

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

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

Regrets: Elizabeth Demers, William Povelofskie

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

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

OPEN SESSION

The chair welcomed new members and roundtable introductions were made.

1. REPORT FROM PENSION INVESTMENT COMMITTEE

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

2. COMMITTEE ORIENTATION

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

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

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

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

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

4. EXECUTION AGAINST THE WORKPLAN

This item was received for information.

5. ANNUAL AUDIT OF THE PENSION PLAN FUND FINANCIAL STATEMENTS

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

6. HUMAN RESOURCE UPDATE

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

GreenShield. This item was received for information.

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

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

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

7. UPP REVIEW – FUNDING STRUCTURE AND PLAN DESIGN

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

8. PENSION RISK MANAGEMENT DASHBOARD, Q1 2023

Byron provided an overview of the material provided, highlighting: the going concern deficit decreased from \$47.5 million to \$23.8 million over the quarter primarily due to the asset performance being higher than expected; the risk-free deficit decreased from \$895.6 million to \$840.3 million over the quarter due to strong asset performance and a decrease in inflation expectations implicit in underlying bond yields; and that there are no issues on solvency. The amount of March 2023 contributions to the RPP that was not yet reflected in the Aon dashboard as of March 31, 2023 due to being in transit at that date and the amount in transit was \$9.4 million. This item was received for information.

9. PENSION PLAN INVESTMENTS UPDATE, Q1 2023

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

10. CARBON DISCLOSURE REPORT

Wendland presented on the report, highlighting: the carbon metrics of total carbon emissions, weighted average carbon intensity (WACI) and carbon footprint for scope 1 and 2 emissions of the equity investments of the

investment mandates; and progress on the targets to reduce the carbon footprint for scope 1 and 2 by at least 50% by 2030 relative to year-end 2018. Members discussed: the MSCI index data used for benchmarking; and the strategies used by the university to meet the reduction targets.

11. ACTUARIAL VALUATION – 1 JANUARY 2023

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

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

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

13. BOARD-APPROVED 2023-24 OPERATING BUDGET OVERVIEW

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

14. OTHER BUSINESS

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

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

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

NEXT MEETING

The next regular meeting is scheduled for Friday 7 June 2023, 9:30 a.m. – 12:00 noon.

26 May 2023

Tim Weber-Kraljevski
Associate University Secretary