Board of Governors
PENSION & BENEFITS COMMITTEE
Friday 10 December 2021
9:30 a.m. to 12:00 noon

This meeting will be held via Microsoft Teams

Non-members may arrange to join the open session of the electronic meeting by contacting Diana Goncalves, d3goncalves@uwaterloo.ca

		OPEN SESSION	**ACTION**
9:30	1.	Approval of the 19 November 2021 Minutes (Open Session)* and Business Arising	Decision
9:35	2.	Execution Against the Work Plan* [Wickens]	Information
9:40	3.	Update on Government Pension Plan Initiatives [Aon]	Information
9:45	4.	Report from Pension Investment Committee [Sheryl Kennedy]	
		a. Statement of Investment Policies & Procedures, Fund Implementation Procedures*	Decision
		b. Update on Q3 Performance and Other Committee Activities*	Information
10:15	5.	Maximum Pension Limits and Caps* [McGrath]	Information
10:20	6.	Commuted Value – Potential Enhancements to myPENSIONinfo* [McGrath]	Discussion/Decision
		CONFIDENTIAL SESSION	
10:40	7.	Approval of the 19 November 2021 Minutes (Confidential Session)+ and Business Arising	Decision
10:45	8.	Pension & Benefits Committee's Role in Appeals/Interpretations+ [Hornberger, Wickens]	Discussion/Decision

Next Meeting: Friday 14 January 2022, 9:30 a.m. – 12:00 noon

*attached
** to be distributed
+ distributed separately

3 December 2021

Rebecca Wickens
Associate University Secretary

Please convey regrets to Diana Goncalves at d3goncalves@uwaterloo.ca

Future Agenda Items
a. Pension Contribution for Members on LTD
b. Level of LTD coverage vs. practical requirements
c. EFAB Report Data Requirements

University of Waterloo
Board of Governors
PENSION & BENEFITS COMMITTEE
Minutes of the 19 November 2021 Meeting
[in agenda order]

Present: Peter Barr, Terrence Birmingham, Sara Cressman, Tony Giovinazzo, Michael Herz, Dennis Huber, Ranjini Jha, David Saunders, David Taylor, Marilyn Thompson, Ken Vetzal, Rebecca Wickens (secretary)

Regrets: James Rush

Consultants/Resources: Linda Byron, Sarah Hadley, Lee Hornberger, Joan Kennedy, Sue McGrath, Allan Shapira

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

OPEN SESSION

1. APPROVAL OF THE 22 OCTOBER 2021 MINUTES (OPEN SESSION) AND BUSINESS ARISING
There was a motion to approve the minutes as distributed. Giovinazzo and Huber. Carried.

2. EXECUTION AGAINST THE WORK PLAN
This item was received for information. The secretary noted that there are adjustments to make in order to reflect the relative roles of the Pension Investment Committee and Pension & Benefits Committee. The chair noted that he and the chairs of Pension Investment Committee and Finance & Investment Committee had their annual meeting and agreed to review the mandates for all three committees with a view to clarifying responsibilities and increasing efficiency.

3. UPDATE ON GOVERNMENT PENSION PLAN INITIATIVES
Members heard: Trent University was just approved to join the University Pension Plan (UPP) for one of their pension plans; the universities that participated in creating the UPP have either joined or are considering it; others may join, but the bargaining process takes time.

4. Q3 PENSION DASHBOARD
Members heard: results are positive for this quarter – going concern deficit, risk-free deficit and solvency deficit decreased; drivers included asset performance in line with expectations, increased contributions, and an increase in the effective interest rate; this represents a significant turn-around over the last twelve months; in early 2022, the committee should be prepared to discuss filing the valuation. Discussion included: benefits of filing the valuation if the results continue in a positive direction; inflation expectations – potential impact on the valuation, the indexation provision in the plan and the possibility of inflation exceeding the 5% cap. Aon Hewitt will look at inflation trends.

5. POLICIES 23 AND 59 – FOLLOW-UP
Kennedy provided an update on a meeting with representatives from Finance, Legal & Immigration Services and Human Resources, reporting: following a review of the data, the cost of moving eligibility for full benefits from three years to two would cause total compensation costs to exceed 1% per year during the moderation period (from Bill 124); the university is seeking a formal legal opinion to confirm the analysis and options.

6. INDEXING OF PLAN MAXIMA
Kennedy took members through the report, noting: the adjustments were calculated by Aon Hewitt; the ongoing annual cost of the increases to health and dental benefits maxima will be $99,300; the flat benefit amount for retiree life insurance coverage will increase from $5,700 to $5,900. In response to a question about how the university's retiree life insurance coverage compares, Byron reported: some universities do not offer this benefit; of the nine that do, Waterloo is fourth or fifth.
There was a motion to approve the cost of living adjustment to the health and dental benefit maxima as presented, effective 1 January 2022. Birmingham and Vetzal. Carried.

There was a motion to approve the cost of living adjustment to the retiree life insurance coverage as presented, effective 1 January 2022. Jha and Saunders. Carried.

7. EMPLOYEE AND FAMILY ASSISTANCE PROGRAM UTILIZATION

Kennedy reviewed the data in the presentation and report distributed with the agenda, highlighting: the current services provided; Homewood will maintain their rates until 2023 when the university will go out to bid for these services; utilization rates are trending upward; the university's utilization rates are above Homewood's benchmark data for all institutions and for higher education clients; counselling has higher utilization than life coaching; crisis management services was trending downward, but is expected to go back up. In discussion, members requested: the data be shown as a percentage of total eligible population, not only an absolute number; reasons that the university's utilization rates exceed Homewood's benchmark, including different demographics and how the program is marketed; whether and when services will return to in person or a hybrid of in person and online.

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

NEXT MEETING

The next regular meeting is scheduled for Friday 10 December 2021, 9:30 a.m. – 12:00 noon.

2 December 2021

Rebecca M. Wickens
Associate University Secretary

Execution against Work Plan

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

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

Task	**Frequency (Target month)**	**15 Dec 2020**	**15 Jan 2021**	**11 Feb 2021**	**12 Mar 2021**	**14 May 2021**	**18 June 2021**	**10 Sept 2021**	**22 Oct 2021**	**19 Nov 2021**	**10 Dec 2021**
Approval of Actuarial Valuation Assumptions	Annual (Jan)		✓								
Investment Status of PPP	Annual (Feb)			✓							
Cost-of-living Increase for Pensioners	Annual (Feb)			✓							
Pensions for Deferred Members	Annual (Feb)			✓							
Salaries for Pension Purposes for Individuals on Long-term Disability	Annual (Feb)			✓							
Actuarial Valuations (RPP and PPP), with posting to website once approved	Annual (Mar)				✓						
Review of Contribution and Protocol Caps (RPP and PPP)	Annual (Mar)				✓						
Benefits Plan Premium Renewals	Annual (Mar)				✓						
Indexing of Long-term Disability Plan Benefits and Maxima	Annual (Mar)				✓						
Annual Committee Self-Assessment	Annual (Mar)				✓						
Budget Overview	Annual (May)					✓					
Previous Years' Fees and Expenses	Annual (May)					✓					
Annual Audit of the Pension Plan Fund Financial Statements	Annual (May)					✓					

D = deferred

Task	**Frequency**	**15 Dec 2020**	**15 Jan 2021**	**11 Feb 2021**	**12 Mar 2021**	**14 May 2021**	**18 June 2021**	**10 Sept 2021**	**22 Oct 2021**	**19 Nov 2021**	**10 Dec 2021**
Benefits Utilization Report	Annual (June)						✓				
Annual review re: benefits added/removed from insured plans in the market	Annual (June)						✓				
Review of Committee Terms of Reference	Annual (June)						✓				
Indexing of Plan Maxima – Health, Dental, Retiree Life Insurance	Annual (Nov)									✓	
Employee and Family Assistance Program – report on utilization	Annual (Nov)									✓	
Maximum pension limits and caps adjustments, based on average industrial wage increase (AIW)	Annual (Dec)	✓									✓
Total Fund Overview	Quarterly				✓		✓	✓			✓
Investment Manager Review	Semi-annually										✓
Approval of the Statement of Investment Policies and Procedures (SIPP)	Annual										
Annual Report to the Community	Annual			✓							
Actuarial Filing - Minimum every three years Most recent filings: 2017, 2018, 2020, 2021											

Report to the
Pension & Benefits Committee
Pension Investment Committee

The Pension Investment Committee (PIC) met on 12 November 2021 and agreed to forward the following items to the Committee for information or approval as noted below.

DECISION

Motion: That the Pension & Benefits Committee (P+B) recommend that:

1. the Board of Governors (Board) approve the attached Statement of Investment Policies and Procedures (SIPP) and Fund Implementation Procedures (FIP) effective as of the date of approval by the Board of Governors. (Attachment #1, 2); and
2. the Board delegate oversight for the FIP to P+B, including the responsibility to review and approve any recommended changes to the FIP in accordance with the terms thereof and the governing documents for P+B and PIC.

Background and Rationale: The attached SIPP and FIP have been updated to address the comments received from P+B at its October 2021 meeting and PIC at its November 2021 meeting as well as feedback provided by stakeholders to employee representatives on P+B and PIC. At its November 2021 meeting, PIC voted in favour of recommending the SIPP and FIP for approval, with the view of having the SIPP and FIP presented to the Board for approval at its February 2022 meeting.

By way of background, the SIPP underwent a fulsome review by a working group of PIC. To inform its work, the group reviewed:

- current University of Waterloo governing documents for P+B, PIC and pension investments, including the pension plan text, trust agreement with the custodian, terms of reference for the committees, and the most recently approved SIPP;
- a memo presented by Sheryl Kennedy and Ranjini Jha to PIC in March 2021 to generate discussion on the investment philosophy in the SIPP;
- legislation applicable to Ontario pension plans;
- guidance provided by the Financial Services Commission of Ontario and the Office of the Superintendent of Financial Institutions Canada on pension investments and investment policies;
- policies of other university and public sector defined benefit pension plans, including University of British Columbia Staff Pension Plan, the Colleges of Applied Arts and Technology Pension Plan (CAAT); University of Ottawa Retirement Pension Plan; Canada Pension Plan; and University of Guelph Pension Plans.

Following review and discussion, the working group decided to separate the legally mandated content from the procedural provisions intended to guide the administrator and its delegates in carrying out their responsibilities, consistent with leading practice. This resulted in the creation of a new fund implementation procedure document. In each document, the first step was to clarify and enhance existing provisions and incorporate any previously approved provisions which had not been incorporated (e.g. new ranges and benchmarks for the asset mix). The second step was to update the investment philosophy, add provisions that reflect the evolution of the investment portfolio and recommendations from the asset-liability study commissioned by PIC and approved by P+B in 2020, and fill out policies and procedures to give further guidance to those responsible for managing the pension investments and enhance risk management practices. The SIPP and FIP were reviewed by Aon Hewitt, the pension plan's actuary and investment consultant and revised to reflect their advice and recommendations.

The major proposed policy change is to the investment philosophy. The investment philosophy was changed several years ago to focus on value investing, a particular investment style that involves owning stocks that are trading below their intrinsic value. The pension fund has moved away from this investment style and has appointed managers that use a variety of approaches in order to increase diversification. The revised SIPP includes an investment philosophy that is more reflective of the current portfolio and overall policy objective of maximizing long-term real returns subject to an appropriate level of risk.

A second significant change is to the ranges and benchmarks for the asset mix, which was informed by the above mentioned asset-liability study. The tightening of the ranges reflects a policy based approach which will facilitate oversight for the investments. The revisions to the benchmark asset mix will assist the fund with meeting the aforementioned risk and return objectives. Tightening the ranges required the reintroduction of a rebalancing policy to inform the process for maintaining assets within the ranges. In addition to the foregoing, the risk management provisions throughout the SIPP and FIP were clarified and enhanced in general.

The ESG statement in the SIPP has been streamlined with the intent of adopting a more detailed Responsible Investment Policy, however, the policy direction is the same – to require managers to incorporate ESG factors in investment decisions which may have a financial impact on investments.

INFORMATION

Responsible Investment Policy. PIC reviewed the most recent draft of the Responsible Investment Policy (RIP) in conjunction with the most recent drafts of the SIPP and FIP. PIC agreed to forward the SIPP and FIP to P+B for consideration and recommendation to the Board at its next meeting. With respect to the RIP, PIC will be seeking a legal opinion as part of its due diligence on the policy. This opinion will be supplementary to the legal advice sought on the Responsible Investment Advisory Group report which recommended the development of the policy. Once PIC has completed its review and made any necessary revisions, it will bring the policy forward for final consideration and approvals through the Pension Investment Committee, Pension & Benefits Committee, and the Board of Governors.

Infrastructure Investment Subcommittee. Since the last report to P+B, the subcommittee has met to develop a long list of potential candidates, and is now narrowing down the long list to a medium list for in-depth due diligence. The plan is to move to a short list and interview candidates early in the new year with the intent of bringing forward a recommendation to PIC for consideration and recommendation to the Board via P+B.

Investment Reporting. PIC reviewed the total fund and investment manager performance for the third quarter of 2021. The fund returned 1.32% (gross of fees) for the quarter, which trailed the actuarial benchmark by 0.64%. However, the fund outperformed the benchmark for the one, four and ten year periods.

PIC also met with its active global investment managers, two of which, RBC and Mirova, were funded during the quarter following approval by the Board. All of the global managers outperformed the benchmark for the quarter. For the one year period, Walter Scott returned 20.06% (-2.24% vs. benchmark), RBC returned 25.19% (+4.26% vs. benchmark), and Mirova returned 22.12% (+1.19 vs. benchmark). Beyond performance, the committee reviewed material events at the firms; investment processes; drivers of performance; portfolio turnover; impact of and responses to inflationary pressures, the shifting pandemic, and other macro events affecting markets; and policies and processes related to ESG.

Sheryl Kennedy
Chair, Pension Investment Committee

Attachment 1 to PIC Report

Statement of Investment Policies and Procedures

University of Waterloo Pension Plan (2011)

Registration number: 0310565

Effective [insert date of approval by the Board of Governors]

November 16, 2021 draft

Replaces previous version which was last revised and effective on [insert last amendment date]

Contents

Introduction

1) Purpose and Scope of Policy

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

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

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

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

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

2) Overview of the Plan and its Governance

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

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

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

Investment Principles

3) Plan Objectives

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

a) The University established the Plan to provide members with a defined level of retirement income in accordance with the Plan's terms. Further, the intent is to ensure that retirement benefits, and University and member contributions remain reasonable and relatively stable over the life of the Plan while ensuring its sustainability.

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

4) Investment Objectives

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

5) Portfolio Return and Risk Objectives

The return objectives of the Fund are:

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

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

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

6) Expected Volatility

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

7) Equity Returns/Risk

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

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

8) Active and Passive Investments

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

9) Diversification

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

10) Liability Hedging

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

11) Liquidity

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

12) Currency Hedging

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

13) Asset Mix

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

Assets	**Minimum %**	**Maximum %**	**Benchmark Portfolio %**	**Benchmark**
Cash	0	5	2	FTSE TMX Canada 91-Day T-Bill
Fixed Income	20	35	25	FTSE TMX Universe Bond
Total Fixed Income	**20**	**40**	**27**	
Canadian Equity	0	10	5	S&P/TSX Composite
Global Equity	40	55	48	MSCI ACWI
Total Equity	**40**	**65**	**53**	

Infrastructure	5	15	10	FTSE Developed Core Infrastructure 50/50
Real Estate	5	15	10	FTSE EPRA/NAREIT Developed (CAD)
Total Real Assets	**10**	**30**	**20**	

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

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

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

(1) Refers to the long-term target allocation to Infrastructure

14) Rebalancing

At all times, the market value of the individual asset classes will be within the minimum and maximum aggregate investment limits prescribed in Section 13 but may deviate from the benchmark portfolio.

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

15) Responsible Investing

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

Permitted and Prohibited Investments

16) Permitted Investments

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

a) Cash and Short-Term Investments

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

b) Fixed Income

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

c) Equities

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

d) Derivatives

Derivatives are a type of financial contract which can be traded on an exchange or over the counter for which the value is dependent on an underlying asset, group of assets or a benchmark; common derivatives include futures contracts, forwards, options and swaps. The pooled funds in which the Plan invests may invest directly in derivatives to create synthetic exposures, or for hedging purposes, if their objectives and strategies permit, and if the exposure to derivatives is subject to limits based on the intended use and strategies for derivatives and the risks associated with them. Derivatives may also be used to hedge currency and provide downside protection. Derivatives may not be used for speculative trading or to create a portfolio with leverage. Investment funds that invest in derivatives must comply with all Applicable Law and must be invested and managed in accordance with regulatory derivatives best practices.

e) Infrastructure

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

f) Real Estate

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

g) Pooled Funds

Investments in open-ended or closed-ended pooled funds provided that the assets of such funds are permissible investments under this Policy. It is recognized that where pooled funds are held, there may be instances where there is a conflict between this policy and the investment policy of the pooled fund. In that case, the pooled fund policy shall dominate. The Fund manager shall ensure that the Plan has received a copy of the most recent version of the pooled fund policy.

17) Minimum Quality Requirements

a) Quality Standards

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

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

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

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

b) Rating Agencies

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

i. DBRS Morningstar;

ii. Standard & Poor’s;

iii. Moody’s Investors Services; and

iv. Fitch Ratings

18) Maximum Quantity Restrictions

a) Total Plan Level

The Plan shall not, directly or indirectly, lend or invest moneys to or in any one person, any associated persons or any affiliated corporations if:

- 10% or more of the total market value of the Plan's assets has already been lent or invested, in total, to or in the person, the associated persons or the affiliated corporations; or
- 10% or more of the total market value of the Plan's assets would be lent or invested, in total to or in the person, the associated persons or the affiliated corporations as a result of the loan or investment.
- Holdings issued by the Government of Canada and its agencies are exempt from the abovementioned 10% limitations.

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

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

b) Fixed Income

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

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

c) Equities

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

19) Fund Manager Compliance

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

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

20) Securities and Cash Lending

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

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

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

21) Short Selling

Short selling and/or pair trading are not permitted.

22) Borrowing

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

23) Monitoring

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

- Achievement of the total return objective
- Liquidity requirements
- Asset mix limits
- Credit quality requirements
- Single issuer limits
- Fund Manager Performance and related ESG integration

General Provisions

24) Conflicts of Interest

a) **Responsibilities**

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

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

b) **Disclosure**

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

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

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

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

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

25) Voting Rights

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

26) Valuation of Investments Not Regularly Traded

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

a) **Equities**

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

b) **Fixed Income**

Same as for equities.

c) **Real Assets**

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

27) Related Party Transactions

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

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

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

For the purposes of this section, only the market value of the combined assets of the Plan shall be used as the criteria to determine whether a transaction is nominal or immaterial to the Plan. Transactions less than 0.5% of the combined market value of the assets of the Plan are considered nominal.

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

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

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

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

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

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

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

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

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

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

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

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

e) A member of the Plan;

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

g) An affiliate of the University;

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

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

Attachment 2 to PIC
Report

DRAFT - Fund Implementation Procedures

University of Waterloo Pension Plan (2011)

Registration number: 0310565

Effective: [date of approval by Pension & Benefits Committee]

November 16, 2021

Replaces previous version which was last revised and effective on [not applicable]

Contents

This Fund Implementation Procedures (FIP) document outlines the monitoring and reporting obligations of Board committees, University staff, and third parties engaged to provide services to the Plan.

1) Delegation of Responsibility

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

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

a) PIC will:
   - i. review this document annually and recommend any changes to P&B;
   - ii. review Fund Manager performance, total Fund performance and achievement of the total return objective on a quarterly basis;
   - iii. make recommendations on the selection of Fund Managers to P&B, consulting with F&I as applicable;
   - iv. approve asset mix changes and investment decisions where the cumulative annual transaction(s) represent less than 15% of the Plan’s total assets at the beginning of the calendar year;
   - v. consult with F&I, prior to making recommendations to P&B, for additional investment decisions which cumulatively impact more than 15% of the Plan’s total assets as measured at the beginning of the calendar year;
   - vi. commission asset liability studies due to significant changes in actuarial assumptions or capital market forecasts, and at least every 10 years, consulting with P&B as applicable
   - vii. determine when active vs passive management strategies are appropriate
   - viii. review Plan liquidity requirements
   - ix. convene a meeting with P&B in the event of a significant market event or shift to discuss issues and market opportunities; and
   - x. provide quarterly reports to P&B and F&I.

b) P&B will make recommendations to the Board in the following areas, consulting with PIC with respect to investment philosophy, policies, objectives and strategies for the Plan:
   - i. the content of the SIPP after its annual review and consideration of recommendations from PIC;
   - ii. the selection of a Consulting Actuary;
   - iii. the selection of an Investment Consultant;
   - iv. the selection of Fund Managers, based on the recommendation from PIC;
   - v. asset mix changes and investment decisions where the cumulative annual transaction(s) exceed 15% of the Plan’s total assets at the beginning of the calendar year, based on the recommendation from PIC; and
   - vi. the selection of a Custodian/Trustee to hold the pension fund assets.

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

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

ii. review reports from PIC on Fund Manager performance and pension fund performance on at least a semi-annual basis;

iii. be responsible for the delegation of any responsibilities not specifically mentioned; and

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

d) The Fund Managers will:

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

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

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

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

v. comply with all Applicable Laws concerning the investment of the pension fund;

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

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

viii. manage the assets with the care, diligence and skill that a Fund Manager of ordinary prudence would use in dealing with pension plan assets; and

ix. use all relevant knowledge and skill that they possess or ought to possess as a prudent Fund Manager.

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

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

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

iii. assist in the implementation of the SIPP and this document;

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

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

f) Investment Consultant will:

i. participate in all reviews of the Fund Managers;

- ii. report quarterly on the performance of the Fund Managers and the Plan;
- iii. comment on the impact of potential investment opportunities/strategies/legislative changes which may affect how the Plan's assets are invested;
- iv. monitor the performance of the Plan and the Fund Managers on a regular basis, and contact University staff immediately if there are adverse changes of any kind, which warrant further review and/or discussion with PIC;
- v. meet with University staff, PIC and P&B as required.

g) Performance Measurement Service Providers will:

- i. Provide detailed performance reporting in the required format including ESG integration by Fund Managers as well the required carbon metrics for each Fund Manager and the total portfolio

h) The Custodian/Trustee will:

- i. fulfill the regular duties required by law of a Custodian/Trustee and perform the specific duties required of the Custodian/Trustee pursuant to agreements entered into from time to time with the University on behalf of the Plan; and
- ii. provide University staff with monthly portfolio reports of all assets of the Plan and transactions during the period.

i) University staff will:

- i. Prepare reporting for the PIC, P&B and F&I committees and act as resources to these committees
- ii. Act as a contact for contracted third party professional firms and provide administration and monitoring related to these firms' contracts and deliverables
- iii. Provide cash flow information as necessary or requested by PIC
- iv. Monitor compliance with the SIPP, FIP, and RIP
- v. Appoint Performance Measurement Service Providers.

2) Performance Measurement & Monitoring

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

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

The Investment Consultant will report on each Fund Manager's performance relative to their peers.

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

- i) Stability of the investment firm (personnel, assets under administration, operational capabilities, etc.);
- ii) Investment objective and portfolio composition;
- iii) Changes in the investment philosophy used in the investment fund;
- iv) Consistency of style or approach;
- v) Adherence to investment policy statement; and
- vi) ESG analysis and reporting including climate risk assessment and carbon metrics

3) Compliance Reporting by Fund Manager

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

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

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

4) Audit

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

5) Monitoring of Asset Mix

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

6) Selecting Fund Managers

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

a) Establishing the relevant performance benchmark
b) Performance history
c) Quality of the firm and the fund specific investment team
d) Quality and consistency of the fund's investment process
e) Quality and transparency in reporting including valuation methods
f) ESG integration within the investment process
g) Risk management approach
h) Competitiveness of fees
i) Fund Managers ability to fulfill the RIP

7) Monitoring Fund Manager Performance

At least quarterly, PIC will monitor and review:

a) Each Fund Manager's staff turnover, consistency of style and record of service;
b) Each Fund Manager's current economic outlook and investment strategies including ESG approach;
c) Each Fund Manager's compliance with the SIPP, FIP and RIP; and
d) Investment performance of the assets of the Plan in relation to the rate of return expectations outlined in the SIPP and FIP.

8) Dismissal of Fund Manager

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

a) Performance results which are below the stated performance benchmarks;
b) Changes in the overall structure of the Plan's assets such that the Fund Manager's services are no longer required;
c) Change in personnel, firm structure or investment philosophy which might adversely affect the potential return and/or risk level of the portfolio; and/or
d) Failure to adhere to the SIPP, FIP or RIP.

9) Rebalancing Policy

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

Rebalancing will be generally implemented within two quarters by:

a) Redirecting the net cash flows [administered monthly by University staff and not included in PIC's cumulative 15% asset mix change threshold]
b) Transfer of cash between portfolios
c) Liquidating exceedances and directing those to assets below the benchmark taking into account the transaction costs and liquidity of the particular asset class

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

10) Liability Hedging

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

Appendix A — Fund Manager Compliance Letter

To be completed by fund managers each quarter.

UNIVERSITY OF WATERLOO
_______________, 202_

This is to certify that I/we have adhered to the guidelines contained in the February 2022 version of the Statement of Investment Policies and Procedures, the Fund Implementation Procedures for the University of Waterloo Pension Plan (2011), and the Responsible Investment Policy as approved by the Board of Governors of the University of Waterloo as well as the investment management agreement in place

Signed _________________________

On behalf of _____________________

Date ___________________________

Maximum Pension Limits and CAPs

Registered Pension Plan (RPP) and Payroll Pension Plan (PPP)

The Income Tax Act (ITA) governs the maximum pension payable from the Registered Pension Plan (RPP). Each year, the limit is adjusted based on the Average Industrial Wage (AIW) increase subject to an overall dollar cap that is indexed each year. The plan text for the Payroll Pension Plan (PPP) states that the maximum pension payable from the PPP is also adjusted each year by the AIW increase subject to an overall dollar cap of $3,400, which was reached in 2019.

The following table shows the pension limits for 2021 and the RPP limit effective January 1, 2022:

Plan	**2021 Limits**		**2022 Limits**	
	Maximum annual pension per year of pensionable service	*Final Average Earnings at Threshold*	*Maximum annual pension per year of pensionable service*	*Final Average Earnings at Threshold*
RPP (ITA Limit)	$3,245.56	$179,612	$3,420	$188,910
PPP (Plan Text)	$3,400	$187,334	n/a	n/a

**AIW increase is 5.37% (difference in the RPP limit for 2022 over 2021). AIW increase in 2020 and 2021 was significantly higher than previous years due to the COVID-19 impact which resulted in lower paid jobs being removed from the workforce; expectation is a return to lower increases in future years.*

In addition to the RPP and PPP maximum pension limits, both plan texts include a dollar cap. Each year the new maximum pension limits are restricted not to exceed the respective CAP. The RPP was amended effective January 1, 2021, to increase the RPP cap from $3,200 to $3,400 with automatic increases each calendar year thereafter beginning in 2022, equal to one-third of the percentage increase in the AIW. The automatic increase to the RPP cap was implemented in place of increasing the PPP cap.

Plan	**2021 CAPs**	**2022 CAPs**
	Maximum annual pension per year of pensionable service	*Maximum annual pension per year of pensionable service*
RPP	$3,400	$3,460.91
PPP	$3,400	n/a

Effective January 1, 2022, pension accrual will be limited to the ITA maximum pension limit, and no additional pension will accrue under the PPP.

The ITA CAP that remains in place has an impact on the valuation of the liability associated with the RPP.

Projection of when RPP Limit (ITA limit) will reach the Projected Dollar Cap

AIW	2.25%		2.75%	
Year	RPP Cap	ITA Max	RPP	ITA Max
2022	$3,460.91	$3,420	$3,460.91	$3,420
2023	**$3,487**	**$3,497**	**$3,493**	**$3,514**
2024	$3,513	$3,575	$3,525	$3,611
2025	$3,503	$3,656	$3,556	$3,710

The ITA maximum pension is projected to overtake the RPP Plan maximum in 2023

Contribution Limit - Registered Pension Plan (RPP)

As approved by the Board of Governors in February 2020, pension contribution rates changed effective May 1, 2020, May 1, 2021, and the final change will be effective May 1, 2022, as shown below:

Portion of Salary	Previous Contribution Rates *(Prior to May 1, 2020)*	Approved Contribution Rate Changes Effective		
		May 1, 2020	*May 1, 2021*	*May 1, 2022*
Less than 1 x YMPE	6.25%	6.95%	7.40%	7.80%
Above YMPE	8.95% between 1 x and 2 x YMPE 9.95% above 2 x YMPE	9.95%	10.60%	11.20%

**YMPE was $58,700 in 2020, $61,600 for 2021, and is $64,900 for 2022.*

The ITA also limits annual member contributions, and this limit adjusts annually based on the AIW increase. The following table highlights the member contribution limit change effective January 1, 2022:

2021 Contribution Limit		2022 Contribution Limit	
Maximum annual contribution	*Annual Earnings Threshold*	*Maximum annual contribution*	*Annual Earnings Threshold*
$21,027	$221,096	$22,126	$ 220,812

Action Required: None

Commuted Value – Potential Enhancement to myPENSIONinfo

At the September 2021 Pension & Benefits Committee, information was presented in response to a request to investigate whether the Commuted Value (CV) could be displayed within the pension projection tool (myPENSIONinfo) for pension plan participants. Members discussed the advantages and disadvantages associated with providing this information and requested further information including other options that might be available through Ariel by the supporting vendor, LifeWorks.

Background

Since December 2016, pension plan participants who have required a CV estimate have needed to contact the Pension Services team within Human Resources to obtain the information. Prior to then, the information was included in the myPENSIONinfo portal and the estimate was based on the individual's pension accrual to the end of the prior month, and the most current rates loaded in the system at the time of login.

On an annual basis, approximately 30 individuals request this information and of them, 30% disclose the reason the information is required is for U.S. tax purposes. Each request requires under an hour of resources time to complete; however, given the high volumes of pension administration activity that corresponds with legislative deadlines, these requests are not given priority and pension plan participants often need to wait longer than their expected turnaround to obtain the information.

When the information is provided to pension plan participants, the following caveat wording is included:

> *The estimated value of your pension as of <current date> is approximately $XXX.*
>
> *The value of your pension is an amount that if invested to normal retirement (age 65) is expected to produce a pension similar to that earned in the University of Waterloo Pension Plan. The value of a pension is highly volatile as it is directly related to variable factors such as your age and the current market interest rates. Due to these variables, it is impossible to estimate the value of your pension into the future. The estimated value shown above is based on the market rates and actuarial assumption in effect <current date>. Therefore, another estimate in the future could produce a very different result.*
>
> *Your estimated pension value is based on the data on file and the assumption that you terminated on <current date>. This estimate is provided for information purposes only, does not convey any actual entitlement to benefits and is not binding on the University of Waterloo. Actual entitlements are calculated by Human Resources at the time of your retirement or termination, based on verified data and paid in accordance with the terms of the University of Waterloo Pension Plan and applicable legislation. Where a difference exists, the University of Waterloo Pension Plan will govern.*
>
> *This estimated value is not to be used for Marriage Breakdown purposes; such value is determined in a different manner.*

LifeWorks' Options

LifeWorks is unable to configure Ariel to provide the information that was displayed prior to the implementation of Ariel; however, the following four options appear to be feasible (the third and fourth would require further analysis in order to confirm estimated costs).

Option	Considerations
1 – Projected Future Date	• Leverages existing functionality within Ariel which has not been applied (installed, adjusted, and tested) to UW's platform • Calculation based on CIA Standards of Practice for Pension Commuted Values that came into effect December 1, 2020 • Blocking information for participants over the age of 55 can be done without impacting the estimated cost
2 – Current Date	• Requires adjustment to existing functionality within Ariel (i.e. to remove the service projection) • Calculation based on CIA Standards of Practice for Pension Commuted Values that came into effect December 1, 2020 • Blocking information for participants over the age of 55 can be done without impacting the estimated cost • Aligned with the information provided by the Pension Services team manually since December 2016
3 – January 1	• Functionality for this approach does not exist within Ariel and would require new programming – if of interest to pursue, requires further analysis by LifeWorks Information would be displayed for all members (no age restriction); blocking information for participants over the age of 55 would not be available
4 – Past Date	• Same as Option 3

Note: The estimated cost associated with option 1 and option 2 is $10,780 (48 hours of work) and $11,395 (50.2 hours of work), respectively; excludes any additional adjustments that may be required to handle special cases. Option 3 and option 4 would be more expensive and an estimate will be provided if of interest to pursue.

Action Required: ***Discussion regarding next steps***