UNIVERSITY OF WATERLOO | Board of Governors

PENSION & BENEFITS COMMITTEE
FRIDAY, May 17, 2024
9:30 a.m.-11:30 a.m. EST
NH 3318
Governing Documents and Resources

TIMING	AGENDA ITEM	PAGE	ACTION
9:30 a.m.	**1. Agenda and Minutes**		
	a) Welcome to New Members	3	Information
	b) Declarations of Conflict of Interest	3	Information
	c) Approval of Agenda	3	Decision
	d) Approval of the March 22, 2024 Minutes	3	Decision
	e) Business Arising	4	Information
	2. Pension		
9:35 a.m.	a) Annual Audit of the Pension Plan Fund and Financial Statements	8	Decision
	i) Financial Statements [Hadley]	9	
	ii) Previous Years' Fees and Expenses [Hadley]	26	
	iii) Audit Results [KPMG]	27	
9:50 a.m.	b) Pension Risk Management Dashboard, Q1 2024 [Aon]	72	Information
10:00 a.m.	c) Pension Investment Performance, Q1 2024 [Reitsma]	91	Information
10:15 a.m.	d) Actuarial Valuation as at January 1, 2024 [Aon]	92	Decision
10:45 a.m.	e) Pension Administration Expenses [Hadley]	94	Decision
	3. Other Business		
11:00 a.m.	a) Execution Against Work Plan [Willey-Thomas]	96	Information

*to be distributed

May 10, 2024

Sarah Willey-Thomas
Associate University Secretary

ATTENDANCE
Members: Teresa Fortney (Chair), Linda Blair, Sara Cressman, Melissa Graham, Sarah Hadley, Michelle Hollis, Lily Hua, Jacinda Reitsma, James Rush, David Taylor, James Thompson
Guests: Anata Alphonso, Matt Betik (KPMG), Kayla Blake (KPMG), Linda Byron (Aon), Patricia Hancock, Sue McGrath, Scott Palmer (Aon), Allan Shapira (Aon), Holly Taylor
Regrets: Elizabeth Demers

UPCOMING COMMITTEE MEETINGS	
June 11, 2024	Pension & Benefits Committee Meeting
September 13, 2024	Pension & Benefits Committee Meeting
October 11, 2024	Pension & Benefits Committee Meeting

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

November 15, 2024	Pension & Benefits Committee Meeting
January 17, 2025	Pension & Benefits Committee Meeting
February 14, 2025	Pension & Benefits Committee Meeting
March 21, 2025	Pension & Benefits Committee Meeting

UNIVERSITY OF WATERLOO | Board of Governors

For Decision **Open Session**

Date of Meeting:	May 17, 2024
To:	Members, Pension & Benefits Committee
From:	Sarah Willey-Thomas, Associate University Secretary
RE:	**1) Approval of Agenda and Consent Items**

---

a) Welcome to New Members

The Chair will welcome new members to the Committee. New members will have an opportunity to ask questions, and a fulsome orientation will be provided at a future meeting.

b) Declarations of Conflict of Interest

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

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

Governors are invited to review the Conflict of Interest webpage on the Secretariat website.

c) Approval of Agenda

Recommendation:
That the May 17, 2024 meeting agenda be approved.

d) Minutes of the March 22, 2024 Meeting

Recommendation:
That the minutes of the March 22, 2024 meeting be approved.

UNIVERSITY OF WATERLOO | Board of Governors

e) Business Arising

Quarterly Performance Report – The Pension & Benefits Committee agenda package for March 22, 2024 has been updated to include the quarterly performance report provided by Eckler. The report was referenced as an attachment in the report from the Pension Investment Committee.

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

Documentation Provided:

- March 22, 2024 Meeting Minutes

University of Waterloo
Board of Governors
PENSION & BENEFITS COMMITTEE
Minutes of the Mrach 22, 2024 Meeting
[in agenda order]

Present: Linda Blair, Sara Cressman, Teresa Fortney (chair), Melissa Graham, Sarah Hadley, Michelle Hollis, Lily Hua, James Rush, Jacinda Reitsma, James Rush, David Saunders, David Taylor, Sarah Willey-Thomas (secretary)

Regrets: Elizabeth Demers,

Resources/Guests: Anata Alphonso, Aubrey Basdeo, Gen Gauthier-Chalifour, Patti Hancock, Lee Hornberger, Allan Shapira, Holly Taylor, Tyler Wendland

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

OPEN SESSION

1. Agenda and Minutes

a. Declarations of Conflict of Interest

No conflicts of interest were declared.

b. Approval of Agenda

Saunders and Hadley.

That the March 22, 2024 meeting agenda be approved. **CARRIED**

c. Approval of the January 19, 2024 Minutes

Reitsma and Taylor.

That the minutes of the January 19, 2024 meeting be approved. **CARRIED**

Willey-Thomas noted that the Secretariat is considering developing minute guidelines for a
future meeting.

d. Business Arising

There were no matters of business arising.

2. Sub-Committee Reports

a. Report from the Pension Investment Committee

Aubrey Basdeo presented the Report from the Pension Investment Committee.

Aubrey Basdeo left the meeting.

3. Benefits

a. Group Benefits Program Annual Renewal effective May 1, 2024

i. Life Insurance – Premium Rate & Unrestricted Deposit Account (UDA)

Hornberger presented the Life Insurance – Premium rate & Unrestricted Deposit Account item. The Committee discussed rationale for the recommendation; impact of recommended option on future increases; impact of change in combination with increase to Long Term Disability premium rate.

Reitsma and Blair.

That the Pension & Benefits Committee approve to increase the current life insurance paid rate by 5% effective May 1, 2024 (Option 3) and transfer the remaining Unrestricted Deposit Account (UDA) to the Claims Fluctuation Reserve (CFR) during the May 1, 2024 to April 30, 2025, as presented.

CARRIED with one opposed and one abstention.

ii. Long Term Disability – Premium Rate and Maximum Insured Earnings

Hornberger presented the Long Term Disability Premium Rate. The Committee discussed that there is no way to increase the upper limit due to unfinalized salary agreements; impact of spreading the increase over two years; considering this change in addition to the increase in life insurance rates; impact on the University's finances; future rate increases; need to understand the consequences of various options.

Taylor and Hadley.

That the Pension & Benefits Committee approve to increase the Long Term Disability (LTD) premium rate and maintain the current maximum insured earnings effective May 1, 2024 until at least April 30, 2025, as presented.

CARRIED

iii. Healthcare Benefits – ASO Fees/Charges & Budget Rates

Lee Hornberger presented the ASO Fees/Charges and Budget Rates. The Committee discussed cost of the change, the University's approach to this item in the past; and impact of not approving the change.

Taylor and Graham.

That the Pension & Benefits Committee approve to increase the extended health rates by 9.8% and dental rates by 13.2% effective May 1, 2024, as presented. **CARRIED**

4. Pension

a. Cost of Living Adjustments

i. Pensions in Pay

Hornberger presented the pensions in pay item. The Committee discussed the going concern indexation reserve and noted a correction to the motion language.

Saunders and Blair.

That the Pension & Benefits Committee approve to apply a 3.90% Cost of Living Adjustment ("COLA") for pension benefits earned up to December 31, 2013 and 2.93% COLA for pension benefits earned on or after January 1, 2014, effective May 1, 2024, as presented. **CARRIED**

ii. Deferred Pensions
Hornberger presented the deferred pensions item.

Taylor and Saunders.
That the Pension & Benefits Committee approve to apply a 0% Cost of Living Adjustment ("COLA") for pension benefits earned up to December 31, 2013 and 0% COLA for pension benefits earned on or after January 1, 2014, effective May 1, 2024, as presented. CARRIED

iii. Pensionable earnings for Members on LTD
The Committee heard that this item would be presented at a future meeting.

b. RPP Actuarial valuation and Filing
Allan Shapira presented the RPP Actuarial Valuation and Filing, noting a decision would be presented at the May Committee meeting.

c. Pension Risk Management Dashboard, Q4 2023
Allan Shapira presented the Pension Risk Management dashboard. The committee discussed the risk premium in the pension valuation.

5. Governance

a. Annual Report to the Community
The Committee discussed a correction to the date for filing of the valuation and reducing overall number of pages from three to two.

b. Pension & Benefits Committee Planning for 2024-25
The Committee was invited to provide any feedback to the Chair and/or Secretary.

c. Amendments to Pension & Benefits Committee Terms of Reference
The Committee discussed the role of committee members to consider all constituents in decision-making; outcome of negotiations with OPSEU; size of stakeholder groups relative to the number of representatives; and amendments to clarify language given multiple union representatives.

Taylor and Hollis.
That the Pension & Benefits Committee recommend that the Governance Committee and Board of Governors approve changes to the membership of the Pension & Benefits Committee to include one member appointed on the recommendation of the President of OPSEU. CARRIED

6. Other Business

a) Execution Against Work Plan
The Chair thanked member David Saunders for his service on the Committee.

UNIVERSITY OF WATERLOO | Board of Governors

For Decision **Open Session**

Date of Meeting: March 22, 2024

To: Members, Pension & Benefits Committee

From: Sarah Willey-Thomas, Associate University Secretary

RE: **2) Pension**

---

a) Annual Audit of the Pension Plan Fund and Financial Statements

i) Financial Statements

Sarah Hadley, Chief Financial Officer, will present the draft financial statements for the University of Waterloo Pension Plan for Faculty and Staff as of December 31, 2023.

ii) Previous Years' Fees and Expenses

Sarah Hadley, Chief Financial Officer, will present the pension plan management and administrative fees incurred in 2023 and comparative information for 2019-2022.

iii) Audit Results

KPMG will present the Audit Findings Report for the Year ended December 1, 2023. KPMG was approved as the external auditor in 2023.

Recommendation:

That the Pension & Benefits Committee approve the financial statements for the University of Waterloo Pension Plan as of December 31, 2023.

Documentation Provided:

- University of Waterloo Pension Plan for Faculty and Staff Financial Statements, December 31, 2023
- Pension Plan Management and Administrative Fees Incurred in 2023
- Audit Findings Report for the year ended December 31, 2023

University of Waterloo Pension Plan for Faculty and Staff

[Ontario Registration Number 0310565]

Financial statements

December 31, 2023

DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Pension and Benefits Committee of the University of Waterloo

Opinion

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

- the statement of net assets available for benefits as at December 31, 2023
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2023, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions Regulation 909, Section 76 of the Pension Benefits Act (Ontario).

Basis for Opinion

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

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

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

Emphasis of Matter – Financial Reporting Framework

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

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

Our opinion is not modified in respect of this matter.

DRAFT

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

DRAFT

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

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

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
May 7, 2024

DRAFT

University of Waterloo Pension Plan for Faculty and Staff

[Ontario Registration Number 0310565]

Statement of net assets available for benefits

As at December 31

	2023 $	2022 $
Assets		
Investment income receivable	**4,108,060**	3,508,335
Investments, at fair value [note 4[a]]	**2,412,230,282**	2,125,986,368
Total assets	**2,416,338,342**	2,129,494,703
Liabilities		
Benefits payable		
Retirement	55,148	—
Termination	3,676	—
Death	29,206	—
Management and administrative fees payable [note 7[b]]	**1,465,407**	1,168,219
Total liabilities	**1,553,437**	1,168,219
Net assets available for benefits	**2,414,784,905**	2,128,326,484

See accompanying notes

DRAFT

University of Waterloo Pension Plan for Faculty and Staff

Statement of changes in net assets available for benefits

Year ended December 31

	2023 $	2022 $
Increase in net assets		
Employee contributions		
Required	**49,235,221**	45,420,847
Employer contributions		
Current service	**65,855,000**	51,629,000
Special	**2,689,209**	12,519,337
Transfers from other plans [note 8]	**1,705,036**	1,722,392
Interest income [note 4[d]]	**26,612,887**	20,383,044
Dividend income [note 4[d]]	**31,222,467**	31,241,465
Realized gains on investments	**59,888,355**	67,470,457
Unrealized gains on investments	**151,665,210**	—
Unrealized gains on foreign exchange	**4,175**	517
Total increase in net assets	**388,877,560**	230,387,059
Decrease in net assets		
Benefit expenses		
Retirement benefits	**85,707,389**	78,395,277
Terminations	**7,119,437**	14,977,084
Death benefits	**3,911,429**	6,201,022
Unrealized losses on investments	**—**	381,823,335
Management and administrative expenses [note 7[a]]	**5,680,884**	5,558,078
	102,419,139	486,954,796
Net increase (decrease) in net assets for the year	**286,458,421**	(256,567,737)
Net assets available for benefits, beginning of year	**2,128,326,483**	2,384,894,221
Net assets available for benefits, end of year	**2,414,784,905**	2,128,326,484

See accompanying notes

DRAFT

University of Waterloo Pension Plan for Faculty and Staff

Notes to financial statements

December 31, 2023

1. Basis of presentation

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

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

2. Description of the plan

The Plan is a contributory defined benefit pension plan covering employees of the University of Waterloo [the "University" or the "Sponsor"]. The Board of Governors of the University is the administrator of the Plan [the "Administrator"]. The University's Pension and Benefits Committee has been appointed by the Board of Governors to administer the Plan. CIBC Mellon Trust Company is the custodian and trustee of the Plan. The assets of the Plan are held "in trust" within CIBC Mellon Trust Company. Aon has served as the actuary of the Plan during 2022. The Plan is registered under the *Pension Benefits Act* (Ontario) under Registration Number 0310565.

Funding policy

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

Funding valuation

The most recent actuarial valuation, filed with the Financial Services Regulatory Authority of Ontario, was as of January 1, 2023 and was prepared by Aon. The rate of compensation increase used was 3.0% per year for one year; 4.0% per year thereafter and the discount rate was 6.25%. The next required actuarial valuation is due no later than January 1, 2026.

Benefits

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

DRAFT

to the lesser of the maximum benefits allowable under the Income Tax Act or a hard dollar cap [$4,000 per year of service as at January 1, 2023], increased thereafter each calendar year by one-third of the percentage increase in the Average Industrial Wage, calculated on an annual basis.

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

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

Income taxes

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

3. Summary of significant accounting policies

Recognition of contributions and benefits

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

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

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

Investments

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

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

[a] Cash and short-term deposits are valued at amortized cost which approximates fair value;
[b] Bonds, debentures, equities, preferred shares and derivative financial instruments are valued by reference to quoted market prices;
[c] Investments in pooled funds are valued based on fair value information provided by the fund managers.

DRAFT

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

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

Foreign currency translation

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

Use of estimates

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

4. Investments

[a] Summary of investments

Investments are comprised of the following:

	2023		2022	
	Fair value	**Cost**	Fair value	Cost
	$	$	$	$
Equities				
Canadian companies	**179,900,787**	**152,443,773**	177,882,342	149,229,208
Canadian equity pooled funds	**136,226,281**	**123,653,887**	121,888,419	119,114,869
Foreign equity pooled funds	**1,142,260,237**	**875,171,874**	1,097,710,800	938,655,672
Private equity - Infrastructure	**84,244,239**	**82,000,000**	—	—
	1,542,631,544	**1,233,269,534**	1,397,481,561	1,206,999,749
Bonds, cash and short-term deposits				
Canadian fixed term bonds	**377,740,637**	**374,853,952**	354,490,998	371,237,131
Bond pooled funds	**336,760,400**	**358,688,207**	315,199,202	350,279,203
Cash and short-term deposits	**155,097,701**	**155,097,701**	58,814,607	58,814,606
	869,598,738	**888,639,860**	728,504,807	780,330,940
	2,412,230,282	**2,121,909,394**	2,125,986,368	1,987,330,689

DRAFT

[b] Investment managers

The investments are managed by the following investment managers:

	2023		2022	
	Fair value $	Cost $	Fair value $	Cost $
TD Asset Management				
Bonds				
Canadian fixed-term bonds	**377,740,637**	**374,853,952**	354,490,998	371,237,131
Bond pooled funds	**336,760,400**	**358,688,207**	315,199,202	350,279,203
Equities				
Canadian equity pooled funds	**136,226,281**	**123,653,887**	121,888,419	119,114,869
Foreign equity pooled funds	**463,832,862**	**355,985,024**	521,322,644	458,475,355
Cash and short-term deposits	**646,006**	**646,006**	968,535	968,535
	1,315,206,186	**1,213,827,076**	1,313,869,798	1,300,075,093
University of Waterloo Managed Fund				
Equities				
Canadian equities [infrastructure and real estate]	**179,900,788**	**152,443,773**	177,882,343	149,229,208
Cash and short-term deposits	**135,178,999**	**135,178,999**	38,057,540	38,057,540
	315,079,787	**287,622,772**	215,939,883	187,286,748
PH&N				
Equities				
Foreign equity pooled funds	**91,866,264**	**103,204,370**	84,582,092	101,877,462
Fiera				
Equities				
Foreign equity pooled funds	**101,519,191**	**103,364,333**	87,694,439	102,370,522
Walter Scott & Partners				
Equities				
Foreign equity pooled funds	**485,041,919**	**312,618,147**	404,111,624	275,932,332
IFM Investors				
Equities				
Private Equity Infrastructure	**84,244,239**	**82,000,000**	—	—
Operating fund at CIBC Mellon Trust Company				
Cash and short-term deposits	**19,272,696**	**19,272,696**	19,788,532	19,788,532
Total investments	**2,412,230,282**	**2,121,909,394**	2,125,986,368	1,987,330,689

DRAFT

[c] Significant investments

The Plan contains the following individual investments, which exceed 1% of the cost or market value of the total investments as at December 31, 2023:

	Fair value $	Cost $
Short-term deposits		
Royal Bank BA	**133,474,510**	**133,474,510**
Pooled public equity funds		
Walter Scott NCS Global Equity Fund	**485,041,919**	**312,618,147**
TD Emerald Pooled US Equity Index Fund	**276,190,703**	**187,807,234**
TD Emerald International Equity Index Fund	**187,642,159**	**168,177,789**
TD Emerald Canadian Equity Index Fund	**136,226,281**	**123,653,887**
Fiera Mirova Global Sustainable Equity Fund	**101,519,191**	**103,364,333**
PH&N RBC Global Equity Focus Fund	**91,866,264**	**103,204,370**
Pooled public bond funds		
TD Emerald Canadian Bond Index Fund	**319,378,508**	**342,564,842**
Canadian public equities		
Brookfield Infrastructure Partners	**68,825,700**	**22,543,179**
Ishares S&P/TSX Capped REIT	**63,236,519**	**66,565,123**
Brookfield Renewable Partners	**47,838,513**	**63,335,429**
Pooled private equity		
IFM Global Infrastructure Fund	**84,244,239**	**82,000,000**

[d] Investment income by type

	2023 $	2022 $
Dividend income		
Canadian equities	**12,553,055**	11,811,217
Foreign pooled funds	**18,669,412**	19,430,248
	31,222,467	31,241,465
Interest income		
Bonds, cash and short-term deposits	**3,283,880**	815,772
Canadian fixed-term bonds	**13,023,539**	9,975,725
Pooled funds	**10,305,468**	9,591,547
	26,612,887	20,383,044

[e] Forward foreign exchange contracts

There were no forward foreign exchange contracts as at December 31, 2023 or December 31, 2022.

DRAFT

5. Fair value measurements

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

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

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

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

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Assets				
Cash and short-term deposits	**—**	**155,097,701**	**—**	**155,097,701**
Equities	**179,900,787**	**—**	**—**	**264,145,026**
Pooled funds	**—**	**1,615,246,918**	**84,244,239**	**1,615,246,918**
Bonds	**—**	**377,740,637**	**—**	**377,740,637**
	179,900,787	**2,148,085,256**	**84,244,239**	**2,412,230,282**

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Assets				
Cash and short-term deposits	—	58,814,607	—	58,814,607
Equities	177,882,342	—	—	177,882,342
Pooled funds	—	1,534,798,421	—	1,534,798,421
Bonds	—	354,490,998	—	354,490,998
	177,882,342	1,948,104,026	—	2,125,986,368

DRAFT

Notes to financial statements

December 31, 2023

6. Financial instruments and risk management

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

Credit risk

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

The SIPP restrictions require Canadian bonds or debentures to be rated a minimum of BBB or equivalent, establishes a cap of US denominated fixed income securities, which the plan may only invest in if issued by the US government, and does not allow the purchase of other foreign currency fixed income securities. In addition, the SIPP states that no single investment holding shall represent more than 10% of the market value of the Plan's assets.

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

Credit ratings	**AAA**	**AA**	**A**	**BBB**	**Total**
As at December 31, 2023	**0.7%**	**0.8%**	**55.8%**	**42.5%**	**100%**
As at December 31, 2022	0.7%	10.3%	59.9%	29.2%	100%

Liquidity risk

Liquidity risk is the risk that the Plan may be unable to meet pension payment obligations as they come due. The SIPP requires that all investments should be reasonably liquid so that they can be converted into cash on short notice. As such, the Plan's exposure to liquidity risk is considered negligible.

DRAFT

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

	2023	2022
	$	$
Less than 1 year	**14,271,107**	2,154,906
1 – 5 years	**296,248,164**	306,392,821
5 – 10 years	**68,546,366**	45,943,271
Total	**377,740,637**	354,490,998

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan’s net assets available for benefits and changes in net assets available for benefits. This risk arises as changes in market interest rates affect the fair market value of the Plan’s assets as well as the returns that the plan can earn. The SIPP outlines a range of 20% – 35% for fixed income securities. The Administrator adjusts the investment mix in the portfolio in response to changes in market interest rates.

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

	Impact of change in interest rates	
	-1%	**+1%**
Canadian fixed-term bonds	10,690,060	(10,690,060)
Bond pooled funds	23,825,637	(23,825,637)
	34,515,697	(34,515,697)

Other price risk

Other price risk is the risk that the value of the investments will fluctuate as a result of changes in market prices. Significant global economic uncertainty and volatility continues to have widespread impact on financial markets. As the Plan records all investments at fair value, investment values reflected in the statement of net assets available for benefits represent the maximum exposure to market risk. The SIPP outlines a range of 40% – 60% for equities and 10% - 30% for real assets. The Administrator adjusts the investment mix in the portfolio in response to changes in market conditions.

Foreign exchange risk

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

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

DRAFT

	Impact of change in exchange rates	
	+5%	-5%
United States Dollar [$]	34,812,584	(34,812,584)
Euro [€]	6,954,526	(6,954,526)
Japanese Yen [¥]	4,017,174	(4,017,174)
British Pound Sterling [£]	3,066,581	(3,066,581)
Swiss Francs [₣]	1,941,961	(1,941,961)
Danish Krone [Øre]	1,776,932	(1,776,932)

Market risk for equity investments

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

	Fluctuation of	Impact of % change in fair value on net assets	Sensitivity $
Equities			
Canadian	Stock market indices	+10%	16,579,469
		-10%	(16,579,469)
Pooled funds	Stock market indices	+10%	126,352,423
		-10%	(126,352,423)

7. Management and administrative expenses

[a] Management and administrative expenses

Management and administrative expenses consist of the following:

	2023 $	2022 $
Investment management	**3,660,505**	3,583,907
Custodial	**174,500**	221,795
Actuarial	**351,979**	302,986
Audit	**22,920**	19,340
Administration	**982,541**	841,583
Harmonized Sales Tax	**488,439**	588,467
	5,680,884	5,558,078

DRAFT

[b] Management and administrative fees payable

Management and administrative fees payable consist of the following:

	2023 $	2022 $
Investment management	**875,310**	894,243
Custodial	**28,962**	47,830
Actuarial	**61,991**	63,810
Audit	**21,400**	19,000
Administration	**420,601**	69,145
HST	**57,143**	74,191
	1,465,407	1,168,219

[c] Contributions

There were no required contributions past due at December 31, 2023.

8. Transfers from other plans

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

9. Capital management

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

The Administrator has adopted a SIPP which states investment objectives, guidelines and benchmarks used in investing the capital of the Plan, permitted categories of investments, asset mix diversification and rate of return expectations. The SIPP was last updated effective April 4, 2023. The amendments to the SIPP add reference to the Funding Policy & Guideline, allow more flexibility for active and passive investment strategy under the SIPP and incorporate minor text amendments to align and clarify language.

The portfolio return objectives in the SIPP are: a) to earn a rate of return, after investment expenses of CPI + 3.5% over four year moving periods and b) to achieve a minimum absolute rate of return, after investment expenses, which exceeds the benchmark return by 0.25% over four-year moving periods. These objectives were not achieved for the four-year period ended December 31, 2023.

The SIPP prescribes asset categories that the Plan can invest in along with a targeted asset allocation for each of these categories. The following table presents the asset categories, the permitted asset mix allocation, and the asset mix allocation as at December 31, 2023.

DRAFT

Notes to financial statements

December 31, 2023

Asset categories	Asset mix allocation	Asset mix allocation as at December 31, 2023
Cash	**0-5%**	**6.43%**
Fixed income	**20-35%**	**29.62%**
Canadian equity	0-10%	5.65%
Global equity	40-55%	47.36%
Total equity	**40-60%**	**53.01%**
Infrastructure	5-15%	8.32%
Real estate	5-15%	2.62%
Total real assets	**10-30%**	**10.94%**
		100.00%

The investments fell within the targeted asset mix ranges as specified in the SIPP at December 31, 2023, with the exception of the cash and real estate asset classes. Additional cash held in excess of the permitted range is to facilitate the commitment for an allocation to a real estate investment manager, approved in February 2023. This commitment, $52 million USD, was called in March 2024.

DRAFT

Pension Plan Management and Administrative Fees Incurred in 2023[1]
with 4 prior years of comparative information

Expense Category	2023 ('000s)	2022 ('000s)	2021 ('000s)	2020 ('000s)	2019 ('000s)
Investment Management Fees					
TD Asset Management	602	594	618	559	500
Walter Scott and Partners Ltd.	2,368	2,100	2,219	1,843	1,648
RBC Global Asset Management (PH&N Institutional)	432	415	201	-	-
Fiera Capital Corporation[2,4]	259	475	231	-	-
IFM Investors[3,4]	-	-	-	-	-
Sionna Investment Managers	-	-	233	317	270
Oldfield	-	-	-	933	1,315
Trilogy Global Advisors[5]	-	-	-	(160)	-
Total Investment Management Fees	**$3,661**	**$3,584**	**$3,502**	**$3,492**	**$3,733**
Custodian Fees	174	222	258	239	222
Aon (Actuarial & Consulting)	352	303	329	307	307
Administration Fees	983	842	727	643	722
Audit Fees	23	19	19	19	19
Total Pre-Tax Management and Administrative Fees	**$5,193**	**$4,970**	**$4,835**	**$4,700**	**$5,003**
HST[6]	**488**	**588**	**417**	**494**	**259**
Total Management and Administrative Fees	**$5,681**	**$5,558**	**$5,252**	**$5,194**	**$5,262**

Notes:

1 Amounts from the audited annual financial statements

2 Fees for Mirova Sustainable Global Equity Fund, charged by Fiera Capital, were charged directly to the investment fund beginning July 2024.

3 Investment in IFM Global Infrastructure Fund was initiated in September 2024. Management fees are charged directly to the investment partnership.

4

Indirect Investment Management Fees *(Charged directly to investment fund)*	**2023 ('000s)**
Fiera Capital Corporation	268
IFM Investors	162
Total Indirect Investment Management Fees	**430**
Direct Investment Manager Fees *(from above)*	$3,661
Total Investment Manager Fees (Direct + Indirect)	**$4,091**

5 Trilogy investment liquidated August 2018 and proceeds reinvested in TDAM mandates. 2020 reversal of fees amount is an accounting correction that should have been recorded in 2019 upon conclusion of the Trilogy relationship.

6 UW recovers HST paid by the pension fund where possible through HST rebates. HST recoveries are recorded when the returns are filed.

The University of Waterloo Pension Plan for Faculty and Staff

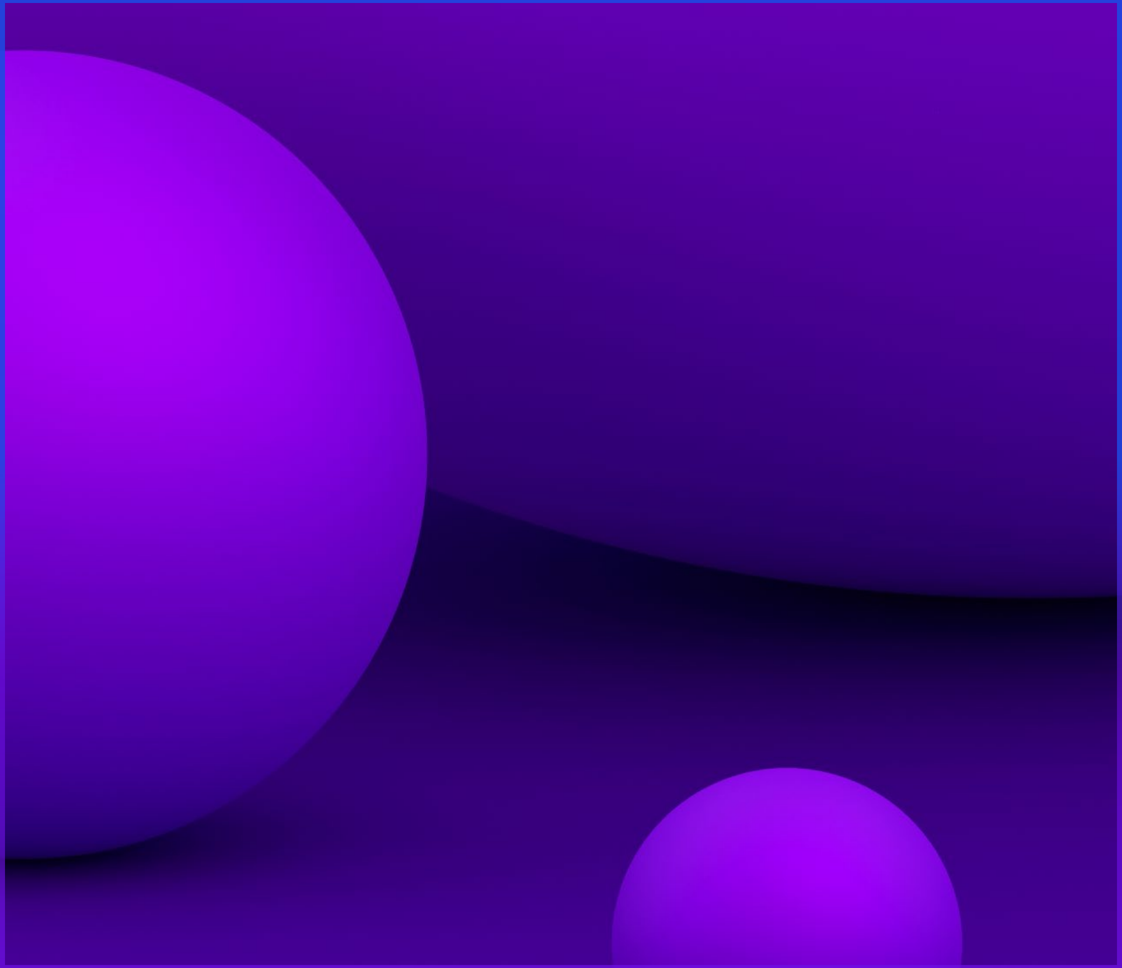
Audit Findings Report for the year ended December 31, 2023

KPMG LLP

Licensed Public Accountants

Prepared as of May 7, 2024 for the presentation to the Pension Committee on May 17, 2024

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement

Matthew Betik
Lead Audit Engagement Partner
519-747-8245
mbetik@kpmg.ca

Kayla Blake
Senior Manager
519-747-8857
kaylablake@kpmg.ca

Table of contents

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

Digital use information

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

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

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

Audit highlights

No matters to report

Matters to report – see link for details

Status

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

Risks and results

Significant risks

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

Other risks of material misstatement

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

Going concern matters

Independence

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

Uncorrected misstatements

Uncorrected misstatements

- There are no uncorrected misstatements to report.

Corrected misstatements

Corrected misstatements

- There are no corrected misstatements to report.

Control deficiencies

Control deficiencies

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

Policies and practices & specific topics

Significant unusual transactions

Accounting policies and practices

Other financial reporting matters

Related party transactions

Status

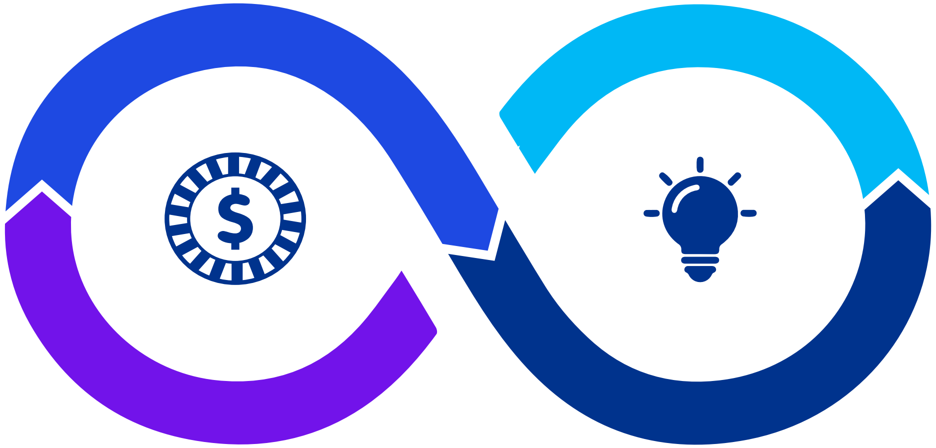
As of May 7, 2024, we have completed the audit of the Plan, with the exception of certain remaining procedures, which include amongst others:

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

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

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

Materiality



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

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

Plan and perform the audit

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

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

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

Evaluate the effect of misstatements

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

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

Materiality

Materiality determination	Comments	Amount
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.	$64 million
Benchmark (most relevant to the users)	Based on total assets from the audited financial statements.	$2.4 billion
% of Benchmark	Our auditing methodology prescribes that total assets should fall within the 0.5 – 3.0% range based on the Plan's risk profile.	2.67%
Performance Materiality (PM)	Threshold used to determine the nature, timing and extent of audit procedures. It is calculated utilizing 75% of materiality.	$48 million
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit.	$3.2 million

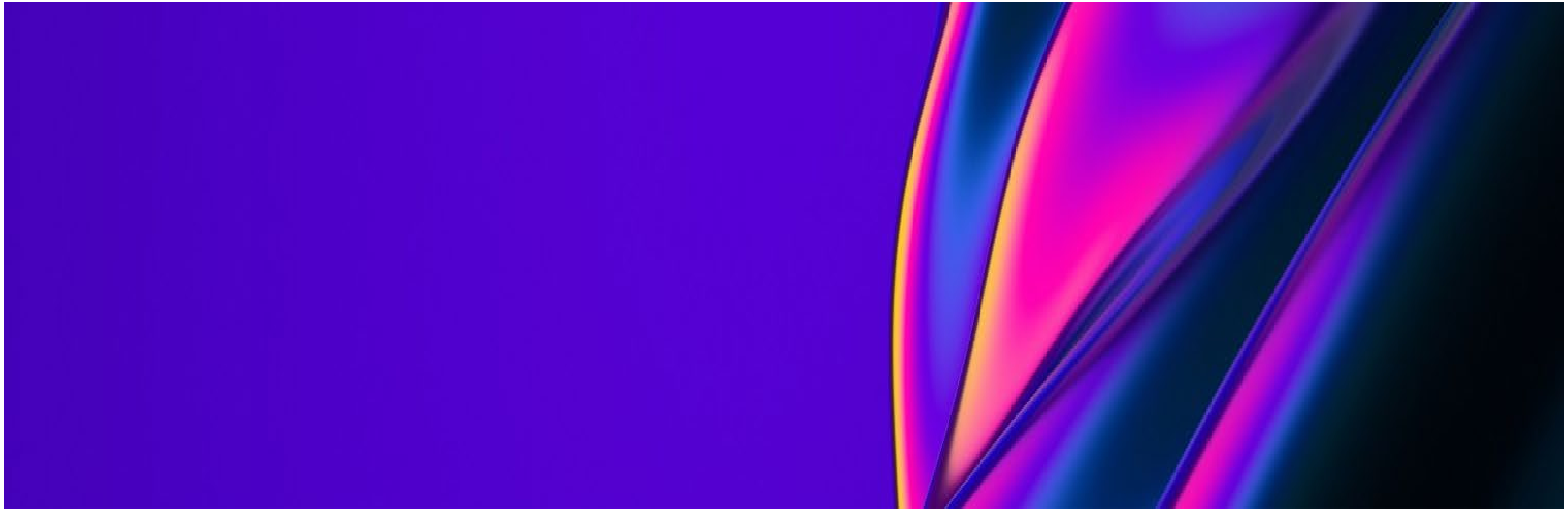
We will report to the Pension & Benefits Committee

- Corrected audit misstatements
- Uncorrected audit misstatements

Involvement of others

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

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



Required inquiries of the committee

Inquiries regarding risk assessment, including fraud risks

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

Inquiries regarding Plans processes

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

Inquires regarding related parties and significant unusual transactions

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

Risk assessment summary

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

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

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

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

Significant risks

RISK OF FRAUD

Management Override of Controls (non-rebuttable significant risk of material misstatement)

Presumption of the risk of fraud resulting from management override of controls

Why is it significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

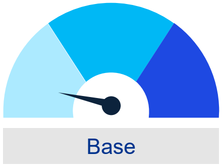
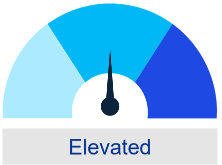
Our response

- As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:
- testing of journal entries and other adjustments;
- performing a retrospective review of estimates;
- evaluating the business rationale of significant unusual transactions; and
- review of relevant General IT controls at custodian and plan.

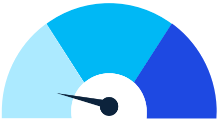
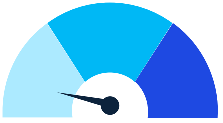
Our findings

There are no significant findings to report.

Other risks of misstatement

Areas	Level of risk due to error	Our response/findings
Investments – Level I and II		• Obtained an understanding of the activities related to the investment process and management's classification of assets within the fair value hierarchy. • Obtained third party confirmation of cash and investment balances. • Performed reconciliations between investment manager and custodian confirmations. • Obtained and reviewed the service organization auditors' report over controls at the investment custodian. • Ensured that all necessary note disclosure requirements are met. • There are no significant findings to report.
Investments – Level III		• Obtained an understanding of the activities related to the investment process and management's classification of assets within the fair value hierarchy. • Obtained third party confirmation of the investment balances. • Inspected the agreement relating to the purchase of the investment during the course of the fiscal year. • Obtained the prior year audited financial statements as part of our retrospective assessment. Reviewed the audit opinion and basis of accounting to ensure that the investments were accounted for at fair value. • Ensured that all necessary note disclosure requirements are met. • There are no significant findings to report.

Other risks of misstatement

Areas	Level of risk due to error	Our response/findings
Terminations and benefits	 Base	• Performed analytical and other substantive procedures on terminations and benefits for the year. • Reconciled terminations and benefits payments per pension records with general ledger records. • Performed cut-off procedures to ensure termination payments are fairly stated for the year. • Ensured that all necessary note disclosure requirements are met. • There are no significant findings to report.
Operating expenses	 Base	• Performed analytical and other substantive procedures on expenses for the year. • Reconciled expenses per pension records with general ledger records (if significant) • Performed cut-off procedures to ensure expenses are fairly stated for the year. • Ensured that all necessary note disclosure requirements are met. • There are no significant findings to report.
Contributions	 Base	• Performed analytical and other substantive procedures on contributions for the year. • Reconciled contributions between pension payroll records and general ledger records. • Performed cut-off procedures to ensure contributions are fairly stated for the year. • Ensured that all necessary note disclosure requirements are met. • There are no significant findings to report.

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

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

Our findings

We have identified a lapse in control relating to a disclosure error which was present in both the current and the preceding year's records. The origin of the error can be traced back to an oversight in identifying an excel formula error. This resulted in an adjustment to note 6 – the maturity analysis of the fixed-term bonds held by the plan for the current and prior year. We did not determine this to be a significant deficiency in internal controls over financial reporting.

Appendices

A Draft auditor’s reports

B Other required communications

C Audit quality

D Management’s representation letters

E Independence

F Newly effective and upcoming auditing standards

G Signed engagement letter

Appendix A: Draft auditor's report

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

INDEPENDENT AUDITOR'S REPORT

To the Pension and Benefits Committee of the University of Waterloo

Opinion

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

- the statement of net assets available for benefits as at December 31, 2023
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2023, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions Regulation 909, Section 76 of the Pension Benefits Act (Ontario).

Basis for Opinion

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

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

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

Emphasis of Matter – Financial Reporting Framework

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

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

Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

DRAFT

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

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

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
DATE

DRAFT

Appendix B: Other required communications

CPAB communication protocol

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

- CPAB Audit Quality Insights Report: 2021 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2022 Interim Inspections Results
- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2023 Interim Inspections Results

Appendix C: How do we deliver audit quality?

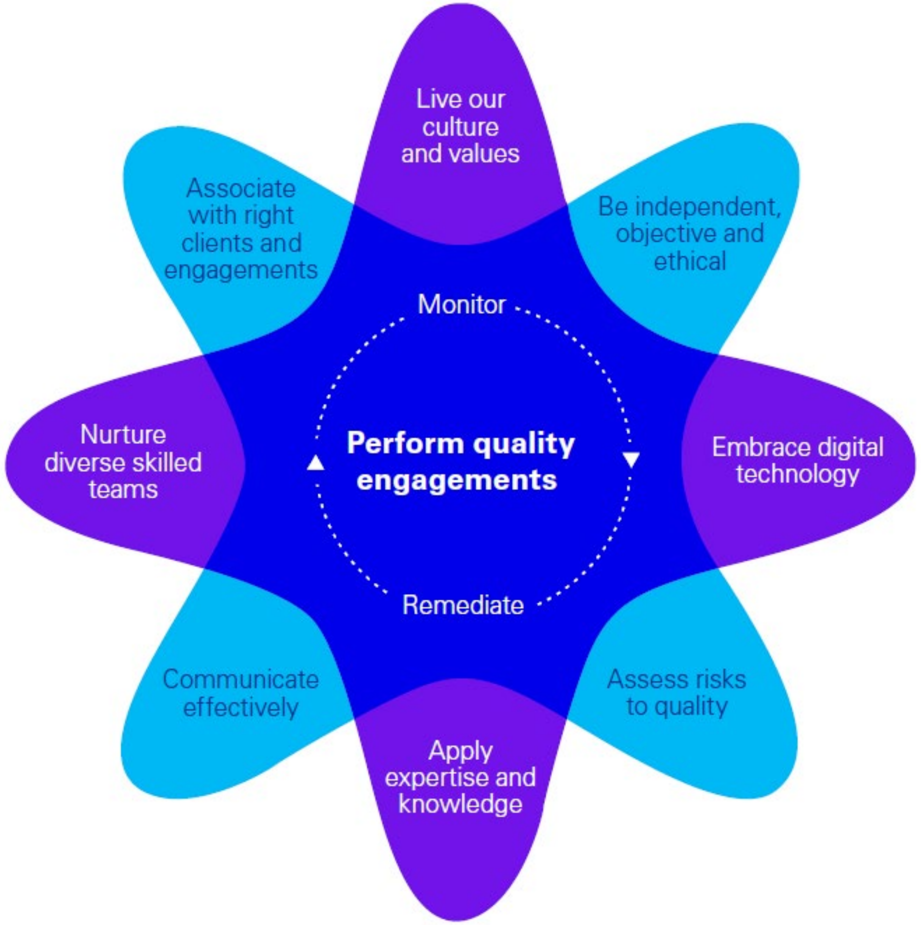
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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

KPMG Canada Transparency Report

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

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



Doing the right thing. Always.

Appendix C: Audit quality - Indicators (AQIs)

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

Team composition

Experience of the team

- Engagement Partner: over 25 years' experience in the industry
- Engagement Senior Manager: 9 years' experience in the industry
- Other team members have relevant industry experience to carry out the audit

Technology in the audit

Implementation of Technology in the Audit

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

Timing of prepared by client (PBC) items

Timeliness of PBC items

- We initially requested 44 PBCs, with various follow-up requests as a result of our findings.
- We had confirmed the availability of initial PBCs with management in advance of interim and year-end fieldwork.
- All PBC requests were received on time and in due course.

Nothing to report | Some matters to report | Specific matters to report

Appendix D: Management representation letter

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

DATE

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the special purpose financial statements (hereinafter referred to as "financial statements") of The University of Waterloo Pension Plan for Faculty and Staff ("the Plan") as at and for the period ended December 31, 2023.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

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

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 25, 2023, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

      Significant interpretations, if any, related to the financial provisions of the relevant financial reporting framework are appropriately disclosed in the financial statements.

   b) determining that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances.

   c) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:

      (i) the names of all related parties and information regarding all relationships and transactions with related parties; and

      (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

   d) providing you with unrestricted access to such relevant information.

   e) providing you with complete responses to all enquiries made by you during the engagement.

f) providing you with additional information that you may request from us for the purpose of the engagement.

g) providing you with unrestricted access to persons within the Plan from whom you determined it necessary to obtain audit evidence.

h) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

i) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

j) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the Plan, did not intervene in the work the internal auditors performed for you.

2) We acknowledge that these financial statements:

i) are not general-purpose financial statements.

ii) may not comply with, or may not satisfy, the Plan's incorporating or other governing legislation.

iii) are solely for the information and use of the addressee and are not intended to be, and should not be, used by anyone other than the specified users or for any other purpose.

iv) are not intended for distribution to anyone other than the specified users.

3) We acknowledge that should we extend the distribution beyond the specified users, you accept no responsibility for the distribution or use of the financial statements and the report thereon.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

5) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

b) all information in relation to fraud or suspected fraud that we are aware of that involves:

— management;

— employees who have significant roles in internal control over financial reporting; or

— others

where such fraud or suspected fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.

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

Subsequent events:

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

Related parties:

7) We have disclosed to you the identity of the Plan's related parties.

8) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

9) All related party relationships and transactions/balances have been appropriately accounted for in the financial statements and disclosed to you and disclosed in the financial statements.

Estimates:

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

Going concern:

11) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

12) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Plan's ability to continue as a going concern.

Accounting policies:

13) The accounting policies selected and applied are appropriate in the circumstances.

14) The Plan has satisfactory title to all owned assets.

15) We have no knowledge of any plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Yours very truly,

Jacinda Reitsma
Vice President, Administration and Finance

Sarah Hadley
Chief Financial Officer

Lee Hornberger
Director, HR Total Compensation

Attachment I – Definitions

Materiality

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

Fraud & error

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

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

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

Appendix E: Independence

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

- Dedicated ethics & independence partners
- Process for reporting breaches of professional standards and policy, and documented disciplinary policy
- Ethics, independence and integrity training for all staff
- International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest
- Operating polices, procedures and guidance contained in our quality & risk management manual
- Mandated procedures for evaluating independence of prospective audit clients
- Restricted investments and relationships
- Annual ethics and independence confirmation for staff

Statement of compliance

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

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

1 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)

Appendix F: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards – see Current Developments

Effective for periods beginning on or after December 15, 2022

ISA/CAS 220

(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1

Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2/CSQM2

Engagement quality reviews

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

Revised special considerations – Audits of group financial statements

No anticipated impact to the Plan.

Appendix G: Signed engagement letter

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

Sarah Hadley
University of Waterloo Pension Plan for
Faculty and Staff
200 University Avenue West
Waterloo, ON N2L 3G1

October 25, 2023

The purpose of this letter is to outline the terms of our engagement to audit the annual financial statements ("financial statements" or "annual financial statements") of University of Waterloo Pension Plan for Faculty and Staff (the "Plan"), commencing for the period ending December 31, 2023.

The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Assurance Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL STATEMENTS

The annual financial statements will be prepared and presented in accordance with the financial reporting provisions Regulation 909, Section 76 of the Pension Benefits Act (Ontario) (hereinafter referred to as the "financial reporting framework").

The annual financial statements will include an adequate description of the financial reporting framework.

MANAGEMENT'S RESPONSIBILITIES

Management responsibilities are described in Appendix – Management's Responsibilities.

An audit of the annual financial statements does not relieve management or those charged with governance of their responsibilities.

© 2023 KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.
KPMG Canada provides services to KPMG LLP.

AUDITOR'S RESPONSIBILITIES

Our responsibilities are described in Appendix – Auditor's Responsibilities.

If management does not fulfill the responsibilities above, we cannot complete our audit.

ADDITIONAL RESPONSIBILITIES REGARDING "OTHER INFORMATION"

"Other information" is defined in professional standards to be the financial or non-financial information (other than the financial statements and the auditor's report thereon) included in the "annual report". An "annual report" is defined in professional standards to comprise a document or combination of documents. Professional standards also indicate that:

- an annual report is prepared typically on an annual basis in accordance with law, regulation or custom (i.e., is reoccurring)
- an annual report contains or accompanies the financial statements and the auditor's report thereon
- an annual report's purpose is to provide owners (or similar stakeholders) with information on the Plan's:
  - operations; and/or
  - financial results and financial position as set out in the financial statements.

Based on discussions with management, there are no documents, or combination of documents, expected to meet the definition of an "annual report" under professional standards.

AUDITOR'S DELIVERABLES

Unless otherwise specified, our report(s) will be in writing and the expected content of our report(s) are provided in *Appendix – Expected Form of Report*. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the information we reported on after we have issued our report, but which was not known to us at the date of our report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our engagement, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Plan's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our report would have been affected if the information had been known as of the date of our report; and (b) we believe that the report may have been distributed to someone who would attach importance to the information, appropriate steps will be taken by

KPMG, and appropriate steps will also be taken by the Plan, to advise of the newly discovered facts and the impact to the information we reported on.

INCOME TAX COMPLIANCE AND ADVISORY SERVICES

Tax compliance and advisory services are outside the scope of this letter. These services will be subject to the terms and conditions of a separate engagement letter.

Use of KPMG Clara for clients

The terms and conditions for use of KPMG Clara for clients apply to the use of the collaboration tool and are available at https://kcfcdocumentstore.blob.core.windows.net/documents/KCfc_terms_and_conditions%20Canada%20June%2024.pdf.

FEES

KPMG's fees are based on the quality of the Plan's accounting records, the agreed upon level of preparation and assistance from the Plan's personnel, and adherence to the agreed upon timetable. It is also assumed that the Plan's financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues, or financial reporting, internal control over financial reporting or other reporting issues. KPMG will inform the Plan on a timely basis if these factors are not in place.

Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that previously contemplated, no significant additional work will proceed without management's concurrence, and, if applicable, without the concurrence of those charged with governance.

Upon completion of these services KPMG will review with the Client any fees and expenses incurred, following which KPMG will render the final billing. Our professional fees are also subject to a technology and support charge to cover information technology infrastructure costs and administrative support of our client service personnel which are not included in our client service personnel fee. The technology and support fee covers costs such as our client service personnel computer hardware and customized KPMG software, telecommunications equipment, client service professional administrative support, IT programming professional services and other client support services. Other direct out-of-pocket costs, such as travel, will be charged separately based on our actual costs.

KPMG's invoices are due and payable upon receipt. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing the report and, if applicable, any consent.

Fees for any other services will be billed separately from the services described in this engagement letter and may be subject to written terms and conditions supplemental to those in this letter.

Harmonized Sales Tax (HST) will be computed and shown separately on our invoices, together with our firm's HST registration number, so that you will have the information required to claim input tax credits and input tax refunds, if applicable.

The Plan and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates. The fee for the services described in this letter is $20,000. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavour to notify you of any such circumstances as they are assessed.

The information technology infrastructure costs and administrative support charge as described in the Assurance Terms and Conditions ("Fee and Other Arrangements") shall be 7% of the total fees.

Invoices will be issued monthly based on fees and expenses incurred to date.

* * * * * * * * *

We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable to the Plan, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

KPMG LLP

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

University of Waterloo Pension Plan for Faculty and Staff
October 25, 2023

Enclosure

cc:

The terms of the engagement set out are as agreed:

Sarah Hadley
Signed with ConsignO Cloud (2023/11/02)
Verify with verifio.com or Adobe Reader.

____
Sarah Hadley

(having the appropriate authority to engage the Plan as defined above)

____
Date (DD/MM/YY)

Appendix - Management's Responsibilities

Management acknowledges and understands that they are responsible for:

(a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above.
(b) providing us with all information of which management is aware that is relevant to the preparation of the financial statements ("relevant information") such as financial records, documentation and other matters, including:
  - the names of all related parties and information regarding all relationships and transactions with related parties
  - complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors, and committees of the board of directors that may affect the financial statements. All significant actions are to be included in such summaries.
(c) providing us with unrestricted access to such relevant information.
(d) providing us with complete responses to all enquiries made by us during the engagement.
(e) providing us with additional information that we may request from management for the purpose of the engagement.
(f) providing us with unrestricted access to persons within the Plan from whom we determine it necessary to obtain evidence.
(g) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
(h) ensuring that all transactions have been recorded and are reflected in the financial statements.
(i) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.
(j) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the plan, will not intervene in the work the internal auditors perform for us.

Appendix - Auditor's Responsibilities

Our function as auditors of the Plan is:

- to express an opinion on whether the Plan's annual financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the annual financial statements

We will conduct the audit of the Plan's annual financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Plan and its environment, including the Plan's internal control. In making those risk assessments, we consider internal control relevant to the Plan's preparation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Plan's annual financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards

KPMG

University of Waterloo Pension Plan for Faculty and Staff
October 25, 2023

Appendix – Expected Form of Report

INDEPENDENT AUDITOR'S REPORT

To the Pension and Benefits Committee of the University of Waterloo

Opinion

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

- the statement of net assets available for benefits as at December 31, 2023
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2023, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions Regulation 909, Section 76 of the Pension Benefits Act (Ontario).

Basis for Opinion

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

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

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

Emphasis of Matter – Financial Reporting Framework

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

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

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of Regulation 909, Section 76 of the Pension

Benefits Act (Ontario) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained

up to the date of our auditor's report. However, future events or conditions may cause the Plan's to cease to continue as a going concern.

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

Chartered Professional Accountants, Licensed Public Accountants

DATE

Kitchener, Canada

These Terms and Conditions are an integral part of the accompanying engagement letter or proposal from KPMG that identifies the engagement to which they relate (and collectively form the “Engagement Letter”). The Engagement Letter supersedes all written or oral representations on this matter. The term “Entity” used herein has the meaning set out in the accompanying engagement letter or proposal. The term “Management” used herein means the management of Entity.

1. DOCUMENTS AND LICENSES.

a. All working papers, files and other internal materials created or produced by KPMG in relation to this engagement and all copyright and intellectual property rights therein are the property of KPMG.
b. Only in connection with the services herein, Entity hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Entity solely for presentations or reports to Entity or for internal KPMG presentations and intranet sites. Further, Entity agrees that KPMG may list Entity as a customer in KPMG’s internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., “Client is an Audit, Advisory, and/or Tax client of KPMG LLP”).

2. ENTITY’S RESPONSIBILITIES.

a. Entity agrees that all management responsibilities will be performed and all management decisions will be made by Entity, and not by KPMG.
b. Entity's provision of documents and information to KPMG on a timely basis is an important factor in our ability to issue any reports under this Engagement Letter. KPMG is not responsible for any consequences arising from Entity’s failure to deliver documents and information as required.
c. To the extent that KPMG personnel are on Entity’s premises, Entity will take all reasonable precautions for their safety.
d. Entity understands and acknowledges that KPMG’s independence may be impaired if any KPMG partner, employee or contractor accepts any offer of employment from Entity.
e. Except as required by applicable law or regulation, Entity shall keep confidential the terms of this Engagement Letter, and such confidential information shall not be distributed, published or made available to any other person without KPMG’s express written permission.
f. Management agrees to promptly provide us with a copy of any comment letter or request for information issued by any securities or other regulatory authority in respect of information on which KPMG reported, including without limitation any continuous disclosure filings.

3. FEE AND OTHER ARRANGEMENTS.

a. KPMG's estimated fee is based in part on the quality of Entity's records, the agreed-upon level of preparation and assistance from Entity's personnel, and adherence by Entity to the agreed-upon timetable. KPMG's estimated fee also assumes that Entity's financial statements and/or other financial information, as applicable, are prepared in accordance with the relevant financial reporting framework or the relevant criteria, as applicable, and that there are no significant changes to the relevant financial reporting framework or the relevant criteria, as applicable; no significant new or changed accounting policies; no significant changes to internal control; and no other significant issues.
b. Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, Entity and KPMG agree to revise the estimated fee. Our professional fees are also subject to an additional charge to cover information technology infrastructure costs and administrative support of our client service personnel. Disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.
c. KPMG's invoices are due and payable upon receipt. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing any applicable report and/or consent.
d. Fees for any other services will be billed separately from the services described in this Engagement Letter and may be subject to written terms and conditions supplemental to those in the Engagement Letter.
e. Canadian Public Accountability Board (“CPAB”) participation fees, when applicable, are charged to Entity based on the annual fees levied by CPAB.

4. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS; STORAGE AND USE OF INFORMATION.

a. KPMG is a member firm of the KPMG International Cooperative (“KPMG International”). Entity acknowledges that in connection with the provision of services hereunder, KPMG may use the services of KPMG International member firms, as well as other third party service providers or subcontractors, and KPMG shall be entitled to share with them all documentation and information related to the engagement, including Entity’s confidential information and personal information (“information”). KPMG may also: (i) directly, or using such aforementioned KPMG International member firms, third party service providers or subcontractors, perform data analytics in respect of the information; and (ii) retain and disclose to KPMG International member firms the information to share best practices or for knowledge sharing purposes. In all such cases, such information may be used, retained, processed, or stored outside of Canada by such KPMG International member firms, other third party service providers or subcontractors, and may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG represents that such KPMG International member firms, other third party service providers or subcontractors have agreed or shall agree to conditions of confidentiality with respect to Entity’s confidential information, and that KPMG is responsible to ensure their compliance with those conditions. Any services performed by KPMG International member firms or other third party service providers or subcontractors shall be performed in accordance with the terms of this Engagement Letter, but KPMG remains solely responsible to Entity for the delivery of the services hereunder. Entity agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or other third party service providers or subcontractors referred to above.
b. Certain information (including information relating to time, billing and conflicts) collected by KPMG during the course of the engagement may be used, retained, processed and stored outside of Canada by KPMG, KPMG International member firms or third party service providers or subcontractors providing support services to KPMG for administrative, technological and clerical/organizational purposes, including in respect of client engagement acceptance procedures and maintaining engagement profiles; and to comply with applicable law, regulation or professional standards (including for quality performance reviews). Such information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG may also share information with its legal advisers and insurers for the purposes of obtaining advice.
c. Entity acknowledges that KPMG aggregates anonymous information from sources including the Entity for various purposes, including to monitor quality of service, and Entity consents to such use. KPMG may also use Entity’s information to offer services that may be of interest to Entity.

5. PERSONAL INFORMATION CONSENTS AND NOTICES.

KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Any collection, use or disclosure of personal information is subject to KPMG’s Privacy Policy available at www.kpmg.ca. Entity represents and warrants that (i) it will obtain any consents required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice to those individuals whose personal information may be collected, used and disclosed by KPMG hereunder of the potential processing of such personal information outside of Canada (as described in Section 4 above). KPMG’s Privacy Officer noted in KPMG’s privacy policy is able to answer any individual’s questions about the collection of personal information required for KPMG to deliver services hereunder.

6. THIRD PARTY DEMANDS FOR DOCUMENTATION AND INFORMATION / LEGAL AND REGULATORY PROCESSES.

a. Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to acknowledge that KPMG or a foreign component auditor which has been engaged in connection with an assurance engagement ("component auditor") may from time to time receive demands from a third party (each, a "third party demand"), including without limitation (i) from CPAB or from professional, securities or other regulatory, taxation, judicial or governmental authorities (both in Canada and abroad), to provide them with information and copies of documents in KPMG's or the component auditor's files including (without limitation) working papers and other work-product relating to the affairs of Entity, its subsidiaries and affiliates, and (ii) summons for production of documents or information related to the services provided hereunder; which information and documents may contain confidential information of Entity, its subsidiaries or affiliates. Except where prohibited by law, KPMG or its component auditor, as applicable, will advise Entity or its affiliate or subsidiary of the third party demand. Entity acknowledges, and agrees to cause its subsidiaries and affiliates to acknowledge, that KPMG or its component auditor, as applicable, will produce documents and provide information in response to the third party demand, without further authority from Entity, its subsidiaries or affiliates.

b. KPMG will use reasonable efforts to withhold from production any documentation or information over which Entity asserts privilege. Entity must identify any such documentation or information at the time of its provision to KPMG by marking it as "privileged". Notwithstanding the foregoing, where disclosure of such privileged documents is required by law, KPMG will disclose such privileged documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of Entity is required for such disclosure, then Entity hereby provides its consent.

c. Entity agrees to reimburse KPMG for its professional time and any disbursements, including reasonable legal fees and taxes, in responding to third party demands.

d. Entity waives and releases KPMG from any and all claims that it may have against KPMG as a result of any disclosure or production by KPMG of documents or information as contemplated herein.

e. Entity agrees to notify KPMG promptly of any request received by Entity from any third party with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

7. CONNECTING TO THE ENTITY'S IT NETWORK; EMAIL AND ONLINE FILE SHARING AND STORAGE TOOLS.

a. Entity authorizes KPMG personnel to connect their computers to Entity's IT Network and the Internet via the Network while at the Entity's premises for the purpose of conducting normal business activities.

b. Entity recognizes and accepts the risks associated with communicating electronically, and using online file sharing, storage, collaboration and other similar online tools to transmit information to or sharing information with KPMG, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Entity assumes all responsibility or liability in respect of the risk associated with the use of the foregoing, and agrees that KPMG is not responsible for any issues that might arise (including loss of data) as a result of Entity using the foregoing to transmit information to or otherwise share information with KPMG and, in the case of online tools other than email, KPMG's access to and use of the same in connection with obtaining Entity information and documents.

8. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. SUBJECT TO SECTION 14, KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

9. LIMITATION ON LIABILITY AND INDEMNIFICATION.

a. Subject to Section 14: (i) Entity agrees that KPMG shall not be liable to Entity for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the lesser of one million dollars ($1,000,000) or two times the fees paid by Entity to KPMG under the engagement; and (ii) on a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. Subject to Section 14, in the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Entity will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. Subject to Section 14: (i) in no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs); (ii) in any Claim arising out of the engagement, Entity agrees that KPMG's liability will be several and not joint and several; and (iii) Entity may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this Section 9, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 9 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

10. CONSENT TO THE USE OF THE KPMG NAME OR KPMG REPORT.

Except as otherwise specifically agreed in this Engagement Letter, KPMG does not consent to:

i. the use of our name or our report in connection with information, other than what we have reported on as part of this Engagement Letter or our report thereon, that contains, incorporates by reference, or otherwise accompanies our report or our name;

ii. the use of our report in another language, or the use of our report in connection with information that we reported on that has been translated into another language, or the use of our name in connection with information that we reported on that has been translated into another language;

iii. the use of our report in connection with an offering document or other securities filing, including continuous disclosure filings; or

iv. the use of our name or our report in connection with the interim financial statements (or other interim financial information) or any statement by the Entity regarding the services that we provided on the interim financial statements or other interim financial information.

Any communication, report, statement or conclusion on the interim financial statements may not be included in, or otherwise referred to in any public document or public oral statements except when the interim review conclusion contains a modified conclusion, in which case our interim review report will accompany the interim financial statements.

If the Entity wishes to obtain KPMG's consent regarding the matters above or other matters not otherwise specifically covered by this Engagement Letter, we will be required to perform procedures as required by applicable professional standards, and such procedures would be a separate engagement and subject to separate engagement terms.

11. ALTERNATIVE DISPUTE RESOLUTION.

Any dispute or claim between the parties arising under or relating to this Engagement Letter or the services provided hereunder (the "Dispute") shall be submitted to non-binding mediation. If mediation is not successful within 90 days after the issuance by a party of a request for mediation, then the Dispute shall be referred to and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada in force at that time. The Seat of Arbitration shall be the province where KPMG's principal office performing this engagement is located. The language of the arbitration shall be English. The Arbitral Tribunal shall be made up of a single Arbitrator. The arbitration award shall be final, conclusive and binding upon the parties, and not subject to appeal.

12. POTENTIAL CONFLICTS OF INTEREST.

a. KPMG is or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that, without further notice or disclosure to Entity, KPMG may: (i) accept or continue such engagements on matters unrelated to KPMG's engagement for Entity; and (ii) provide advice or services to any other person or entity making a competing bid or proposal to that of Entity whether or not KPMG is providing advice or services to Entity in respect of Entity's competing bid or proposal.

b. In accordance with professional standards, KPMG will not use any confidential information regarding Entity in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls.

c. In no event shall KPMG be liable to Entity, or shall Entity be entitled to a return of fees or disbursements, or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement in accordance with the terms of this Engagement Letter.

d. Entity agrees that KPMG may, in its sole discretion, disclose the fact and nature of its engagement for Entity to (i) KPMG International member firms to inform conflict searches, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Entity, in connection with the engagement or any future engagement.

e. In the event that circumstances arise that place KPMG into a conflict of interest as between Entity and a pre-existing client, which in KPMG's sole opinion cannot be adequately addressed through the use of confidentiality and other safeguards, KPMG shall be entitled to immediately terminate the engagement with Entity, without liability.

f. Other KPMG International member firms are or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Entity.

13. LOBBYING.

Unless expressly stated in this Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Entity agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to this Engagement Letter.

14. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying proposal or engagement letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of the provisions of these Terms and Conditions or the accompanying proposal or engagement letter are determined to be invalid, void or unenforceable, the remaining provisions of these Terms and Conditions or the accompanying proposal or engagement letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall remain valid and in effect and be enforceable and binding on the parties to the fullest extent permitted by law.

15. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law).

16. LLP STATUS.

KPMG is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation.

17. INDEPENDENT LEGAL ADVICE.

Entity agrees that it been advised to retain independent legal advice at its own expense prior to signing this Engagement Letter (including without limitation with respect to Entity's rights in connection with potential future conflicts) and agrees that any failure on its part to retain such independent legal counsel shall not affect (and it shall not assert that the same affects) the validity of the provisions of this Engagement Letter.

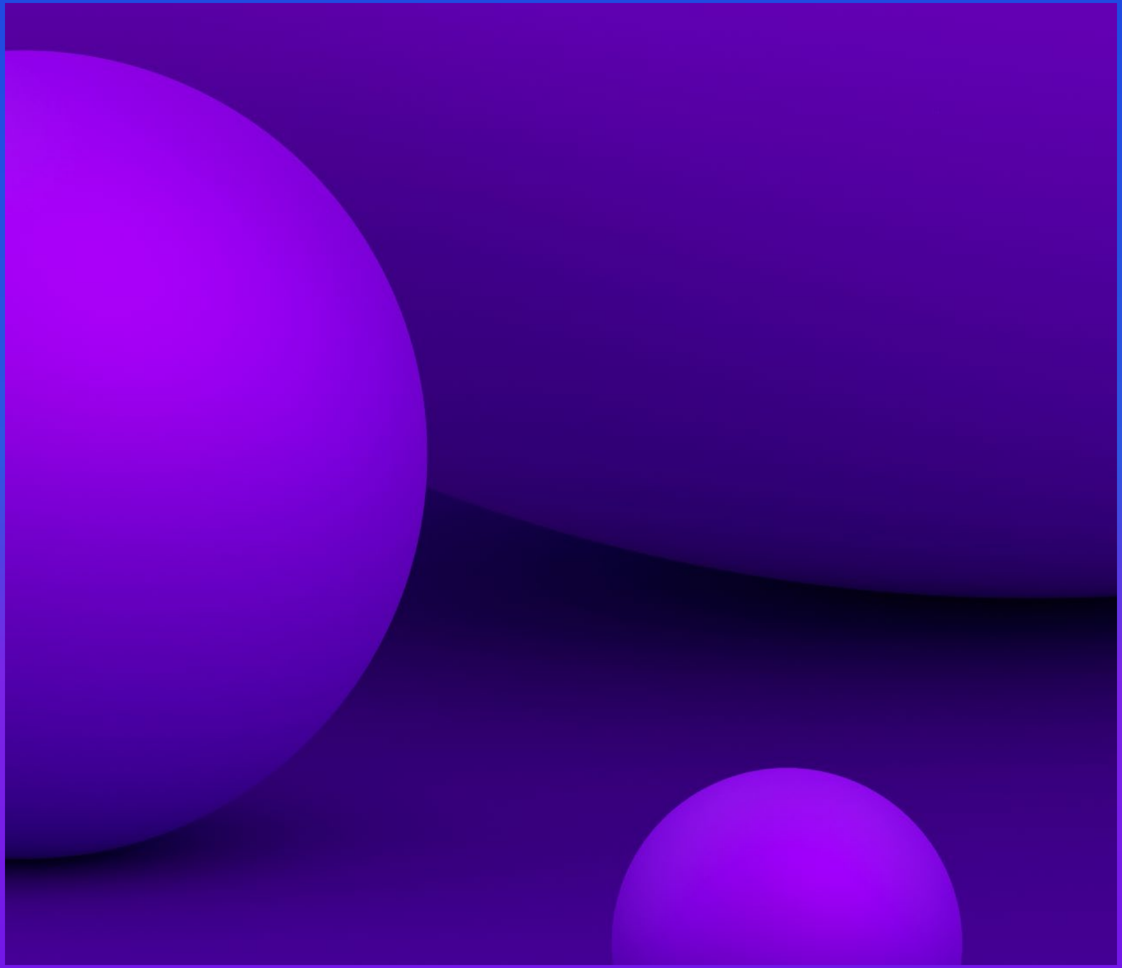
18. SURVIVAL.

All sections hereof other than Section 7(a) shall survive the expiration or termination of the engagement.

KPMG

kpmg.ca

© 2024 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.



For Information | Open Session

Date of Meeting:	May 17, 2024
To:	Members, Pension & Benefits Committee
From:	Sarah Willey-Thomas, Associate University Secretary
RE:	**2. Pension**

b) Pension Risk Management Dashboard, Q1 2024

Background:

Allan Shapira, Aon, will present the Pension Risk Management Dashboard for Q1 2024, presented for the Committee's information.

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

Documentation Provided:

- Pension Risk Management Dashboard, Q1 2024

Pension Risk Management Dashboard

University of Waterloo

As of March 31, 2024

Proprietary and Confidential

About these Materials

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

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

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

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

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

On all bases the following information is shown:

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

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

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

Highlights

Over the Quarter:

- The fund had a rate of return after fees of 5.5%.
- Nominal risk-free rates increased marginally.
- Inflation expectations implicit in the underlying bond yields decreased.

As a Result:

- The going concern funded position declined from a $45.9 million surplus to a $17.1 million surplus over the quarter. This was primarily due to a decrease in the discount rate assumption and the impact of using updated membership data which increased the Plan's liabilities. This was largely offset by better than expected investment returns and contributions exceeding the cost of new benefit accruals.
- The risk-free deficit decreased from $769.0 million to $599.3 million over the quarter primarily due to better than expected investment returns and an increase in real return bond yields.
- The solvency surplus increased from $228.1 million to $409.9 million over the quarter primarily due to better than expected investment returns and an increase in real return bond yields.

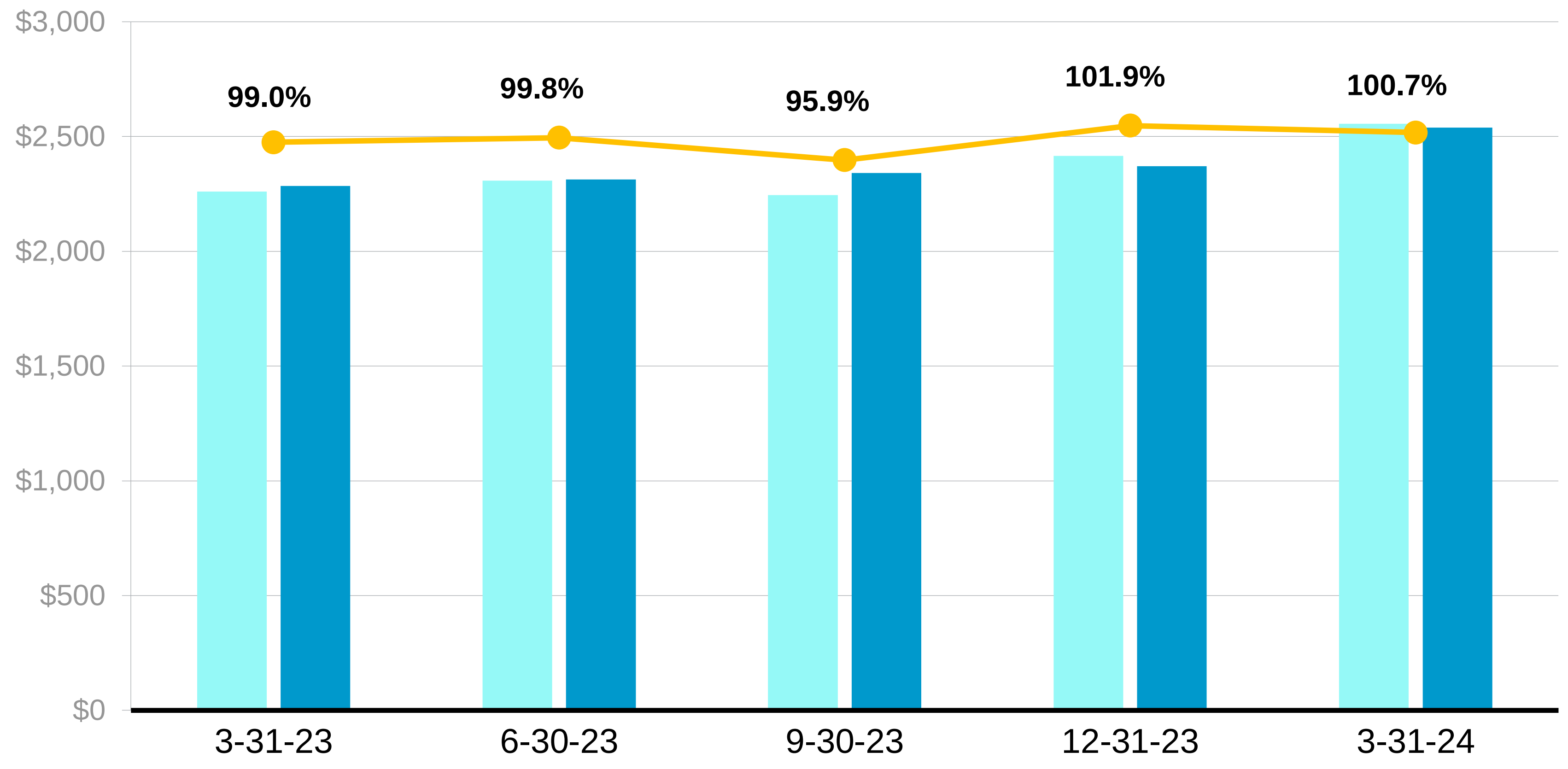
Highlights (cont'd)

- The estimated March 31, 2024 liabilities are projected based on the results of the most recent actuarial valuation of the Plan as at January 1, 2024.
- The December 31, 2023 liabilities shown are based on the December 31, 2022 actuarial valuation projected forward.
- The annuity purchase guidance educational note for valuations on or after March 31, 2024 (published as of April 29, 2024) has been reflected in the interest rates used to calculate the March 31, 2024 Solvency liabilities.
- The estimated transfer ratio has not decreased by 10% or more over the period; no Regulation 19 filing is required.
- All figures are in $1,000,000 (CAD).

Executive Summary – Going Concern

Values in $1,000,000 (CAD)

Funded Status



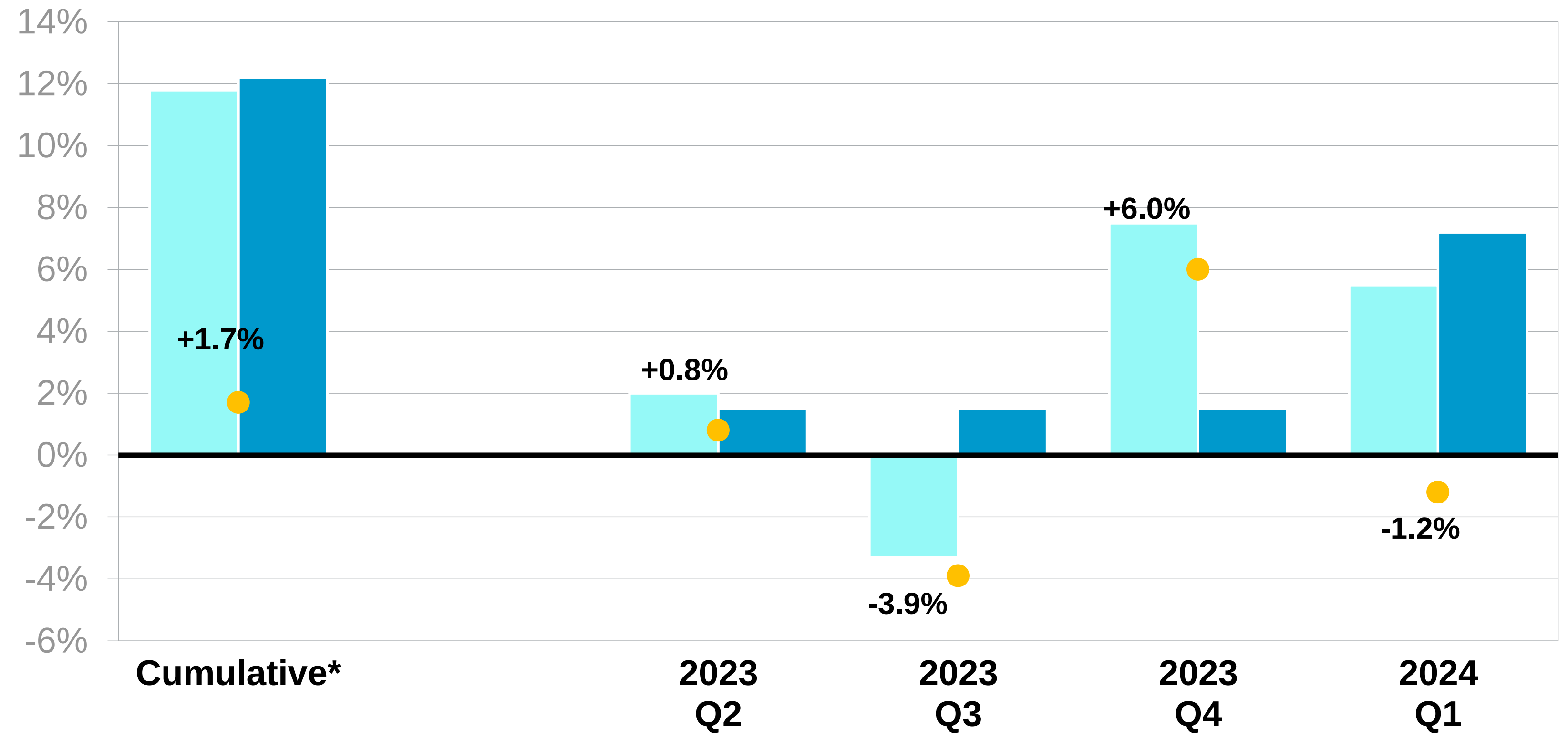
Highlights for the Quarter-Ending 03/31/24
The plan's funded ratio decreased to 100.7% at 03/31/24. This result was primarily due to the combined effects of:

- Increase in liabilities caused by a reduction in the discount rate assumption and the use of updated membership data; offset by
- Better than expected investment returns and contributions exceeding new benefit accruals.

	03/31/23	06/30/23	09/30/23	12/31/23	03/31/24*
Market Value of Assets	$ 2,260.4	$ 2,307.5	$ 2,244.4	$ 2,416.3	$ 2,555.6
Going Concern Liability	2,284.2	2,312.5	2,341.2	2,370.4	2,538.5
Surplus/(Deficit)	$ (23.8)	$ (5.0)	$ (96.8)	$ 45.9	$ 17.1
Periodic Contributions	$ 18.1	$ 28.5	$ 39.8	$ 30.6	$ 30.6*
Effective Interest Rate	6.25%	6.25%	6.25%	6.25%	6.00%
Funded Ratio:	99.0%	99.8%	95.9%	101.9%	100.7%
Interest rate sensitivity:					
Asset:	1.6	1.5	1.4	1.5	1.4
Going Concern Liability Duration:	13.2	13.2	13.2	13.2	13.5

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

Asset-Liability Return



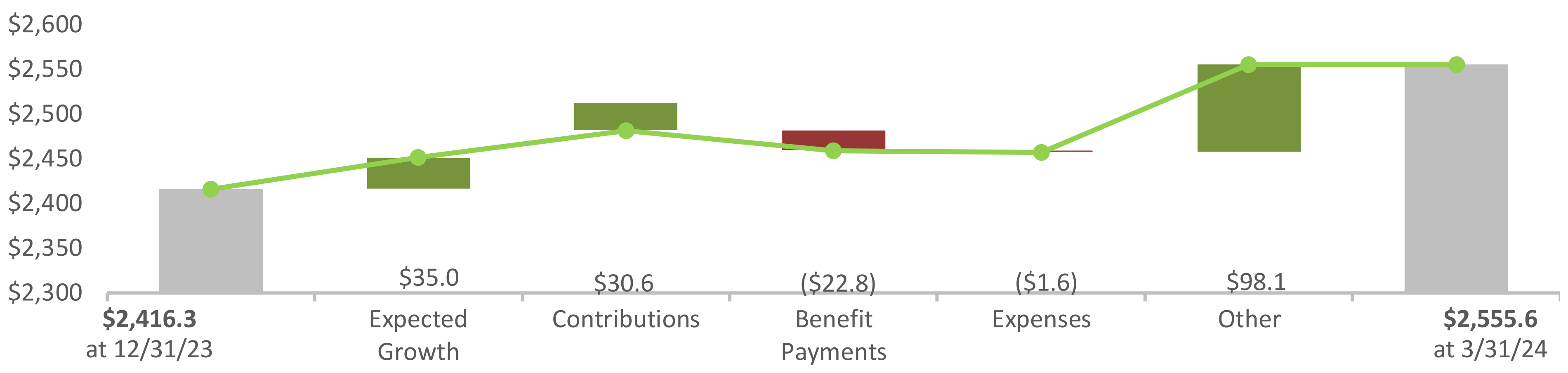
Asset Liability Return for Quarter-Ending 03/31/24
Assets returned 5.5% during the quarter while liabilities returned 7.2%, resulting in a funded status decrease of 1.2%.

Periodic Return/Change	Cumulative	06/30/23	09/30/23	12/31/23	03/31/24
Market Value of Assets Return	11.8%	2.0%	-3.3%	7.5%	5.5%
Going Concern: Return	12.2%	1.5%	1.5%	1.5%	7.2%
Funded Ratio Change	1.7%	0.8%	-3.9%	6.0%	-1.2%

Asset-Liability Performance Attribution – Going Concern

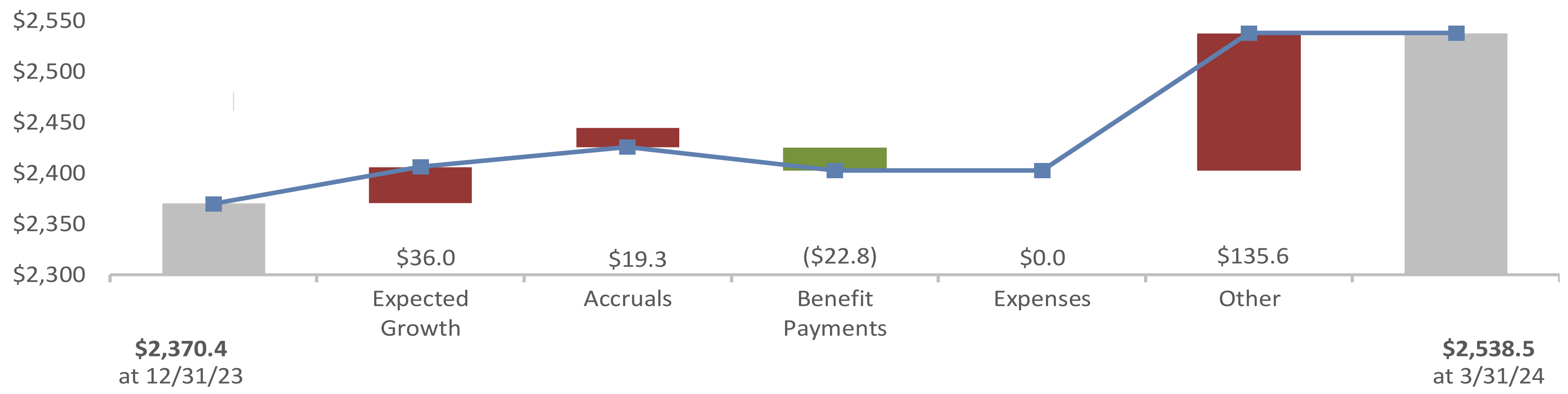
Values in $1,000,000 (CAD)

Assets



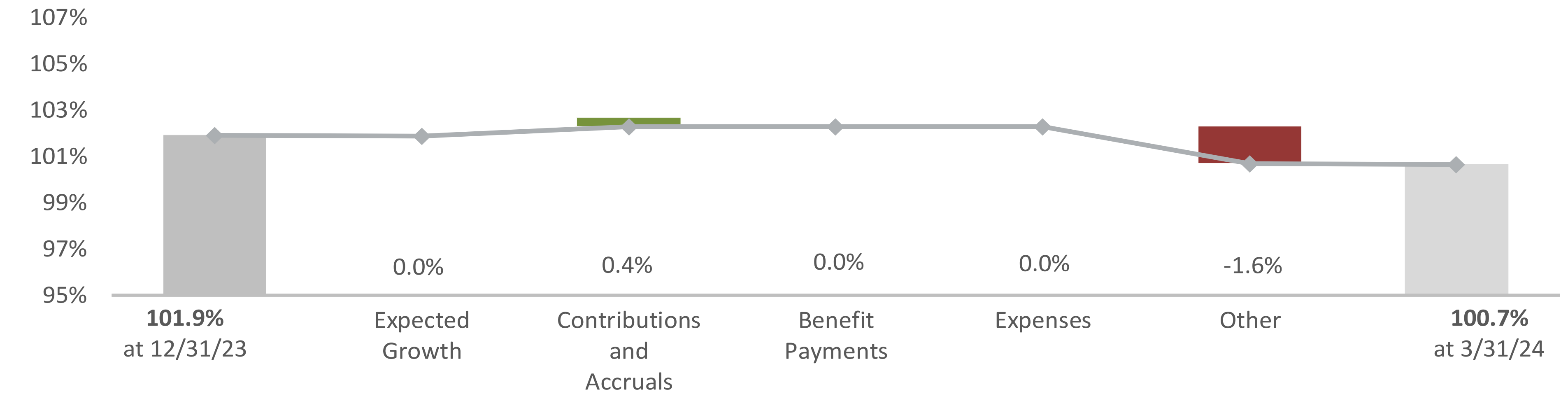
- Overall, assets returned 5.5% during this quarter.
- The fixed income assets lost value due to an increase in the underlying risk-free rates, partially offset by narrowing credit spreads.
- The plan's return-seeking assets provided significantly higher returns than expected during the quarter.
- The University and members made $30.6 million in contributions during the quarter and the trust paid $22.8 million in benefits to the participants.
- "Other" represents the scale of the Plan's asset outperformance relative to expectation.

Liability



- Liabilities were expected to grow by $36.0 million due to interest cost during the quarter.
- New benefit accruals increased the liability by $19.3 million during the quarter.
- Plan liabilities decreased by $22.8 million during the quarter as benefits were paid.
- "Other" mainly comprises of a reduction in the discount rate assumption from 6.25% p.a. to 6.00% p.a. plus the impact of using updated membership data for the most recent actuarial funding valuation.

Funded Ratio

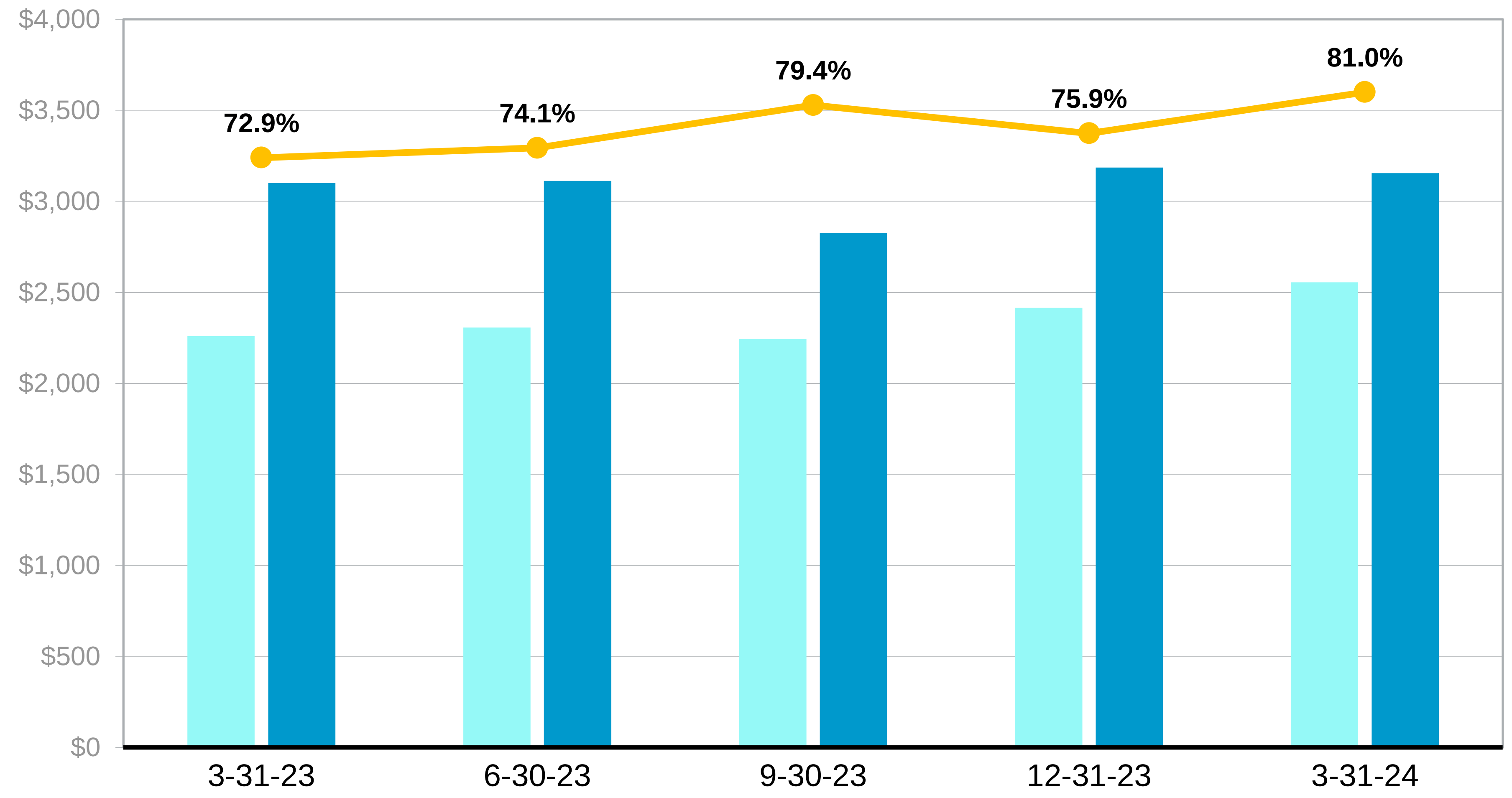


- Contributions exceeded benefit accruals over the quarter, resulting in an improvement of 0.4% in the Plan's funded ratio.
- "Other" represents the impact of asset outperformance relative to the liabilities (inclusive of the impact of the reduction in discount rate and the updated membership data).

Executive Summary – Risk Free

Values in $1,000,000 (CAD)

Funded Status



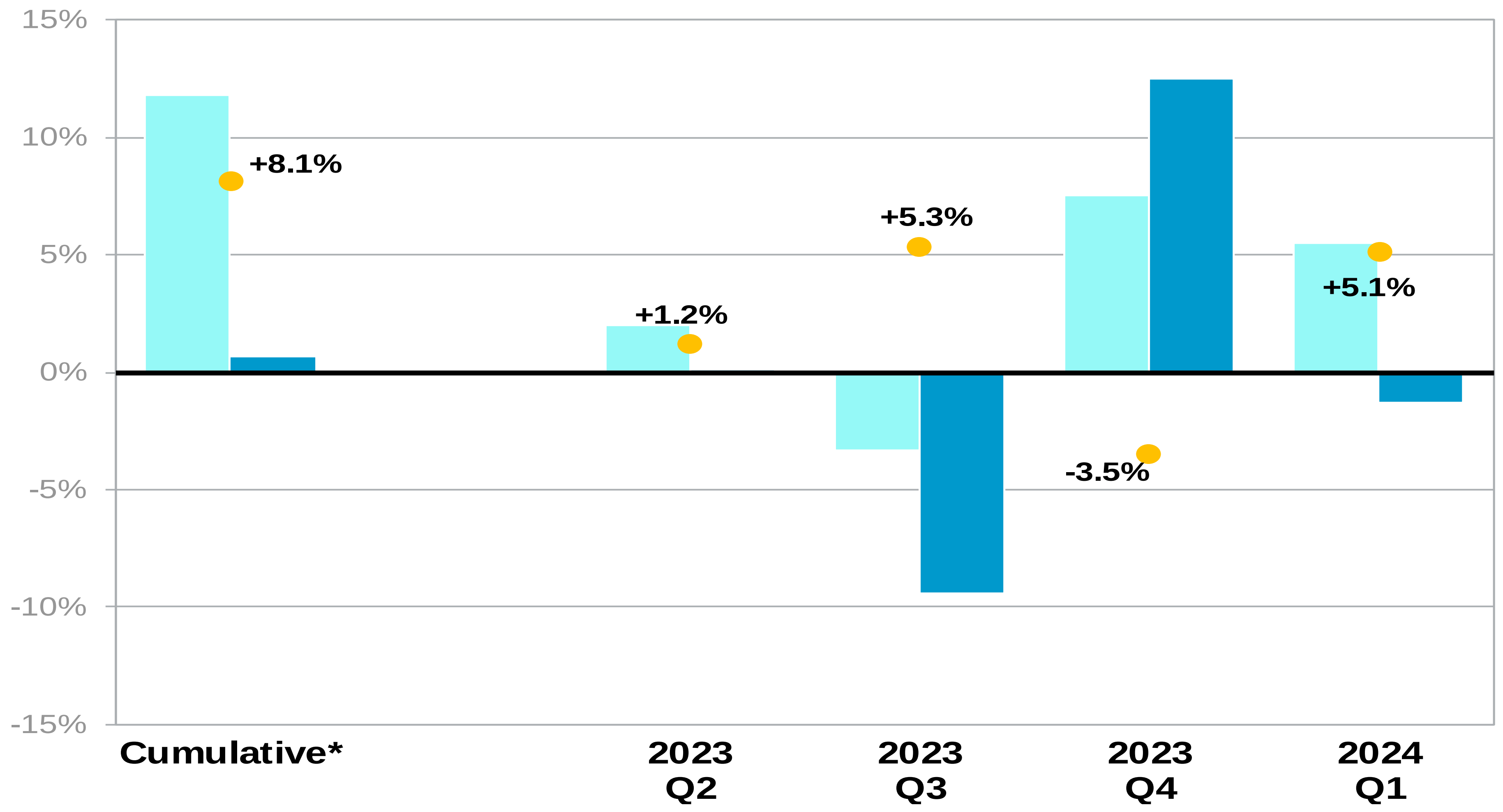
Highlights for the Quarter-Ending 3/31/24
The plan's funded ratio increased to 81.0% at 3/31/24. This result was primarily due to:

- Better than expected asset returns, plus
- A small increase in the risk-free rate net of inflation

	03/31/23	06/30/23	09/30/23	12/31/23	03/31/24*
Market Value of Assets	$ 2,260.4	$ 2,307.5	$ 2,244.4	$ 2,416.3	$ 2,555.6
Risk-Free Liability	3,100.7	3,112.8	2,825.8	3,185.3	3,154.9
Surplus/(Deficit)	$ (840.3)	$ (805.3)	$ (581.4)	$ (769.0)	$ (599.3)
Periodic Contributions	$ 18.8	$ 28.5	$ 39.8	$ 30.6	$ 30.6*
Discount Rate	1.74%	1.79%	2.46%	1.80%	1.90%
Funded Ratio:					
Assets/Risk-Free Liability	72.9%	74.1%	79.4%	75.9%	81.0%
Interest rate sensitivity:					
Assets:	1.5	1.5	1.5	1.5	1.5
Risk-Free Liability:	17.2	16.8	15.8	16.8	16.5

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

Asset-Liability Return



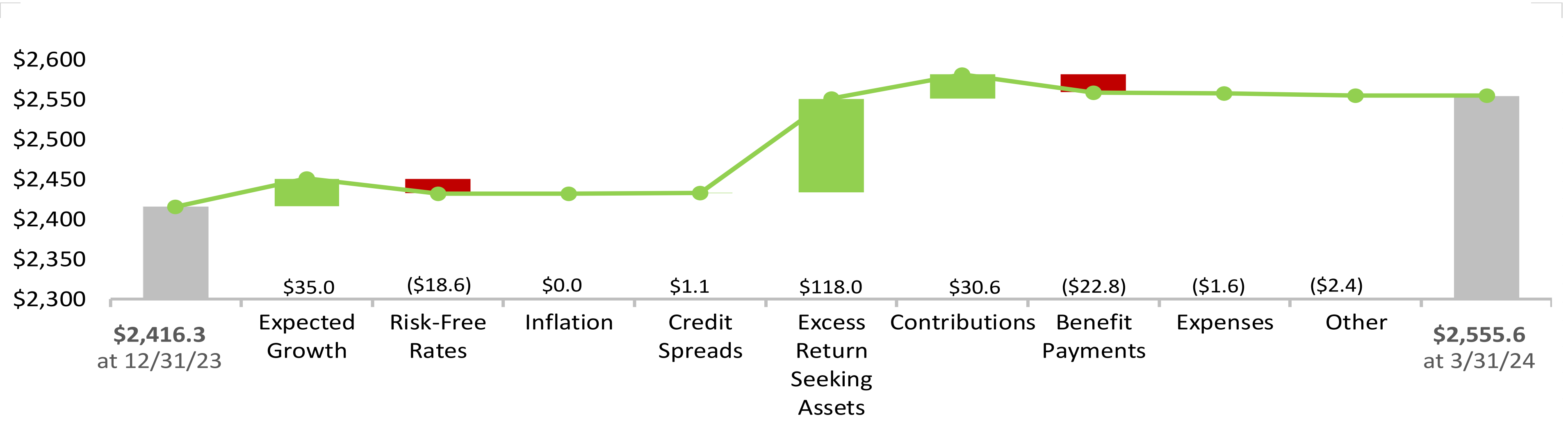
Asset Liability Return for Quarter-Ending 3/31/24
Assets returned 5.5% during the quarter while liabilities returned -1.3%, resulting in a funded status increase of 5.1%.

Periodic Return/Change	Cumulative	06/30/23	09/30/23	12/31/23	03/31/24
Market Value of Assets Return	11.8%	2.0%	-3.3%	7.5%	5.5%
Risk-Free Liability: Return	0.7%	0.1%	-9.4%	12.5%	-1.3%
Funded Ratio Change	8.1%	1.2%	5.3%	-3.5%	5.1%

Asset-Liability Performance Attribution – Risk Free

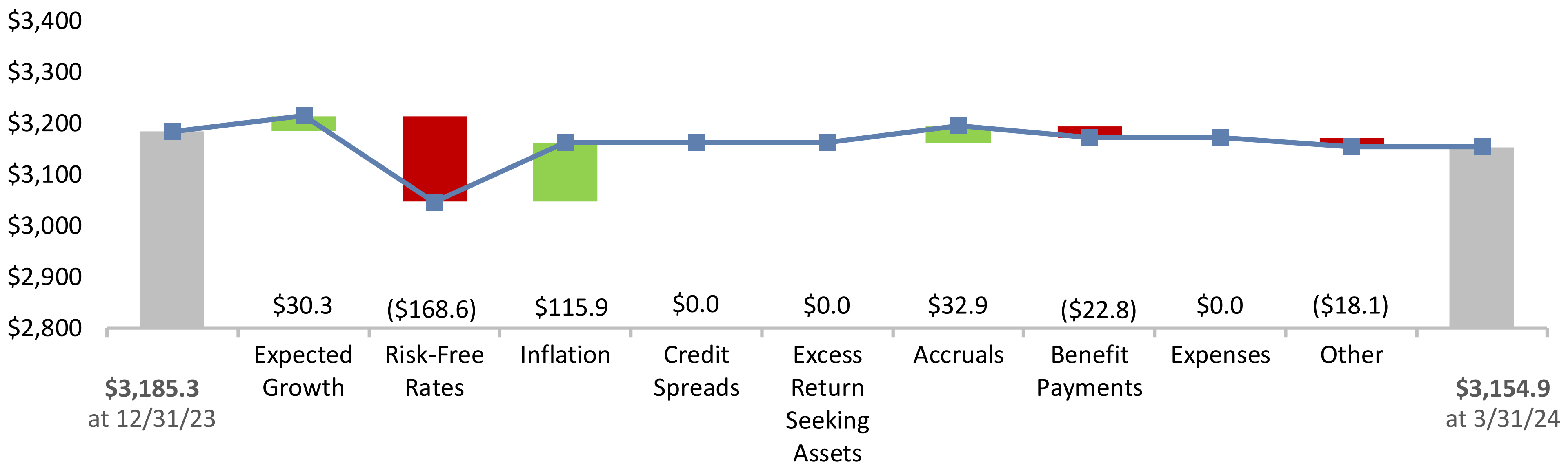
Values in $1,000,000 (CAD)

Assets



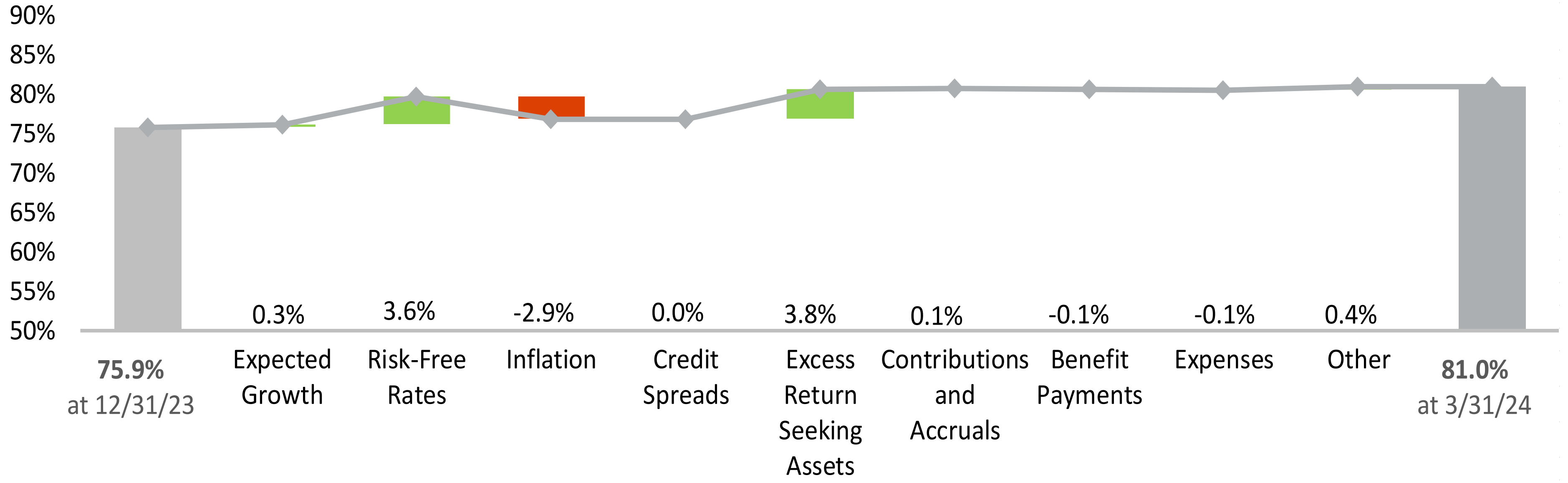
- Overall, assets returned 5.5% during this quarter.
- The fixed income assets lost value due to an increase in the underlying risk-free rates, partially offset by narrowing credit spreads.
- The plan's return-seeking assets performed significantly better than expected during the quarter.
- The University and members made $30.6 million in contributions during the quarter and the trust paid $22.8 million in benefits to the participants.
- "Other" includes the impact of active management, and differences between benchmark and actual investment allocations.

Liability



- Liabilities were expected to grow by $30.3 million due to the interest cost during the quarter.
- New benefit accruals increased the liability by $32.9 million during the quarter.
- Plan liabilities decreased by $22.8 million during the quarter as benefits were paid out.
- An increase in risk-free rates led to a significant decrease in the Plan's liabilities, although this was largely offset by an increase in inflation expectations.
- "Other" includes the impact of using the updated membership data for the recent actuarial valuation.

Funded Ratio

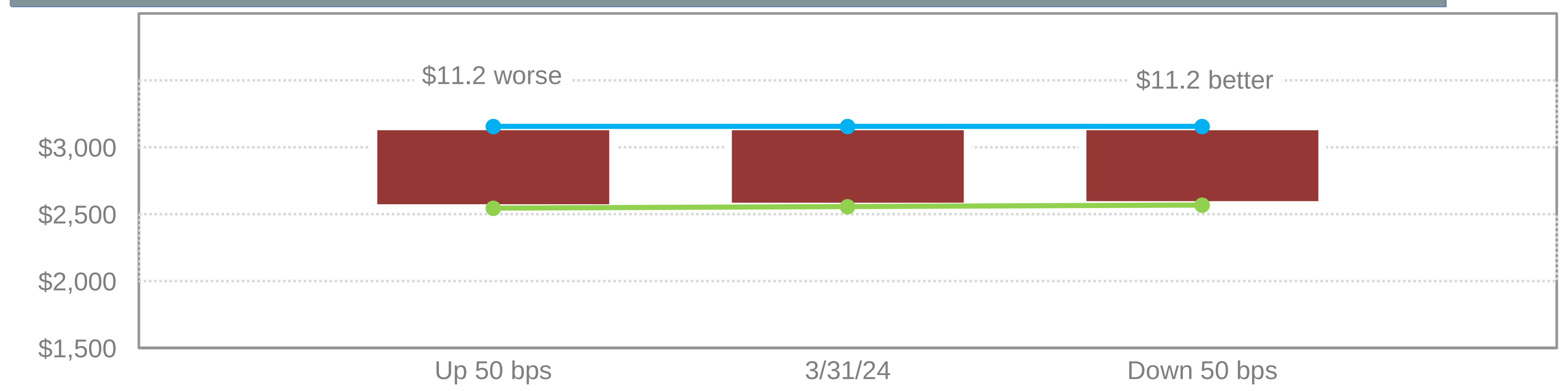


- The increase in risk-free rates during the period, resulted in an increase in the plan's funded status of 3.6%, although this largely offset by an increase in inflation expectations which resulted in a decrease in the Plan's funded status of 2.9%.
- The plan's return-seeking assets provided significantly higher returns than expected during the quarter, resulting in an increase of 3.7% in the plan's funded status during the period.

Sensitivity Analysis – Risk Free Benchmark

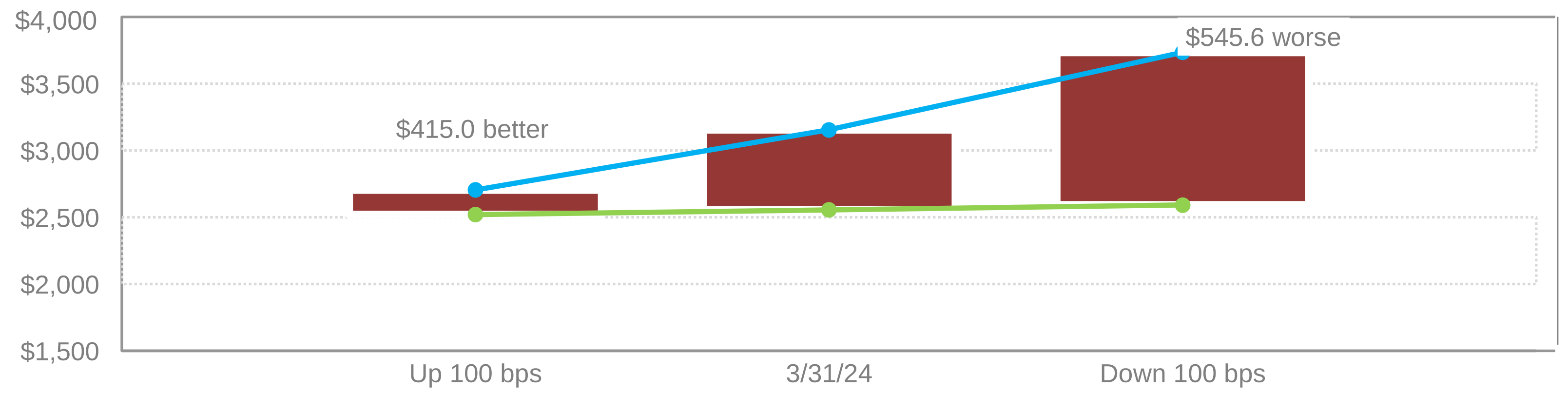
Values in $1,000,000 (CAD)

Credit Spreads



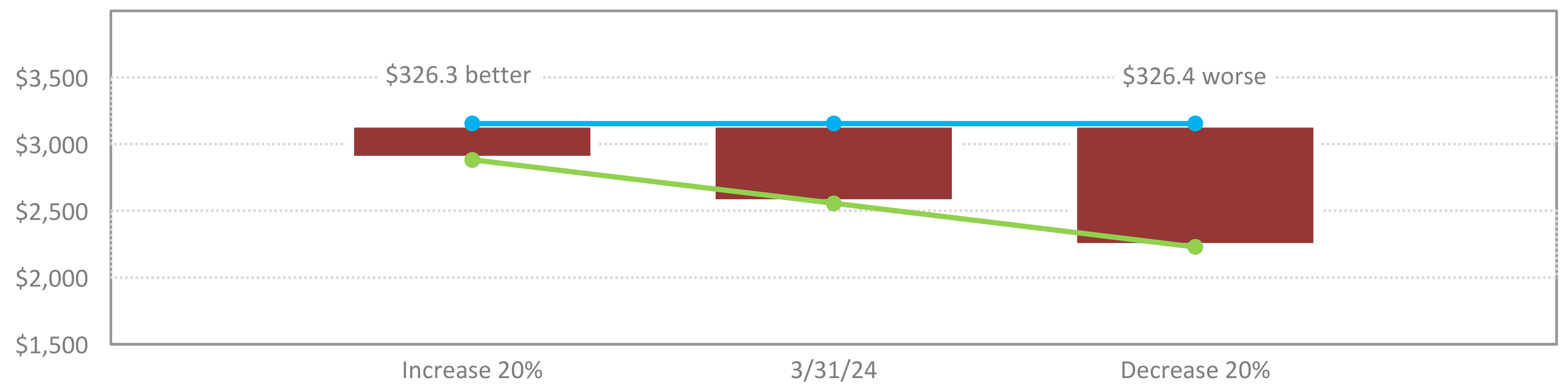
	Up 50bps		Current		Down 50bps
Market Value of Assets	$2,544.4		$2,555.6		$2,566.8
Risk Free Liability	$3,154.9		$3,154.9		$3,154.9
Surplus/(Deficit)	($610.5)		($599.3)		($588.1)
Change		**($11.2)**		**$11.2**	

Risk Free Rates



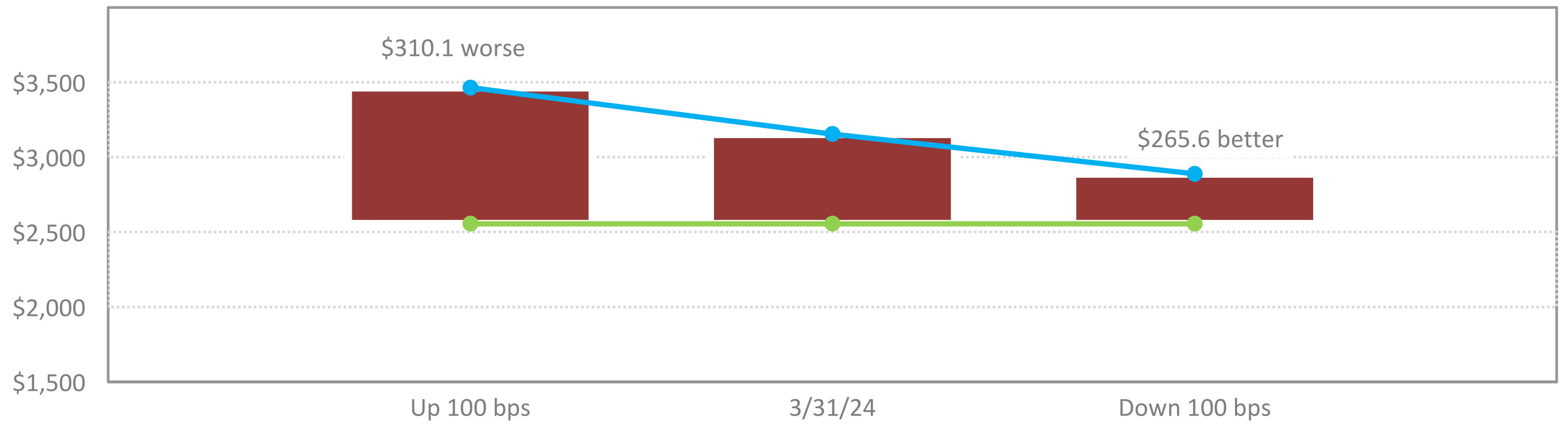
	Up 100bps		Current		Down 100bps
Market Value of Assets	$2,520.4		$2,555.6		$2,591.3
Risk Free Liability	$2,704.7		$3,154.9		$3,736.2
Surplus/(Deficit)	($184.3)		($599.3)		($1, 144.9)
Change		**$415.0**		**($545.6)**	

Return-Seeking Assets



	Increase 20%		Current		Decrease 20%
Market Value of Assets	$2,881.9		$2,555.6		$2,229.2
Risk Free Liability	$3,154.9		$3,154.9		$3,154.9
Surplus/(Deficit)	($273.0)		($599.3)		($925.7)
Change		**$326.3**		**($326.4)**	

Inflation

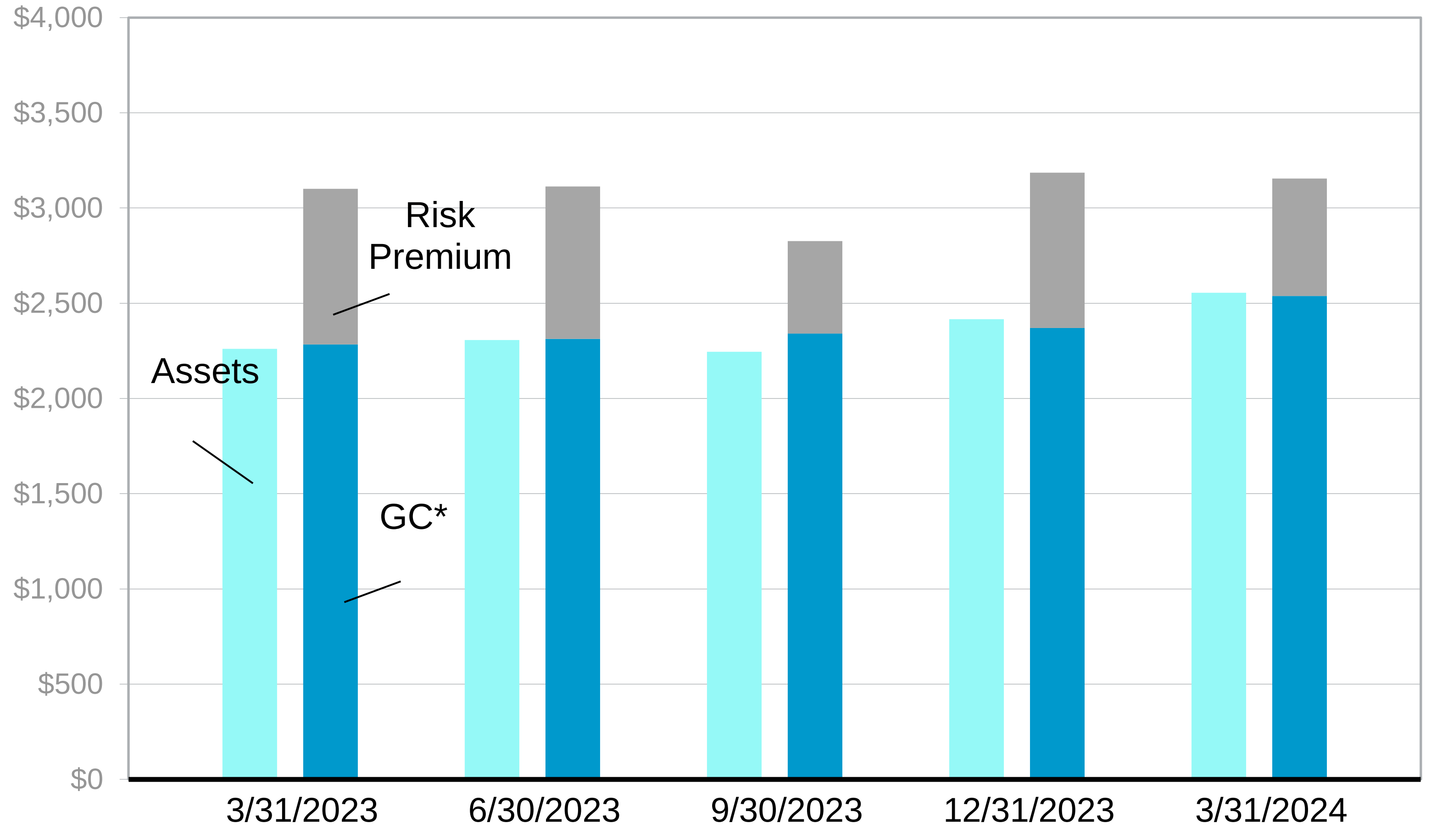


	Up 100bps		Inflation		Down 100bps
Market Value of Assets	$2,555.6		$2,555.6		$2,555.6
Risk-Free Liability	$3,465.0		$3,154.9		$2,889.3
Surplus/(Deficit)	($909.4)		($599.3)		($333.7)
Change		**($310.1)**		**$265.6**	

Reconciliation of Risk-Free Benchmark and Going Concern Funded Status

Funded Status

Values in $1,000,000 (CAD)



* Going Concern

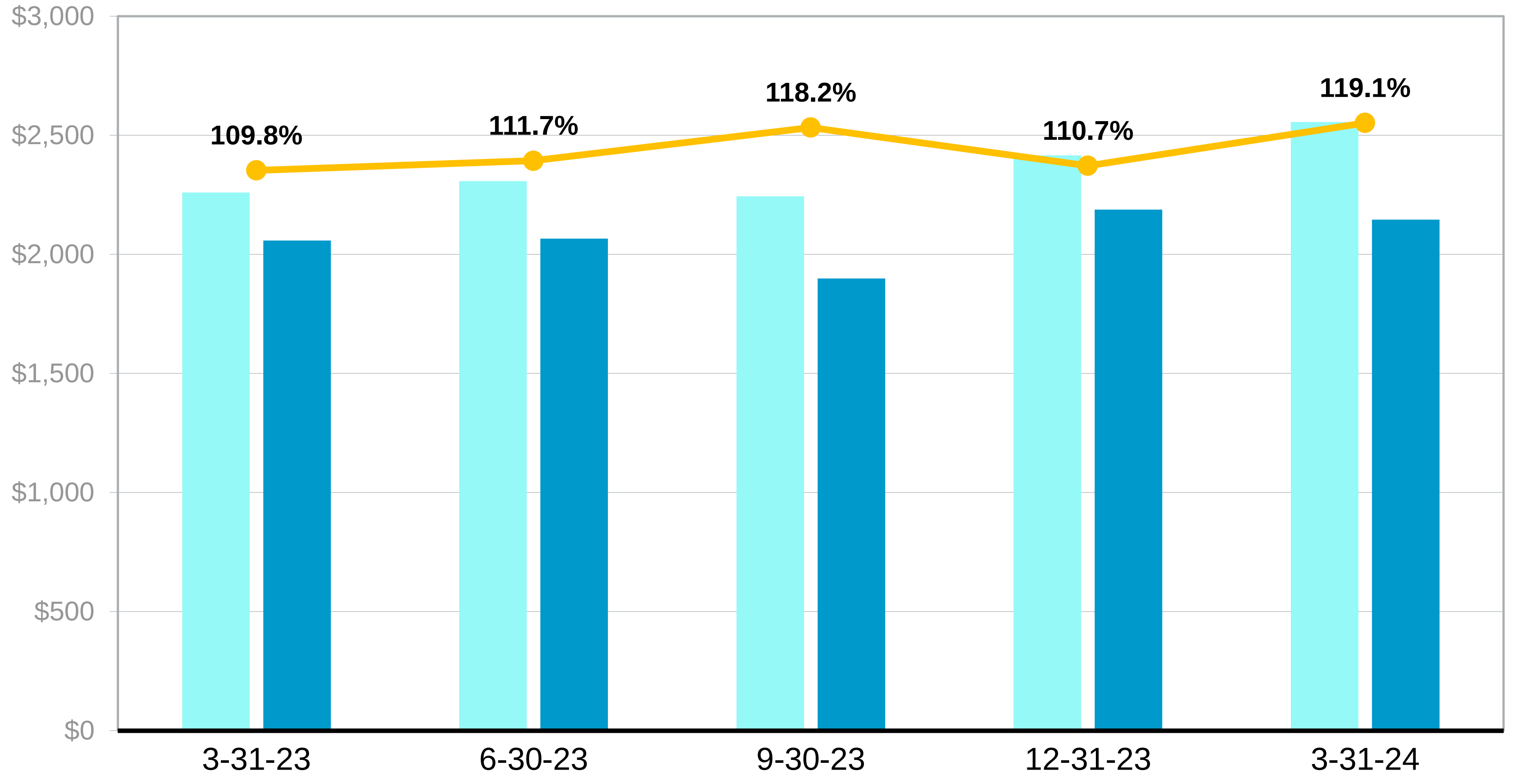
		03/31/23		06/30/23		09/30/23		12/30/23		03/31/24
Market Value of Assets	$	2,260.4	$	2,307.5	$	2,244.4	$	2,416.3	$	2,555.6
Going Concern Liability	$	2,284.2	$	2,312.5	$	2,341.2	$	2,370.4	$	2,538.5
Risk Premium		816.5		800.3		484.6		814.9		616.4
Risk-Free Liability	$	3,100.7	$	3,112.8	$	2,825.8	$	3,185.3	$	3,154.9

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

Executive Summary – Solvency

Values in $1,000,000 (CAD)

Funded Status



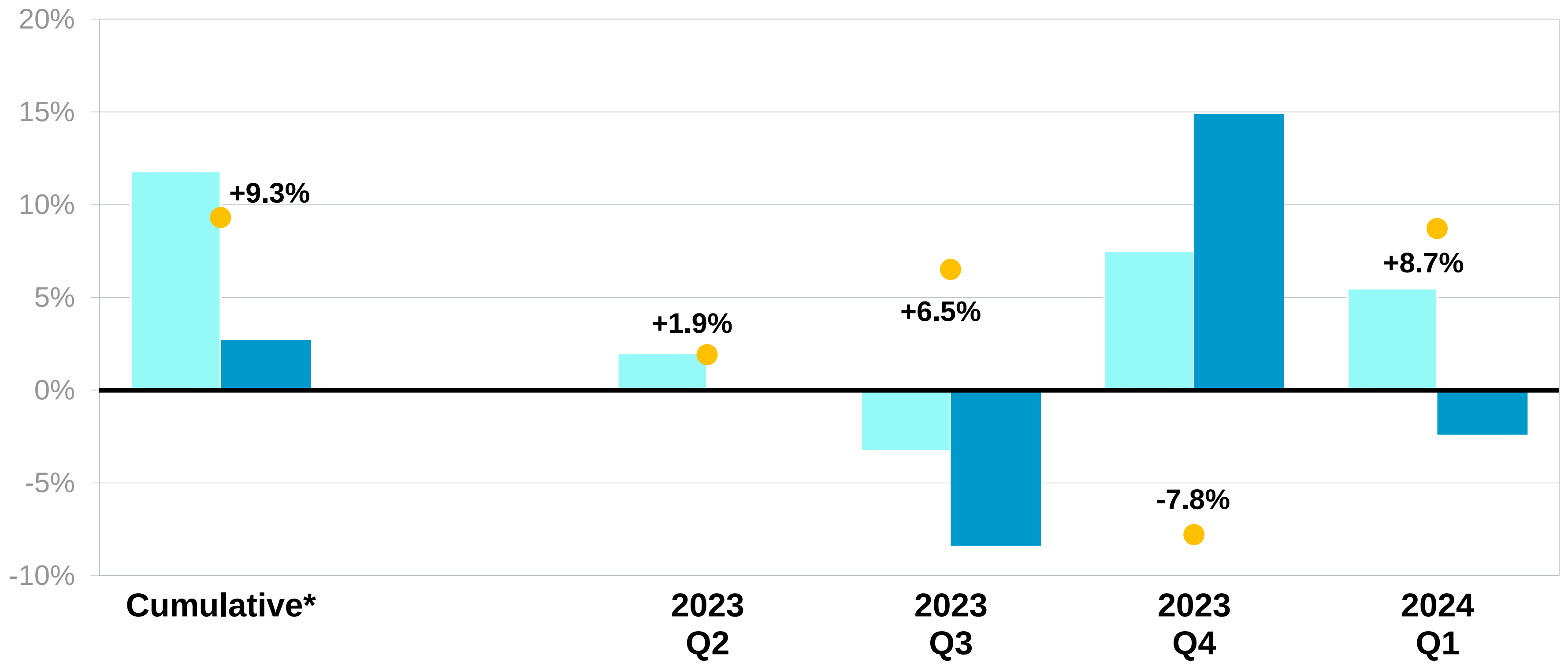
Highlights for the Quarter-Ending 3/31/24
The plan's solvency ratio increased to 119.1% at 03/31/24. This result was primarily due to the combined effects of:

- An increase in the net interest rates used to value liabilities, plus
- Better than expected asset returns.

	03/31/2023	06/30/2023	09/30/2023	12/31/2023	03/31/2024*
Market Value of Assets	$ 2,260.4	$ 2,307.5	$ 2,244.4	$ 2,416.3	$ 2,555.6
Solvency Liability	2,057.8	2,066.0	1,898.6	2,188.2	2,145.7
Surplus/(Deficit)	$ 202.6	$ 241.5	$ 345.8	$ 228.1	$ 409.9
Periodic Contributions	$ 18.8	$ 28.5	$ 39.8	$ 30.6	$ 30.6
Effective Interest Rate	4.52%	4.61%	5.44%	4.40%	4.73%
Funded Ratio:					
Assets/Solvency Liability	109.8%	111.7%	118.2%	110.7%	119.1%
Interest rate sensitivity:					
Assets	1.5	1.5	1.5	1.5	1.5
Solvency Liability	12.6	12.6	11.7	12.8	11.7

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

Asset-Liability Return



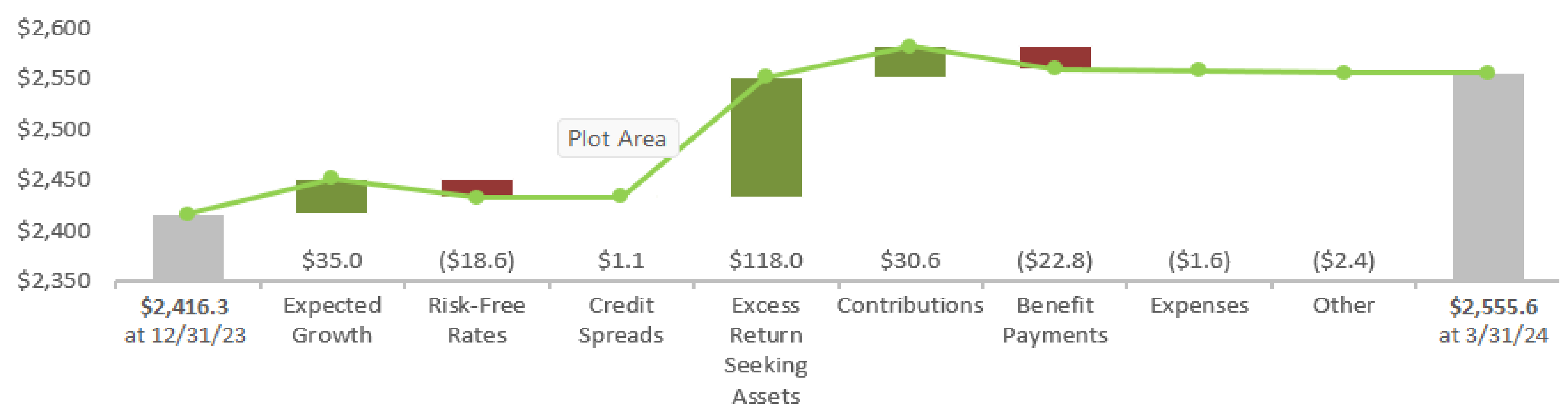
Asset Liability Return for Quarter-Ending 03/31/24
Assets returned 5.5% during the quarter while liabilities returned -2.4%, resulting in a funded status increase of 8.7%.

Periodic Return/Change	Cumulative	06/30/23	09/30/23	12/31/23	03/31/24
Market Value of Assets Return	11.8%	2.0%	-3.3%	7.5%	5.5%
Solvency Liability:					
Return	2.7%	0.0%	-8.4%	14.9%	-2.4%
Funded Ratio Change	9.3%	1.9%	6.5%	-7.8%	8.7%

Asset-Liability Performance Attribution – Solvency

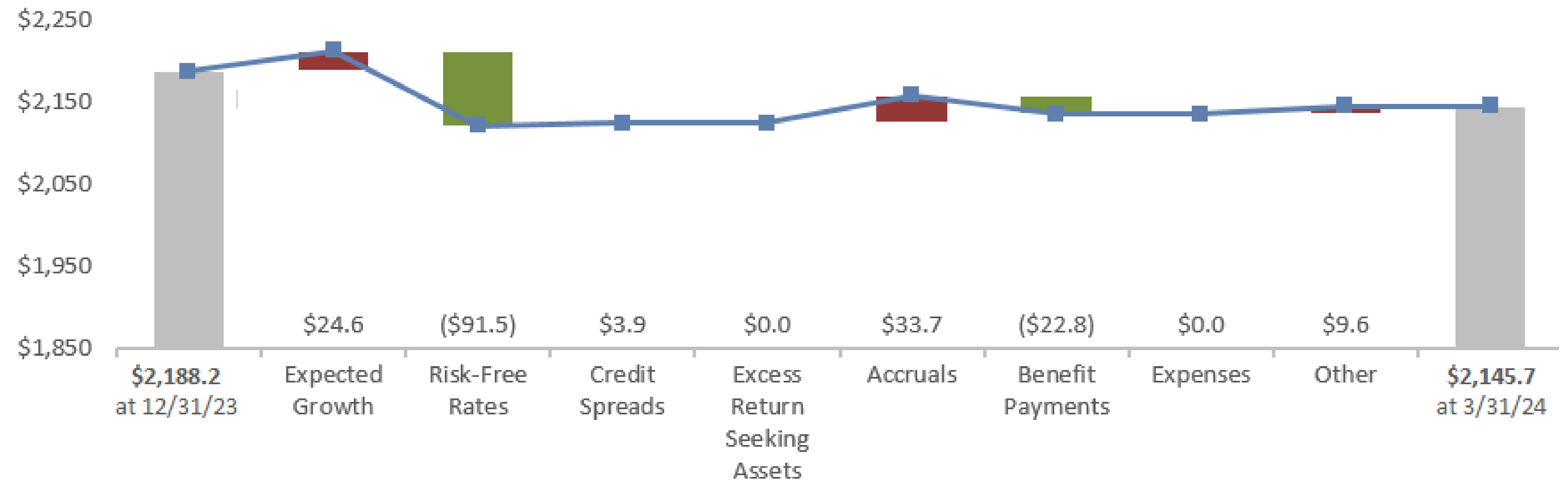
Values in $1,000,000 (CAD)

Assets



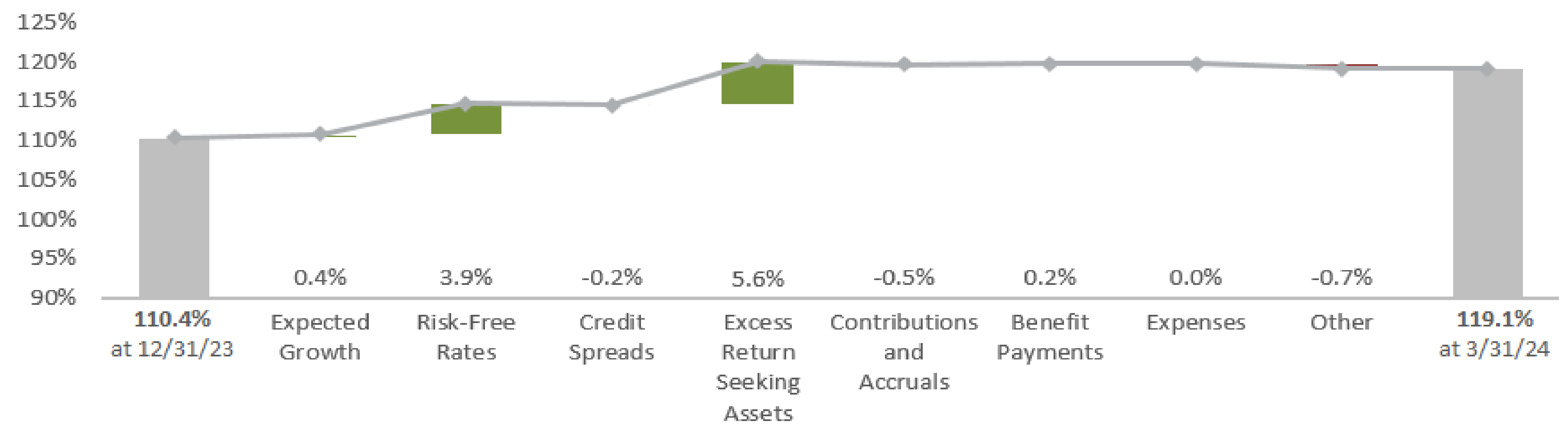
- Overall, assets returned 5.5% during this quarter.
- The fixed income assets lost value due to an increase in the underlying risk-free rates, partially offset by narrowing credit spreads.
- The plan's return-seeking assets performed significantly better than expected during the quarter.
- The University and members made $30.6 million in contributions during the quarter and the trust paid $22.8 million in benefits to the participants.
- “Other” includes the impact of active management, and differences between benchmark and actual investment allocations.

Liability



- Liabilities were expected to grow by $24.6 million due to interest cost during the quarter.
- Risk-free rates increased, resulting in a net decrease of $91.5 million.
- New benefit accruals increased the liability by $33.7 million during the quarter.
- Plan liabilities decreased by $22.8 million during the quarter as benefits were paid out.

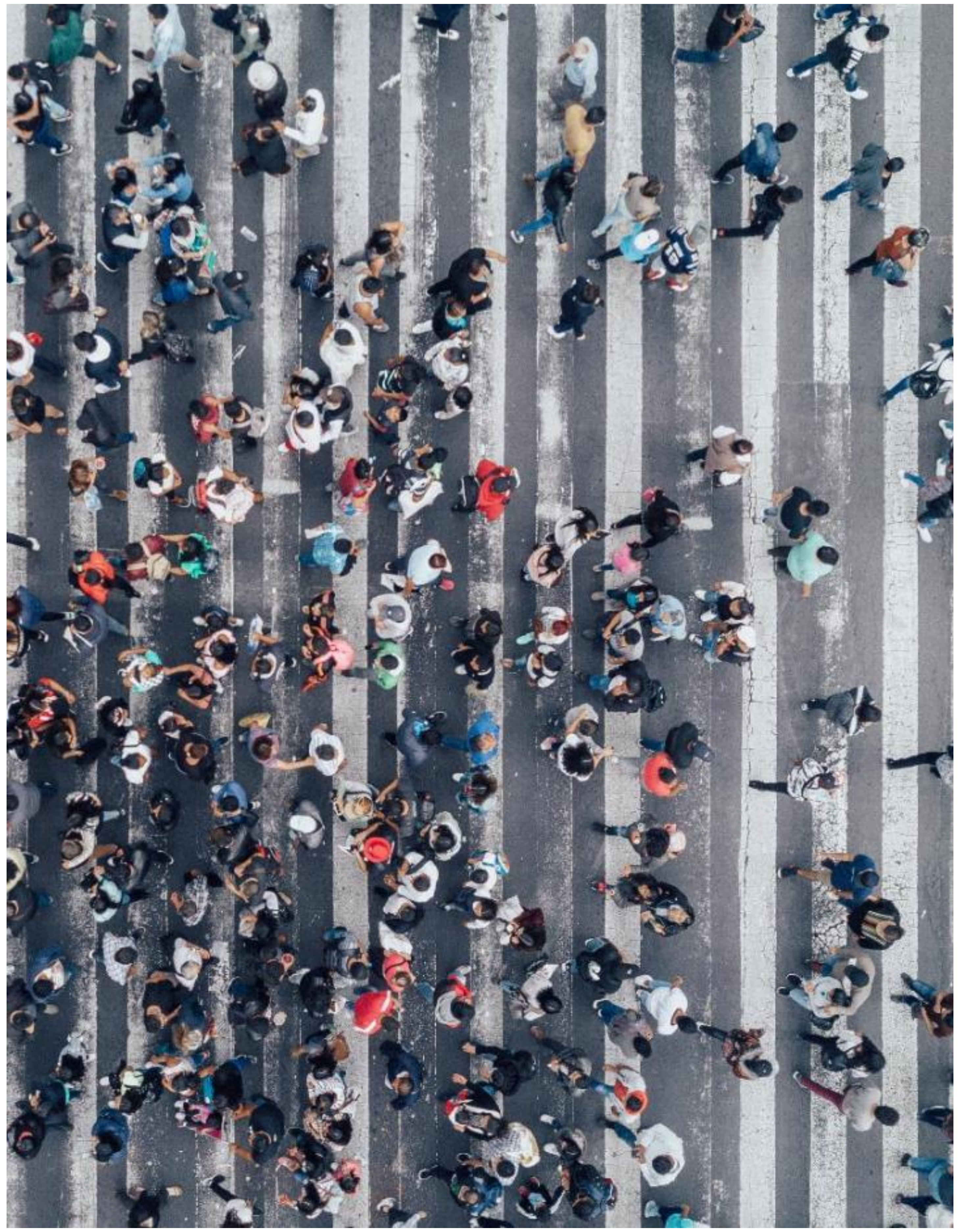
Funded Ratio



- The difference in exposure to risk-free rates between assets and liabilities combined with changes in risk-free rates resulted in an increase in funded status of 3.9%.
- Return-seeking assets performed in excess of expectations during the quarter, adding 5.6% to the plan's funded status during the period.

Appendix

Plan Provisions & Membership Data



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

Actuarial Methods & Assumptions

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

	03/31/23	06/30/23	09/30/23	12/31/23	03/31/24
Going Concern					
Discount Rate	6.25%	6.25%	6.25%	6.25%	6.00%
Inflation	2.00%	2.00%	2.00%	2.00%	2.00%
Salary Increase	3.00%/4.00%[1]	3.00%/4.00%[1]	3.00%/4.00%[1]	3.00%/4.00%[1]	4.00%[1]
PfAD	9.60%	9.60%	9.60%	9.60%	9.60%
Mortality	CPM2014Public	CPM2014Public	CPM2014Public	CPM2014Public	CPM2014Public
Risk-Free Benchmark					
Discount Rate (Net of inflation)	1.74%	1.79%	2.46%	1.80%	1.90%
Solvency					
Annuity Purchase Interest Rate	4.63%	4.74%	5.48%	4.55%	4.87%
Effective Date of Annuity Purchase Guidance Used	05/01/23	07/24/23	10/24/23	1/22/24	4/29/24
Lump Sum Value Interest Rate (Years 1-10)[2]	4.10%	4.40%	5.30%	4.10%	4.30%
Lump Sum Value Interest Rate (Years 10+)[2]	4.50%	4.40%	5.10%	4.20%	4.60%
Mortality[3]	CPM2014	CPM2014	CPM2014	CPM2014	CPM2014
Underlying Canadian Reference Data					
CANSIM v39054 (7 Year)	2.86%	3.38%	4.11%	3.09%	3.45%
CANSIM v39056 (30 Year Long Term)	3.02%	3.09%	3.81%	3.02%	3.34%
CANSIM v39057 (30 Year Real Return)	1.34%	1.39%	2.06%	1.40%	1.50%
CANSIM v39062 (Over 10 Years)	3.03%	3.14%	3.88%	3.05%	3.37%

[1] 3.00% per year for 1 year; 4.00% year thereafter
[2] Lump Sum Value Interest Rates are based on rates in effect on the first day of the month following quarter end (i.e., January 1st, April 1st, July 1st and October 1st).
[3] With improvement scale MI-2017 for Going Concern and Risk Free and CPM-B for Solvency.

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

Actuarial Attestation

This document is intended to provide the University of Waterloo with a summary of the performance of the Pension Plan as of March 31, 2024.

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

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

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

Aon
May 2024

Asset Allocation and Benchmarking

Asset Class	03/31/24
Alternatives	
• FTSE EPRA NAREIT DEVELOPED Total Return Index USD	2.9%
• MSCI USA Infrastructure Index	5.9%
Fixed Income	
• FTSE TMX Universe Bond Index	33.0%
International Equities	
• MSCI World Index	52.5%
• S&P TSX	5.7%
Total	100.0%

Legal Disclaimer

© 2024 Aon Solutions Canada Inc. All Rights Reserved.

This document contains confidential information and trade secrets protected by copyrights owned by Aon. The document is intended to remain strictly confidential and to be used only for your internal needs and only for the purpose for which it was initially created by Aon. No part of this document may be disclosed to any third party or reproduced by any means without the prior written consent of Aon.

For Information **Open Session**

Date of Meeting: May 17, 2024

To: Members, Pension & Benefits Committee

From: Sarah Willey-Thomas, Associate University Secretary

RE: **2. Pension**

---

c) Pension Investment Performance, Q1 2024

Background:

The Pension Investment Performance report will be presented to the Pension Investment Committee at its meeting on June 5, 2024 and will in turn be presented to the Pension & Benefits Committee at its meeting on June 11, 2024.

Members will note that the May meeting of the Pension Investment Committee was canceled for May 2024 due to a lack of agenda items.

Members will recall that the Investment Performance report is provided quarterly to the Committee and is intended to track the performance of the pension investments.

Documentation Provided:

- N/A

UNIVERSITY OF WATERLOO | Board of Governors

For Decision	**Open Session**
Date of Meeting:	May 17, 2024
To:	Members, Pension & Benefits Committee
From:	Sarah Willey-Thomas, Associate University Secretary
RE:	**2. Pension**

d) Actuarial Valuation as at January 1, 2024

Background:

The University of Waterloo pension plan is a defined-benefit plan. The Plan funded by contributions from the employees and the University, and by investment returns.

An actuarial valuation report is required to be filed with the Ontario pension regulator at least every three years. In practice the Committee commissions a report on an annual basis for planning and monitoring purposes and recommends filing the valuation more regularly than required. Most recently, the Board of Governors approved to file the valuation as at January 1, 2023 at its meeting on June 6, 2023.

It is recommended that the January 1, 2024 valuation of the University Pension Plan is filed with the regulators. Committee members will recall reviewing the actuarial valuation assumptions at a on January 19, 2024 and reviewing preliminary actuarial valuation results on March 22, 2024.

Enclosed for member's consideration is a Background on Valuation Filing Recommendation, to be presented by Aon.

Recommendation:

That the Pension & Benefits Committee recommend that the Board of Governors approve the filing of the actuarial valuation as of January 1, 2024 for the University of Waterloo Pension Plan with the regulator, as presented.

Documentation Provided:

- Background on Valuation Filing Recommendation

Attachment 1

Background on Valuation Filing Recommendation

As shown in the table below, the total University contributions will be the same in 2024 whether or not the January 1, 2024 actuarial valuation is filed with the regulators. The difference between the two scenarios is the amount of the University contributions allocated to statutory special payments and additional contributions in 2025. The allocation in 2024 is the same between the two scenarios.

Filing of the January 1, 2024 actuarial valuation will ensure that the University funding plan of 12.45% of pensionable earnings will satisfy the statutory contribution requirements for three more years.

The filing decision should be assessed every year if the statutory requirements are satisfied by the University funding plan.

The January 1, 2024 results below are based on a 6.00% discount rate. (6.25% at January 1, 2023).

2024	Based on January 1, 2023 Filed Valuation	Based on January 1, 2024 Filed Valuation
Member Contributions		
	8.99% of pensionable earnings = $52,853,000	8.99% of pensionable earnings = $52,853,000
Total University Funding Commitment		
	12.45% of pensionable earnings = $73,201,000	12.45% of pensionable earnings = $73,201,000
• University Current Service Cost	$ 52,853,000	$ 52,853,000
• Statutory Special Payments	16,828,000	16,828,000
• Additional Contributions Allocated to RPP	3,520,000	3,520,000
Total University Contributions	**$ 73,201,000**	**$ 73,201,000**

If the January 1, 2024 valuation is filed, then the statutory special payments will reduce to $10,176,000[1] in 2025 with the additional contributions allocated to RPP increasing by the same amount. If the January 1, 2024 valuation is not filed, statutory special payments remain at $16,828,000 in 2025.

The filing of the actuarial valuation will increase the Pension Benefits Guarantee Fund assessment paid by the University, by approximately $41,000.

[1] Based on unaudited financial statements; will be updated based on audited financial statements

Aon Proprietary and Confidential

For Decision **Open Session**

Date of Meeting:	May 17, 2024
To:	Members, Pension & Benefits Committee
From:	Sarah Willey-Thomas, Associate University Secretary
RE:	**2. Pension**

---

e) Pension Administration Expenses

Background:

The Pension & Benefits Committee receives an annual report on administration expenses related to administration of the University of Waterloo Pension Plan for Staff and Faculty.

Sarah Hadley, Chief Financial Officer, will present the enclosed memo which outlines the services provided by the Finance Unit to the Plan and the associated expenses.

Recommendation:

That the Pension & Benefits Committee approve pension expenses for services provided by the University of Waterloo's Finance Unit, effective May 1, 2024, and that the pension expenses be reported on an annual basis.

Documentation Provided:

- Submission to the Pension & Benefits Committee

REPORT – SUBMISSION TO [PENSION & BENEFITS COMMITTEE] OPEN SESSION

Date:	MAY 17, 2024
Agenda Item:	Pension Administration Fees
Action:	For Approval
From:	Sarah Hadley, CFO

Purpose

This report is brought forward to the Pension & Benefits Committee for Approval

Overview and Highlights

The registered pension plan (the pension) reimburses the University for the pension administration resources within the HR unit. This team is dedicated to pension administration activities. With the annual pension financial statements, the Pension & Benefits Committee receives information on the pension's overall administrative expenses, which includes the costs of the HR pension administration team.

The Finance unit also provides services to the pension, including, but not limited to, preparing accounting related records, and financial statements, supporting the external audit of the financial statements, monitoring and reporting on investment performance, reviewing and completing investment agreements and transactions as approved by the Pension Investment Committee/Pension & Benefits Committee, monitoring and managing the pension's cash, managing relationships and deliverables with external service providers to the pension, completing and filing pension HST returns, and supporting pension HST audits as applicable. The costs for these services have been borne by the University to date. We recommend that effective May 1, 2024, the pension should reimburse the University for these services.

Financial Impact

The cost to be reimbursed for the 2024/2025 year is $170,000 for the ongoing services outlined above, with additional project related costs of $10,000 per investment manager search (one currently underway) and $12,000 per asset/liability study project (none planned for 2024/2025), with these costs increasing annually in line with salary and benefits cost increases.

Next Steps and Future Considerations

The Pension & Benefits Committee will continue to receive annual reporting on the pension's administrative expenses.

UNIVERSITY OF WATERLOO | Board of Governors

For Information **Open Session**

Date of Meeting: March 22, 2024

To: Members, Pension & Benefits Committee

From: Sarah Willey-Thomas, Associate University Secretary

RE: **6) Other Business**

---

a) Execution Against Work Plan

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

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

Documentation Provided:

- 2024/25 Pension & Benefits Committee Work Plan

2024-2025 Pension & Benefits Committee Work

Pension & Benefits Committee Agenda Items · expected *as needed/available	**May 17, 2024**	**June 11, 2024**	**September 13, 2024**	**October 11, 2024**	**November 15, 2024**	**January 17, 2025**	**February 14, 2025**	**March 21, 2025**
OPEN SESSION								
Execution against Audit Committee Work Plan	**I**	**I**	**I**	**I**	**I**	**I**	**I**	**I**
Minutes of the Previous Meeting	**D**	**D**	**D**	**D**	**D**	**D**	**D**	**D**
GOVERNANCE								
Previous Years' Fees and Expenses	**I**							
Annual Audit of the Pension Plan Fund Financial Statements	**I**							
Carbon Metrics Reporting	**I**							
Summary of Total Fund Investment Performance		I	**I**		**I**		**I**	
Statement of Investment Policies and Procedure and Fund Implementation Procedures; Pension Statement SIPP					**I/D**			
Pension Risk Management Dashboard (Quarterly)	**I**		**I**		**I**		**I**	
Approval of Actuarial Valuation Assumptions						**I**		
RPP Actuarial Valuation, decision on filing								**D**
Review of RPP Contribution and Protocol Caps					**I/D**			
BENEFITS								
Extended Health & Dental Benefits – Indexation of Maxima effective January 1					**D**			
Retiree Life Insurance – Indexation of Coverage effective January 1					**D**			
Annual Benefits Utilization Report					**I**			
Maximum Pension Limits and Caps Adjustments, Based on Average Industrial Wage Increase (AIW)					**I**			
Cost of Living Adjustments • Pensions in Pay • Deferred Pensions • Pensionable Earnings for Members on LTD								**D**
Group Benefits program – Annual Renewal • Life Insurance – Premium Rate • Long Term Disability • Premium Rate • Maximum Insured Salary (Indexation) • Health Care Benefits – ASO Fees/Charges • Health Care Benefits – Budget Rates					**D**			

UNIVERSITY OF WATERLOO

2024-2025 Pension & Benefits Committee Work

Pension & Benefits Committee Agenda Items · expected *as needed/available	May 17, 2024	June 11, 2024	September 13, 2024	October 11, 2024	November 15, 2024	January 17, 2025	February 14, 2025	March 21, 2025
GOVERNANCE								
Review of Committee Terms of Reference		I						
Annual Report to the Community							I	
Annual Committee Self-Assessment								I
Committee Planning								I
CONFIDENTIAL SESSION								
Minutes of the Previous Meeting	D	D	D	D	D	D	D	D
Other Business	I	I	I	I	I	I	I	I
IN CAMERA SESSION								
Minutes of the Previous Meeting	D	D	D	D	D	D	D	D
Other Business	I	I	I	I	I	I	I	I

For more information:
uwaterloo.ca/secretariat
board@uwaterloo.ca