

University of Waterloo
Board of Governors
PENSION & BENEFITS COMMITTEE
Minutes of the 17 May 2019 Meeting
[in agenda order]

Present: Kathy Bardswick, Peter Barr (chair), Terrance Birmingham, Ted Bleaney, Mike Grivicic (secretary), Dennis Huber, Alan Macnaughton, Jim Rush, Marilyn Thompson, Mary Thompson

Absent: Michael Herz*, Ranjini Jha*, David Kibble*, David Saunders, Michael Steinmann
*regrets

Guest: Blaine Hertzberger and Erica Tari, both of EY (5)

Consultant: Linda Byron, Allan Shapira

Administration: Sarah Hadley, Lee Hornberger

Organization of Meeting: Peter Barr took the chair and Mike Grivicic acted as secretary. The secretary advised that a quorum was present.

1. APPROVAL OF THE 8 MARCH 2019 MINUTES (OPEN SESSION) AND BUSINESS ARISING

Members notes a minor typographical error, and a motion was heard to approve the minutes as distributed. Birmingham and Bardswick. Carried.

a. Timing of February/March Meetings. A memo will be forthcoming at the next meeting.

2. EXECUTION AGAINST THE WORK PLAN

This item was received for information.

3. UPDATE ON GOVERNMENT PENSION PLAN INITIATIVES

No update was provided at this meeting.

4. PREVIOUS YEARS' FEES AND EXPENSES

Hadley provided an overview of the materials distributed, and members discussed: increases to fees are due to increases in assets under management; per unit fees have never gone up in recent years, and industry pressure is to reduce fees; would be helpful to show fees as a percentage of assets in future years. This item was received for information.

5. ANNUAL AUDIT OF THE PENSION PLAN FINANCIAL STATEMENTS

Hadley spoke to the documents included with the agenda: process of preparation of statements, and support of audit by EY; Human Resources team has extensive involvement in this process; no adjustments to the financial statements as a result of the audit; financial statements report on pension assets; significant items impacting assets include employer and employee contributions, investment income and benefits expense; extensive disclosures required by the provincial regulator. Blaine Hertzberger observed: excellent support of EY activity from the Finance department; absence of very complex investments for valuation; no indication of fraud or illegal act coming was found during the process of the audit. A motion was heard to accept the financial statements as presented. Birmingham and Macnaughton. Carried.

6. QUARTERLY RISK MANAGEMENT DASHBOARD – Q1 2019

Byron spoke to the dashboard: 5.6% improvement to the funded ratio on a going concern basis; \$101 million improvement to going concern deficit; addition of provision for adverse deviation (“PfAD”) to the going concern liability this quarter; risk premium is \$851.6 million; solvency ratio has improved, largely due to interest rates.

7. PRESENTATION RE: UNIVERSITY PENSION PLAN

Shapira spoke to the materials distributed and process to date, and clarified for members: currently in consent process with three universities; earliest the plan could prospectively be up and running is July 2021; governance of plan will be by way of a board formed from the co-sponsors, and the UPP is currently seeking an independent chair; any new university that would want to consider joining should expect a 2-3 year process; under proposed

scheme, member universities will be responsible for any valuation deficits at the time of joining; 50-50 cost sharing for current service, universities bear the risk on funded status pre-conversion, and funding deficits post-conversion will be shared 50-50; earned benefits cannot be reduced, but there is provision to adjust future indexing to help address any shortfalls that may arise at time passes; some friction in the process with respect to both unionized and non-represented groups at some of the institutions; the board governance model for this plan would be scalable if other institutions were to join in the future; province appears to generally support the concept of joint pension plans.

8. UPDATE RE: HOLISTIC BENEFITS WORKING GROUP

Byron observed: project plan is in place, and lots of activity to date has focused on obtaining employee input e.g. survey, focus groups; presently looking for a dedicated project resource on the university side to assist with detailed implementation of the working group's activities; aiming for survey in Fall term, with focus groups to be held thereafter; GWL will be appearing before the working group at the next meeting to provide an industry overview re: benefits; aiming to bring forward a recommendation to this committee in June 2020.

9. WORKING GROUP RE: DATA TO SUPPORT PENSION FUNDING/DESIGN DISCUSSIONS

Shapira discussed: group's focus is on RPP cap, and the group has reviewed the history and genesis of the PPP; looking for ways to share current service cost more evenly between employees and employer; setting the funding policy will be important, as will be adjustments to the hard dollar caps. The working group aims to bring a summary of its thinking forward to this committee at the June meeting.

10. CONTINUOUS GLUCOSE MONITORS – COST ESTIMATE

Hornberger provided an overview: not currently covered under existing plan; GWL includes under its insured contracts; difficult to cost for Waterloo's plan since this has come to market only recently; wide range of estimates between GWL and Aon, based on limited experience and data available. This will be forwarded to the holistic benefits working group for consideration within that process.

11. INVESTMENT FUND PERFORMANCE REPORTS FROM AON – Q4 2018

This item was received for information.

12. INVESTMENT FUND PERFORMANCE REPORTS FROM AON – Q1 2019

This item was received for information.

13. BOARD-APPROVED 2019-20 OPERATING BUDGET OVERVIEW

Rush spoke to the approved budget: imposition of 10% domestic tuition reduction by the province; anticipated deficit of \$900,000; income will depend on actual enrollments in coming year; impact of international enrollments; out-of-province students have same tuition as Ontario students. This item was received for information.

14. OTHER BUSINESS

a. Benefits Canada article. This item was received for information.

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

NEXT MEETING

The next meeting is scheduled for Friday 14 June 2019 from 9:30 a.m. – 12:00 noon in NH 3318.

6 June 2019

Mike Grivicic
Associate University Secretary