the Pension Investment Committee shall annually review and either confirm or recommend amendments to this Policy to the Board who may amend this Policy and direct the University to file any such amendments with the regulator in accordance with the Applicable Law. The University will provide any amended copy of this Policy to the Fund Managers and the Plan’s actuary.

2) Overview of the Plan and its Governance

a) The Plan is a contributory defined benefit plan based upon an individual’s final average salary and years of participation in the Plan prior to retirement. Pensions paid under the Plan are escalated annually by the cost-of-living factor as described in the Governing Documents.

b) The University is the sponsor and legal administrator of the Plan for the purposes of Applicable Law. The University through its Board is ultimately responsible for all aspects of managing the Plan, including the prudent investment and administration of the assets of the Plan. In accordance with the Governing Documents, the Board has created committees and subcommittees, delegated to University staff, and appointed external agents, to carry out certain of its responsibilities. University staff are responsible for distributing all pertinent reports and information to the appropriate committees based on their terms of reference as well as communicating with the Fund Managers and agents regarding the committees’ decisions.

c) The University will comply with the Governing Documents and will exercise the care, diligence and skill in the administration and investment of the Plan’s assets (the “Fund”) that a person of ordinary prudence would exercise in dealing with the property of another person. The individuals acting on behalf of the Plan in furtherance of its duty will use all knowledge and skill that they possess or ought to possess in the administration and investment of the Fund.

Investment Principles

3) Plan Objectives

The objective of the Plan is to provide members of the Plan with the retirement benefits prescribed under the terms thereof.

a) The University established the Plan to provide members with a defined level of retirement income in accordance with the Plan's terms. Further, the intent is to ensure that retirement benefits, and University and member contributions remain reasonable and relatively stable over the life of the Plan while ensuring its sustainability (the Plan's funding practices are detailed in the Funding Policy & Guideline, which establishes a formal framework to achieve the Plan's funding requirements).

b) To achieve the Plan's goals, its assets will be invested in a prudent and efficient manner. The Plan will strive to maximize long-term real returns on its invested assets subject to an appropriate level of risk.

4) Investment Objectives

Return and risk objectives are established taking into consideration factors, including the nature and sensitivity of the Plan's liabilities; allocation of liabilities between active and retired members; the going concern and solvency positions of the Plan, as calculated and projected by the Plan's actuary; net cash flow position of the Plan and liquidity needs to meet Plan obligations; investment horizon of the Plan; historical and expected capital market returns; volatility of different asset classes; financial implications of Environmental, Social and Governance ("ESG") factors; inflation and interest rate risks; benefits of investment diversification; and the University's risk tolerance with respect to the Fund.

5) Portfolio Return and Risk Objectives

The return objectives of the Fund are:

a) Earn a rate of return, after investment expenses, of ~~(~~CPI[1] + 3.5%~~)~~ over four-year moving periods. This objective is reviewed annually to ensure that it is realistic based on market conditions and consistent with the actuarial discount rate used to calculate the Plan's going concern liabilities

b) Achieve a minimum absolute rate of return, after investment expenses, which exceeds the benchmark return by 0.25% over four-year moving periods

The risk objective of the Fund is to reduce the frequency and severity of funding deficits.

6) Expected Volatility

The volatility of the Fund's returns is directly related to the asset mix. The Benchmark Portfolio in Section 13 has been constructed with the expected returns and related risks in mind. Provided the Fund's investment structure stays within the permitted ranges for each asset class, the volatility of the Fund's returns should be similar that of the Benchmark Portfolio.

7) Equity Returns/Risk

While the level of equity exposure drives much of the risk level of the Fund assets, equities are

[1] CPI source Bank of Canada Total CPI: https://www.bankofcanada.ca/rates/price-indexes/cpi/

expected to outperform fixed income over the long-term. Therefore, the investment strategy will include appropriate exposure to equities as part of providing the long-term risk adjusted returns necessary to fund the obligations of the Plan at a reasonable cost.

8) Active and Passive Investments

The investment strategy ~~will~~ may employ a mix of active and passive management styles. Active management is adopted where there is a reasonable expectation of adding value relative to the relevant benchmark over the long-term, net of expenses. Passive management is adopted where the prospect of adding value above the relevant benchmark is diminished or for the purpose of managing active risk within asset classes.

9) Diversification

Diversification is intended to expose the Fund to opportunities to reduce investment concentration risk. The Fund will pursue diversification by asset class and geography in its asset mix and by investment style in the selection of its investment managers.

10) Liability Hedging

The Fund's investment strategy will consider the sensitivity of the Plan liabilities to interest rate and inflation changes and consider opportunities for hedging those liabilities through its investments.

11) Liquidity

The investment strategy should provide sufficient liquidity to meet the Plan's financial obligations as they come due, while ensuring the Fund does not contain excessive cash or low yielding liquid assets. Provided the liquidity requirements of the Plan are met, the Plan may consider investing a portion of the Fund in illiquid assets, where such investment has the potential of enhanced returns, in part, due to the illiquidity premium.

12) Currency Hedging

Currency movements relative to the Canadian dollar are not expected to have a significant impact over the long term. The Plan policy is to not hedge currency at the total fund level. Over shorter periods, currency movements may increase volatility and currency hedging may be employed by Fund Managers where expressly permitted.

13) Asset Mix

The Fund will be invested in a broad range of assets with the goal of meeting or exceeding return expectations and mitigating investment risks. The following benchmark portfolio ("Benchmark Portfolio") is representative of the long-term asset mix policy for the Fund based on the analysis conducted in the asset-liability study.

Assets	Minimum %	Maximum %	Benchmark Portfolio %	Assets
Cash	0	5	2	FTSE TMX Canada 91-Day T-Bill
Fixed Income	20	35	25	FTSE TMX Universe Bond

~~**Total Fixed Income**~~	~~**20**~~	~~**40**~~	~~**27**~~	
Canadian Equity	0	10	5	S&P/TSX Composite
Global Equity	40	55	48	MSCI ACWI
Total Equity	**40**	**65**	**53**	
Infrastructure	5	15	10	FTSE Developed Core Infrastructure 50/50
Real Estate	5	15	10	FTSE EPRA/NAREIT Developed (CAD)
Total Real Assets	**10**	**30**	**20**	

For the purpose of the total asset mix described above, the Fund Managers' asset class pooled funds are deemed to be 100% invested, even though these funds may contain a portion held in cash and cash equivalent instruments.

The Plan's target asset allocation for each investment category listed in subsection 76(12) of ~~the~~ ~~r~~Regulation~~s~~ 909 under ~~to~~ the *Pension Benefits Act* (Ontario) is as follows:

	Asset Class under Sub-section 76(12) of Regulation 909, under the *Pension Benefits Act* (Ontario)	**Long Term Target Allocation**	~~**Accessed Through Pooled funds (Y/N)**~~
1.	Insured Contracts	0.0%	-
2.	Mutual or pooled funds or segregated funds	0.0%	-
3.	Demand deposits and cash on hand	1.0%	-
4.	Short-term notes and treasury bills	1.0%	-
5.	Term Deposits and guaranteed investment certificates	0.0%	-
6.	Mortgage Loans	0.0%	-
7.	Real Estate	10.0%	~~N~~
8.	Real Estate Debentures	0.0%	-
9.	Resource properties	0.0%	-
10.	Venture Capital	0.0%	-
11.	Corporations referred to in subsection 11(2) of Schedule III to the federal investment regs	0.0%	-
12.	Employer issued securities	0.0%	-
13.	Canadian stocks other than investments referred to in 1 to 12 above	5.0%	-
14.	Non-Canadian stocks other than investments referred to in 1 to 12 above	48.0%	-
15.	Canadian bonds and debentures other than investments referred to in 1 to 12 above	25.0%	-
16.	Non-Canadian bonds and debentures other than investments referred to in 1 to 12 above	0.0%	-
17.	Investments other than investments referred to in 1 to 16 above[2]	10.0%	~~N~~

14) Rebalancing

At all times, the market value of the individual asset classes will be within the minimum and

[2] Refers to the long-term target allocation to Infrastructure

maximum aggregate investment limits prescribed in Section 13 but may deviate from the benchmark portfolio.

The minimum portfolio weight for the real estate asset class will be achieved over a market cycle and may be held in fixed income and equities during the intervening period.

15) Responsible Investing

Consistent with its fiduciary duty, when selecting Fund Managers or direct investments, the Plan considers criteria that include: the Fund Manager's business and staff; historical performance; the integration of environmental, social and governance (ESG) factors, including climate change risks and opportunities, which may have a financial impact on the investments, as well as the Fund Manager's Responsible Investing Policy. The adoption of sound ESG practices is intended to reduce financial risk over all time periods and offer enhanced long-term value to the Fund. The Plan's ESG practices are further detailed in the University of Waterloo Responsible Investment Policy.

Permitted and Prohibited Investments

16) Permitted Investments

In general, and subject to the restrictions in Sections 17 & 18, the Fund Manager may invest in any of the following asset classes and in any of the investment instruments listed.

a) Cash and Short-Term Investments

Cash on hand, demand deposits, treasury bills, short-term notes and bankers' acceptances, commercial paper, term deposits and guaranteed investment certificates having a term of less than or equal to one year.

b) Fixed Income

Bonds, debentures, or other debt instruments of corporations, Canadian Governments, Government agencies, or guaranteed by Governments, supranationals, federal real return bonds, mortgage-backed securities, mortgages, asset-backed securities, non-convertible preferred shares, term deposits, guaranteed investment certificates, insurance contracts, private placements and bonds where capital, interest or both are linked to increases in the cost-of-living (i.e., real return bonds).

c) Equities

Common shares, preferred shares, American Depository Receipts, Global Depository Receipts, rights, warrants, installment receipts, index units, income trust units (including real estate investment trusts) and securities convertible into common shares.

d) Derivatives

Derivatives are a type of financial contract which can be traded on an exchange or over the counter for which the value is dependent on an underlying asset, group of assets or a benchmark; common derivatives include futures contracts, forwards, options and swaps.

The pooled funds in which the Plan invests may invest directly in derivatives to create synthetic exposures, or for hedging purposes, if their objectives and strategies permit, and if the exposure to derivatives is subject to limits based on the intended use and strategies for derivatives and the risks associated with them. Derivatives may also be used to hedge currency and provide downside protection. Derivatives may not be used for speculative trading or to create a portfolio with leverage. Investment funds that invest in derivatives must comply with all Applicable Law and must be invested and managed in accordance with regulatory derivatives best practices.

e) Infrastructure

Listed, direct or indirect investments in the debt or equity securities of infrastructure entities including the transportation, energy, utilities, telecommunications and social infrastructure sectors

f) Real Estate

REITs, direct or indirect investments in the debt or equity securities of real property assets including industrial, office, retail, multi-residential, agriculture and timberland properties.

g) Pooled Funds

Investments in open-ended or closed-ended pooled funds provided that the assets of such funds are permissible investments under this Policy. It is recognized that where pooled funds are held, there may be instances where there is a conflict between this policy and the investment policy of the pooled fund. In that case, the pooled fund policy shall dominate.

The Fund manager shall ensure that the Plan has received a copy of the most recent version of the pooled fund policy.

17) Minimum Quality Requirements

a) Quality Standards

i) The minimum quality standard for individual bonds and debentures is ‘BBB’ or equivalent as rated by at least two Recognized Bond Rating Agencies, at the time of purchase. Where an investment in the portfolio is downgraded below a ‘BBB’ rating, the following steps will be taken:

- The Fund Manager will notify the Plan of the downgrade at the earliest possible opportunity;
- Within ten business days of the downgrade, the Fund Manager will advise the Plan in writing of the course of action taken or to be taken by the Fund Manager, and its rationale; and
- Immediately upon downgrade, the Fund Manager will place the asset on a Watch List subject to monthly review by the Fund Manager with the Plan until such time as the security matures, is sold or until it is upgraded to a level consistent with the purchase quality standards as expressed in this policy.

ii) In cases in which the Recognized Bond Agencies do not agree on the credit rating, the bond will be classified according to the methodology used by FTSE TMX, which states:

- If two agencies rate a security, use the lower of the two ratings;
- If three agencies rate a security, use the middle of the three ratings; or
- If four agencies rate a security, use the middle of the three lowest ratings.

b) Rating Agencies

For the purposes of this Policy, the following rating agencies shall be considered to be ‘Recognized Bond Rating Agencies:’

i) DBRS Morningstar;

ii) Standard & Poor’s;

iii) Moody’s Investors Services; and

iv) Fitch Ratings

18) Maximum Quantity Restrictions

a) Total Plan Level

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:

i) 10% or more of the total market value of the Plan’s assets has already been lent or invested, in total, to or in the person, the associated persons or the affiliated corporations; or

ii) 10% or more of the total market value of the Plan’s assets would be lent or invested, in total to or in the person, the associated persons or the affiliated corporations as a result of the loan or investment.

iii) Holdings issued by the Government of Canada and its agencies are exempt from the abovementioned 10% limitations.

The Plan shall not, directly or indirectly, invest moneys in the securities of a corporation to which are attached more than 30% of the votes that may be cast to elect the directors of the corporation.

This section applies to those investments and loans subject to quantitative limit under Section 9(1) of Schedule III to Pension Benefits Standards Regulations, 1985 (Canada).

b) Fixed Income

i) A maximum of 15% of the market value of the Canadian fixed income securities shall be invested in BBB bonds or debentures

ii) A maximum of 10% of the market value of the actively managed fixed income portfolio may be invested in debt denominated in US currency issued by the US Government, its agencies and instrumentalities. No other foreign currency debt will be purchased.

c) Equities

No one equity holding shall represent more than 10% of the total market value of the ~~Fund~~investment manager portfolio.

19) Fund Manager Compliance

Fund Managers must be compliant with the Policy, the Fund Implementation Procedures and the Responsible Investment Policy.

The Fund Managers shall not make investments in asset categories other than those explicitly permitted in the Policy, unless the Plan first consents in writing.

20) Securities and Cash Lending

The Fund Managers and custodian may participate in securities lending programs for the purpose of generating revenue, subject to the provisions of the Applicable Law.

Such loans must be secured by cash and/or readily marketable government bonds, treasury bills and/or letters of credit, discount notes, banker’s acceptances of Canadian chartered banks, or high quality, liquid equities. The amount of collateral taken for securities lending should reflect OSFI standards and best practices in local markets. This market value relationship must be calculated at least daily.

Fund Managers and custodians participating in securities lending will make available the terms and conditions of any securities lending program(s) with the Plan.

21) Short Selling

Short selling and/or pair trading are not permitted.

22) Borrowing

The Plan shall not borrow money, except to cover short-term contingency and the borrowing is for a period that does not exceed ninety days, subject to the PBA and the ITA.

23) Monitoring

Compliance with this Policy, together with relevant risk metrics, will be monitored quarterly including:

a) Achievement of the total return objective

b) Liquidity requirements

c) Asset mix limits

d) Credit quality requirements

e) Single issuer limits

f) Fund Manager Performance and related ESG integration

General Provisions

24) Conflicts of Interest

a) Responsibilities

This standard, which is consistent with the University Policy 69 (Conflict of Interest) applies to the University and the members of the University, as well as to all agents employed by the Plan, in the execution of their responsibilities under the Pension Benefits Act (the “Affected Persons”).

An “agent” is defined to mean a company, organization, association or individual, as well as its employees who are retained to provide specific services with respect to the investment, administration and management of the assets of the Plan.

b) Disclosure

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Plan assets.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Plan.

No Affected Person shall accept a gift or gratuity or other personal favour, other than one of nominal value, from a person with whom they deal with in the course of performance of his or her duties and responsibilities for the Plan.

It is incumbent on any Affected Person who believes that he or she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the University immediately. The University, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will table the matter at the next regular meeting of the appropriate committee.

No Affected Person who has or is required to make a disclosure as contemplated in this Policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

25) Voting Rights

The voting rights acquired through the investments held by the Plan are delegated to the Fund Managers of the securities. Fund Managers are expected to exercise all voting rights related to investments held by the Plan in the best interests of the Plan. Fund Managers shall report their voting activities to the Plan on a quarterly basis documenting how they voted as well as how ESG factors were included in the rationale for the voting decision.

26) Valuation of Investments Not Regularly Traded

The following principles will apply for the valuation of investments that are not traded regularly:

a) Equities

Average of bid-and-ask prices from two major investment dealers, at least once every month.

b) Fixed Income

Same as for equities.

c) Real Assets

The fair value of infrastructure and real estate investments is determined by the general partner or the pooled Fund Manager based on industry standards which may include consideration of previous transaction prices, discounted cash flow, and the valuations of other comparable publicly traded investments. Limited partnerships and pooled funds will be audited annually by a qualified independent third party appointed by the fund's general partner or Fund Manager.

27) Related Party Transactions

The University, on behalf of the Plan, may not enter into a transaction with a related party unless:

a) The transaction is made for the operation or administration of the Plan under terms and conditions that are not less favourable to the Plan than market terms and conditions and such transaction does not involve the making of loans to, or investments in, the related party; or

b) The combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to the Plan.

For the purposes of this section, only the market value of the combined assets of the Plan shall be used as the criteria to determine whether a transaction is nominal or immaterial to the Plan.

Transactions less than 0.5% of the combined market value of the assets of the Plan are considered nominal.

In addition, the prohibition to entering into transactions with a related party does not apply to investments:

a) In an investment fund in which investors other than the Administrator and its affiliates may invest and that complies with the requirements set out in Sections 9 and 11 of Schedule III to the PBSA;

b) In an unallocated general fund of a person authorized to carry on a life insurance business in Canada;

c) In securities issued or fully guaranteed by the Government of Canada, the government of a province, or an agency of either one of them;

d) In a fund composed of mortgage-backed securities that are fully guaranteed by the Government of Canada, the government of a province, or an agency of either one of them;

e) In a fund that replicates the composition of a widely recognized index of a broad class of securities traded at a marketplace (as that term is defined in the PBSA); and

f) That involve the purchase of a contract or agreement in respect of which the return is based on performance of a widely recognized index of a broad class of securities traded at a marketplace (as that term is defined in the PBSA).

A “related party” in respect of the Plan means:

a) A person who is the administrator of the Plan including any officer, director or employee of the administrator. It also includes the Fund Managers and their employees, a union representing employees of the employer, a member of the Plan, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency, or a bank, trust company or other financial institution that holds the assets of the Plan, where that person is not the administrator of the Plan;

b) An officer, director or employee of one of the administrators of the Plan;

c) A person responsible for holding or investing the assets of the Plan, or any officer, director or employee thereof;

d) An association or union representing employees of the University, or an officer or employee thereof;

e) A member of the Plan;

f) The spouse or child of any person referred to in any of paragraphs (a) to (e);

g) An affiliate of the University;

h) A corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (g); and/or

An entity in which a person referred to in paragraph (a) or (b), or the spouse or a child of such a person, has a substantial investment.

Fund Implementation Procedures

University of Waterloo Pension Plan (2011)

Registration number: 0310565

Effective: ~~11 March 2022~~ [date of approval by Pension & Benefits Committee]

Replaces previous version which was last revised and effective on ~~1 February 2022~~March 11, 2022

Contents

Fund Implementation Procedures

This Fund Implementation Procedures (FIP) document outlines the monitoring and reporting obligations of Board committees, University staff, and third parties engaged to provide services to the Plan. With respect to the investment of pension assets, this policy is intended to be read together with the Statement of Investment Policies and Procedures (SIPP) established for the Plan, as amended from time to time. To the extent there is any conflict in the investment principles and approach as set out in this FIP or the SIPP, the SIPP shall govern.

1) Delegation of Responsibility

The Board of Governors of the University of Waterloo (the “Board”) has established a Pension Investment Committee (“PIC”) to assist in the determination and execution of the Plan’s overall investment philosophy, policies, objectives and strategies for the Plan, a Finance & Investment Committee (F&I) established to provide expert investment advice to PIC, and a Pension & Benefits Committee (P&B) to provide oversight of the pension plan (the “Committees”).

The Committees, contracted third party professional firms and University staff will carry out the responsibilities listed below.

a) PIC will:

i. review this document annually and recommend any changes to P&B;

ii. review Fund Manager performance, total Fund performance and achievement of the total return objective on a quarterly basis;

iii. make recommendations on the selection of Fund Managers to P&B, consulting with F&I as applicable;

iv. approve asset mix changes and investment decisions where the cumulative annual transaction(s) represent less than 15% of market value of the Plan’s total assets at the beginning of the calendar year;

v. consult with F&I, prior to making recommendations to P&B, for additional investment decisions which cumulatively impact more than 15% of the market value of Plan’s total assets as measured at the beginning of the calendar year;

vi. commission asset liability studies at least every 10 years and in cases of significant changes in actuarial assumptions or capital market forecasts, consulting with P&B as applicable

vii. determine when active vs passive management strategies are appropriate

viii. review Plan liquidity requirements

ix. convene a meeting with P&B in the event of a significant market event or shift to discuss issues and market opportunities; and

x. provide quarterly reports to P&B and F&I.

b) P&B will make recommendations to the Board in the following areas, consulting with PIC with respect to investment philosophy, policies, objectives and strategies for the Plan:

i. the content of the SIPP after its annual review and consideration of recommendations from PIC;

ii. the selection of a Consulting Actuary;

iii. the selection of an Investment Consultant;

iv. the selection of Fund Managers, based on the recommendation from PIC;

v. asset mix changes and investment decisions where the cumulative annual transaction(s) exceed 15% of the market value of the Plan's total assets at the beginning of the calendar year, based on the recommendation from PIC; and

vi. the selection of a Custodian/Trustee to hold the pension fund assets.

c) In addition, the P&B Committee will:

i. approve the content of this FIP in consultation with PIC;

~~i.~~ii. review the Fund's Funding Policy & Guideline at least every three (3) years, and approve changes as necessary;

~~ii.~~iii. review reports from PIC on Fund Manager performance and pension fund performance on at least a semi-annual basis, as well as reviewing the outlook of the fund overall; and

~~iii.~~iv. report to Plan members on at least an annual basis.

d) The Fund Managers will:

i. forward to University staff (for review and discussion at PIC) quarterly reviews of investment performance, expectations of future returns on various asset classes and proposed investment strategies for the following 12 to 24 months;

ii. manage asset mix and select securities within each asset class, subject to applicable legislation and the philosophy and other constraints set out in the SIPP, this document and the Responsible Investment Policy (RIP);

iii. forward to University staff (for review and discussion at PIC) quarterly reports describing their ESG analysis, approach and metrics, and periodically forward a climate risk assessment of their portfolio including any scenario analysis;

iv. advise University staff (for review and discussion at PIC) immediately of any changes in its senior investment personnel and/or significant changes in the size or mix of assets managed;

v. comply with all applicable legislation concerning the investment of the pension fund, including the Pension Benefits Act (Ontario) ("Applicable Laws");

vi. complete and deliver a compliance report (see Appendix A) to University staff and the Fund's Investment Consultant each quarter. The compliance report will indicate whether or not the Fund Manager was in compliance with Applicable Laws, the SIPP and the RIP during the quarter. In the event that the Fund Manager is not in compliance with Applicable Laws, the SIPP and/or the RIP, the Fund Manager is required to immediately advise University staff (for discussion at PIC), detail the nature of the non-compliance and recommend the appropriate course of action to remedy the situation;

vii. comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute;

viii. in managing the Plan assets, the Fund Manager shall at all times exercise the degree of care that a person of ordinary prudence would exercise in dealing with the property of another person and shall use all relevant knowledge and skill which it possesses, or by reason of its profession, ought to possess.

e) The Consulting Actuary (or his/her delegate approved by P&B) will:

i. assist in the preparation and subsequent annual reviews of the SIPP and any supplementary documents;

ii. comment on any changes in the Plan's benefits, membership or contribution flow which may affect how the Plan's assets are invested;

iii. assist University staff, the PIC and P&B, as needed, in the implementation of the SIPP and this document;

iv. support PIC and P&B on matters related to investment risk management and administration of the Plan; and

v. meet with University staff, PIC and P&B as required.

f) Investment Consultant will:

i. participate in all reviews of the Fund Managers;

ii. report quarterly on the performance of the Fund Managers and the Plan;

iii. comment on the impact of potential investment opportunities/strategies/legislative changes which may affect how the Plan's assets are invested;

iv. monitor the performance of the Plan and the Fund Managers on a regular basis, and contact University staff immediately if there are adverse changes of any kind, which warrant further review and/or discussion with PIC;

v. meet with University staff, PIC and P&B as required.

g) Performance Measurement Service Providers will:

i. Provide detailed performance reporting in the required format including ESG integration by Fund Managers as well as the carbon metrics for the total Plan asset portfolio

h) The Custodian/Trustee will:

i. fulfill the regular duties required by law of a Custodian/Trustee and perform the specific duties required of the Custodian/Trustee pursuant to agreements entered into from time to time with the University on behalf of the Plan; and

ii. provide University staff with monthly portfolio reports of all assets of the Plan and transactions during the period.

i) University staff will:

i. Prepare reporting for the PIC, P&B and F&I committees on Plan investment matters and act as resources to these Committees in this regard

ii. Act as a contact for contracted third party professional firms relating to the investment of the Plan's assets and provide administration and monitoring related to these firms' contracts and deliverables

iii. Provide cash flow information as necessary or requested by PIC

iv. Monitor Fund Manager’s and overall compliance with the SIPP, FIP, and RIP

v. Appoint Performance Measurement Service Providers.

2) Performance Measurement & Monitoring

For purposes of evaluating the performance of the Fund Managers, all rates of return are measured over rolling four-year periods. Return objectives are net of fees and include realized and unrealized capital gains or losses plus income from all sources.

Performance reporting provided by the Fund Managers and the Investment Consultant will include annualized returns when available for 15 or greater years; as well as a detailed attribution analysis for the most recent quarter and year-to-date periods.

The Investment Consultant will report on each Fund Manager’s performance relative to their

peers.

In addition to performance criteria, the following factors will also be monitored and evaluated:

a) Stability of the investment firm (personnel, assets under administration, operational capabilities, etc.);

b) Investment objective and portfolio composition;

c) Changes in the investment philosophy used in the investment fund;

d) Consistency of style or approach;

e) Adherence to investment policy statement; and

f) ESG analysis and reporting including climate risk assessment and carbon metrics

3) Compliance Reporting by Fund Manager

The Fund Manager is required to complete and deliver a compliance report to University staff and the Plan’s investment consultant each quarter. The compliance report will indicate whether or not the Fund Manager was in compliance with Applicable Laws, the SIPP, FIP and the RIP during the quarter.

In the event that a Fund Manager is not in compliance with Applicable Laws, the SIPP, FIP and/or the RIP the Fund Manager is required to immediately advise University staff, detail the nature of the non-compliance and recommend an appropriate course of action to remedy the situation.

While the guidelines in the SIPP are intended to guide the management of the assets, it is recognized that, where pooled funds are held, there may be instances where there is a conflict between the SIPP and the investment policy of a pooled fund. In that case, the pooled fund policy shall dominate, subject to the compliance reporting procedures outlined in this section. However, the Fund Manager is required to advise University staff, in advance, if there are any material discrepancies between the SIPP and the pooled fund’s own investment guidelines. In addition, the Fund Manager will ensure that University staff have received a copy of the most recent version of the pooled fund policy and of any amendments made to the pooled fund policy.

4) Audit

The Plan’s financial reporting for the regulatory authorities shall be audited annually by external auditors appointed by the University.

5) Monitoring of Asset Mix

In order to ensure that the assets of the Plan operate within the minimum and maximum asset mix ranges, as prescribed in the SIPP, PIC shall review the asset mix at least quarterly. Please refer to the section on Rebalancing Policy.

6) Selecting Fund Managers

Should PIC determine that there is a requirement for an additional Fund Manager, PIC will establish a sub-committee to undertake a Fund Manager search. The criteria used for selecting a Fund Manager will be consistent with the investment and risk philosophy set out in the SIPP. Although each search process will apply a specific list of considerations, the evaluation criteria shall include:

a) Establishing the relevant performance benchmark

b) Performance history

c) Quality of the firm and the fund specific investment team

d) Quality and consistency of the fund's investment process

e) Quality and transparency in reporting including valuation methods

f) ESG integration within the investment process and related reporting, including reporting on the Manager's integration of climate related risk factors and disclosure of carbon metrics

g) Risk management approach

h) Competitiveness of fees

i) Terms of the applicable investment management agreement

7) Monitoring Fund Manager Performance

At least quarterly, PIC will monitor and review:

a) Each Fund Manager's staff turnover, consistency of style and record of service;

b) Each Fund Manager's current economic outlook and investment strategies including ESG approach;

c) Each Fund Manager's compliance with the SIPP, FIP and RIP; and

d) Investment performance of the assets of the Plan in relation to the rate of return expectations outlined in the SIPP.

8) Dismissal of Fund Manager

Reasons for considering the termination of the services of a Fund Manager include, but are not limited to, the following factors:

a) Performance results which are below the stated performance benchmarks;

b) Changes in the overall structure of the Plan's assets such that the Fund Manager's services are no longer required;

c) Change in personnel, firm structure or investment philosophy which might adversely affect the potential return and/or risk level of the portfolio; and/or

d) Failure to adhere to the SIPP, FIP or RIP.

9) Rebalancing Policy

PIC shall monitor the asset mix and the net cash flow on a quarterly basis. Rebalancing will occur when the market value of an asset class varies from the limits set out in the SIPP or if any individual Fund Manager's component exceeds a limit set out in the SIPP.

Rebalancing will be generally implemented within two quarters by:

a) Redirecting the net cash flows [administered monthly by University staff and not included in PIC's cumulative 15% asset mix change threshold]

b) Transfer of cash between portfolios

c) Liquidating exceedances and directing those to assets below the benchmark taking into account the transaction costs and liquidity of the particular asset class

Notwithstanding the rebalancing policy, in certain circumstances, PIC may adjust the weight of any asset class within the permitted ranges for the purpose of protecting capital and managing risk.

10) Liability Hedging

PIC will determine the type of investment strategies, if any, to be implemented to hedge the interest rate and/or inflation sensitive liabilities of the plan.

Appendix A — Fund Manager Compliance Letter

To be completed by fund managers each quarter.

UNIVERSITY OF WATERLOO

_______________, 202_

This is to certify that I/we have complied with the *Pension Benefits Act* (Ontario) and all other laws and regulations applicable to the investment of the Pension Plan's assets and adhered to the guidelines contained in the Statement of Investment Policies and Procedures, the Fund Implementation Procedures for the University of Waterloo Pension Plan (2011), and the Responsible Investment Policy as approved by the Board of Governors of the University of Waterloo as well as the investment management agreement in place

Signed ___________________________

On behalf of ______________________

Date _____________________________

University of Waterloo Responsible Investment Policy

1. Introduction

The University's Board of Governors ("Board") exercises oversight of the investment portfolios, including the endowment fund and the registered pension fund (the "Funds" or, individually, the "Fund"), primarily through three Board Committees including the Finance & Investment Committee, the Pension & Benefits Committee and the Pension Investment Committee. (the "Committees" or, individually, a "Committee").

These Funds are normally invested through the selection and retention of external investment managers, investing in institutional pooled funds which serve a range of clients on a comingled basis. The Committees may also approve or recommend investing directly in securities to achieve specific outcomes.

In 2020, both the University and the Pension Plan for Faculty and Staff became signatories to the United Nations supported Principles for Responsible Investment ("UN PRI") which requires participation in a comprehensive annual assessment framework.

Each Committee fulfills its Board-assigned responsibilities prudently and in accordance with legislation, policies, guidelines and agreements governing the investment of the Funds. The Board acknowledges that as a pension plan administrator, it has a fiduciary duty to act reasonably and prudently and exclusively in the best financial interest of plan members and other beneficiaries.

The Board and its Committees will apply Environment, Social and Governance ("ESG") factors as part of ~~their~~ investment decision making processes, including the climate change mitigation/carbon reduction approach approved for those portfolios. ESG factors will be integrated into the Committees' investment analysis and asset management activities in accordance with this document, the registered pension fund statement of investment policies and procedures ("Pension SIPP"), the registered pension fund implementation procedures ("Pension FIP"), ~~and~~ the endowment investment statement of investment policies and procedures ~~guidelines~~ ("Endowment SIPP~~Guidelines~~"), and the endowment investment fund implementation procedures ("Endowment FIP"), as applicable. The decision to integrate ESG factors into investment decisions is based on the belief that this approach is expected to enhance the long-term value of the Funds' portfolios and reduce the risk of loss.

2. Defining ESG

- Environmental – factors which relate to the physical environment (including contamination, greenhouse gas emissions, extreme weather, water scarcity)
- Social – factors arising from relationships with employees, consumers, suppliers, and communities (including labour rights, health and safety, equity, diversity and inclusion, product safety)
- Governance – factors which relate to the structures in place to ensure the effective direction and control (including the delineation of roles, executive compensation, and board independence)

3. Responsible Investing Principles

Responsible investing actively incorporates ESG factors into each investment decision and monitors those decisions. While ESG factors are relevant throughout all stages of the investment process from pre-investment, to monitoring, to exiting, the degree to which ESG factors are integrated depends on many factors such as active vs. passive mandates, the asset type, the time horizon, and the specific investment strategy.

In June 2021, the Board affirmed climate change mitigation as a priority area among ESG factors requiring focused investment attention relating to its impact on the financial performance of investments; the Board also recognized that further consideration is required relating to other ESG factors such as social justice, equity, diversity and inclusion and their potential consequential impact on investment risk and reward.

4. Application

This policy applies to the investments of the endowment fund and the registered pension fund. This policy will be cited in both the Endowment SIPP and ~~Guidelines~~ the Pension SIPP and will be communicated to each investment manager.

This policy is intended to be read together with the Endowment SIPP or ~~Guidelines~~Pension SIPP, as applicable, for the Funds, as amended from time to time. While the Board will strive to maintain consistency between this policy and the SIPPs ~~or Guidelines~~, to the extent there is any conflict in the investment principles and approach as set out in this policy or the SIPPs ~~or Guidelines~~, the SIPP ~~or Guidelines~~ shall govern with respect to the relevant Fund.

To the extent possible, taking into account their particular fund's constating or disclosure documents ~~(and, in the case of the pension fund, the SIPP)~~ the Funds' investment managers are required to integrate this policy into their investment analysis and decision-making based on forecasted financial impacts (in conjunction with traditional financial analysis) to support each Fund's return objectives.

5. ESG Factor Integration

The Funds' investment approach focuses on long-term value creation in a constantly changing environment experiencing many risks and opportunities. The Committees do not seek to limit an investment manager's investible universe (i.e., no exclusions) but do specify some traditional limitations such as minimum credit quality and maximum single security exposure which are stated within the particular fund's ~~investment guideline~~SIPP (or constating or other disclosure documents) ~~and the SIPP~~.

This approach is to be executed by the Committees principally through the rigorous selection of investment managers offering institutional pooled funds which are considered leaders in ESG factor integration. Each investment manager is monitored by the Committees on a quarterly basis to ensure consistency of style/approach including their ESG factor integration strategies, reviewing any significant personnel changes, reviewing the consistency of their proxy voting actions with their policy statement, and the Fund's investment performance metrics. The Committees encourage each investment manager to engage on ESG matters with the companies they invest in and report on such engagement and how it supports the manager's duty to act in the best interest of the Funds.

Investment managers will be required to consistently enhance their quarterly reporting to address evolving areas such as ESG factor integration, carbon metrics reporting, climate change risk assessment and scenario analysis.

The Committees prefer each Fund's investment managers to be signatories to UN PRI.

The Board has approved a carbon footprint reduction plan for the endowment and pension funds where progress is reviewed annually based on a percentage of the aggregate assets of the Funds. The Board is targeting to achieve a 50% carbon reduction by 2030 (relative to base year 2018) in the carbon footprint (scope 1 and scope 2) with an aspirational target/goal of achieving carbon neutrality by 2040. Any changes to these targets will be promptly reported to the investment managers.

To these ends, ~~I~~investment managers must consider carbon-related emissions and climate change to the extent such factors may have a consequential impact on future investment values and performance. Specifically, in this regard, the investment managers shall:

- disclose how they address climate related risk and opportunities and potential impacts on their investment decisions;
- provide climate change related financial disclosures including appropriate carbon metrics which the University will consolidate to measure progress for each Fund on a total portfolio basis; and
- provide climate change risk assessments and scenario analysis when sufficient data becomes reliably available.

Notwithstanding the foregoing, any and all investment decisions in respect of the Funds shall be subject to appropriate due diligence and analysis that support the conclusion that the decision is in the best financial interest of the Fund as outlined in the governing documents for the Fund and, with respect to the pension Fund, as required by applicable law.

6. ESG Engagement by the University on behalf of the Committees

The University will participate in the appropriate investor coalitions and collectives (both formal and informal) where partner members have similar fiduciary responsibilities and will periodically review the effectiveness of those collective approaches.

7. ESG Analysis & Reporting

The Committees will require its investment consultant(s) and service providers to have the necessary systems, resources, and experience to support evolving ESG analysis and reporting standards.

The University will support responsible investment training opportunities for the staff involved in the day-to-day administration of the Funds.

The University will report annually on the Funds and the investment managers' responsible investing activities including proxy voting, company engagement, carbon metrics as well as the outcomes from UN PRI's annual assessments.

The University will undertake a climate change risk assessment and scenario analysis for each Fund at the portfolio level once sufficient reliable information is available.

8. Review

This Responsible Investment Policy will be reviewed concurrently with the review of the ~~endowment's investment guidelines~~Endowment SIPP (by the Finance & Investment Committee) and ~~registered pension plan's~~Pension SIPP (by the Pension Investment Committee, with recommendation to the Pension & Benefits Committee for any amendments) including an overall assessment of the current ESG landscape, future risk & opportunities, and the identification of any changes to priority areas of focus.

University of Waterloo
Board of Governors
PENSION & BENEFITS COMMITTEE
Minutes of the 17 February 2023 Meeting
[in agenda order]

Present: Peter Barr (chair), Sara Cressman, Melissa Graham, Mary Hardy, Lily Hua, William Povelofskie, Jacinda Reitsma, James Rush, David Saunders, David Taylor, Tim Weber-Kraljevski (secretary)

Regrets: Ranjini Jha, Michelle Hollis,

Resources/Guests: Anata Alphonso, Linda Byron, Sarah Hadley, Patti Hancock, Lee Hornberger, Sue McGrath, Allan Shapira, Michelle St-Amour, Tyler Wendland, Teresa Fortney

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

OPEN SESSION

The chair welcomed and introduced Teresa Fortney, incoming chair to the Committee starting 1 May 2023.

1. APPROVAL OF THE 20 JANUARY 2023 MINUTES (OPEN SESSION) AND BUSINESS ARISING
There was a motion to approve the minutes. Jha and Saunders. Carried.

GCS Update. Hornberger provided an updated that HR continues to manage the transition to Green Shield Canada (GSC) as a project in order to support members with the change. Hornberger informed members that in order to address the differences identified by some members between GSC and the prior coverage through Canada Life (CL), which weren't identified through the transition analysis, HR is working with GSC to ensure coverage is the same as with CL and has identified communications are needed to support understanding for claims submission and other issues. Hornberger also provided metrics from GSC and indicated that a reminder has gone out in the Daily Bulletin about the 28 February 2023 deadline for pre 2023 claims to be submitted to CL. Following an inquiry, Hornberger committed to investigating if the averaged 5.5 minutes for each call to GSC, provided in the GSC metrics, included the wait time to speak to a GSC representative. Members discussed concerns with GSC's compounding coverage. Following an inquiry, members heard that raw powders are not regulated by Health Canada and do not undergo the rigorous testing like drugs that have a DIN or natural health products that have an NPN, and since they don't undergo review by Health Canada, powders do not have a Health Canada approved indication for use. Members were reminded that the Committee does not discuss individual cases and that individuals' benefits requests should be directed through HR. Reitsma and Hornberger will investigate concerns around with compounding coverage, will consult with Aon and an expert from the School of Pharmacy, and will bring a recommendation back to the Committee. Members expressed concerns for those individuals who rely on compounding. The committee decided that the 30 April 2023 expiry date for the one-time exception process relative to expenses classified as compounds approved by the Committee at the 9 December 2022 meeting would be extended as the recommendation is prepared.

CBRE: The chair reported that the Board of Governors approved the Coldwell Banker Richard Ellis (CBRE) Group to provide an open-ended real estate fund (CBRE Global Alpha) for the Registered Pension Plan (RPP), the university endowment fund, and the IQC trust fund, and that Finance has received the onboarding package from CBRE.

In-Vitro Fertilization Coverage. Hornberger informed members that GSC is aiming to have an update on how they will be addressing the new legislation by the end of Q1, and that she will report back at the April 2023 meeting. The Committee also heard that the CRA has now updated their website with the new legislation.

2. EXECUTION AGAINST THE WORK PLAN
This item was received for information.

3. PENSION RISK MANAGEMENT DASHBOARD, Q4 2022
Byron provided an overview of the material provided, highlighting: the going concern decreased due to an increase in the discount rate and higher than expected asset performance; the improved funded status does not reflect the higher-than-expected indexation adjustment to be granted at 1 May 2023; the risk-free deficit increased due to an increase in expected inflation that was partially offset by an increase in risk free rates (nominal) and strong asset returns; the solvency surplus increased due to the plan's asset performance and an increase in the risk-free rates; and the total fund had a rate of return after all fees of 4.7% for Q4. Members discussed the volatility from recent years and the recent return to pre-pandemic performance, as well as how the Plan is comparing with the sector in terms of funded status.

4. INVESTMENTS UPDATE, Q4 2022
Reitsma presented an overview of the material. Following an inquiry, members heard an overview of the Pension Investment Committee's mandate and an update on their recent meeting.

5. ANNUAL ADJUSTMENTS
COLA for Pensions in Pay. McGrath took members through the calculation of the cost of living adjustment, indicated that it is 6.80%, and informed members the plan text stipulates if the 100% COLA factor exceeds 5% in any year, it may be reduced to the extent deemed necessary by the Pension Committee on the advice of the Actuary, to 5% (not lower), and a corresponding 3.75% limit applies to the 75% COLA factor. Members discussed the funded status; the financial impact of increased COLA; the ability for catch-up increases in the following year; and the impact of inflation on pensioners. There was a motion to cap the COLA for pension benefits earned up to December 31, 2013 at 5%, and to increase the COLA for pension benefits earned on and after January 1, 2014 to 5%, effective 1 May 2023. Hardy and Hua. Carried.

COLA for Deferred Pensions. McGrath reminded members that they COLA adjustment for deferred pensions requires the amount of COLA increase be determined by the Pension & Benefits Committee each year, and presented the guiding principles for making a change. McGrath also highlighted a data error in the previous report and a typo on the second table. Members discussed how the decision has been made historically and the potential financial impact. There was a motion to apply 5% COLA to deferred pensions as outlined in the report, effective 1 May 2023. Hardy and Saunders. Carried.

Pensionable Earnings for Members on LTD. McGrath reminded members that pensionable earnings can be adjusted annually for members on long-term disability, subject to approval of the Committee, and that the Committee should take into account factors such as the COLA for pensions in pay and salary increases for active faculty and staff. Members discussed the current status of Bill 124 and the salary increases for active employees. There was a motion to increase pensionable earnings for members on long-term disability by 1%, effective 1 May 2023, subject to review if there are changes to the salary increases for active employees. Hardy and Taylor. Carried.

6. ANNUAL REPORT TO THE COMMUNITY
Weber-Kraljevski presented the draft report. Members requested: the correction of two typos; under B.3. correcting "annual indexation of pensionable earnings for employees on long term disability" with "indexation of long-term disability plan benefits and maxima"; and under C.4. adding clarity for the rationale for the University continuing to make additional contributions to the Plan. The secretary agreed to update the document with the requested changes.

7. OTHER BUSINESS
There was no other business.

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

NEXT MEETING
The next regular meeting is scheduled for Friday, 10 March 2023, 9:30 a.m. – 12:00 noon.

27 February 2023

Tim Weber-Kraljevski
Associate University Secretary

Green Shield Canada (GSC) – Post Implementation Summary

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

Effective January 1, 2023, the healthcare benefits provider is Green Shield Canada (GSC), providing coverage for approximately 18,000 individuals (employees, retirees, spouses, dependent children). Canada Life will continue to provide reimbursement for individuals' eligible pre-2023 expenses and their final Administrative Services Only (ASO) billing is anticipated in April 2023.

Although GSC committed to match the plan design in terms of maximums and coinsurance levels, each provider has differences in terms of administration that apply to the claims management and adjudication decisions, as well as supporting processes. Several differences were identified proactively through GSC's transition analyses and information was provided to the Pension & Benefits Committee to support understanding and in some cases, decision making. Since implementation, some individuals' claims issues have identified differences that were not discovered through the transition analyses and the University continues to work with GSC to ensure coverage continuation and/or the development and maintenance of communication material to support members.

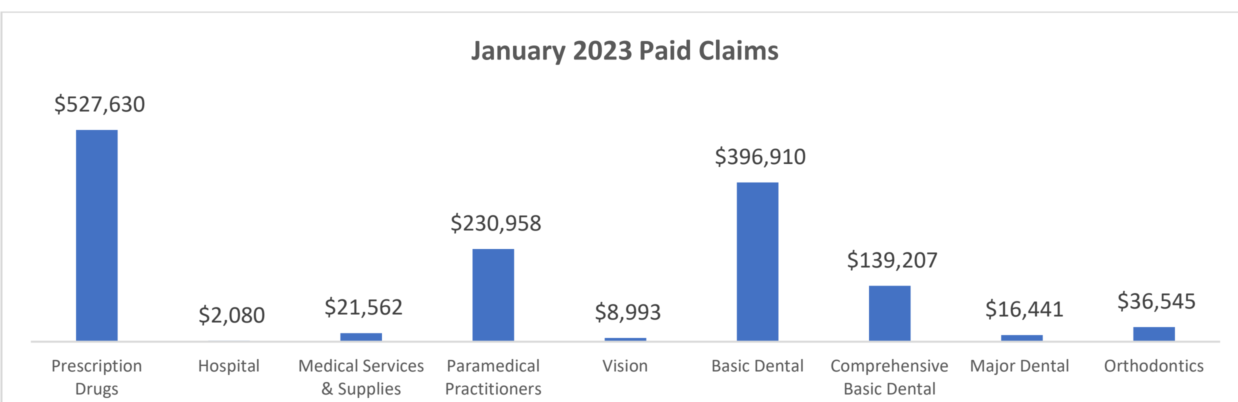
A summary of the differences identified between the existing plan design and GSC's standard continues to be under development and will be brought to the June 2023 Pension & Benefits Committee meeting. One of the previously reported differences is the University's coverage for In-vitro Fertilization (IVF) which was implemented on May 1, 2021; GSC is working on a new product in response to the December 2022 legislation change and their target is to have information available after the first quarter of 2023.

GSCeverywhere

This online portal can be used to check benefits coverage, submit claims, and review claims status/history. As of February 28, 2023, there are 7937 employees/retirees who have benefits (extended health and dental, or extended health only) with GSC. Of these, 4258 (53.6%) have registered for the online portal and of these, 3623 (85.1% of the 53.6%) have registered for direct deposit. The target is to achieve a registration level of 70% which would align with Canada Life's GroupNet online portal.

Claims Experience – January 2023 *(February 2023 data available in mid-March 2023)*

GSC provided expense reimbursement in the amount of $1,380,327; 5,473 claimants were reimbursed for 16,925 extended health expenses and 1,970 claimants were reimbursed for 7,663 dental expenses.



GSC's Contact Centre – January 2023 *(February 2023 data available in mid-March 2023)*

GSC's target is to have 60% of calls answered in 60 seconds or less, and to end the year with 5% abandoned calls. In January, GSC plan members experienced a 66 second wait time on average and 1.7% of calls were abandoned. These statistics are based on GSC's entire book of business.

GSC supported 1465 calls from University individuals and the calls average 331 seconds of actual talk time (does not include wait time for an agent to answer). 331 seconds is 50 seconds longer than GSC's book of business which is expected by GSC for a new client due to setting up online services accounts or providing an understanding about how GSC policies and guidelines work. For each call, GSC uses voice analytics to track metrics associated with the issue and nature of the discussion; the two most frequent were support for online services and benefit eligibility inquiries.

Category	University of Waterloo	GSC's Block of Business	Comments
Online Services	42% (618 calls)	27%	Expected for support to register for online services
Benefit Eligibility	31% (449 calls)	28%	Expected for administrative guidelines clarity
Payment Inquiries	24% (354 calls)	24%	Unusual to align immediately after implementation
Caller Confusion	17% (242 calls)	12%	Directly attributable to the drug line but with compliments
Denials/Cutbacks	11% (154 calls)	6%	
Caller Concern	0.9% (12 calls)	1%	3% to 5% is more typical for newly transitioned clients
Claims Status	2.5% (37 calls)	4.5%	
Compliments	9% (128 calls)	6%	

Communications and Change Management

Several communications were developed and released to support the change, including but not limited to the following:

- August 29, 2022 – initial announcement released by email to employees and retirees
- Late September – registration details for Information Sessions released to the community
- Week of October 17 – announcement mailed to retirees, inactive employees and surviving spouses with additional details about Information Sessions
- Oct/Nov Information Sessions – 1 session for project team, 1 session for HR department, 1 session for P&B Committee, 5 sessions for campus (one virtual with recording, four in-person)
- GSC welcome kits were assembled and mailed to member home addresses in early December (second set released with Travel Assistance information populated on member ID cards)
- Article included in Fall 2022 issue of WATimes (Retiree Association newsletter)
- Five benefit booklets were created and posted to GSCeverywhere in early January
- Communication to 162 faculty members on sabbatical to highlight new travel requirements
- Nearly 500 letters released by GSC to individuals impacted by the transaction analyses decisions
- Daily Bulletin article released February 17 to provide reminder of February 28 deadline for pre-2023 claims to be submitted to Canada Life
- Updated Employee Benefits Program booklet to be available in May 2023

University websites are being monitored with updates regularly – the GSC project website will be closed in late March/early April 2023 and all pertinent information will transfer to the HR website.

Green Shield Canada's Compound Policy

Compound Drug Coverage through the Extended Health benefit effective January 1, 2023

A compound drug results from the process of "combining or mixing together two or more ingredients (of which at least one is a drug or pharmacologically active component) to create a final product in an appropriate form for dosing."[1] Drugs may be compounded when a patient requires a drug product in a formulation (e.g., liquid form when a patient is unable to swallow a pill), dosage, or concentration that is not commercially available to meet the patient's specific therapeutic needs. Prescriptions from an authorized prescriber (e.g., physician, nurse practitioner, naturopath, etc.) are required to purchase compound drugs.

In 2018, the National Association of Pharmacy Regulatory Authorities (NAPRA) published Model Standards for Pharmacy Compounding[2] which was spearheaded following a case of a child's death following a drug compounding error[3]. Ontario pharmacies were provided additional Model Standards guidance to support interpretation and implementation by the Ontario College of Pharmacists[4]. The new Model Standards include enhanced compounding procedures, ensuring overall quality and safety of compound preparations among other benefits.

Ontario pharmacists are required to comply with the new compounding Model Standards; however, some pharmacies may not have the capacity to comply with the more stringent requirements requiring more complex compound preparations and as a result, some have chosen to stop offering compounding services. In those cases, patients are referred to pharmacies specialized in drug compounding. These specialized pharmacies often charge higher fees because of the cost and/or the complexity of the products being compounded. It is estimated that there are 23 compounding pharmacies in Ontario[5] and 5117 pharmacies across Ontario[6].

To submit claims to benefits providers electronically, pharmacists must enter the DIN or pseudo-DIN for one of the compound drug's ingredients. Since a compound drug is made of two or more ingredients, benefit providers adjudicate drug claims based on incomplete information (i.e. one ingredient is submitted but information about other ingredients is not). This restriction applies to all providers and is not unique to GSC and as such, most benefits providers have implemented claims audit procedures where pharmacies may be required to submit written documentation describing the ingredients and cost of compound drugs claimed electronically. Following verification, if a claim was reimbursed in error or overpaid, the amounts are charged back to the pharmacy.

All benefits providers have a compound policy; however, GSC's is more restrictive than Canada Life's. GSC lists *what is covered* and as such, it is easier to understand (for patients, prescribers and pharmacists) and easier to apply at the point of sale (electronic claims submission) or when claims are submitted by paper (and the agent determines eligibility). By identifying *what is not covered*, other compound policies allow for loopholes, possible omissions in the list of excluded products, and leave room for interpretation.

[1] Policy on Manufacturing and Compounding Drug Products in Canada
[2] NAPRA Guidance Document for Pharmacy Compounding of Non-Sterile Preparations
[3] Death Due to Pharmacy Compounding Error
[4] Ontario College of Pharmacists – Compounding Non-Sterile
[5] Find a Pharmacy – Association of Compounding Pharmacists of Canada (acpcrx.org)
[6] National Statistics - NAPRA

In advance of the new Model Standards released in 2018, GSC recognized that many compound drugs have not undergone the same level of safety and efficacy trials and testing as medications with a Drug Identification Number (DIN). In 1996, GSC developed its Compound Policy to ensure that employer sponsored drug plans support legitimate, efficacious products compounded in a pharmacy setting. The policy provides coverage for compound drugs that have been proven to be effective and safe for plan members, based on the following characteristics:

- Contains an active ingredient in a therapeutic concentration that is considered eligible
- Is not a duplication of a formulation of a manufactured pharmaceutical product
- Is not experimental or cosmetic

In October 2022, the Pension & Benefits Committee decided to implement GSC's Compound Policy effective January 1, 2023 with a one time claims exception process (expiry date of April 30, 2023 as confirmed in December 2022) to support members with the transition. In deciding to implement this new policy, it was understood that some compound drugs that were reimbursed by Canada Life would not be reimbursed by GSC. In early January 2023, GSC issued letters to 307 members identified with compound drug claims experience in the second transition analysis and towards the end of January, another 36 members were issued letters based on the third transition analysis.

As of the end of February 2023, Human Resources has received inquiries from 6 employees/retirees about GSC's compound policy. Each has expressed concern that their compound drug is no longer eligible for reimbursement with GSC but that it had been covered by Canada Life.

In January 2023, GSC received 88 calls relating to compounds; 75 were from plan members and the remainder were calls from providers. In terms of the overall call volume, this represents 4.2% which is more than double in terms of GSC's book of business but was expected given the 343 letters issued by GSC to members potentially impacted as identified through the transition analysis. Other experience indicators associated with these 88 calls compared to aggregate call data, are as follows:

Category	**University of Waterloo** *(88 Calls Related to Compounds)*	**Aggregate** *(All GSC Clients Calls Combined)*
Caller Confusion	26.7%	18.3%
Caller Concern	0.0%	2.2%
Compliments	9.3%	8.0%
Repeat Calls	4.0%	7.1%

GSC has commented that it is unique and not typically encountered to have this volume of compounds inquiry with no caller concern. Due to the level of compliments, GSC has suggested that the volume relates to the letters issued. Caller confusion is higher than the expected but repeat calls are low which leads GSC to believe that members are calling to inquire about lack of coverage but not getting frustrated or pressing the issue by calling back.

GSC provided reimbursement for 37 compound drug claims impacting 26 members in January 2023. GSC declined 34 compound drug claims impacting 18 members but up to 18 of these may be reimbursed if the impacted members decided to proceed with their purchase and contact GSC to request the one-time claims exception process. GSC has indicated that the declined claims were for drugs that are commercially available (either with a prescription or available Over-the-Counter without a prescription), utilize a raw powder that is not listed under GSC's policy, or are expenses related to the physician's administration fees.

GSC's compound policy is a standard administration guideline and their clients rarely opt out of its application. The intent of the policy is to ensure that the medication is proven for the disease state and as such, the product needs to be associated with a DIN that is used for the medical condition. GSC does not provide reimbursement for "off label" use of medications. GSC has advised that the first 90 days following the implementation of their compound policy is a normal adjustment period for the change. By providing a period of time for a one-time claims exception, members have an opportunity to return to their physician to obtain a new prescription.

Aon's advice is that maintaining GSC's compound policy is a reasonable approach from a plan management perspective. It is aligned with the University's decision to not provide reimbursement for Natural Health Products nor Over-the-Counter medications. Further, Aon indicated that the vast majority of their clients with GSC have the standard compound policy in place.

Prepared for and Submitted to the Pension & Benefits Committee by:

- *Trisha Allsop, Director, Program Management, Green Shield Canada*
- *Stephanie Bouman, Account Manager, Green Shield Canada*
- *Sandra De Angelis, Senior Client Service Representative, Green Shield Canada*
- *Sarah Fantin, Manager of Pharmacy Clinical Services, Green Shield Canada*
- *Brad Gee, Senior Consultant – Client Delivery, Health Solutions, Aon*
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- *Shelley Lamont, Business Development Manager, Green Shield Canada*
- *Scott Palmer, Vice-President – Client Relationship, Health Solutions, Aon*
- *Preet Sian, Adjunct Clinical Assistant Professor, School of Pharmacy, University of Waterloo*
- *Christine Than, Assistant Vice-President, Drug Solution Manager, Pharmacy, Health Solutions, Aon*

Execution against Work Plan

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

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

Task	**Frequency (Target month)**	**11 Mar 2022**	**20 May 2022**	**24 June 2022**	**16 Sep 2022**	**07 Oct 2022**	**18 Nov 2022**	**9 Dec 2022**	**20 Jan 2023**	**17 Feb 2023**	**10 Mar 2023**
Approval of Actuarial Valuation Assumptions	Annual (Jan)								✓		
Investment Status of PPP	Annual (Feb)									✓	
Cost-of-living Increase for Pensioners	Annual (Feb)									✓	
Pensions for Deferred Members	Annual (Feb)									✓	
Salaries for Pension Purposes for Individuals on Long-term Disability	Annual (Feb)									✓	
Actuarial Valuations (RPP and PPP), with posting to website once approved	Annual (Mar)	✓									✓
Review of Contribution and Protocol Caps (RPP and PPP)	Annual (Mar)	✓									✓
Monitor sharing of current service cost between employee and university contributions	Annual (Mar)										
Benefits Plan Premium Renewals	Annual (Mar)	✓									✓
Indexing of Long-term Disability Plan Benefits and Maxima	Annual (Mar)	✓									✓
Annual Committee Self-Assessment	Annual (Mar)	✓									✓
Budget Overview	Annual (May)		✓								
Previous Years' Fees and Expenses	Annual (May)		✓								
Annual Audit of the Pension Plan Fund Financial Statements	Annual (May)		✓								

Task	Frequency	11 Mar 2022	20 May 2022	24 June 2022	16 Sept 2022	07 Oct 2022	18 Nov 2022	9 Dec 2022	20 Jan 2023	17 Feb 2023	10 Mar 2023
Benefits Utilization Report	Annual (June)			✓							
Annual review re: benefits added/removed from insured plans in the market	Annual (June)			D	D	✓					
Review of Committee Terms of Reference	Annual (June)			✓							
Review of Administrative Staffing Support for the Plan (first iteration to occur in 2023)	Annual (Oct)										
Indexing of Plan Maxima – Health, Dental, Retiree Life Insurance	Annual (Nov)						✓				
Employee and Family Assistance Program – report on utilization	Annual (Nov)						✓				
Maximum pension limits and caps adjustments, based on average industrial wage increase (AIW)	Annual (Dec)							✓			
Total Fund Overview	Quarterly				✓		✓			✓	
Investment Manager Review	Semi-annually						✓				
Approval of the Statement of Investment Policies and Procedures (SIPP)	Annual							D	D	D	✓
Annual Report to the Community	Annual									✓	
Actuarial Filing - Minimum every three years Secretariat to advise Aon and HR upon approval by BOG, to commence filing Most recent filings: 2017, 2018, 2020, 2021, 2022											

Suggested Approach For Reviewing University Pension Plan Ontario (UPP)

University of Waterloo Pension & Benefits Committee

Meeting on March 10, 2023

Introduction

UPP has held two education sessions with the University of Waterloo

First session on September 30, 2022 was with PIC and P&B combined:

Focus of presentation was on the UPP's investment strategy and structure

Second session on October 7, 2022 was with P&B; included representatives from the Joint Sponsors:

Focus of presentation was on the benefits of joining the UPP, as well as an overview of the plan provisions

Agreement from follow-up discussion with P&B was to allocate some of the Committee meeting time in 2023 to review the UPP in more detail

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Suggested Approach for Reviewing the UPP

Suggested approach would allocate time at the next four P&B meetings to review the UPP, with the presentations prepared by Aon broken down as follows:

Session 1 – Funding Structure and Plan Design

- Past Service/Future Service Benefit and Funding Structure
- Detailed Comparison of Plan Provisions
- Analysis of Member and University Contributions

Session 2 – Regulatory Process

- Legislative Framework
- Consent Requirements and Process
- Notice Requirements
- FSRA Transfer Application

Session 3 – UPP Governance

- Joint Sponsors
- Board of Trustees
- UPP Constating Documents
- Required Agreements to Join UPP

Session 4 – Considerations

- Revisit of UPP Investment Strategy and Risk Management (from UPP)
- Revisit of UPP Service Delivery Model (from UPP)
- University and Member Considerations in Joining UPP
- Other Impacts on University Governance Structure

About Aon

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

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Preliminary Actuarial Valuation Results as of January 1, 2023

Pension & Benefits Committee Meeting on March 10, 2023

Posted with Permission of Aon

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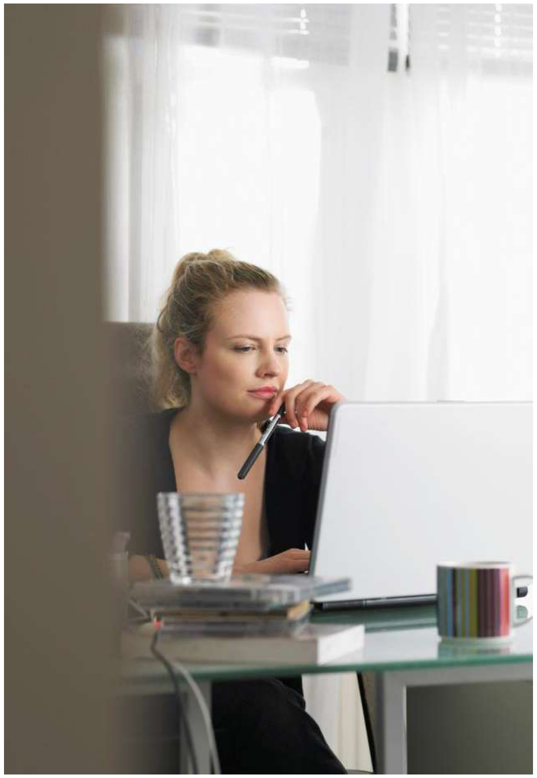
Background

Understanding the Actual Process



- Ultimate cost of Pension Plan equals the sum of benefits paid
- Cost is funded by University and member contributions and investment earnings, net of expenses
- Actuarial process from a funding perspective:
  - Using actuarial estimates to make periodic funding contributions in a systematic manner to meet the ultimate cost

Understanding the Actuarial Process (Cont'd)

Elements of an actuarial valuation:

Pension Plan:	Contractually promises to pay benefits defined by the plan formula(s) on retirement, death, disability and termination
Plan Members:	Current employees, retirees and beneficiaries in this group will be or are entitled to the benefits promised by the plan. Specific data is gathered and validated for all members
Actuarial Assumptions:	Actuary uses these to estimate who will receive a benefit, what the amount of benefit will be, when the benefit will start, and how long it will be paid
Actuarial Cost Method:	Used to allocate the cost of the estimated benefits (determined using the member data and actuarial assumptions) to various time periods

Actuarial Assumptions for Going Concern Valuation

Assumptions to Estimate:			
When Pension Benefits Are Payable	**Amount of Pension Benefits Payable**	**How Long Pension Benefits are Payable**	**How Much Money to Set Aside**
• Termination Rates • Disability Rates • Preretirement Mortality Rates • Retirement Ages	• Increases in CPP Wage Base • Increases in ITA Maximum Pension • Increases in Salaries • Inflation	• Postretirement Mortality Rates	• Investment Return on Pension Fund
Demographic Assumptions	Economic Assumptions	Demographic Assumptions	Economic Assumptions

Pension Liability/Asset Relationship

Growth in Liabilities From Year to Year	Growth in Assets From Year to Year
Liabilities at beginning of year (representing discounted present value of pension benefits earned in respect of service up to the valuation date)	Value of pension fund assets at beginning of year
Plus	Plus
Interest on liabilities at rate used to discount the liabilities	Rate of return on pension fund assets
Plus	Plus
New liability for benefits earned by members in the year (current service) and increase/(decrease) in liability from experience losses/(gains)	Contributions made by members and University
Less	Less
Pension payments and lump-sum transfers	Pension payments, lump-sum transfers, fees and expenses

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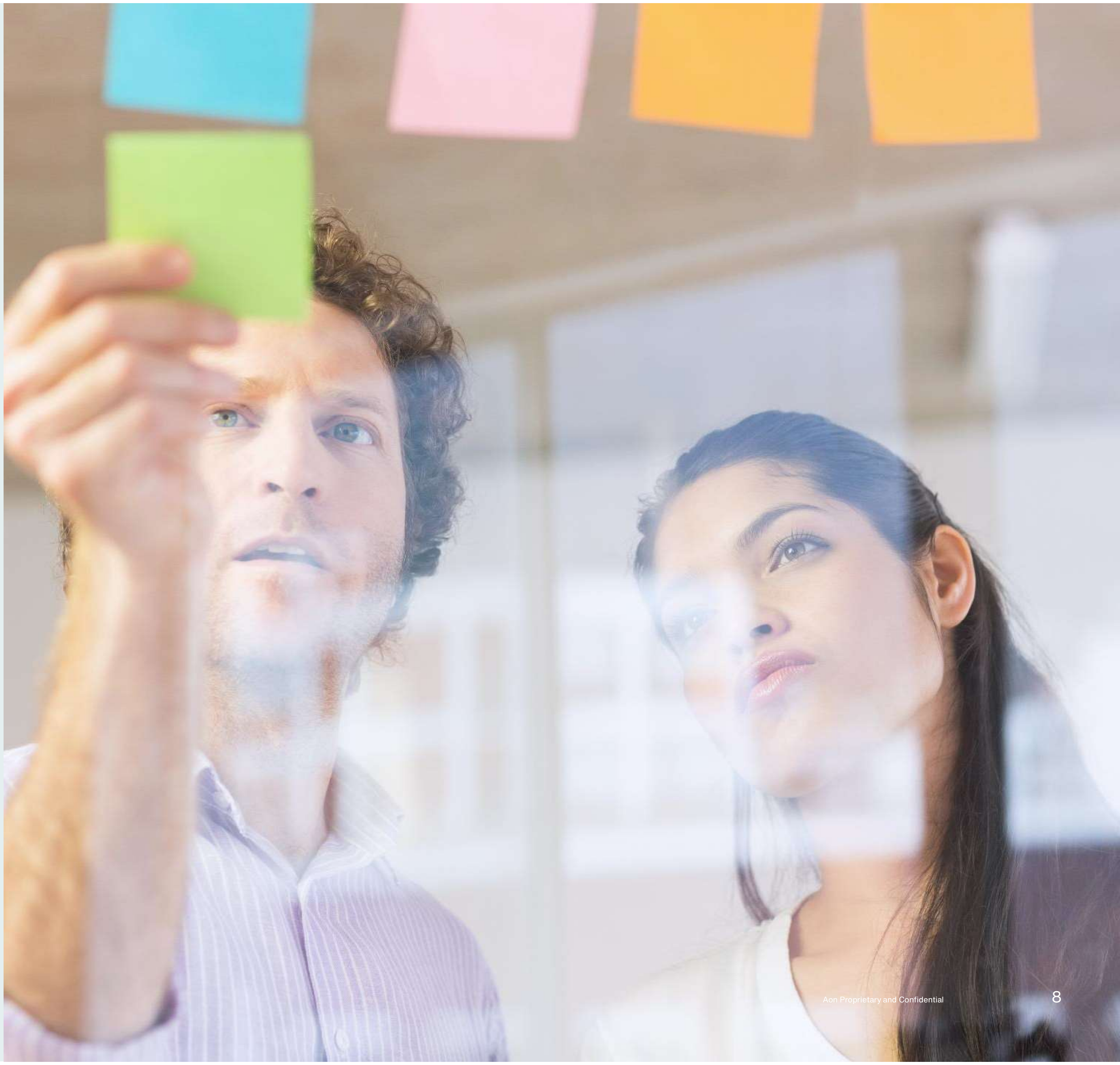
Highlights



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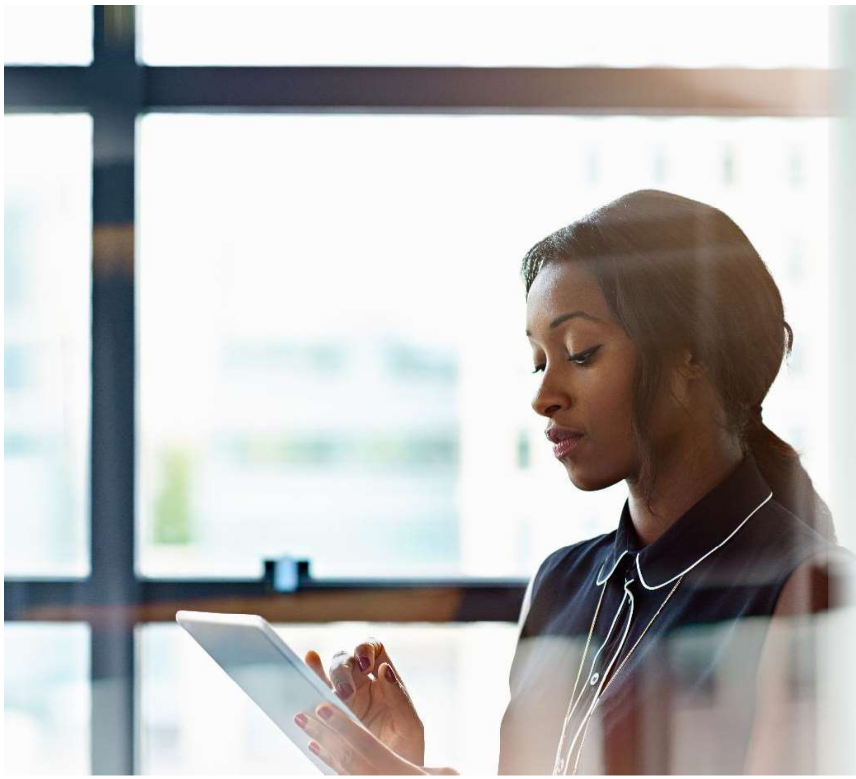
Highlights of January 1, 2023 Valuation Results



- This material includes the going concern valuation results for the Registered Pension Plan (RPP) and the Payroll Pension Plan (PPP), as well as the solvency and hypothetical wind up valuation results for the RPP, at January 1, 2023
- The going concern results have been determined using the set of assumptions discussed with the Pension & Benefits Committee on January 20, 2023; the solvency and wind up results are based on the January 1, 2023 prescribed assumptions

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Demographics

Plan Members – Demographics

	December 31, 2021	January 1, 2023
Active Members (Including Leaves)		
Number	4,851	4,984
Average age	46.9	46.8
Average years of credited service	10.3	10.1
Average pensionable earnings[1]	$ 106,874	$ 108,090
Total pensionable earnings[1]	$ 518,446,000	$ 538,791,000
LTD Members		
Number	102	111
Average age	56.8	55.3
Average years of credited service	18.0	16.1
Average pensionable earnings[1]	$ 70,222	$ 69,348
Total pensionable earnings[1]	$ 7,163,000	$ 7,698,000
Suspended Members		
Number	1	0
Average age	34.9	N/A
Average years of credited service	3.1	N/A

Plan Members – Demographics (Cont'd)

	December 31, 2021	January 1, 2023
Pensioners and Survivors		
Number	2,315	2,434
Average age	74.7	74.5
Average annual pension	$ 32,446	$ 33,419
Total annual pension	$ 75,110,000[1]	$ 81,340,408[1]
Deferred Members: Eligible for COLA on All Service		
Number	331	252
Average age	58.8	59.4
Average annual pension	$ 8,676	$ 8,957
Deferred Members: Eligible for COLA on Pre-2008 Service		
Number	101	152
Average age	47.5	51.8
Average annual pension	$ 9,772	$ 11,071
Deferred Pensions: Not Eligible for COLA		
Number	207	290
Average age	41.6	42.3
Average annual pension	$ 4,562	$ 4,918

[1] Does not reflect increase as of May 1, 2022 or 2023, as applicable

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Assumptions

Actuarial Assumptions for Going Concern Valuation—Economic Assumptions

Economic Assumptions	December 31, 2021	January 1, 2023
Increase in Consumer Price Index (CPI)	2.00% per year	No change
Indexation of Benefits	May 1, 2022 – Actual indexation 2.00% per year thereafter	May 1, 2023 – Actual indexation May 1, 2024 – 4.80% for 100% indexed benefits; 2.35% for 75% indexed benefits 2.00% per year thereafter
Increase in Year's Maximum Pensionable Earnings under Canada Pension Plan	2.75% per year (CPI + 0.75%)	No change
Increase in Income Tax Act maximum pension	$3,420.00 in 2022; increased after 2022 at 2.75% per year subject to dollar cap of $4,000 in 2023 which increases at 0.92% per year from 2024	$3,506.67 in 2023; increased after 2023 at 2.75% per year subject to hard-dollar cap of $4,000 in 2023 which increases at 0.92% per year from 2024
Increase in salaries[1]	3.00% per year for 2 years; 4.00% per year ultimate (CPI + 2.00%)	3.00% per year for 1 years; 4.00% per year ultimate (CPI + 2.00%)

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1 Across the board increases plus grid steps / merit / promotion

Actuarial Assumptions for Going Concern Valuation—Economic Assumptions

Economic Assumptions	December 31, 2021	January 1, 2023
Increase in salaries (disabled)	2.00% per year (CPI + 0.00%)	No change
Interest rate used to discount liabilities	5.50% per year (CPI + 3.30%)	6.25% per year (CPI + 4.25%)
Interest rate used to calculate 50% rule	0.80%[1] per year for 10 years; 1.20% per year thereafter	2.20%[1] per year for 10 years; 2.60% per year thereafter
Interest rate for crediting on required member contributions	2.00% per year	3.40% per year
Loading for administrative expenses	Explicit assumption of $1,606,000 in 2022 added to current service cost	Explicit assumption of $1,654,000 in 2023 added to current service cost
Provision for Adverse Deviation (PfAD)	9.00% of non-indexed liabilities and current service cost	9.60% of non-indexed liabilities and current service cost

[1] 1.20% / 1.70% for 75% indexed benefits in 2022 and 2.70% / 3.10% for 75% indexed benefits in 2023

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Actuarial Assumptions for Going Concern Valuation—Demographic Assumptions

Demographic Assumptions	December 31, 2021	January 1, 2023
Retirement age	Retirement Rates as follows:	No change
Mortality rates	2014 Canadian Pensioners Public Table ("CPM2014Public") with Improvements under Scale MI-2017	No change

Retirement rates (December 31, 2021):

Age	Rates Per 100
60	5
61	5
62	25
63	10
64	10
65	50
66	25
67	25
68	25
69	50
70	100

Actuarial Assumptions for Going Concern Valuation—Demographic Assumptions

Demographic Assumptions	December 31, 2021		January 1, 2023	
Termination rates	Age	Rates Per 100	Age	Rates Per 100
	20	10.0	20	10.0
	25	10.0	25	10.0
	30	5.6	30	5.6
	35	3.2	35	3.2
	40	2.2	40	2.2
	45	1.7	45	1.7
	50	1.2	50	1.2
	55	0.7	55	0.0
	60	0.2	60	0.0
	65	0.0	65	0.0

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Assets

Reconciliation of Plan Assets (Market Value)

	Total
Market Value of Assets, December 31, 2021 (Unadjusted for in-transit items)	**$ 2,387,653,000**
Plus	
Member contributions	$ 45,421,000
University contributions	64,117,000
Flex contributions	0
Transfers in from other plans	1,734,000
Net transfers from other accounts	0
	$ 111,272,000
Less	
Pensions and lump-sum refunds paid	$ 100,691,000
Investment and non-investment expenses and fees	6,043,000
	$ 106,734,000
Plus	
Investment Return	$ (261,896,000)
Market Value of Assets, December 31, 2022 (Unaudited)	**$ 2,130,295,000**
Rate of return (net of all expenses and fees)	-11.20%

Development of Actuarial Value of Assets

- The Actuarial Value of Assets is set equal to the Market Value of Assets at that date, net of adjustments for amounts payable/receivable upon receipt of the audited financial statements

Pension Fund Asset Mix as of January 1, 2023

Asset Class	Current Asset Mix	Target Asset Mix
Cash and short term	3%	2%
Fixed-income	32%	25%
Equities	57%	53%
Infrastructure	5%	10%
Real estate	3%	10%
Total	**100%**	**100%**

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Going Concern Valuation Results

Going Concern Valuation Results as of January 1, 2023—Registered Pension Plan – Past Service

	December 31, 2021	January 1, 2023
Past Service		
Actuarial (Market) value of assets	$ 2,380,310,000	$ 2,130,079,000
Less: Accrued liability		
Active members	$ 1,151,871,000	$ 1,047,312,000
Disabled and suspended members	23,910,000	18,929,000
Pensioners and beneficiaries[1]	916,963,000	951,224,000
Deferred vested members[1]	46,913,000	45,861,000
Additional voluntary contribution balances	245,000	219,000
Members flex contribution balances	723,000	618,000
Indexation Reserve (May 1, 2024)	N/A	21,607,000[2]
Total	**$ 2,140,625,000**	**$ 2,085,770,000**
Going concern position	$ 239,685,000	$ 44,309,000
Provision for Adverse Deviation (PfAD)	(164,656,000)	(168,428,000)
Funding Excess/(Unfunded Liability)	**$ 75,029,000**	**$ (124,119,000)**
Going Concern Funded Ratio (before PfAD)	111.2%	102.1%
Going Concern Funded Ratio (with PfAD)	103.3%	94.5%

1 Includes actual May 1 indexation adjustment
2 Reflects additional indexation as of May 1, 2024 as per actuarial assumptions

Going Concern Valuation Results as of January 1, 2023—Registered Pension Plan – Current Service

	January 1, 2022 to December 31, 2022		January 1, 2023 to December 31, 2023	
	$ Amount	% of Pensionable Earnings	$ Amount	% of Pensionable Earnings
Current Service				
Total current service cost	$ 89,150,000	16.96%	$ 79,639,000	14.57%
Provision for non-investment expenses	1,606,000	0.30%	1,654,000	0.30%
PfAD in respect of current service cost	7,226,000	1.37%	6,923,000	1.27%
Additional margin to maintain 50/50 cost-sharing[1]	N/A		9,838,000	1.80%
Less: Members' required contributions[2]	(46,353,000)	(8.82%)	(49,027,000)	(8.97%)
University Current Service Cost	**$ 51,629,000**	**9.82%**	**$ 49,027,000**	**8.97%**
As a % of members' required contributions	111.4%		100.0%	
Pensionable earnings	$ 525,607,000		$ 546,417,000	
University total funding commitment		12.45%		12.45%

1 Reflects target 50/50 cost sharing on total current service cost in accordance with Funding Policy
2 Reflects increase in members' required contributions at May 1, 2022

Going Concern Valuation Results as of January 1, 2023—Development of Special Payments

- Since the December 31, 2021 valuation filed with the regulators showed a going concern surplus, and the solvency ratio exceeded 85%, there are no required special payments from a regulatory standpoint until December 31, 2025
- If this valuation were filed with the regulators, the statutory special payments required to fund the going concern deficit would be $16,594,000 over 10 years; under legislation commencement of these payments can be deferred to one year after the valuation date (interest-adjusted)

Analysis of Experience – Past Service

		In $ Millions
Funding excess/(unfunded liability) as of December 31, 2021	$	75.0
Plus: University contributions for current service		51.6
Member contributions for current service		45.4
Special payments		12.8
Less: Total current service cost		(97.0)
Plus: Interest at 5.50% per year		4.1
Equals: Expected Funding Excess/(Unfunded Liability) as of January 1, 2023	**$**	**91.9**
Plus: Gains (losses) due to:		
Return on actuarial value of assets		(397.5)
COLA adjustment higher than assumed		(39.4)
Salary increases higher than assumed		(0.6)
Change in ITA maximum pension and YMPE lower than assumed		0.5
Mortality experience		(2.7)
Retirement experience		4.9
Termination experience		2.4
Additional year of COLA for deferred members		(0.6)
Article 12 service transferred in		1.0
Indexation reserve for May 2024		(21.6)
Miscellaneous experience		(0.1)
Equals: Funding Excess/(Unfunded Liability) as of January 1, 2023, Before Change in Assumptions	**$**	**(361.8)**
Plus: Impact of change in discount rate from 5.50% to 6.25%		225.0
Impact of change in PfAD and PfAD experience		12.7
Equals: Funding Excess/(Unfunded Liability) as of January 1, 2023	**$**	**(124.1)**

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Cap/ Protocol Calculations

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Past Service Liabilities – Impact of Indexing RPP Cap to Full Increase in ITA Limit

The chart below shows the increase in Accrued Liability at January 1, 2023 if the current RPP hard dollar cap of $4,000 indexed each year at 1/3 of the increase in the ITA limit is removed, and the ITA limit is increased by full AIW increases:

	Current Provisions	Current RPP Cap Indexed at full AIW Increase
RPP[1]	$ 2,140,625,000	$ 2,164,771,000
Increase in Liability	N/A	$ 24,146,000

[1] Includes PfAD

Current Service Cost – Impact of Indexing RPP Cap to Full Increase in ITA limit

The chart below shows the increase in Total Current Service Cost at January 1, 2023 if the current RPP hard dollar cap of $4,000 indexed each year at 1/3 of the increase in the ITA limit is removed, and the ITA limit is increased by full AIW increases:

	Current Provisions	Current RPP Cap Indexed at full AIW Increase
RPP[1]	$ 88,216,000	$ 90,685,000
As a % of Pensionable Earnings	16.14%	16.60%
Increase	N/A	0.46%

[1] Includes PfAD and provision for expenses

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Contribution Requirements

Contributions for 2023—Based on December 31, 2021 Filed Valuation

Member Contributions:	$49,027,000	8.97% of pensionable earnings
University Contributions:	1.388 x $49,027,000	12.45% of pensionable earnings (total University funding commitment)
	= $68,029,000	
	$52,949,000	Allocated to pay University current service cost under RPP in 2023 (108.0% of member contributions as per filed valuation)
	0	Allocated to pay University statutory special payments to amortize unfunded liability
	15,080,000	Additional contributions allocated to RPP
	$68,029,000	**Total University Contributions**

Contributions for 2023—Based on January 1, 2023 Filed Valuation

Member Contributions:	$49,027,000	8.97% of pensionable earnings
University Contributions:	1.388 x $49,027,000	12.45% of pensionable earnings (total University funding commitment)
	= $68,029,000	
	$49,027,000	Allocated to pay University current service cost under RPP in 2023 (100.0% of member contributions)
	16,594,000	Allocated to pay University statutory special payments to amortize unfunded liability
	2,408,000	Additional contributions allocated to RPP
	$68,029,000	**Total University Contributions**

Note that if valuation is filed, special payments required to fund any going concern unfunded liability can be deferred 12 months following the valuation date (interest-adjusted)

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Solvency and Hypothetical Wind Up Valuation Results

Solvency and Wind Up Valuations

- The solvency and wind up valuations are performed at January 1, 2023 using assumptions that are prescribed by legislation and actuarial standards
- The solvency and wind up valuations are both performed assuming the plan were to wind up on the valuation date and all benefits are settled either through an annuity purchase or the payment of lump-sum (commuted) values to members
- The solvency valuation excludes the value of indexation from the liabilities; solvency deficit is subject to funding requirements
- The wind up valuation represents the estimated liability of all benefits to be settled; wind up deficit is calculated for reporting purposes but is not required to be funded
- The wind up valuation is based on the premise that a market for fully-indexed annuities exists, which may not be practical for a pension plan of this size

Actuarial Assumptions For Solvency and Wind-Up Valuations

Assumptions	December 31, 2021 (Last Filed Valuation)	January 1, 2023
Retirement Ages	50% at unreduced age and 50% at age that results in highest commuted value	No change
Mortality Rates	CPM2014 Combined with Improvements Under Scale CPM-B	No change
Interest Rates—Solvency Valuation (Per Year)		
Active Members Age 55 and Over, Pensioners and Deferred Pensioners[1]	2.86%	4.91%[3]
Active Members Under Age 55[2]	2.30% for 10 years; 3.40% thereafter	4.30% for 10 years; 4.70% thereafter
Interest Rates— Wind-Up Valuation (Per Year)		
Active Members Age 55 and Over, Pensioners and Deferred Pensioners[1]	-0.54% (100% indexed) 0.31% (75% indexed)	0.99% (100% indexed)[3] 1.97% (75% indexed)[3]
Active Members Under Age 55[2]	0.80% for 10 years; 1.20% thereafter (100% indexed) 1.20% for 10 years; 1.70% thereafter (75% indexed)	2.20% for 10 years; 2.60% thereafter (100% indexed) 2.70% for 10 years; 3.10% thereafter (75% indexed)

[1] Settled through annuity purchase
[2] Settled through commuted value
[3] Depends on release of final guidance from Canadian Institute of Actuaries for January 1, 2023 actuarial valuations

Solvency and Wind Up Valuation Results as of January 1, 2023

	December 31, 2021		January 1, 2023	
	Solvency Valuation	Wind Up Valuation	Solvency Valuation	Wind Up Valuation
Market Value of Assets	**$ 2,380,310,000**	**$ 2,380,310,000**	**$ 2,130,079,000**	**$ 2,130,079,000**
Less: Wind up expenses	(500,000)	(500,000)	(500,000)	(500,000)
Solvency/wind up assets	$ 2,379,810,000	$ 2,379,810,000	$ 2,129,579,000	$ 2,129,579,000
Solvency/Wind Up Liabilities				
Active members	$ 1,327,244,000	$ 1,725,513,000	$ 1,040,447,000	$ 1,349,199,000
Disabled and suspended members	30,873,000	44,075,000	20,963,000	29,431,000
Pensioners and beneficiaries	942,238,000	1,288,850,000	859,300,000	1,180,253,000
Deferred vested members	62,223,000	122,232,000	46,028,000	80,357,000
Voluntary contribution balances	245,000	245,000	219,000	219,000
Member flex contribution balances	723,000	723,000	618,000	618,000
Total	**$2,363,546,000**	**$ 3,181,638,000**	**$ 1,967,575,000**	**$2,640,077,000**
Excess/(Deficiency)	**$ 16,264,000**	**$ (801,828,000)**	**$ 162,004,000**	**$ (510,498,000)**
Transfer ratio (market value of assets/ wind up liabilities)	N/A	0.75	N/A	0.81
Solvency ratio (market value of assets/ solvency liabilities)	1.01	N/A	1.08	N/A

Notes:

- Difference between Solvency and Wind Up Valuation is that Wind Up Valuation includes indexation under Plan, whereas Solvency Valuation excludes the indexation.

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Payroll Pension Plan Calculations

AON

Going Concern Valuation Results as of January 1, 2023—Payroll Pension Plan

	December 31, 2021	January 1, 2023
Past Service		
Market value of assets	$ 49,732,000	$ 36,214,000[1]
Less: Accrued liability		
Active members	$ 0	$ 0
Pensioners and beneficiaries[2]	22,917,000	21,865,000[3]
Indexation reserve (May 1, 2024)[4]	N/A	356,000
PfAD	N/A	N/A
Total	**$ 22,917,000**	**$ 22,221,000**
Funding excess/(unfunded liability)	$ 26,815,000	$ 13,993,000
Current Service		
University current service cost	$ 0	$ 0

[1] Reflects realignment of assets to liabilities over a three-year period
[2] Includes actual May indexation adjustment
[3] Annual pension payments from PPP are approximately $1.8 million
[4] Reflects additional indexation as of May 1, 2024 as per actuarial assumptions

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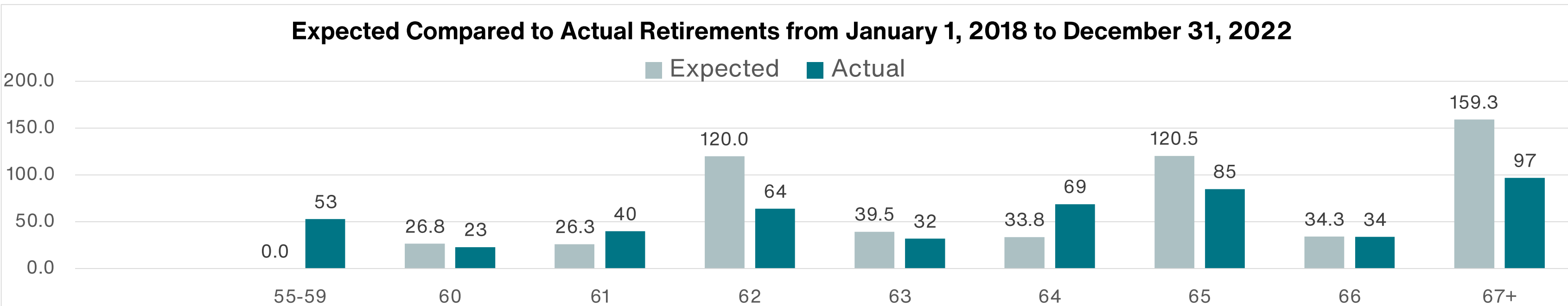
Appendix

AON

Retirement Age Experience

The following chart compares the actual retirements in the period January 1, 2018 to December 31, 2022 to the retirements that would have been expected during the period based on the assumed retirement rates adopted at the January 1, 2020 valuation.



Ages	Expected	Actual
55-59	0.0	68
60	33.7	33
61	33.2	51
62	147.0	79
63	49.6	46
64	43.4	94
65	162.5	115
66	46.3	43
67+	197.0	120

Mortality Rates

- Since January 1, 2020, the mortality table being used is 2014 Canadian Pensioners' Public Sector Mortality Table with Improvements Under Scale MI-2017, projected from 2014
- Following table shows actual versus expected deaths for members of the RPP for 2015 through 2022:

	2015	2016	2017	2018	2019	2020	2021	2022	Total
Actual Deaths	51	57	53	62	61	74	68	87	513.0
Expected Deaths (2014 CPM Public Table with Improvements Under Scale MI-2017)	55.8	58.6	61.6	63.7	66.4	68.3	70.0	73.9	518.2

Definition of Terms

Definition	
Accrued liability	The actuarial present value of the benefits earned by members in respect of their service prior to the valuation date. For active and disabled members, the accrued benefits reflect anticipated future salary increases. For pensioners, the accrued liability reflects the actuarial present value of future benefit payments.
Actuarial value of assets	The method for this valuation assumes the actuarial value of assets is set equal to the market value of assets.
Funding excess/(unfunded liability)	Amount by which the actuarial value of assets exceeds/(is less than) the accrued liability.
Funding reserve	The amount by which the market value of assets exceeds/(is less than) the actuarial value of assets.
Members' pensionable earnings	The covered earnings (see definition under "Plan Provisions") for active and disabled members accruing service at the valuation date.

Definition of Terms

Definition	
Current service cost	The actuarial present value of the benefits expected to be earned by active and disabled members in respect of service during the year following the valuation date. The required member contributions are subtracted from the total current service cost to derive the University current service cost. For funding purposes, the University current service cost is expressed as a percentage of the required member contributions. This amount is also shown as a percentage of members' pensionable earnings.
Solvency liability	The actuarial present value of benefits earned for service prior to the valuation date, determined as if the Pension Plan were terminated on the valuation date. The solvency liability excludes liabilities for future escalated adjustments (indexation).
Wind up liability	Equal to the solvency liability, but including liabilities for future escalated adjustments.
Transfer ratio	The ratio of market value of assets to the wind up liability.

Definition of Terms

Personnel Data	
Active members	Members contributing to the Pension Plan as of the valuation date. Includes both full-time and part-time members and members on a paid or unpaid leave of absence who have elected to pay their required member contributions.
Disabled members	Members who are certified to be totally disabled by a medical doctor and in receipt of disability income under the University's long-term disability income plan. Such members continue to accrue benefits but do not make the required member contributions.
Pensioners and surviving beneficiaries	Members who have retired as of the valuation date, or surviving beneficiaries of such members, and are in receipt of a pension from the trust fund.
Deferred vested members	Members who have terminated employment as of the valuation date and who are entitled to a monthly pension commencing at normal retirement date.
Suspended members	Members who have previously joined the Plan but elected to cease making further contributions to the Plan until age 35.

Legal Disclaimer

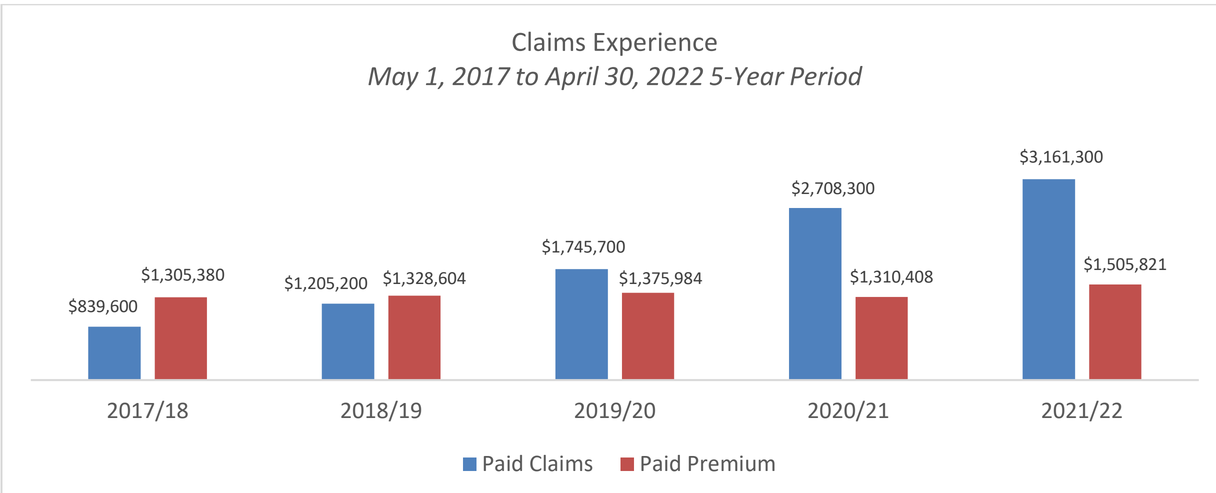
Group Benefits Program

Annual Renewal effective May 1, 2023

a. Life Insurance – Premium Rate

The University participates in the University Life Insurance Plan (ULIP) which is insured by Sun Life Financial; a competitive bidding proposal process will be required to confirm the vendor effective May 1, 2024. Premium rates are established based on experience and the participating universities have a share in the financial results.

Claims for life insurance can be volatile and as such, five years of experience is included in the analysis and calculation of the required premium rates.



Costs (paid claims plus expenses) exceeded premiums paid during the May 1, 2021 to April 30, 2022 financial accounting period and the deficit of $1,870,684 required a transfer from the Claims Fluctuation Reserve (CFR). The University's CFR was insufficient with a balance of ($1,392,309) as of May 1, 2021 and as such, the ULIP aggregate CFR was leveraged. The University's CFR has a balance of ($3,257,436) as of April 30, 2022; a fully funded CFR amounts to 25% of premium (i.e. $376,205 based on premium paid in the 2021/2022 year).

The Unrestricted Deposit Account (UDA) is $1,120,131 as at April 30, 2021 (was $1,584,668 at April 30, 2021; April 30, 2023 estimate is $742,131). The full amount in the UDA is available for withdrawal; alternatively, a transfer could be made to the CFR and/or used to reduce the premium rate for the upcoming year.

Claims experience analysis as well as the financial accounting indicates that a 10% increase to the contract rate for Basic Life is required for the upcoming year. Although the rate guarantee for the Optional Life rate table expires April 30, 2023, Mercer was able to negotiate no change for an additional year.

Basic Life Volume	Current		Effective May 1, 2023		Change	
	Contract Rate	*Annual Premium*	*Contract Rate*	*Annual Premium*		
$1,021,505,400	$0.140 per $1,000	$1,716,129	$0.154 per $1,000	$1,887,742	$171,613	10%

Note: Rates do not include any applicable taxes

The University has been remitting premium to Sun Life Financial based on a rate that is subsidized by the UDA, the “paid rate”. At present, the paid rate of $0.126 per $1,000 is 10% lower than the 2022/23 contract rate. Due to the balance in the UDA, the University has flexibility with respect to the paid rate to be implemented effective May 1, 2023.

	Option 1 Maintain 2022/23 Paid Rate		Option 2 Maintain 10% Subsidy		Option 3 Implement 20% Subsidy	
	Rate per $1,000	*Annual Premium*	*Rate per $1,000*	*Annual Premium*	*Rate per $1,000*	*Annual Premium*
Contract Rate	$0.154	$1,887,742	$0.154	$1,887,742	$0.154	$1,887,742
Paid Rate	$0.126	$1,544,516	$0.139	$1,703,871	$0.123	$1,507,742
Difference		$343,226		$183,871		$380,000

Notes: “Difference” would be funded through the UDA; rates do not include any applicable taxes; the University pays 100% of the premium for a Basic Life benefit of 1 times earnings and 67% of the premium for 2 or 3 times earnings. Optional Life is 100% employee paid. All employer paid life insurance premium results in a taxable benefit for employees.

Previous UDA Decisions. In March 2021, the Pension & Benefits Committee agreed to a transfer in the amount of $146,000 from the UDA to the CFR. This was calculated as the difference between a 30% subsidy to the premium rate that had applied effective May 1, 2020 and the 20% subsidy that was implemented effective May 1, 2021. In March 2022, the Pension & Benefits Committee decided to reduce the subsidy from 20% to 10%, with no additional transfer from the UDA to the CFR.

Action Required: ***Decision (paid rate effective May 1, 2023; UDA direction)***

b. Long Term Disability (LTD) – Premium Rate

The insurer of the LTD benefit transitioned from Canada Life to Sun Life Financial effective May 1, 2022. The underwriting method utilized is an experience-rated, non-refund arrangement. Premium rates are established based on claims experience but the University does not have a share in the financial results. The LTD benefit is fully paid for by employees and as a result, in the event of a claim, benefit payments are non-taxable.

The premium rate with Sun Life Financial is guaranteed for a 24-month period and as such, the first rate renewal will be effective May 1, 2024. The maximum rate adjustment that can apply at that time is 15% which will be guaranteed for another 24 months; thereafter, a rate adjustment cap does not apply and the contract will be subject to annual rate renewals.

Current Monthly Insured Earnings	Current		Effective May 1, 2023		Change	
	Rate (% of earnings)	*Annual Premium*	*Rate (% of earnings)*	*Annual Premium*		
$40,954,989	1.015%	$4,988,318	1.015%	$4,988,318	$0	0%

Note: Rates do not include applicable taxes; insured earnings based on projected 2022/23 volumes

The LTD plan design includes an annual indexing provision for the maximum insured earnings effective each May 1. Historically, this indexing provision has been aligned with the percentage adjustment that applies to pensionable earnings for employees in receipt of LTD. Effective May 1, 2023, the decision is to apply a 1% increase to the pensionable earnings for employees in receipt of LTD based on the salary scale adjustments included in current agreements for active employees. As such, the recommendation is to apply a 1% increase to the maximum insured salary for LTD effective May 1, 2023 which represents a change from $190,549 to $192,454. In the event that the salary scale increase changes from 1%, the new adjustment would apply to both the pensionable earnings for employees in receipt of LTD as well as the maximum insured earnings for the LTD benefit.

Illustration of Employee Impact

Sample Salary		LTD Monthly Premium for Employees*		
		May 2022-April 2023	*May 2023-April 2024*	*Difference*
$35,000		$29.60	$29.60	$0
$65,000		$54.98	$54.98	$0
$100,000		$84.58	$84.58	$0
$125,000		$105.73	$105.73	$0
Maximum Insured Salary	$190,549	$161.17	$161.17	$0
	$192,454	$161.17**	$162.78	$1.61

**Based on rates that exclude any applicable taxes*
***Premium is capped at the insured earnings maximum of $192,454*

Action Required: ***Decision (Indexed Maximum Insured Salary effective May 1, 2023)***

c. Healthcare Benefits – ASO Fees/Charges

The provider for the healthcare benefits (i.e. prescription drugs, paramedical practitioners, out-of-country, hospital, medical services & supplies, and dental) transitioned from Canada Life to Green Shield Canada (GSC) effective January 1, 2023. These benefits are provided mainly on an Administrative Services Only (ASO) basis.

With an ASO arrangement, the University is responsible for paying the provider for all claims paid plus their charges up to the pooling limit of $50,000 per year per individual. There are two components to GSC's Stop Loss pooling threshold of $50,000 per individual:

1. In-country component (calculated as a percentage of the University's claims)
2. Out-of-country component (rates are based on the experience of GSC's entire pool)

Travel Assistance provides individuals outside of the country, with assistance in the event of a medical emergency (i.e. locating medical care, hospital admission, transportation services); this element is also fully pooled (rates are based on the experience of GSC's entire pool).

The ASO fees/charges with GSC effective January 1, 2023 are guaranteed for a 60-month period with the exception of individual pooling/travel assistance charges which are guaranteed for a 24-month period. As such, the first renewal with GSC will be effective January 1, 2025 for individual pooling/travel assistance and January 1, 2028 for claims settlement charges (to be adjusted to May 1 to align with the fiscal year).

<table>
<tr><th colspan="3" rowspan="2">ASO Fee/Charge</th><th colspan="2">Current
Effective January 1, 2023</th><th colspan="2">Effective May 1, 2023</th><th colspan="2" rowspan="2">Change</th></tr>
<tr><th>*Charge*</th><th>*Annual Cost*</th><th>*Charge*</th><th>*Annual Cost*</th></tr>
<tr><td colspan="3">Claims Settlement</td><td>2.75%</td><td>$410,526</td><td>2.75%</td><td>$410,526</td><td>$0</td><td>0%</td></tr>
<tr><td colspan="3">Individual Pooling</td><td>3.70%</td><td>$552,344</td><td>3.70%</td><td>$552,344</td><td>$0</td><td>0%</td></tr>
<tr><td colspan="3">Member ID Cards (Mailed to Members)</td><td>$1.80
per card</td><td>TBD</td><td>$1.80
per card</td><td>TBD</td><td>$0</td><td>0%</td></tr>
<tr><td colspan="2" rowspan="2">Travel Assistance</td><td>Single</td><td>$0.25</td><td>$6,702</td><td>$0.25</td><td>$6,702</td><td>$0</td><td>0%</td></tr>
<tr><td>Family</td><td>$0.50</td><td>$33,210</td><td>$0.50</td><td>$33,210</td><td>$0</td><td>0%</td></tr>
<tr><td rowspan="4">$50K
Travel
Stop Loss</td><td rowspan="2">Active Employees under age 70
(180 days per trip)</td><td>Single</td><td>$0.85</td><td>$16,422</td><td>$0.85</td><td>$16,422</td><td>$0</td><td>0%</td></tr>
<tr><td>Family</td><td>$1.70</td><td>$87,944</td><td>$1.70</td><td>$87,944</td><td>$0</td><td>0%</td></tr>
<tr><td rowspan="2">Active Employees age 70+ and Retirees
(60 days per trip)</td><td>Single</td><td>$4.05</td><td>$30,326</td><td>$4.05</td><td>$30,326</td><td>$0</td><td>0%</td></tr>
<tr><td>Family</td><td>$8.10</td><td>$118,973</td><td>$8.10</td><td>$118,973</td><td>$0</td><td>0%</td></tr>
<tr><td colspan="3">*Combined*</td><td colspan="2">*$1,256,447*</td><td colspan="2">*$1,256,447*</td><td>*$0*</td><td>*0%*</td></tr>
</table>

Notes: Charges are calculated as a percentage of paid claims except for GSC's pooling charge (percentage of paid claims plus administration fees) and Travel Assistance which are a monthly charge per covered member. Exhibit is based on projected claims (approx. $23.03M on a combined basis, 41% pay direct drug, 23% other medical, and 35% dental) and December 2022 headcounts.

Action Required: ***None (information purposes only)***

d. Healthcare Benefits – Budget Rates

Budget rates for the extended health and dental benefits are calculated each year by Aon using underlying claims experience, ASO fees/charges, recent plan amendments (e.g. indexed maximums), and loss ratio against budget.

These budget rates are used to determine applicable cost sharing (with affiliates and part-time employees) and to generate funds in the account which is used to pay the monthly ASO bill. These benefits are fully employer paid with the exception of part-time employees who have a share in the cost relative to their full-time equivalency (e.g. an employee who works 50% of the standard workweek pays 50% of the monthly rate).

Projected claims analysis indicates changes to the budget rates for the extended health and dental benefits for the upcoming year. The trend factors (including plan design changes) used by Aon for extended health has increased from 6% to 6.7% and for dental, has increased from 6% to 8.8%.

Benefit	Coverage Level	Participants	Current		Effective May 1, 2023		Change	
			Monthly Rate	*Aggregate Annualized*	*Monthly Rate*	*Aggregate Annualized*		
Extended Health	Single	2,234	$71.24	$1,909,802	$71.88	$1,926,959	$153,318	0.9%
	Family	5,535	$227.33	$15,099,259	$229.38	$15,235,420		
Dental	Single	1,281	$48.72	$748,924	$55.00	$845,460	$1,026,908	12.9%
	Family	4,100	$146.60	$7,212,720	$165.51	$8,143,092		
Combined			*$24,970,705*		*$26,150,931*		*$1,180,226*	*4.7%*

Note: Rates include a margin for tax; based on projected claims experience and December 2022 headcounts

Action Required: ***Decision (rates effective May 1, 2023)***

TO: University of Waterloo, Board of Governors

FROM: WATSON Advisors Inc. (WATSON)

DATE: February 27, 2023

SUBJECT: Board and Committee Self-Evaluation Process

EVALUATION PROCESS

Members of the Board of Governors and its Committees will soon receive a link to the University of Waterloo Board of Governors annual self-assessment survey.

Similar to previous years, the purpose of the survey is to identify opportunities for improvement with respect to the University of Waterloo Board of Governors and its Committees. The survey is an important opportunity for Governors to provide feedback on their experience with the Board.

Your responses will be anonymous. Your name is only requested for the purposes of following up with those who have not completed the survey as the deadline approaches. Your name will not be associated with your responses. All responses will be reported in the aggregate. Any specific feedback that is referenced in the reporting of the results will not be attributed to any particular participant.

Your feedback is essential to understanding the strengths of the Board, as well as areas for improvement. You are encouraged to set aside sufficient preparation time to offer robust, specific, and candid feedback. We are aiming for 100% participation.

This year, WATSON will be administering the survey on behalf of the University of Waterloo Board of Governors. You will recall that WATSON has been engaged by the University of Waterloo to implement the recommendations arising out of the prior comprehensive review of the University's governance. You can expect to be emailed the link to the online survey from a WATSON account. WATSON will provide a summary report based on our responses to the survey, which will be made available to the Board of Governors and its Committees at a later meeting.

Thank you in advance for your thoughtful consideration of the survey questions and for providing us with your feedback. Effective governance is the product of a commitment to continuous improvement. Your responses to this survey are a key tool in our journey of continuous improvement and to achieving effective governance.

To: Finance & Investment Committee
Pension & Benefits Committee
Pension Investment Committee

From: Mike Ashmore, chair, Finance & Investment Committee
Peter Barr, chair, Pension & Benefits Committee
Sheryl Kennedy, chair, Pension Investment Committee

Date: 8 February 2023

Subject: **Draft revisions to committee resolutions**

Per the terms of reference for the Pension Investment Committee directing that the chair shall "…meet at least annually with the Pension & Benefits Committee and the Finance & Investment Committee", the three committee chairs have met several times in 2021 and 2022, including most recently in November/ December 2022. As part of those discussions and in conjunction with the Governance Review undertaken by the Governance Committee, the chairs have prepared suggested revisions to the committee resolutions/terms of reference for the three committees, as follows:

- **Proposed increase to the delegation of Board authority to committees.** The amendments would provide greater scope of empowerment to the committees such that Board involvement would be focused on major policy decisions (e.g. changes to SIPP/investment guidelines), with the committees thereafter having scope to make all decisions on approval/termination of investment managers/mandates, as well as asset purchase/sale decisions within the Board-approved asset mix limits
- **Recognition of investment expertise on committees, and alignment of responsibilities to reflect expertise.** Following more than two years of operation for the Pension Investment Committee, the experience to date has shown that the PIC's requirements to consult with either FI and/or PB is not reflective of the considerable expertise that resides with the committee and at times is cumbersome, causing delay in investment decisions. As well, the cross-appointment of members from FI and PB on PIC render much of the formal reporting/consultation to be somewhat redundant. The amendments proposed will establish PIC as a subcommittee of only PB and signals a shift to principles-based consultation between the committees as appropriate, avoiding for the most part any prescriptive approach and promoting greater agility for investment decision making. PIC would continue to provide regular reports to FI and PB, and would continue to receive advice from FI given the latter body's responsibility for oversight of the University's financial affairs. It is important in streamlining to not lose the benefits of synergies
- **Increase cumulative annual transactions for PIC approval from 15% to 20% of the Plan's total assets at the beginning of the calendar year.** This is congruent with the good interaction and operations at PIC since inception, and signals the increased independence accruing to that committee
- **Consistent voting practices between committees.** The proposed removal of the PIC rule requiring votes from each constituency reflects good governance principles and the fiduciary duty to all beneficiaries that PIC members must exercise in the investment of the pension funds, as well as the collegial operation of the committee since its inception. Further, the quorum rule for PIC ensures that each of the required constituencies are represented when voting occurs.
- **Enunciate mutual recognition of due diligence**. In approving new investment managers/mandates and monitoring performance, the FI and PIC committees will be able to avoid duplication of efforts and will have the option of relying upon due diligence conducted by the other body. The cross-representation between the two committees will enable participation from members of both committees in investment manager searches across the various pools of capital

- Clarify language around membership appointments
    - The review of the PIC terms of reference and its membership contemplated the eventual inclusion of representation from the new OPSEU union; however that union is presently in the initial bargaining phase for its collective agreement and no such inclusion was made
- Adjust reference to Statement of Investment Policy and Procedures to include the Fund Implementation Procedures (the “SIPP” and the “FIP”, respectively)
- Refer to new responsibilities as they pertain to the Board-approved Responsible Investment Policy
- Amended wording around meeting frequency, with differences noted as appropriate
- Utilize common language for appointments/termination of managers, and also clarifying wording to delineate approval of investment managers vs. approval of manager for a specific mandate e.g. an investment manager that is approved for a global equity mandate is not automatically approved for asset categories beyond global equity
- **General tidying of text for increased clarity.** The amendments aim to harmonize language and responsibilities across the resolutions where appropriate, reflecting established practices and removing extraneous appendices

Following discussion of the suggested revisions at the Governance Committee in January 2023, the draft revisions are brought forward to the committee for discussion/comment.

Draft revised versions

Finance & Investment Committee – Terms of reference

1. MEMBERSHIP

The membership of this Committee shall be appointed by the Board of Governors on the recommendation of the Governance Committee and shall consist of a maximum of nine members, with the majority being external members of the Board of Governors. One member shall also be a member of the Audit & Risk Committee, and at least one member shall also be a member of the Pension Investment Committee.

The Chair of the Committee shall be chosen from among the external members by the Board of Governors on the recommendation of the Governance Committee. All members are expected to have financial expertise and experience.

2. MEETINGS

The Committee will meet at least four times a year, approximately quarterly, and may meet more often as necessary.

3. TERMS OF REFERENCE

General

a. To exercise oversight over the financial affairs of the University
b. To monitor operating results relative to established budgets
c. To review the framework within which the University's annual operating budget is developed and to recommend the University's annual operating budget to the Board
d. To review, at least annually, the University's debt and debt retirement plan

Investment of non-pension assets

e. To review, at least annually, all of the University's investment policies and guidelines
f. To exercise oversight and responsibility for compliance with Board-approved Responsible Investment Policy for funds/investments falling within the committee's authority
g. To recommend to the Board investment policies and guidelines for all investment funds except for pension investments, and to review and provide input to the Pension Investment Committee in that body's annual review of the Statement of Investment Policies and Procedures and Fund Implementation Procedures
h. To approve on behalf of the Board of Governors the approval/termination of external fund managers/mandates for all investment funds except pension investments. The committee may, at its discretion, rely upon the due diligence of the Pension Investment Committee in making decisions on external fund managers
i. To approve investment decisions within the approved mix and amongst the approved managers/mandates in compliance with the University's investment policies and guidelines for all investment funds except pension investments
j. To monitor the performance of all external fund managers/mandates and the market conditions for the University's investments funds, including meeting with external fund managers from time to time as appropriate. The committee may, at its discretion, rely upon the due diligence conducted by the Pension Investment Committee in carrying out its responsibilities under this article.

Reporting and Liaison

k. To report on its activities at least quarterly to the Board of Governors, including all approvals/terminations and transactions under articles (h) and (j)
l. To review, at least annually, the adequacy of the Committee's terms of reference as well as those of the Pension & Benefits Committee and the Pension Investment Committee, in consultation with the chairs of the other committees, and to propose any needed amendments to the Governance Committee
m. The chair is to meet, at least annually, with the chairs of the Pension & Benefits Committee and the Pension Investment Committee to ensure efficiency and effectiveness of investment governance across all of the University's funds

Pension & Benefits Committee – Terms of reference

1. MEMBERSHIP

The membership of this Committee shall be appointed by the Board of Governors on the recommendation of the Governance Committee and shall consist of the following voting members:

a. The Vice-President, Academic & Provost
b. The Vice-President, Administration & Finance
c. Two members of the Board of Governors from among the seventeen (17) Board members appointed by the Lieutenant Governor-in-Council or elected by the Board from the community-at-large
d. Two members appointed on the recommendation of the President of the University of Waterloo
e. Three members of the regular faculty appointed on the recommendation of the President of the University's Faculty Association
f. Two members of the regular University Support Staff appointed on the recommendation of the President of the University's Staff Association
g. One member of the unionized staff appointed on the recommendation of the President of CUPE Local 793
h. One retiree who is receiving a University of Waterloo pension, appointed on the recommendation of the President of the University's Retirees Association

In addition, a non-voting member representing the Affiliated and Federated Institutions of Waterloo (AFIW) shall be appointed by the Board of Governors on the recommendation of the AFIW Heads.

The normal term of office shall be three years, renewable once.

The Chair of the Committee shall be appointed from among the external members of the committee by the Board of Governors on the recommendation of the Governance Committee.

2. MEETINGS

The Committee will meet at least four times a year and may meet more often as necessary. Recent practice has been to meet monthly from September to March, and in May and June.

3. TERMS OF REFERENCE

The Committee shall have full power to administer employee pension and benefits plans approved by the Board, such power to include, but not limited to, the following:

<u>Pension plan administration</u>

a. To make and enforce such rules and regulations as it shall deem necessary for the effective and efficient administration of the pension plan under the relevant legislation and regulations and to decide all questions concerning the pension plan, including who is eligible to participate. The Committee delegates day-to-day responsibility for the administration of the pension and benefits plans to the Human Resources department of the University.
b. To prepare accounts and records showing the detailed operation of the pension plan and to make an annual report to the Board of Governors
c. To review the annual audit of the Pension Plan Fund Financial Statements
d. To appoint a consulting actuary and to commission research on pension or benefits
e. To recommend changes in pension and benefits plans to keep them current with respect to other universities and major employers, being mindful of the financial context in which the University operates
f. To make policy decisions relevant to administration of benefits plans and to periodically adjust plans as required to comply with: legislation; changes in medical fee schedules; changes in insurance premiums due to changing experience ratings or other causes; creation of new categories of employees; and other such changes required to keep benefit plans current

g. To recommend to the Board the appointment of custodians/trustees, on the recommendation of the Pension Investment Committee

<u>Oversight of pension investments</u>

h. To recommend to the Board of Governors the investment policy for pension assets as described in the Statement of Investment Policy and Procedures(SIPP) along with the Fund Implementation Procedures(FIP), on the recommendation of the Pension Investment Committee
i. To approve on behalf of the Board of Governors the approval/termination of external fund managers/mandates for the pension fund investments, on the recommendation of the Pension Investment Committee
j. To exercise oversight and responsibility for compliance with Board-approved Responsible Investment Policy for funds/investments falling within the committee's authority, with delegation for this activity to the Pension Investment Committee
k. To approve asset mix changes and investment decisions in compliance with the SIPP and FIP amongst the approved managers/mandates where the cumulative annual transaction(s) represents greater than 20% of the Plan's total assets at the beginning of the calendar year, upon the recommendation of the Pension Investment Committee, with review and advice from the Finance & Investment Committee

<u>Reporting and Liaison</u>

l. To review, at least annually, the adequacy of the Committee's terms of reference as well as those of the Pension Investment Committee, in consultation with the chairs of the Finance & Investment Committee and the Pension Investment Committee, and to propose any needed amendments to the Governance Committee
m. The chair is to meet, at least annually, with the chairs of the Finance & Investment Committee and the Pension Investment Committee to ensure efficiency and effectiveness of investment governance across all of the University's funds

4. GENERAL PROVISIONS

Members of the Committee may participate in the benefits under the pension plan provided they are otherwise eligible to do so. Except as otherwise provided by the Board of Governors of the University, no member of the Committee shall receive any compensation for services. No bond or other security shall be required of any member of the Committee in such capacity in any jurisdiction, except as expressly required by law.

In administering the pension plan neither the Committee, or any member thereof, nor the Board of Governors of the University, or any member thereof, nor the University, or any officer or employee thereof, shall be liable for any acts of omission or commission, except for his/her or its own individual, willful and intentional malfeasance or misfeasance. The University and its officers and directors, and each member of the Committee shall be entitled to rely conclusively on all tables, valuations, certificates, opinions and reports which shall be furnished by any actuary, accountant, trustee, counsel or other expert who shall be employed or engaged by the University or the Committee.

Whenever, in the administration of the pension plan, any action by the Committee or the University is required, such action shall be uniform in nature as applied to all persons similarly situated.

Pension Investment Committee – Terms of Reference

The Pension Investment Committee (the “committee”) is a subcommittee of the Pension & Benefits Committee that oversees the investment of the assets of the University of Waterloo Pension Plan (“the Plan”).

1. Mandate

The committee is mandated to oversee the investments of the Plan recognizing that (a) the Plan is funded through employee and employer contributions and (b) investment decisions are based on a full understanding of the underlying liabilities, within acceptable risk tolerances, and also being mindful of the fees incurred by the Plan

2. Membership

The membership of the committee shall be appointed by the Board of Governors on the recommendation of the Governance Committee and shall include voting and non-voting members from the following constituencies:

a. Three (3) voting members appointed from the Board of Governors, with pension risk management and/or investment expertise, of which at least one (1) member will be a member of the Finance & Investment Committee
b. Two (2) voting members having pension risk management and/or investment expertise, drawn from the complement of regular faculty, staff, and retirees and appointed on the recommendation of and via consensus agreement by the presidents of Faculty Association of the University of Waterloo (FAUW), the University of Waterloo Staff Association (UWSA), Canadian Union of Public Employees Local 793 (CUPE), and the University of Waterloo Retirees Association (UWRA)
c. Two (2) voting members to be drawn from the external community with expertise in pension risk and/or investment, recommended by the Pension & Benefits Committee from a master list of potential members with relevant expertise for the Pension Investment Committee, with said list updated annually, and

Four non-voting members appointed by the Board of Governors on the recommendation of the Governance Committee:

d. Two (2) from university administration appointed on the recommendation of the university president, and
e. Two (2) from the employee groups appointed on the recommendation of and via consensus among the presidents of CUPE, FAUW, UWSA, and UWRA. Normally these two representatives would not come from constituencies appointing voting members under 2(b)

At least three voting members shall have investment expertise and at least three voting members shall have experience in managing pension risk. The committee may engage experts from industry or academia if specific advice is required.

Appointments are for one (1) three-year term with the option to reappoint for one (1) additional three- year term. Members may be reappointed for two (2) additional three-year terms thereafter following a two-year break from the end of their most recent term.

The chair of the Committee is appointed from among the external members (under either 2(a) or 2(c)) of the committee by the Board of Governors, on the recommendation of the Governance Committee.

3. Meetings

The committee will meet at least four times per year, approximately quarterly, from September to June. Additional meetings will be called as required. In person attendance at meetings is encouraged, however, members may attend meetings electronically when the university and members have appropriate alternate means at their disposal. Between meetings, at the agreement of the committee and at the direction of the chair, the secretary may facilitate voting on a motion or motions through email or another suitable platform, provided none of the members object on the grounds that further information or discussion is reasonably required in order to make a proper decision. Meetings are restricted to committee members and guests invited by the committee.

Quorum will be at least four voting members, with: at least two members appointed from the Board, one member from the employee/retiree constituency, and one member from the external community.

4. Terms of Reference

Investment of Pension Assets

a. To review, at least annually, the Statement of Investment Policy and Procedures along with the Fund Implementation Procedures (the "SIPP" and the "FIP", respectively) including any input from the Finance & Investment Committee, and to recommend any amendments to the SIPP and/or FIP through the Pension & Benefits Committee to the Board of Governors
b. To make recommendations to the Pension & Benefits Committee from time to time on the selection and termination of investment manager/mandates for the Plan. The committee may also, at its discretion, rely upon the due diligence conducted by the Finance & Investment Committee in carrying out its responsibilities under this article. Each voting constituency and at least one member of the Finance & Investment Committee will be included on any selection subcommittee to facilitate efficiency and effectiveness of manager mandate selection across all the University's funds
c. To monitor the performance of all external fund managers and the market conditions for the plan's investments funds, and to meet with the external fund managers from time to time
d. To regularly review the Plan's assets for compliance with Board-approved Responsible Investment Policy, exercising oversight and responsibility on behalf of the Pension & Benefits Committee
e. To review at each meeting the investment returns of the Plan assets, the performance of the investment managers, the profile of the Plan assets with respect to acceptable risk tolerances, asset allocation, and the outlook for meeting the Plan's liabilities
f. To approve asset mix changes and investment decisions in compliance with the SIPP and FIP amongst the approved managers/mandates where the cumulative annual transaction(s) represents less than 20% of the Plan's total assets at the beginning of the calendar year. This activity includes allocations to newly-approved managers, or existing-approved managers. The committee may at its discretion place investment managers on watch based on criteria developed by the committee.

Reporting and Liaison

g. To review any reports provided by the Pension & Benefits Committee including the annual valuation, investment-related risk/return assessments, and asset-liability studies and to advise the Pension & Benefits Committee on those reports
h. To provide written reports to the Pension & Benefits Committee and to the Finance & Investment Committee at least quarterly, generally following each meeting, outlining the Pension Investment Committee's activities, decisions, recommendations, future agenda items, and any other applicable information. The committee may seek the advice of either the Pension & Benefits Committee and the Finance & Investment Committee on any matter within the committee's authority
i. To request a meeting with the Pension & Benefits Committee in the event of a significant market event or shift, to discuss issues such as: specifics of significant changes in the investment environment; desirable changes to asset mix; overall risk appetite; the quality of specific investments and/or performance of investment managers/mandates during the event or shift; and market opportunities that may be presented due to the event or shift, and report on such deliberations to the Finance & Investment Committee and the Board of Governors
j. To advise and/or make recommendations to the Board of Governors and/or the Pension & Benefits Committee on any matter within the committee's authority
k. The chair is to meet, at least annually, with the chairs of the Finance & Investment Committee and the Pension Investment Committee to ensure efficiency and effectiveness of investment governance across all of the University's funds
l. To review, at least annually, the adequacy of the Committee's terms of reference as well as those of the Pension & Benefits Committee (in consultation with that committee's chair), and to propose any needed amendments to the Governance Committee

Tracked changes versions

Finance & Investment Committee – ~~Resolution~~Terms of reference

1. MEMBERSHIP

The membership of this Committee shall be appointed by the Board of Governors on the recommendation of the Governance Committee and shall consist of ~~the following:~~

~~A~~a maximum of nine members, with the majority being external members of the Board of Governors~~, one of whom is~~. One member shall also be a member of the Audit & Risk Committee~~.~~, and at least one member shall also be a member of the Pension Investment Committee.

The Chair of the Committee shall be chosen from among the external members~~.~~ by the Board of Governors on the recommendation of the Governance Committee. All members are expected to have ~~major~~ financial expertise and experience.

2. MEETINGS

The Committee will ~~normally~~ meet at least ~~two~~four times a year, approximately quarterly, and may meet more often as necessary.

3. TERMS OF REFERENCE

General

a. To exercise ~~general~~ oversight over the financial affairs of the University~~.~~
b. To monitor operating results relative to established budgets
c. To review the ~~general~~ framework within which ~~UW's~~the University's annual operating budget is developed~~.~~ and to recommend the University's annual operating budget to the Board

~~To monitor general operating results relative to established budgets.~~

d. To review, at least annually, ~~UW's~~the University's debt and debt retirement plan~~.~~

Investment of non-pension assets

e. To review~~ and recommend to the Board, directly or indirectly through the Pension & Benefits Committee, ~~, at least annually, all ~~UW~~of the University's investment policies and guidelines~~, including rebalancing strategies.~~
f. To exercise oversight and responsibility for compliance with Board-approved Responsible Investment Policy for funds/investments falling within the committee's authority
g. To recommend to the Board investment policies and guidelines for all investment funds except for pension investments, and to review and provide input to the Pension Investment Committee in that body's annual review of the Statement of Investment Policies and Procedures and Fund Implementation Procedures
h. To approve on behalf of the Board of Governors the approval/termination of external fund managers/mandates for all investment funds except pension investments. The committee may, at its discretion, rely upon the due diligence of the Pension Investment Committee in making decisions on external fund managers
i. To approve investment decisions within the approved mix and amongst the approved managers/mandates in compliance with the University's investment policies and guidelines for all investment funds except pension investments
j. To monitor the performance of all external fund managers~~, to recommend their appointment to the Board,~~/mandates and the market conditions for the University's investments funds, including meeting with external fund managers from time to time as ~~required*, and to take actions as may be deemed~~ appropriate. The committee may, at its discretion, rely upon the due diligence conducted by the Pension Investment Committee in carrying out its responsibilities under this article.

Reporting and Liaison

k. To report on its activities~~,~~ at least ~~annually,~~quarterly to the Board of Governors~~.~~, including all approvals/terminations and transactions under articles (h) and (j)

l. To ~~assess~~review, at least annually~~,~~ the adequacy of the Committee's terms of reference as well as those of the Pension & Benefits Committee~~,~~ and the Pension Investment Committee, in consultation with the ~~Chair~~chairs of the ~~Pension & Benefits Committee,~~ other committees, and to propose any needed amendments to the Governance Committee~~.~~

~~*The Finance & Investment Committee recommends the appointment of all fund managers except those appointments made to the Board through the Pension & Benefits Committee. When the Pension & Benefits Committee is selecting a fund manager, the Chairs of the Finance & Investment Committee and of the Pension & Benefits Committee consult and reach agreement on the selection process of the fund manager as well as the extent to which the Finance & Investment Committee will act as a resource to the Pension & Benefits Committee.~~

~~**The Board of Governors on 30 October 2018 approved the delegation of specific powers and responsibilities of the Finance & Investment Committee to the Pension Investment Committee for the latter to be established as the operational locus of control for matter pertaining to the management of investment assets of the pension plan, as follows: (1) to review annually the Statement of Investment Policies and Procedures, with input from the Finance & Investment Committee; (2) to review and recommend the selection/termination of investment managers to the Pension & Benefits Committee for further recommendation to the Board of Governors; (3) to review and report on investment manager performance at least annually to the Finance & Investment committee and the Pension & Benefits Committee; (4) to approve asset mix changes and investment decisions within the list of approved investment managers where the cumulative transaction(s) represent less than 15% of the pension plans total assets at the beginning of the calendar year, with reporting to the Finance & Investment Committee and the Pension & Benefits Committee as appropriate.~~

~~Pension & Benefits Committee - Resolution~~

Pension & Benefits Committee – Terms of reference

1. MEMBERSHIP

The membership of this Committee shall be appointed by the Board of Governors on the recommendation of the Governance Committee and shall consist of the following voting members:

- a. The Vice-President, Academic & Provost
- b. The Vice-President, Administration & Finance
- c. Two members of the Board of Governors from among the seventeen (17) Board members appointed by the Lieutenant Governor-in-Council or elected by the Board from the community-at-large~~.~~
- d. Two members appointed on the recommendation of the President of the University of Waterloo~~.~~
- e. Three members of the regular faculty appointed on the recommendation of the President of the ~~UW~~University's Faculty Association~~.~~
- f. Two members of the regular University Support Staff appointed on the recommendation of the President of the ~~UW~~University's Staff Association~~.~~
- g. One member of the unionized staff appointed on the recommendation of the President of CUPE Local 793~~.~~
- h. One retiree who is receiving a University of Waterloo pension, appointed on the recommendation of the President of the ~~UW~~University's Retirees Association~~.~~

In addition, a non-voting member representing the ~~Colleges~~Affiliated and Federated Institutions of Waterloo (AFIW) shall be appointed by the Board of Governors on the recommendation of the ~~College~~AFIW Heads.

The normal term of office shall be three years, renewable once.

The Chair of the Committee shall be appointed from among the external members of the committee~~ membership~~ by the Board of Governors on the recommendation of the Governance Committee.

2. MEETINGS

The Committee ~~normally meets~~will meet at least four times a year and may meet more often as necessary. Recent practice has been to meet monthly from September ~~through~~to March, and in May and June~~; additional meetings are called as required~~.

3. TERMS OF REFERENCE

The Committee shall have full power to administer employee pension and benefits plans approved by the Board, such power to include, but not limited to, the following:

~~to~~Pension plan administration

- a. To make and enforce such rules and regulations as it shall deem necessary for the effective and efficient administration of the pension plan under the relevant legislation and regulations and to decide all questions concerning the pension plan, including who is eligible to participate. The Committee delegates day-to-day responsibility for the administration of the pension and benefits plans to the Human Resources department of the University.
- b. ~~to~~To prepare accounts and records showing the detailed operation of the pension plan and to make an annual report to the Board of Governors
- c. ~~to~~To review the annual audit of the Pension Plan Fund Financial Statements
- d. ~~to~~To appoint a consulting actuary and to commission research on pension or benefits

e. ~~to~~To recommend changes in pension and benefits plans to keep them current with respect to other universities and major employers, being mindful of the financial context in which the University operates

f. ~~to~~To make policy decisions relevant to administration of benefits plans and to periodically adjust plans as required to comply with: legislation~~,~~; changes in medical fee schedules~~,~~; changes in insurance premiums due to changing experience ratings or other causes~~,~~; creation of new categories of employees; and other such changes required to keep benefit plans current

~~to~~To recommend to the Board the appointment of custodians ~~/~~ /trustees ~~and fund managers~~

g. ~~to recommend to~~ , on the recommendation of the Pension Investment Committee

Oversight of pension investments

To recommend to the Board ~~for approval~~of Governors the investment policy for pension assets as described in the Statement of Investment ~~Policies~~Policy and Procedures

h. ~~Note:~~

~~[1] The Finance & Investment Committee will assist, advise and review on matters related to the appointment of the custodians / trustees and fund managers and investment policy. When the Pension & Benefits Committee is selecting a fund manager,~~(SIPP) along with the ~~Chairs of the Finance & Investment Committee and of the Pension & Benefits Committee consult and reach agreement on the selection process of the fund manager as well as the extent to which the Finance & Investment Committee will act as a resource to the Pension & Benefits Committee.~~

~~[2] The Human Resources Department has day-to-day responsibility for administering the benefits plans.~~

~~[3] The Board of Governors on 30 October 2018 approved the delegation of specific powers and responsibilities of the Pension & Benefits Committee to the Pension Investment Committee for the latter to be established as the operational locus of control for matters pertaining to the management of investment assets of the pension plan, as follows: (1) to review annually the Statement of Investments Policies and~~Fund Implementation Procedures~~, and to recommend any amendments to the Board of Governors through the Pension & Benefits Committee; (2) to review and recommend the selection/termination of investment managers to the Pension & Benefits Committee for further recommendation to the Board of Governors; (3) to review and report on investment manager performance at least annually to the Finance Investment Committee and the Pension & Benefits Committee; (4) to approve asset mix changes and investment decisions within the list of approved investment managers where the cumulative transactions(s) represent less than 15% of the pension plans total assets at the beginning of the calendar year, and to make recommendations to the Pension and Benefits Committee on asset mix changes where the cumulative transaction(s) represent more than 15% of the pension plans' total assets at the beginning of the calendar year, for further recommendation to the Board of Governors;(5) to review reports from the Pension & Benefits Committee including but not limited to the annual valuation of the pension plan, investment-related risk/return assessments, and asset-liability studies.~~ (FIP), on the recommendation of the Pension Investment Committee

i. To approve on behalf of the Board of Governors the approval/termination of external fund managers/mandates for the pension fund investments, on the recommendation of the Pension Investment Committee

j. To exercise oversight and responsibility for compliance with Board-approved Responsible Investment Policy for funds/investments falling within the committee's authority, with delegation for this activity to the Pension Investment Committee

k. To approve asset mix changes and investment decisions in compliance with the SIPP and FIP amongst the approved managers/mandates where the cumulative annual transaction(s) represents greater than 20% of the Plan's total assets at the beginning of the calendar year, upon the recommendation of the Pension Investment Committee, with review and advice from the Finance & Investment Committee

Reporting and Liaison

l. To review, at least annually, the adequacy of the Committee's terms of reference as well as those of the Pension Investment Committee, in consultation with the chairs of the Finance & Investment Committee and the Pension Investment Committee, and to propose any needed amendments to the Governance Committee

m. The chair is to meet, at least annually, with the chairs of the Finance & Investment Committee and the Pension Investment Committee to ensure efficiency and effectiveness of investment governance across all of the University's funds

4. GENERAL PROVISIONS

Members of the Committee may participate in the benefits under the pension plan provided they are otherwise eligible to do so. Except as otherwise provided by the Board of Governors of the University, no member of the Committee shall receive any compensation for services. No bond or other security shall be required of any member of the Committee in such capacity in any jurisdiction, except as expressly required by law.

In administering the pension plan neither the Committee, or any member thereof, nor the Board of Governors of the University, or any member thereof, nor the University, or any officer or employee thereof, shall be liable for any acts of omission or commission, except for his/her or its own individual, willful and intentional malfeasance or misfeasance. The University and its officers and directors, and each member of the Committee shall be entitled to rely conclusively on all tables, valuations, certificates, opinions and reports which shall be furnished by any actuary, accountant, trustee, counsel or other expert who shall be employed or engaged by the University or the Committee.

Whenever, in the administration of the pension plan, any action by the Committee or the University is required, such action shall be uniform in nature as applied to all persons similarly situated.

Pension Investment Committee – Terms of Reference

The Pension Investment Committee (the ~~"~~"committee~~")~~") is a subcommittee of the ~~Finance & Investment Committee and~~ Pension & Benefits Committee that oversees the investment of the assets of the University of Waterloo Pension Plan ~~("~~("the Plan~~")~~.").

1. Mandate

The committee is mandated to oversee the investments of the Plan recognizing that (a) the Plan is funded through employee and employer contributions and (b) investment decisions are based on a full understanding of the underlying liabilities, within acceptable risk tolerances, ~~while remaining~~and also being mindful of ~~liability matching requirements and optimization of~~the fees~~.~~ incurred by the Plan

2. Membership

The ~~details~~membership of the ~~mandate are as follows:~~

~~1. To review, at least annually, the Statement of Investment Policy and Procedures (SIPP) with inputfrom the Finance & Investment Committee, and to recommend any amendments of the SIPP through the Pension & Benefits Committee to the~~ committee shall be appointed by the Board of Governors

~~2. To review reports provided by the Pension & Benefits Committee including the annual valuation, investment-related risk/return assessments, and asset-liability studies and to advise the Pension & Benefits Committee on those reports~~

~~3. To meet annually with the investment managers that the Plan has retained~~

~~4. To make recommendations to the Board of Governors from time to time, through the Pension & Benefits Committee, on the selection and termination of investment managers or specific investments of the Plan~~

~~5. To review at each meeting the investment returns of the Plan assets, the performance of the investment managers, the profile of the Plan assets with respect to acceptable risk tolerances and asset allocation, and the profile of the Plan assets with respect to applicable liability matching requirements~~

~~6. To provide written reports quarterly to the Pension & Benefits Committee and to the Finance & Investment Committee outlining the Pension Investment Committee's activities, decisions, recommendations, future agenda items, and any other applicable information. The Chair will meet at least annually with the Pension & Benefits Committee and the Finance & Investment Committee. A summary report will be provided quarterly to the Board of Governors through the Pension & Benefits Committee and the Finance & Investment Committee~~

~~7. To approve asset mix changes and investment decisions in compliance with the SIPP amongst the approved investment vehicles where the cumulative annual transaction(s) represents less than 15% of the Plan's total assets at the beginning of the calendar year. This activity includes allocations to newly- approved managers, or existing approved managers. The committee may at its discretion place investment managers on watch based on criteria developed by the committee. Written reports~~ on the recommendation of ~~all such investment decisions shall be provided to the Pension & Benefits Committee,~~ the ~~Finance & Investment~~Governance Committee and ~~the Board of Governors~~

~~8. To consult with the Finance & Investment Committee prior to recommending investment decisions~~shall include voting and~~/or asset mix changes to the Board of Governors through the Pension & Benefits Committee, where the cumulative transactions in that calendar year would result in exceeding 15% of the Plan(s) total assets~~

~~9. To convene a meeting with the Pension & Benefits Committee in the event of a significant market event or shift, to discuss issues such as: specifics of significant changes in the investment environment; desirable changes to asset mix; overall risk appetite; the quality of specific investments and/or performance of investment managers during the event or shift; and market opportunities that may be presented due to the event or shift~~

~~10. To advise and/or make recommendations to the Board of Governors and/or the Pension & Benefits Committee on any matter pertaining to the management of the assets of the Plan~~

~~3. Meetings~~

~~The committee normally will meet four times per year, approximately quarterly, from September to June. Additional meetings will be called as required. In person attendance at meetings is encouraged, however,~~

~~members may attend meetings electronically when the university and members have appropriate alternate means at their disposal.~~ ~~Between meetings,~~ ~~at the direction of the chair, the secretary may facilitate voting on a motion or motions through email or another suitable platform, provided none of the members object on the grounds that further information or discussion is reasonably required in order to make a proper decision. Meetings are restricted to committee members and guests invited by the committee.~~

non-~~**Membership**~~

~~The three~~ voting members from the following constituencies ~~among members are as follows~~:

~~1.~~a. Three (3) voting members appointed from ~~and by~~ the Board of Governors, with pension risk management and/or investment expertise, of which at least one (1) member will be a member of the Finance & Investment Committee

~~2.~~b. Two (2) voting members having pension risk management and/or investment expertise, drawn from the complement of regular faculty, staff, and retirees and appointed on the recommendation of and via consensus agreement by the presidents of Faculty Association of the University of Waterloo (FAUW), the University of Waterloo Staff Association ~~(~~(UWSA), Canadian Union of Public Employees Local 793 ~~(~~(CUPE), and the University of Waterloo Retirees Association ~~(~~(UWRA)

~~3.~~c. Two (2) voting members to be drawn from the external community with expertise in pension risk and/or investment, ~~appointed by the Governance Committee of the Board of Governors. The prospective members in this category will be~~ recommended by the Pension & Benefits Committee ~~to the Governance Committee, and the Pension & Benefits Committee would be responsible to prepare~~from a master list of potential members ~~for the Governance Committee and update it annually to ensure that the Governance Committee has a list of members~~ with relevant expertise for the ~~PIC.~~Pension Investment Committee, with said list updated annually, and

~~The committee will include four~~

Four non-voting members~~: two~~ appointed by the Board of Governors on the recommendation of the Governance Committee:

d. Two (2) from university administration appointed ~~by~~on the recommendation of the university president, and ~~two~~

e. Two (2) from the employee groups appointed on the recommendation of and via consensus ~~of~~among the presidents of CUPE, FAUW, UWSA, and UWRA. ~~It is intended that all of CUPE, FAUW, UWSA and UWRA~~Normally these two representatives would ~~be represented through the two~~not come from constituencies appointing voting ~~plus two non-voting~~ members~~.~~ under 2(b)

At least three voting members shall have investment expertise and at least three voting members shall have experience in managing pension risk. The committee may engage experts from industry or academia if specific advice is required.

Appointments are for one (1) three-year term with the option to reappoint for one (1) additional three-- year term. Members may be reappointed for two (2) additional three-year terms thereafter following a two-year break from the end of their most recent term.

The chair of the Committee is appointed from among the external members (under either 2(a) or 2(c)) of the committee by the Board of Governors, on the recommendation of the Governance Committee.

3. Meetings

The committee will meet at least four times per year, approximately quarterly, from September to June. Additional meetings will be called as required. In person attendance at meetings is encouraged, however, members may attend meetings electronically when the university and members have appropriate alternate means at their disposal. Between meetings, at the agreement of the committee and at the direction of the chair, the secretary may facilitate voting on a motion or motions through email or another suitable platform, provided none of the members object on the grounds that further information or discussion is reasonably required in order to make a proper decision. Meetings are restricted to committee members and guests invited by the committee.

Quorum

~~At~~ will be at least four voting members, with: at least two members appointed from the Board, one member from the employee/retiree constituency, and one member from the external community.

~~Chair~~
~~The chair~~

4. Terms of Reference

Investment of Pension Assets

a. To review, at least annually, the Statement of Investment Policy and Procedures along with the Fund Implementation Procedures (the "SIPP" and the "FIP", respectively) including any input from the Finance & Investment Committee ~~is appointed from among the committee membership by the~~ , and to recommend any amendments to the SIPP and/or FIP through the Pension & Benefits Committee to the Board of Governors
b. To make recommendations to the Pension & Benefits Committee from time to time on the selection and termination of investment manager/mandates for the Plan. The committee may also, at its discretion, rely upon the due diligence conducted by the Finance & Investment Committee in carrying out its responsibilities under this article. Each voting constituency and at least one member of the Finance & Investment Committee will be included on any selection subcommittee to facilitate efficiency and effectiveness of manager mandate selection across all the University's funds
c. To monitor the performance of all external fund managers and the market conditions for the plan's investments funds, and to meet with the external fund managers from time to time
d. To regularly review the Plan's assets for compliance with Board-approved Responsible Investment Policy, exercising oversight and responsibility on behalf of the Pension & Benefits Committee
e. To review at each meeting the investment returns of the Plan assets, the performance of the investment managers, the profile of the Plan assets with respect to acceptable risk tolerances, asset allocation, and the outlook for meeting the Plan's liabilities
f. To approve asset mix changes and investment decisions in compliance with the SIPP and FIP amongst the approved managers/mandates where the cumulative annual transaction(s) represents less than 20% of the Plan's total assets at the beginning of the calendar year. This activity includes allocations to newly-approved managers, or existing-approved managers. The committee may at its discretion place investment managers on watch based on criteria developed by the committee. ~~, on the recommendation of~~

Reporting and Liaison

g. To review any reports provided by the Pension & Benefits Committee including the annual valuation, investment-related risk/return assessments, and asset-liability studies and to advise the Pension & Benefits Committee on those reports
h. To provide written reports to the Pension & Benefits Committee and to the Finance & Investment Committee at least quarterly, generally following each meeting, outlining the Pension Investment Committee's activities, decisions, recommendations, future agenda items, and any other applicable information. The committee may seek the advice of either the Pension & Benefits Committee and the Finance & Investment Committee on any matter within the committee's authority
i. To request a meeting with the Pension & Benefits Committee in the event of a significant market event or shift, to discuss issues such as: specifics of significant changes in the investment environment; desirable changes to asset mix; overall risk appetite; the quality of specific investments and/or performance of investment managers/mandates during the event or shift; and market opportunities that may be presented due to the event or shift, and report on such deliberations to the Finance & Investment Committee and the Board of Governors
j. To advise and/or make recommendations to the Board of Governors and/or the Pension & Benefits Committee on any matter within the committee's authority
k. The chair is to meet, at least annually, with the chairs of the Finance & Investment Committee and the Pension Investment Committee to ensure efficiency and effectiveness of investment governance across all of the University's funds

l. To review, at least annually, the adequacy of the Committee's terms of reference as well as those of the Pension & Benefits Committee (in consultation with that committee's chair), and to propose any needed amendments to the Governance Committee.

~~Voting~~

~~Where a question is to be decided with a formal vote, the result of the vote must have the support of at least one member from each of the three voting constituencies to validly carry the motion.~~

l.