

**University of Waterloo**  
**Board of Governors**  
**PENSION & BENEFITS COMMITTEE**  
**Minutes of the 14 May 2021 Meeting**  
**[in agenda order]**

**Present:** Peter Barr, Terrence Birmingham, Ted Bleaney, Mike Grivicic (secretary), Michael Herz, Dennis Huber, Ranjini Jha, Jim Rush, David Saunders, Michael Steinmann, Marilyn Thompson, Mary Thompson, Ken Vetzal

**Regrets:** Tony Giovinazzo

**Consultant:** Linda Byron, Allan Shapira

**Resources:** Sarah Hadley, Lee Hornberger, Joan Kennedy

**Guests:** Carson Brett (7,8), Blaine Hertzberger (7,8), Sheryl Kennedy (2,3)

**Organization of Meeting:** Peter Barr took the chair, and Mike Grivicic acted as secretary. The secretary advised that a quorum was present. The meeting was held via videoconference.

The committee exited confidential session.

## **2. DRAFT REPORT – ADVISORY GROUP ON RESPONSIBLE INVESTMENT**

Kennedy provided an overview: report represents a consensus from the multistakeholder group's membership, with support from expert advisors; terms of reference were specific to address climate change considerations in the university's investment activities; emphasis on primacy of fiduciary duty and achieving the financial obligations of the various funds; reports reflects progress to date on incorporating environmental, social and governance (ESG) factors, and climate change considerations reside within the 'environmental' category; report focuses on both the risks and potential opportunities connected to climate change; targets are set for 2040, with disclosure and reporting in the interim; scenario analysis is expected to develop as time passes and more information is made available; engagement strategy would include engagement of Canadian companies with other Canadian investors; recommendations allow for investment in companies with credible transition plans; no recommendation to divest of fossil fuel companies, based on the view that such an action would not be most effective; endorsement of report and recommendations was obtained from the Finance & Investment Committee, and the group's members also consulted with their various constituencies in preparing this final report. Members discussed: scorecard approach in assessing progress against carbon reductions; some pooled funds do carbon tracking but not all funds use the same metrics/currency basis; targets are science-based and align with the ambition of the university, and are comparable to similar commitments at other institutions; the report places primacy on fiduciary duty within the existing approved ESG framework, with focus on risk-adjusted returns; other universities that moved sooner on this file focused on endowments, and there have been increasing numbers of pension fund examples more recently; clarification that these recommendations are not in direct response to the Board petition from students/faculty/staff, but rather reflect the efforts of the work of the working group towards its stated terms of reference; legal advice was obtained as part of the drafting process; the working group's membership included members with significant experience in managing large pools of capital for endowments and pensions.

## **3. REPORT FROM PENSION INVESTMENT COMMITTEE**

This item was received for information.

## **4. APPROVAL OF THE 12 MARCH 2021 MINUTES (OPEN SESSION) AND BUSINESS ARISING**

A motion was heard to approve the minutes as distributed. Jha and Bleaney. Carried.

## **5. EXECUTION AGAINST THE WORK PLAN**

This item was received for information.

## **6. UPDATE ON GOVERNMENT PENSION PLAN INITIATIVES**

Shapira observed that the provincial budget contained a provision to identify pension benefits guarantee fund calculations in regulatory filings.

## **7. ANNUAL AUDIT OF THE PENSION PLAN FUND FINANCIAL STATEMENTS**

Hadley provided an overview of the process of preparation of statements and audit by EY, observing that the content of the notes are highly prescribed and are prepared to meet FISRA requirements. Hertzberger indicated that the audit approach was consistent with the previous year, the financial statements report on pension assets, an unqualified opinion is provided on the statements, and that no evidence of fraud or illegal acts arose in the course of the audit. Brett indicated that the approval of the financial statements would be sought based on the presentation, and reaffirmed the firm's independence. Members noted the negative financial situation at another Ontario university and Hertzberger commented on Waterloo's strong balance sheet and absence of external debt, as well as the institution's handling to date of the financial impacts of the pandemic. Hadley observed that the pension is a separate legal entity and that investments are held by an independent custodian. A motion was heard to approve the financial statements as presented. Bleaney and Saunders. Carried.

## **8. PREVIOUS YEARS' FEES AND EXPENSES**

This item was received for information.

## **9. DRAFT ANNUAL VALUATION – 1 JANUARY 2021**

Byron provided an overview and noted minor changes to update asset figures since the March meeting. Shapira noted that interest rates have risen ~90 basis points since the beginning of 2021, and Huber recalled the general objective of achieving 50:50 sharing of current service cost in 2023 though that may not be achieved on the planned timeline. A motion was heard to recommend that the Board of Governors approve the filing of the valuation with the regulator as presented. Huber and Jha. Carried.

## **10. UPDATE FROM WORKING GROUP ON DEFINITIONS IN POLICY 23, 59**

The secretary provided a short overview on behalf of the working group, and highlighted that the working group does not view the recommendations as new compensation, though the group is mindful of the potential impacts of Bill 124 in this interpretation which requires a legal opinion (as included in the recommendation). Members observed that the recommendation would act as a stop gap to updates practices, and to allow time for eventual policy amendments. A motion was heard to approve the recommendation, subject to the receipt of a satisfactory legal opinion. Bleaney and Thompson. Carried. Members will receive follow-up communication on the legal opinion in due course following the meeting.

## **11. UPDATE RE: BENEFITS PLAN IMPLEMENTATION**

Byron discussed: design changes became effective on 1 May; Aon and procurement staff have begun preparations for the marketing of the benefits; the group has discussed LTD benefits and will examine as part of the larger marketing activity; Bill 124 has placed a hold on retiree eligibility discussions. Members noted that employee representatives are to take the issue of LTD back to their constituencies to glean impressions.

## **12. BOARD-APPROVED 2021-22 OPERATING BUDGET**

Rush spoke to the approved budget: aim for overall balanced budget, with sustainable unit budgets; resourcing for priority activities; budget needs to be able to navigate uncertainty in overall operations arising from the ongoing pandemic and volatility in governmental approaches toward postsecondary sector. Members discussed: geographic breakdown of international students, with aim to diversify through strategic enrollment management; no changes to tuition rates due to pandemic, though relief was provided for certain student fees; difficult to predict enrollment, and university's efforts are focused on removing potential barriers to enrollment.

## **13. OTHER BUSINESS**

**a.** Vetzal conveyed two matters from concern from FAUW: whether employee contributions were increased as a result of the addition of eye exams, and that some FAUW members may not receive the new eye exam coverage. Huber noted that the university pays 100% of the extended health premiums, and faculty members on a reduced load pay a portion of the premium.

## **NEXT MEETING**

The next regular meeting is scheduled for Friday 18 June 2021, 9:30 a.m. – 12:00 noon.