

**Board of Governors
PENSION & BENEFITS COMMITTEE
Friday 14 June 2019
9:30 a.m. to 12:00 noon
NH 3318**

OPEN SESSION		ACTION
9:30	1. Approval of the 17 May 2019 Minutes (Open Session)* and Business Arising	Decision
	2. Execution Against the Work Plan* [Grivicic]	Information
	3. Update on Government Pension Plan Initiatives [Shapira]	Information
9:35	4. Presentation – Discussions of Working Group on Pension Funding/Design* [Shapira]	Information
10:45	5. Benefits Utilization Report* [Hornberger]	Information
11:00	6. Waterloo ASO Benefits Plan Provisions, Relative to Standard GWL Plan Provisions* [Hornberger]	Information
	7. Update re: Holistic Benefits Working Group	Information
	8. Amendment to Annual Meeting Schedule of Pension & Benefits Committee* (Grivicic)	Discussion
	9. Other Business	
CONFIDENTIAL SESSION		
	10. Approval of the 17 May 2019 Minutes (Confidential)+ and Business Arising	Decision
Next Meeting: Friday 20 September 2019, 9:30 a.m. – 12:00 noon in NH 3318		

*attached
** to be distributed
+ distributed separately

7 June 2019
Revised 28 June 2019

Mike Grivicic
Associate University Secretary

Please convey regrets to Melissa Holst at 519-888-4567 x36125 or mjholst@uwaterloo.ca

Future Agenda Items

- a. Pension Contribution for Members of LTD
- b. Level of LTD coverage vs. practical requirements
- c. Discussion of \$3,400 cap appropriateness, and potential RPP/PPP combination

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

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)	26 June 2018	21 Sept 2018	19 Oct 2018	9 Nov 2018	14 Dec 2018	18 Jan 2019	22 Feb 2019	8 Mar 2019	16 May 2019	14 June 2019
Approval of Actuarial Valuation Assumptions	Annual (Jan)						✓				
Investment Status of PPP	Annual (Jan)						✓				
Preliminary Valuation Results (RPP and 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	26 June 2018	21 Sept 2018	19 Oct 2018	9 Nov 2018	14 Dec 2018	18 Jan 2019	22 Feb 2019	8 Mar 2019	16 May 2019	14 June 2019
Benefits Utilization Report	Annual (June)	✓									✓
Annual review re: benefits added/removed from insured plans in the market	Annual (June)										✓
Indexing of Plan Maxima – Health, Dental, Retiree Life Insurance	Annual (Nov)				✓						
Employee and Family Assistance Program – report on utilization	Annual (Nov)				✓						
Cost-of-living adjustment to payroll pension plan limit	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 in 2017 and 2018											



University of Waterloo Pension & Benefits Committee Report From The Working Group on Pension Funding and Design

June 14, 2019

Prepared for Discussion and Consultation

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Issues Addressed By Working Group

1. Member contribution rates have fallen below the 50/50 sharing of current service costs since the last increase as of January 1, 2013, primarily as a result of:
 - Decreases in valuation discount rates from lower expected investment returns;
 - Improvements in longevity increasing the pension payment period; and
 - New going concern funding rules.
2. The primary objective of the UW Pension Plan (RPP) is to provide pension benefits up to the *Income Tax Act* (ITA) maximum pension in its current structure. A hard-dollar cap has been used for funding management purposes and to protect against unforeseen changes in the ITA maximum pension structure. This hard-dollar cap has been historically increased on a discretionary basis. However, a more definitive commitment to increasing the hard-dollar cap is recommended.
3. Transitioning out of the Payroll Pension Plan (PPP) may be necessary because the rising cost of providing pensions requires a focus on the first two issues.
4. The university pension funding policy needs to reflect any changes made to address the above issues.

Process for Working Group

- The Working Group (consisting of members from the P&B Committee) met five times—April 8 and 30, May 6 and 31, and June 4.
- Initial meetings focused on data collection including:
 - Member contribution rates for other Ontario university pension plans in connection with assessing the 50/50 cost-sharing target;
 - Treatment of the ITA maximum pension under other Ontario university pension plans in terms of any hard-dollar caps;
 - Background on the creation of the Payroll Pension Plan in 2000, the environment at the time and the reasons it was created; and
 - Supplemental arrangements, if any, at other Ontario universities.
- Multiple costings were prepared to assess the additional member contribution rates required to return to 50/50 sharing of current service cost, as well as different levels of hard-dollar caps on the UW Pension Plan.
- Proposed set of changes was developed to present to the P&B Committee in this Report for discussion purposes and approval to proceed with consultation.

Proposed Changes For Discussion and Consultation

This section outlines the proposed set of changes being brought forward to the P&B Committee for discussion purposes. Each of these proposed changes is then addressed in more detail in the following sections of this document.

Member Contribution Rates

- Amend the UW Pension Plan (RPP) to increase member contribution rates as follows to restore the sharing of the current service cost to approximately 50/50, subject to a phase-in, and to revert back to two-tier structure (below/above YMPE):

Salary	Current Rates	Proposed Rates
Less than 1 x YMPE	6.25%	7.80%
Between 1 x and 2 x YMPE	8.95%	11.20%
Above 2 x YMPE	9.95%	11.20%

- Phase in increases over three years starting in 2020 (on May 1 of each year):
 - First increase to: 6.95%/9.95% (increase of 0.70%/1.00%/0.00%)
 - Second increase to: 7.40%/10.60% (increase of 0.45%/0.65%/0.65%)
 - Third increase to: 7.80%/11.20% (increase of 0.40%/0.60%/0.60%)

Increase in Hard-Dollar Cap Under UW Pension Plan (RPP)

- Amend the RPP to increase the hard-dollar cap from \$3,200 to \$3,400 as of January 1, 2021.
- Include in the amendment an element of automatic escalation by indexing the \$3,400 each subsequent calendar year by one-third of the percentage increase in the ITA maximum pension as indexed by the increase in average wage.
- Adopt a P&B Committee Resolution that provides the following:
 - When in connection with the annual actuarial valuation, the Plan actuary identifies that the ITA maximum pension is expected to reach the indexed hard-dollar cap within a three-year period based on the expected increase under the actuarial assumptions, the RPP should be amended to reset the hard-dollar cap and/or adjust the indexation under the automatic escalation feature, the amount of such reset or adjustment to be determined by the P&B Committee based on the circumstances at the time and provided that such change coincides with a filed valuation.

Payroll Pension Plan

- In conjunction with the above changes, no further increases would be made to the hard-dollar cap of \$3,400 under the Payroll Pension Plan, which means that once the ITA maximum pension under the UW Pension Plan reaches \$3,400, no benefits would be accrued by active members under the Payroll Pension Plan.
- This change would not impact pension benefits payable from the Payroll Pension Plan to pensioners at the time the above crossover happens.

University Pension Funding Policy

- Based on current financial circumstances, the university's pension funding policy would be to maintain its total contributions at the current % of salaries, which means that any reduction in the University current service cost resulting from the increase in member contribution rates would be reallocated to the special payments/additional contributions the university is making to the UW Pension Plan. The net impact is more contributions going into the UW Pension Plan in total which improves the funding of the UW Pension Plan.

Member Contribution Rates

This section provides details on the decrease in the members' share of the total current service cost as the total current service cost has increased since the last increase in member contribution rates under the UW Pension Plan (RPP) in 2013. As well, over that period of time, member contribution rates under other Ontario university pension plans have also increased (a comparison is provided). The cost impact of the proposed increase in member contribution rates is also provided.

Increase in Total Current Service Cost

- Member contribution rates were last increased as of January 1, 2013; as of the January 1, 2013 actuarial valuation:
 - Total Current Service Cost for RPP and PPP: 14.23% of salaries
 - Member Contributions: 7.29% of salaries
 - University Current Service Cost: 6.94% of salaries
 - University's Total Contributions: 11.30% of salaries
 - Members' Share of Current Service Cost: 51.2%
- As of the January 1, 2019 actuarial valuation:
 - Total Current Service Cost for RPP and PPP: 16.95% of salaries
 - Member Contributions: 7.34% of salaries
 - University Current Service Cost: 9.61% of salaries
 - University's Total Contributions: 12.41% of salaries
 - Members' Share of Current Service Cost: 43.3%
- Increase in Total Current Service Cost between January 1, 2013 and January 1, 2019 primarily a result of:
 - Decreases in valuation discount rates from lower expected investment returns;
 - Improvements in longevity increasing the pension payment period; and
 - New going concern funding rules.
- Periodic increase in hard-dollar caps also increases Total Current Service Cost; the proposed increase in hard-dollar cap under UW Pension Plan would increase the Total Current Service Cost from 16.95% of salaries to 17.71% of salaries, and reduce the member sharing of the total current service cost to 41.4% (before any increase in member contribution rates).

Comparison To Other Ontario University DB Pension Plans

- Following table shows the benefit rates and member contribution rates for a number of DB pension plans in the Ontario university sector along with the ratio of the member contribution rate to the benefit rate. The higher the ratio, the more the member is paying relative to the benefit rate. However, other ancillary benefits could factor into the contribution rate such as indexation and subsidies for early retirement and survivor pensions:

DB Pension Plan	Benefit Rate	Contribution Rate	Ratio of Contribution Rate to Benefit Rate	
	Below / Above YMPE	Below / Above YMPE	Below YMPE	Above YMPE
University of Toronto ¹	1.60% / 2.00%	9.20% / 11.50%	5.75X	5.75X
McMaster (Faculty)	1.40% / 2.00%	8.00% / 11.00%	5.71X	5.50X
McMaster (Unifor)	1.40% / 2.00%	8.646% / 11.646%	6.18X	5.82X
Ottawa ²	1.30% / 2.00%	7.15% / 10.95%	5.50X	5.48X
Guelph (Faculty) ³	1.50% / 2.00%	8.99% / 10.69%	5.99X	5.35X
Guelph (CUPE)	1.60% / 2.00%	8.60% / 10.90%	5.38X	5.45X
Ryerson	1.35% / 2.00%	7.40% / 9.50%	5.48X	4.75X
UPP	1.60% / 2.00%	9.20% / 11.50%	5.75X	5.75X
Waterloo (Current)	1.40% / 2.00%	6.25% / 8.95% / 9.95%	4.46X	4.48X / 4.98X
Waterloo (Proposed)	1.40% / 2.00%	7.80% / 11.20%	5.57X	5.60X

¹ Effective July 1, 2019

² Before increase to 50/50 sharing of current service cost on January 1, 2020

³ Effective July 1, 2020

Impact of Proposed Increase in Member Contribution Rates

- Based on the January 1, 2019 actuarial valuation, the proposed increase in member contribution rates would have the following impact (in 2019 dollars):

Member Contribution Rate	Annual Member Contributions (as if in effect for full year)	
	(000's)	% of Salaries
6.25% / 8.95% / 9.95%	\$ 34,998	7.34%
6.95% / 9.95%	\$ 38,062	7.99%
7.40% / 10.60%	\$ 40,332	8.46%
7.80% / 11.20%	\$ 42,284	8.87%

- The impact on members at various salary levels is shown in Appendix A. Member contributions are tax-deductible.

Hard-Dollar Cap Under UW Pension Plan

This section provides the impact of the proposed increase in hard-dollar cap under the UW Pension Plan on the accrued liabilities and total current service cost under the UW Pension Plan (RPP) and the Payroll Pension Plan (PPP). This section also shows the combined impact of the proposed increase in the member contribution rates and the proposed increase structure for the hard-dollar cap. The analysis is based on the January 1, 2019 actuarial valuation assuming the changes are all effective as of that date.

Interaction of ITA Maximum Pension and Hard-Dollar Cap Under RPP

- The following table shows how the proposed change to the hard-dollar cap (increase from \$3,200 to \$3,400 as of January 1, 2021, and each calendar year thereafter index the \$3,400 by one-third of the % increase in the ITA maximum pension as indexed by the increase in average wage) would interact with the ITA maximum pension based on the assumed increase of 2.75% per year under the actuarial valuation:

Year	Indexed ITA Maximum Pension	Partially Indexed Hard-Dollar Cap
2019	\$ 3,025.56	\$ 3,200.00
2020	\$ 3,108.76	\$ 3,200.00
2021	\$ 3,194.25	\$ 3,400.00
2022	\$ 3,282.10	\$ 3,431.28
2023	\$ 3,372.35	\$ 3,462.85
2024	\$ 3,465.09	\$ 3,494.71
2025	\$ 3,560.38	\$ 3,526.85
2026	\$ 3,658.29	\$ 3,559.30
2027	\$ 3,758.90	\$ 3,592.05

Funding Requirements for Plan Improvements

- Increase in hard-dollar cap for RPP would increase the going concern liabilities, which would therefore be considered a plan improvement
- Ontario Regulation 178/11 which provided for the solvency funding relief regime under which the UW Pension Plan participated also contained special funding requirements in connection with plan improvements:
 - Special funding requirements for plan improvements remain in effect for a number of years after the university exits the solvency funding relief regime.

- We have confirmed with FSCO/FSRA the interaction of these special funding requirements under Regulation 178/11 with the new funding rules (since 178/11 was introduced in the context of the prior funding rules), as described below:
- Amortization periods for a portion of the increase in going concern liabilities is shortened to 5 years; will be dependent on ratio of going concern liabilities (**without** PfAD) to the market value of assets:
 - If ratio is in excess of 1.0, and increase in going concern liabilities (without PfAD) does not reduce the ratio to below 1.0, then no portion of the increase is amortized over 5 years.
 - If ratio is in excess of 1.0, and increase in going concern liabilities (without PfAD) reduces the ratio below 1.0, the amount required to bring the ratio back to 1.0 is amortized over 5 years.
 - If ratio is between 0.9 and 1.0, and the increase in going concern liabilities (without PfAD) reduces the ratio but not below 0.9, the amount required to maintain the ratio in effect prior to the change is amortized over 5 years.
 - In all the cases above, because there is a funding shortfall under the UW Pension Plan including the PfAD, the excess of the increase in going concern liabilities including the PfAD over the portion, if any, amortized over 5 years is then amortized over 10 years.

Payroll Pension Plan

- With the hard-dollar cap under the UW Pension Plan increasing to \$3,400 as of January 1, 2021, once the ITA maximum pension reaches \$3,400, there would be no benefits provided to active members from the PPP. This reduces the accrued liabilities and total current service cost under the PPP as shown on the following pages.
- The Appendix to this document provides a background on the introduction of the Payroll Pension Plan in 2000, a history of the hard-dollar caps under both the UW Pension Plan and PPP, and information on whether other Ontario universities provide a supplemental arrangement.
- Transitioning out of the PPP allows the focus to be on providing a fully indexed ITA maximum pension under the UW Pension Plan.

Cost Estimates

Impact on Accrued Liabilities

- The impact on accrued liabilities as if the proposed change was implemented as of January 1, 2019 is as follows:

Accrued Liabilities (for Active Members)

Plan	Current Provisions (000's)	Proposed Provisions (000's)	Increase/(Decrease) (000's)
RPP	\$ 994,980	\$ 1,043,780	\$ 48,800
PPP	<u>28,683</u>	<u>11,083</u>	<u>(17,600)</u>
Total	\$ 1,023,663	\$ 1,054,863	\$ 31,200

- Indexation of the ITA maximum pension without any hard-dollar cap would have increased the accrued liabilities by \$82.6 million versus the \$48.8 million with the proposed change.

Impact on Total Current Service Cost

- The impact on total current service cost as if the proposed change was implemented as of January 1, 2019 is shown below:

Total Current Service Cost

Plan	Current Provisions		Proposed Provisions		Increase/(Decrease)	
	(000's)	%	(000's)	%	(000's)	%
RPP	\$ 78,797	16.54%	\$ 83,940	17.61%	\$ 5,143	1.07%
PPP	<u>1,963</u>	<u>0.41%</u>	<u>450</u>	<u>0.10%</u>	<u>(1,513)</u>	<u>(0.31)%</u>
Total	\$ 80,760	16.95%	\$ 84,390	17.71%	\$ 3,630	0.76%

- Indexation of the ITA maximum pension without any hard-dollar cap would have increased the total current service cost under the RPP by \$8.71 million (1.83% of salaries) versus \$5.14 million (1.07% of salaries) with the proposed change.

Combination of Proposed Increase in Member Contribution Rates and Hard-Dollar Cap

- Following costing is based on January 1, 2019 valuation and full phase-in of the proposed increase in member contribution rates:

Member Contribution Rate	\$ Amount (000's)	% of Salaries
Total Current Service Cost for RPP and PPP	\$ 84,390	17.71%
Less: Member Contributions	<u>42,284</u>	<u>8.87%</u>
Equals: University Current Service Cost	\$ 42,106	8.84%

- The combination of proposed changes results in a 50/50 sharing of total current service cost.

University Pension Funding Policy

This section analyzes the impact of the proposed changes on the total contributions to the UW Pension Plan.

Current Pension Funding Policy

- University's total contributions are currently set at 1.69 x member contributions (the "multiplier"), which generates total university contributions of 12.41% of salaries.

Impact of Increase in Member Contribution Rates on University Pension Funding Policy

- Based on current financial circumstances, the university's pension funding policy would be to maintain its total contributions at the 12.41% of salaries, which means that any reduction in the University current service cost from the increase in member contribution rates would be reallocated to the special payments/additional contributions the university is making to the UW Pension Plan rather than reducing university contributions. The net impact is more contributions going into the UW Pension Plan in total which improves the funding of the UW Pension Plan.
- The proposed change in the 1.69 multiplier with the increase in member contribution rates would be as follows:

Member Contributions		Total University Contributions	
Date	% of Salaries	Multiplier	% of Salaries
Current	7.34%	1.69X	12.41%
May 1, 2020	7.98%	1.56X	12.45%
May 1, 2021	8.46%	1.47X	12.44%
May 1, 2022	8.87%	1.40X	12.42%

- Following table shows the funding into the UW Pension Plan based on the pension funding policy above, reflecting a 3% increase in total salaries each year from 2019 onward and the May 1 implementation of the increases in member contribution rates and the change in multiplier for determining total university contributions:

Calendar Year	Total Salaries (000's)	Estimated Contributions (000's)			Amount Available for Special Payments/ Additional Contributions
		Member Contributions	Total University Contributions	University Current Service Cost	
Current					
2020	\$ 490,922	\$ 36,048	\$ 60,921	\$ 45,112	\$ 15,809
Proposed					
2020	\$ 490,922	\$ 38,152	\$ 61,079	\$ 48,192	\$ 12,887
2021	\$ 505,650	\$ 41,985	\$ 62,930	\$ 47,006	\$ 15,924
2022	\$ 520,819	\$ 45,494	\$ 64,720	\$ 46,230	\$ 18,490
2023	\$ 536,444	\$ 47,591	\$ 66,627	\$ 46,884	\$ 19,743

Appendix A—Member Contributions at Various Salary Levels

- Impact on member contributions would be as follows (using 2019 YMPE):

Salary	Current Members Contributions		Increase in Member Contributions						Fully Phased-In Member Contributions	
	\$ Amount	% of Salary	Year 1		Year 2		Year 3		\$ Amount	% of Salary
\$ 50,000	\$ 3,125	6.25%	\$ 350	0.70%	\$ 225	0.45%	\$ 200	0.40%	\$ 3,900	7.80%
\$ 70,000	\$ 4,715	6.74%	\$ 528	0.75%	\$ 340	0.49%	\$ 305	0.44%	\$ 5,888	8.41%
\$ 90,000	\$ 6,505	7.23%	\$ 728	0.81%	\$ 470	0.52%	\$ 425	0.47%	\$ 8,128	9.03%
\$ 110,000	\$ 8,295	7.54%	\$ 928	0.84%	\$ 600	0.55%	\$ 545	0.50%	\$ 10,368	9.43%
\$ 130,000	\$ 10,237	7.87%	\$ 976	0.75%	\$ 730	0.56%	\$ 665	0.51%	\$ 12,608	9.70%
\$ 150,000	\$ 12,227	8.15%	\$ 976	0.65%	\$ 860	0.57%	\$ 785	0.52%	\$ 14,484	9.90%
\$ 170,000	\$ 14,217	8.36%	\$ 976	0.57%	\$ 990	0.58%	\$ 905	0.53%	\$ 17,088	10.05%

Appendix B—Background on Payroll Pension Plan

- Payroll Pension Plan (PPP) established May 1, 2000
- At time of establishment, ITA Maximum Pension under Registered Pension Plan (RPP) (\$1,722.22 per year of credited service) reached at final average earnings of approximately \$97,000.
- Minutes from P & B Committee meeting noted that UofT and McMaster had introduced measures to address cap problem up to \$144,000; PPP was introduced to address retention and recruitment issues in period of increasingly competitive faculty hiring:
 - UofT Supplemental Retirement Arrangement (SRA) was introduced in 1997 and pensionable salary cap was \$144,000 in 2000, increasing to \$150,000 in 2002.
 - No evidence that McMaster actually implemented any provision above the ITA Maximum Pension.
- PPP cap set at \$2,650 per year of credited service, reached at a final average earnings of approximately \$143,400:
 - Intention was to increase the cap from time to time to match increases at other Ontario universities.
- Introduction of PPP was considered as one of the pension improvements under the Contribution Protocol.
- PPP introduced at a time when member and University contributions were reduced as a result of surplus:
 - University contributed to RPP at 100% of reduced member contributions, plus 37% of reduced member contributions to build up an account for the PPP.
 - Target asset accumulation was \$10 million.
- As one of the pension improvements, any “cost” for the PPP in excess of \$10 million adjusted with interest would be considered as a loan from the University under Contribution Protocol.

Appendix C—History of Caps under RPP and PPP

Calendar Year	RPP		PPP	
	ITA Maximum Pension	Hard Dollar Cap	Maximum Pension	Hard Dollar Cap
2000	\$1,722.22	\$2,200.00	\$2,650.00	\$2,650.00
2001	\$1,722.22	\$2,200.00	\$2,650.00	\$2,650.00
2002	\$1,722.22	\$2,200.00	\$2,650.00	\$2,650.00
2003	\$1,722.22	\$2,200.00	\$2,650.00	\$2,650.00
2004	\$1,833.33	\$2,200.00	\$2,650.00	\$2,650.00
2005	\$2,000.00	\$2,200.00	\$2,650.00	\$2,650.00
2006	\$2,111.11	\$2,444.44	\$2,650.00	\$2,650.00
2007	\$2,222.22	\$3,200.00	\$2,650.00	\$3,200.00
2008	\$2,333.33	\$3,200.00	\$2,725.00	\$3,200.00
2009	\$2,444.44	\$3,200.00	\$2,800.00*	\$3,200.00*
2010	\$2,494.44	\$3,200.00	\$2,857.00	\$3,200.00
2011	\$2,552.22	\$3,200.00	\$2,923.00	\$3,200.00
2012	\$2,646.67	\$3,200.00	\$3,031.00	\$3,200.00
2013	\$2,696.67	\$3,200.00	\$3,088.00	\$3,200.00
2014	\$2,770.00	\$3,200.00	\$3,172.00	\$3,300.00
2015	\$2,818.89	\$3,200.00	\$3,228.00	\$3,400.00
2016	\$2,890.00	\$3,200.00	\$3,309.00	\$3,400.00
2017	\$2,914.44	\$3,200.00	\$3,337.00	\$3,400.00
2018	\$2,944.44	\$3,200.00	\$3,371.00**	\$3,400.00**
2019	\$3,025.56	\$3,200.00	\$3,400.00	\$3,400.00

*PPP Maximum Pension of \$2,800 represents approximately 14.5% increase over ITA maximum Pension of \$2,444.44.

**PPP Maximum Pension of \$3,371 represents approximately 14.5% increase over ITA maximum Pension of \$2,944.44.

Appendix D—ITA Maximum Pension and Supplemental Arrangements at Other Universities

- University of Toronto:
 - No increase in pensionable salary cap of \$150,000 since 2002.
 - ITA maximum pension reached at a highest average salary above \$150,000 in 2014, so RPP now provides indexed ITA maximum pension with no further DB SRA.
 - Introducing DC SRA on July 1, 2021.
- Queen’s University, McMaster University, York University, University of Guelph, University of Windsor:
 - RPP provides indexed ITA maximum pension.
 - No supplemental pension arrangement.
- University of Ottawa:
 - RPP provides indexed ITA maximum pension
 - Supplemental pension arrangement for service prior to January 1, 2008, up to average maximum salary (approximately \$206,000 in 2017).
 - No new benefit accruals on service from January 1, 2008 onward.
- Laurier University, Laurentian University, Ryerson University:
 - RPP provides indexed ITA maximum pension.
 - Supplemental pension arrangement provides pension on all pensionable salary (no cap on pensionable salary).
- Trent University:
 - RPP provides indexed ITA maximum pension.
 - Supplement pension arrangement provided on salary up to 5-year average of highest salary grade (D22 salary in 2018 is \$193,898).

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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Benefits Utilization Report

June 14, 2019

An update to the Pension & Benefits Committee



UNIVERSITY OF
WATERLOO

Content

- **Overview**
 - External Arrangements
 - Cost Summary
 - GWL Participation Levels
- **Life Insurance**
- **Long Term Disability**
- **Healthcare Benefits**

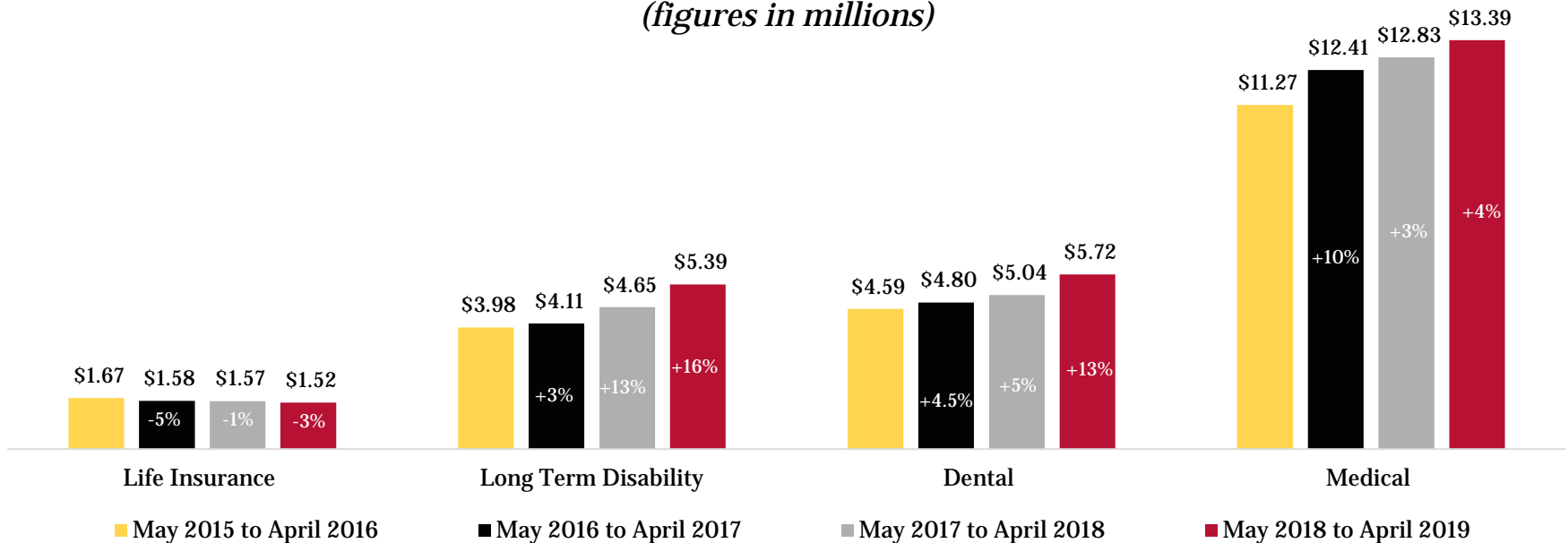
External Arrangements

Benefit	Vendor	Underwriting Arrangement
Life Insurance	Sun Life Financial	Experience-rated, Retention
Long Term Disability	Great-West Life	Experience-rated, Non-refund
Healthcare Benefits	Great-West Life	Administrative Services Only (ASO) with large claims pooling (\$50,000 per individual per year)

Cost Summary

- The cost of the benefits program was \$26.02 million in the 2018/19 Fiscal Year which represents an increase of 8% over the 2017/18 Fiscal Year

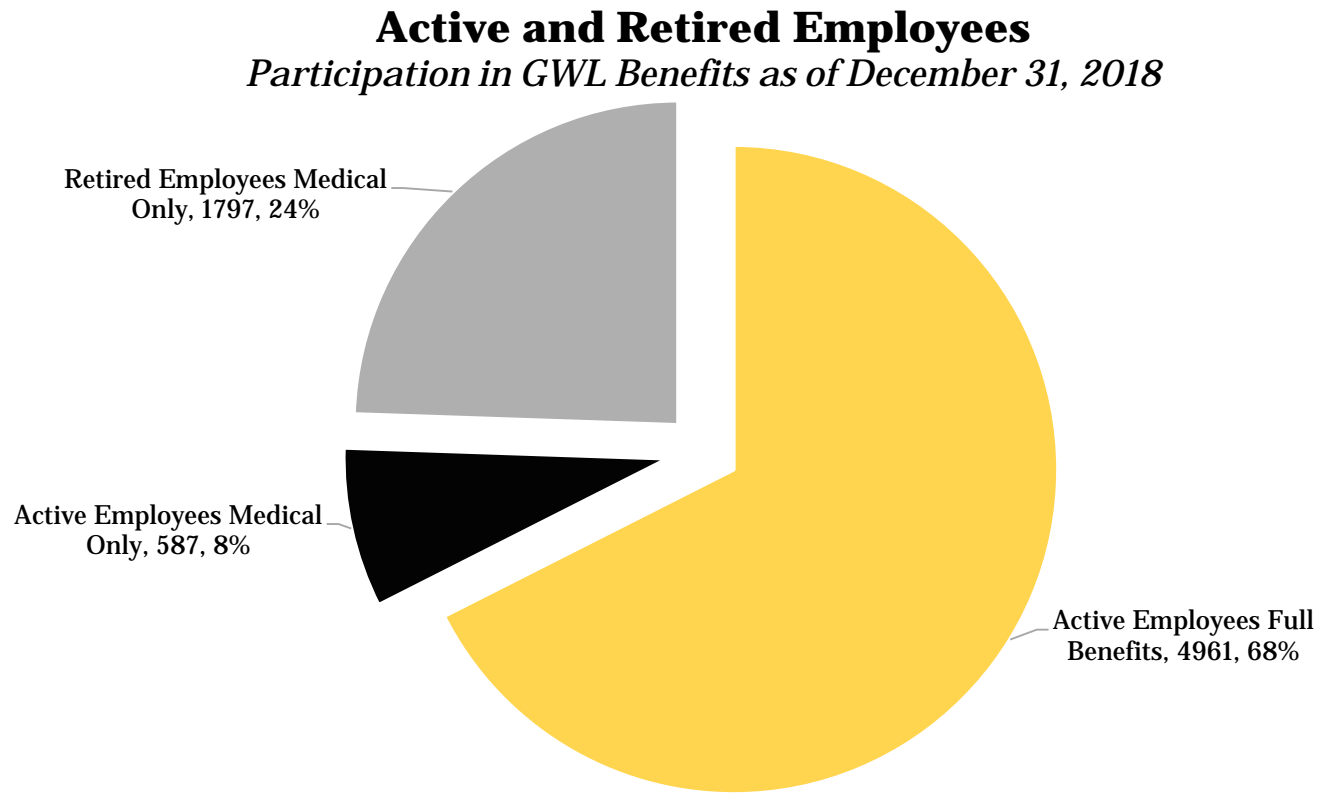
Benefits Program – Cost Breakdown (figures in millions)



- For the 2018/19 fiscal year, 51% of the overall cost pertains to medical benefits, followed by dental at 22%, long term disability at 21%, and life insurance at 6%

GWL Participation – Overall

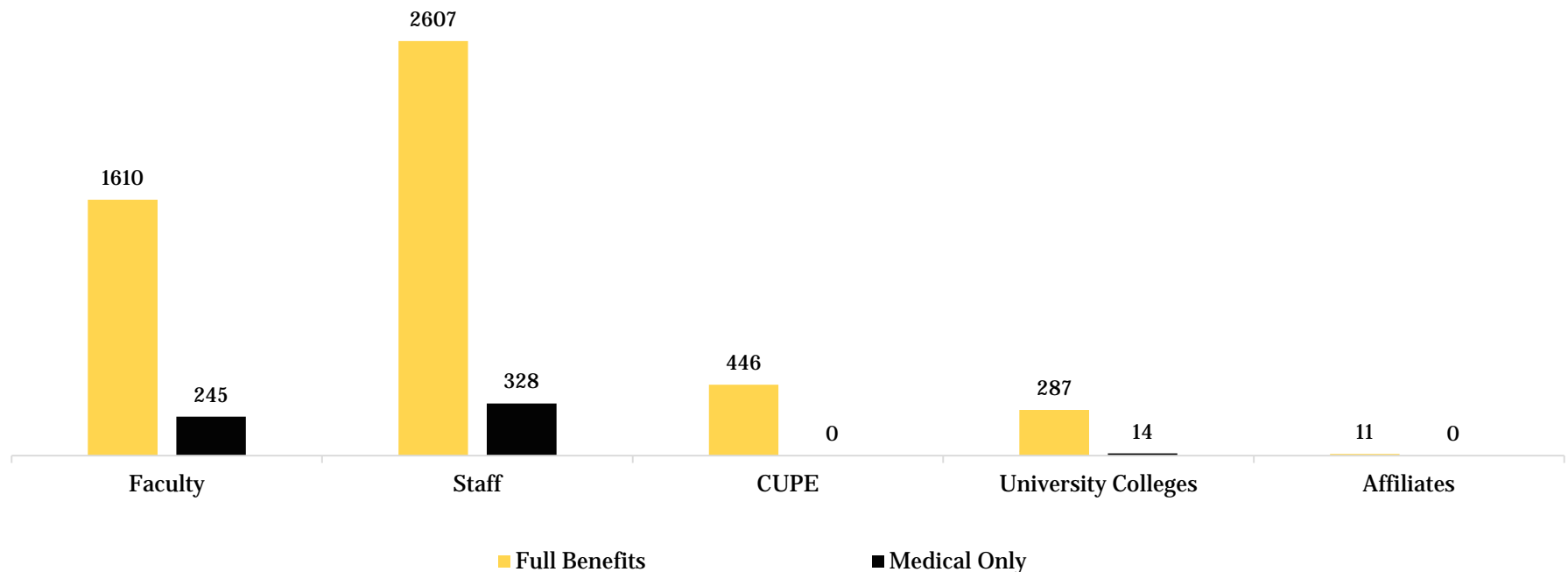
- Of the 7,345 active and retired employees participating in the GWL benefits, 32% have access to the medical benefit only



GWL Participation – Active Employees

- Of the 5,548 active employees participating in the GWL benefits, 89% are fully enrolled whereas the remaining 11% have access to medical only

Active Employees
Participation in GWL Benefits as at December 31, 2018

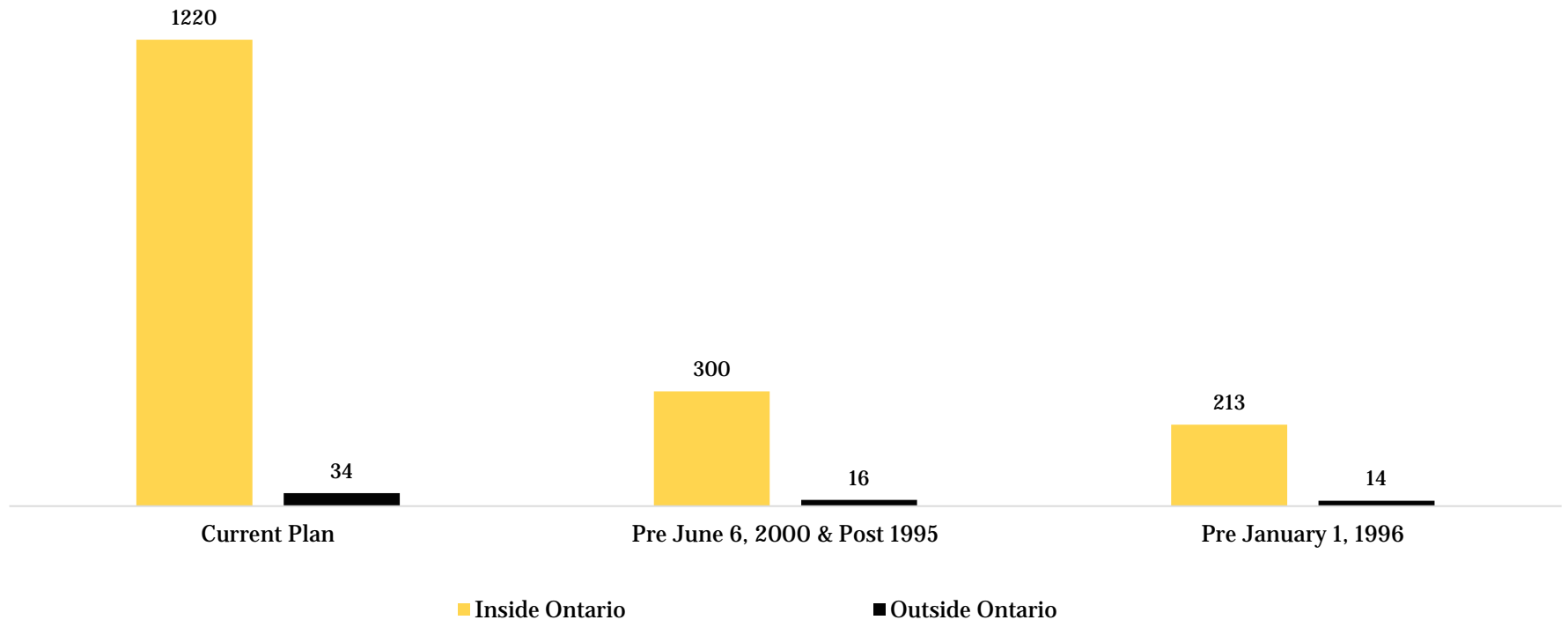


GWL Participation – Retired Employees

- Of the 1,797 retired employees participating in the medical benefit, 70% are enrolled in the current plan and 30% are enrolled in closed plans

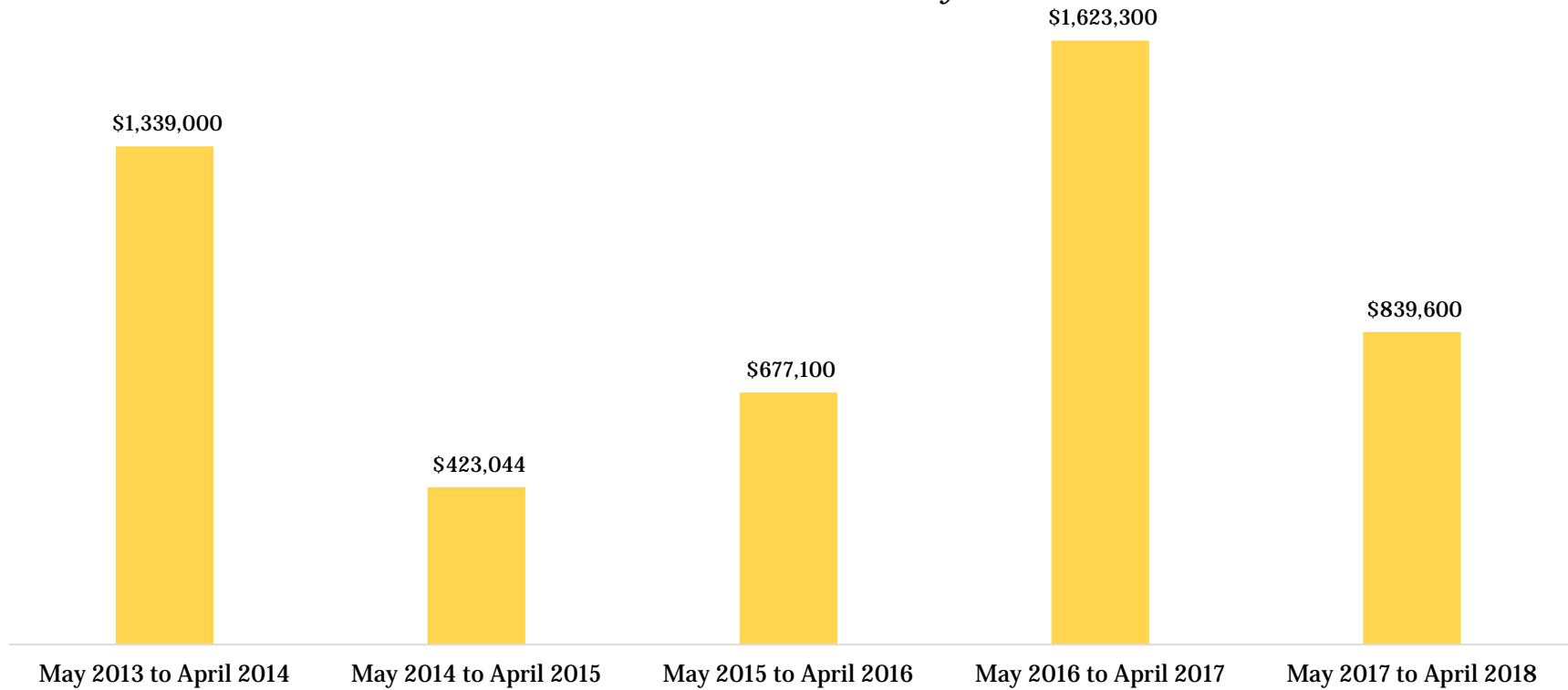
Retired Employees

Participation in GWL Benefits as of December 31, 2018



Life Insurance

Paid Life Claims *5-Year Summary*

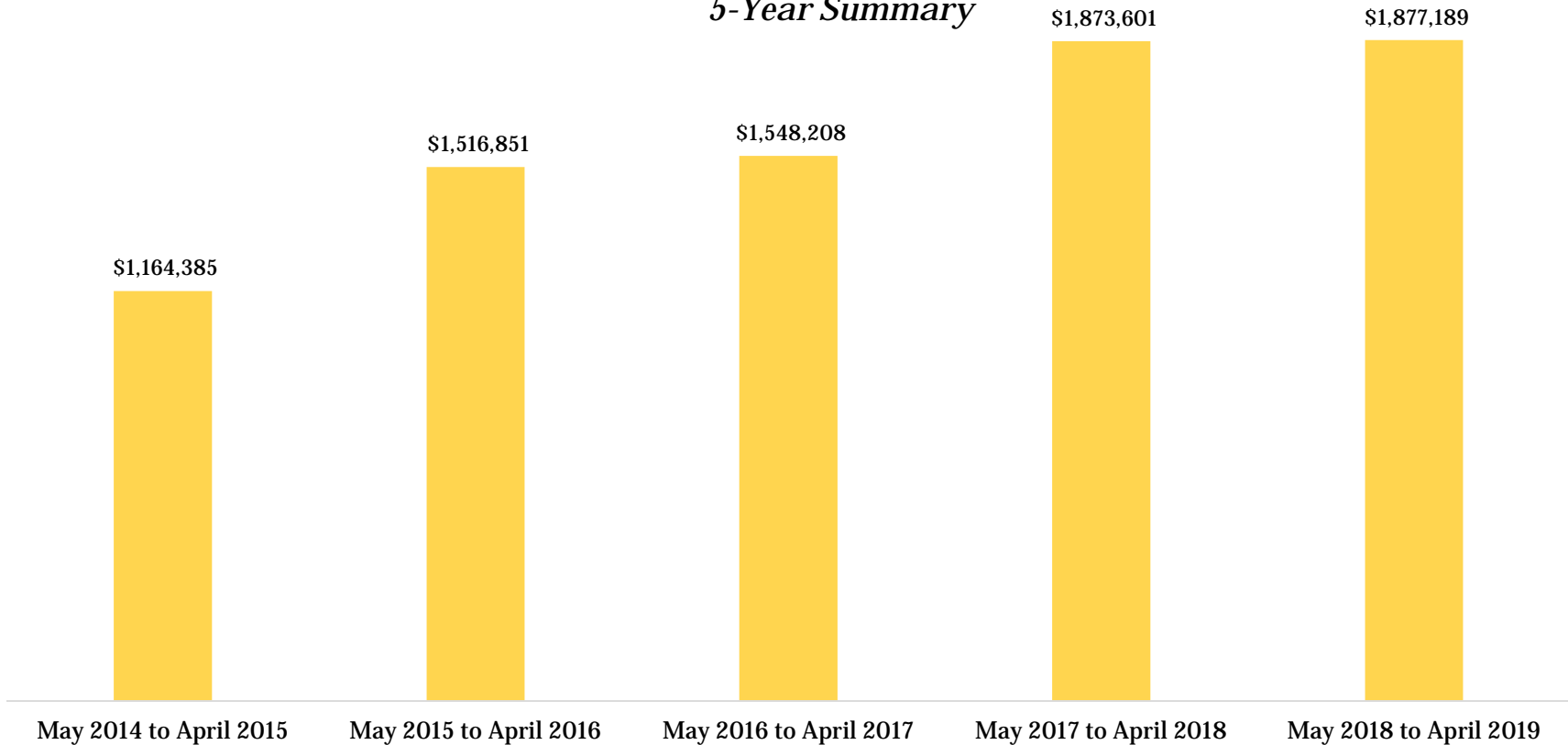


Note: University Colleges and Affiliates included in above data

Source (May 2017 to April 2018 data): Mercer, February 19, 2019

Long Term Disability

Paid LTD Claims *5-Year Summary*

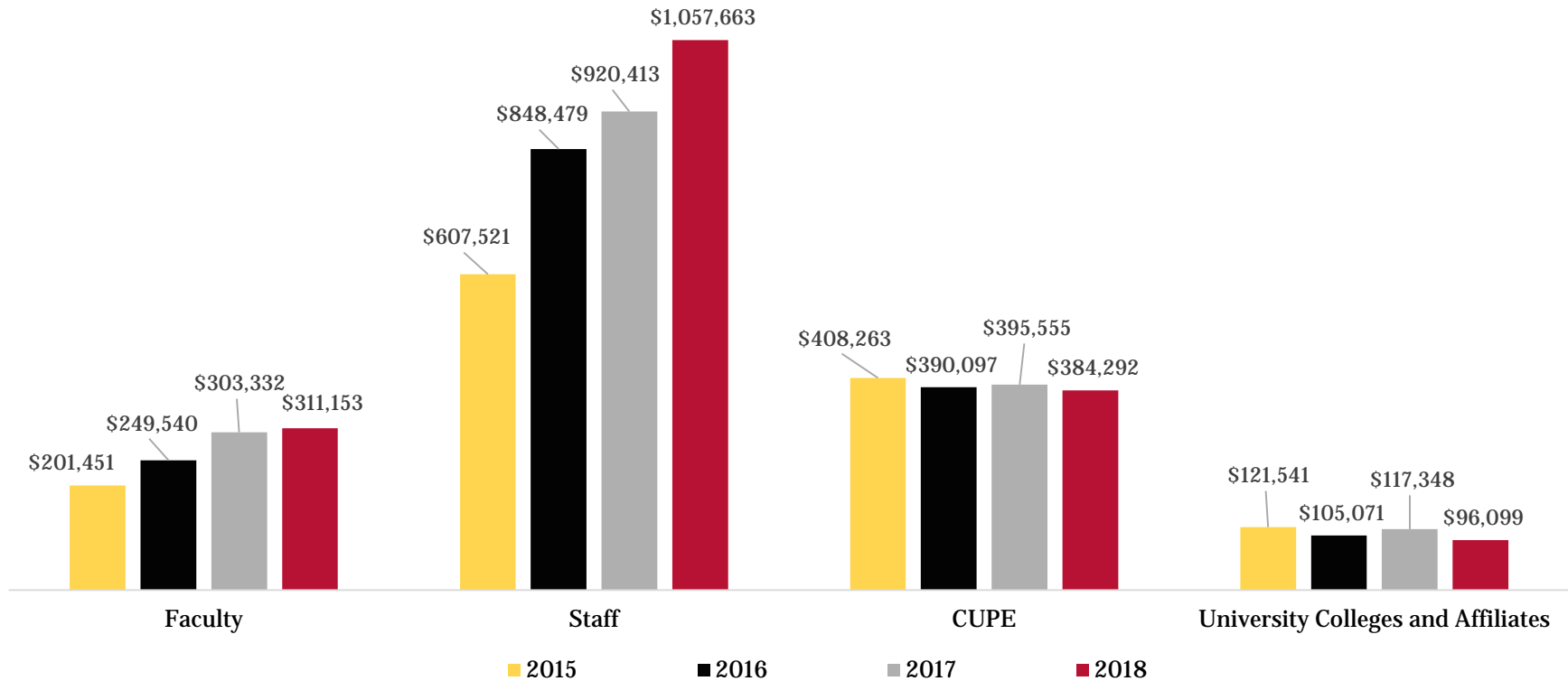


Note: University Colleges and Affiliates included in above data

Source (May 2018 to April 2019 data): Great-West Life, May 21, 2019

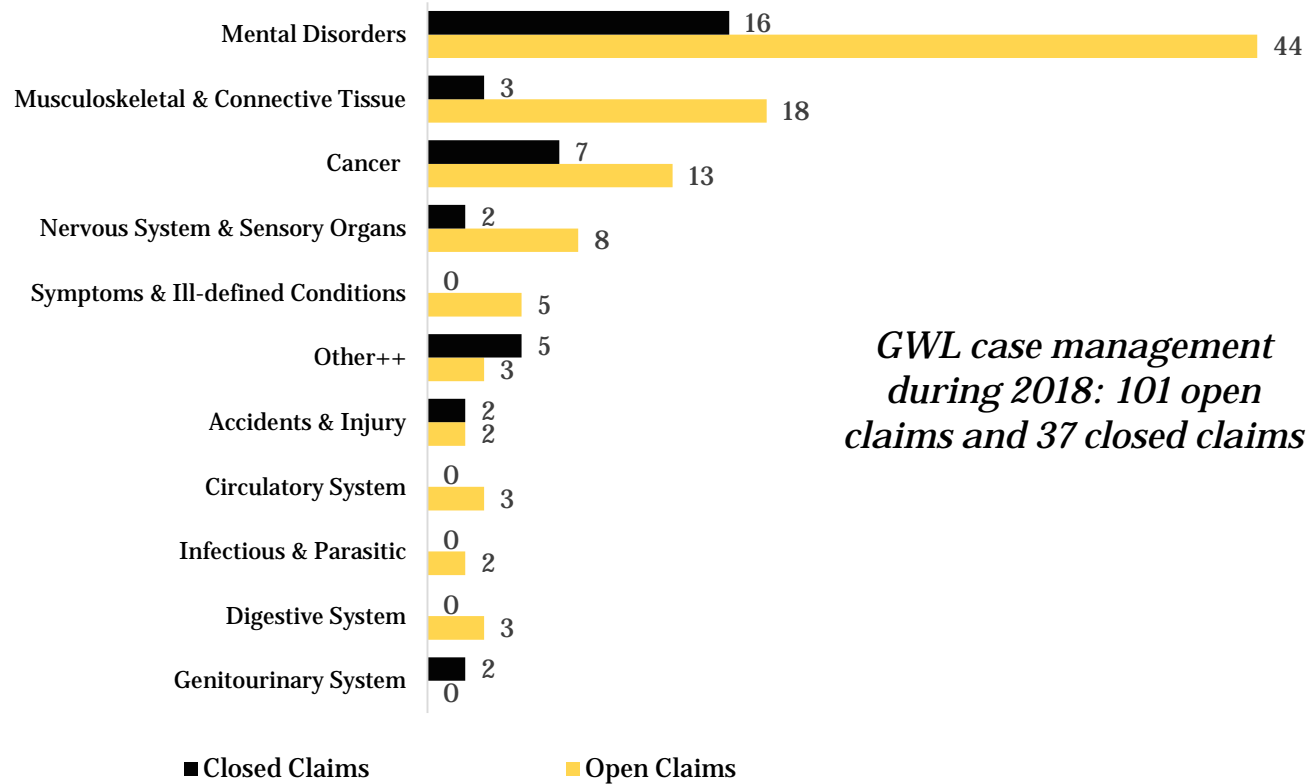
Long Term Disability (cont.)

Paid LTD Claims by Employee Group (Great-West Life claims only)



Long Term Disability (cont.)

LTD Claims Incidence by Diagnosis For the January 1 to December 31, 2018 Period

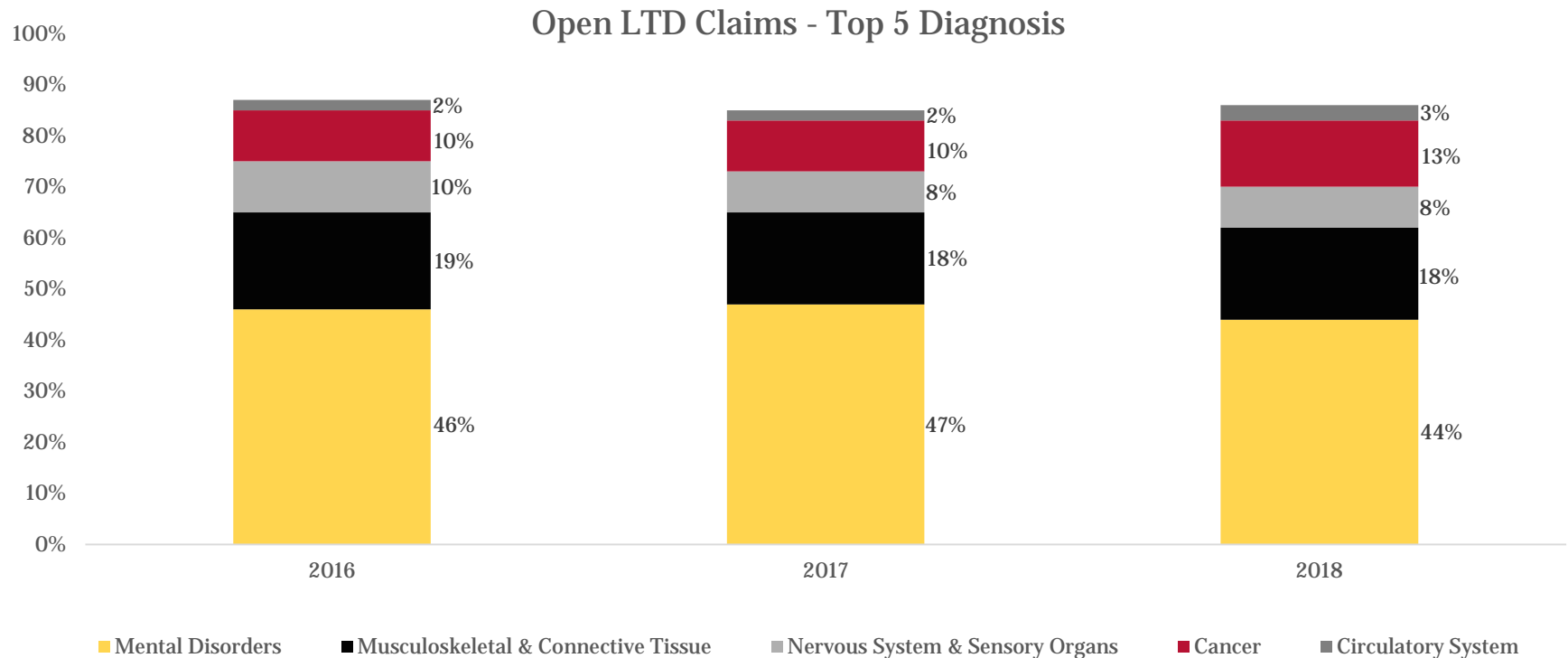


*GWL case management
during 2018: 101 open
claims and 37 closed claims*

Note: Other ++ Some diagnosis categories may have been combined to ensure employee rights to confidentiality

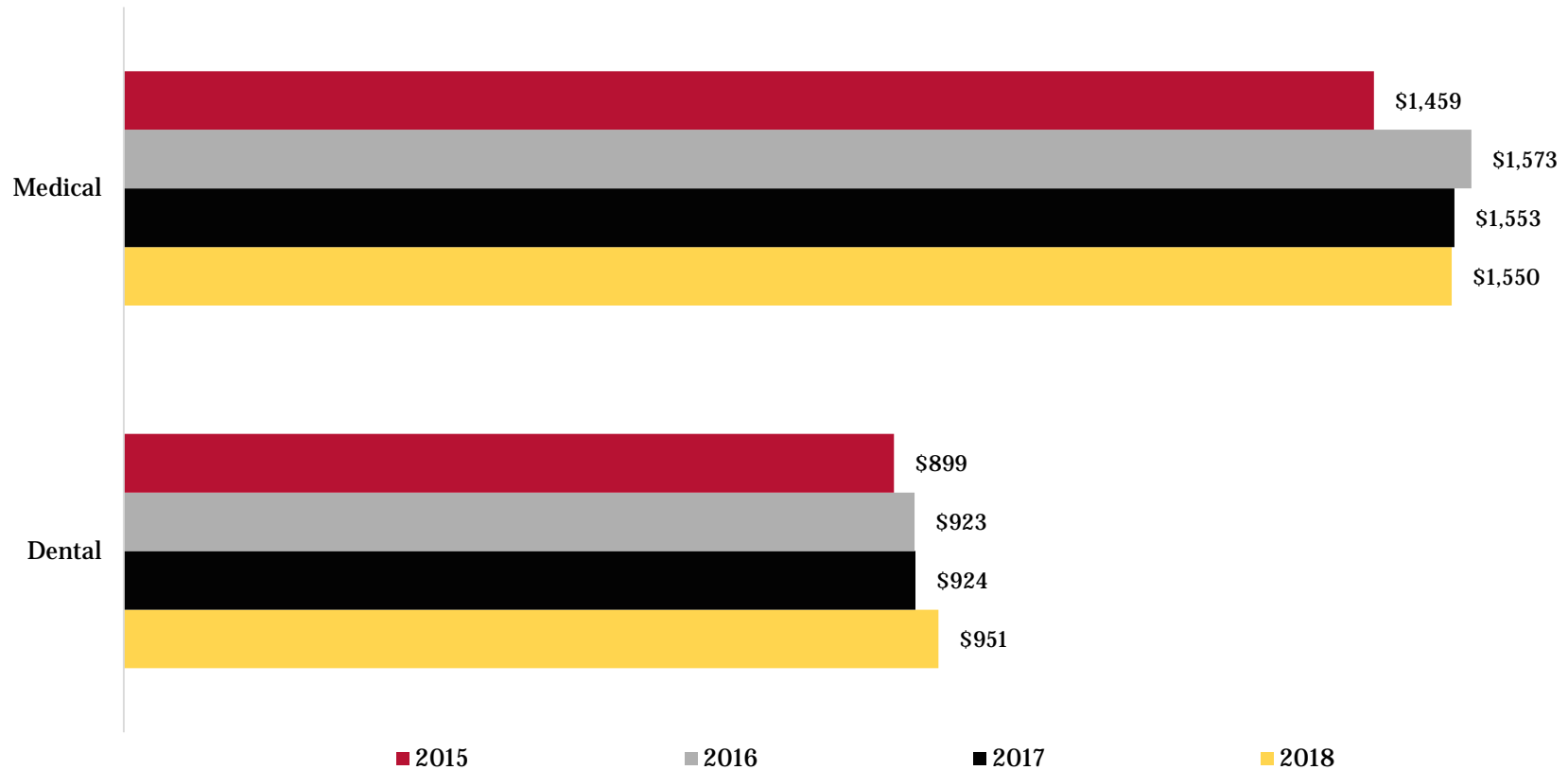
Long Term Disability (cont.)

Although the percentage of open claims with a mental disorder diagnosis has decreased over the 3-year period, GWL's benchmark (i.e. 31.5% entire block of business, 35.8% higher education sector) is lower ...



Healthcare Benefits

Claims per Capita

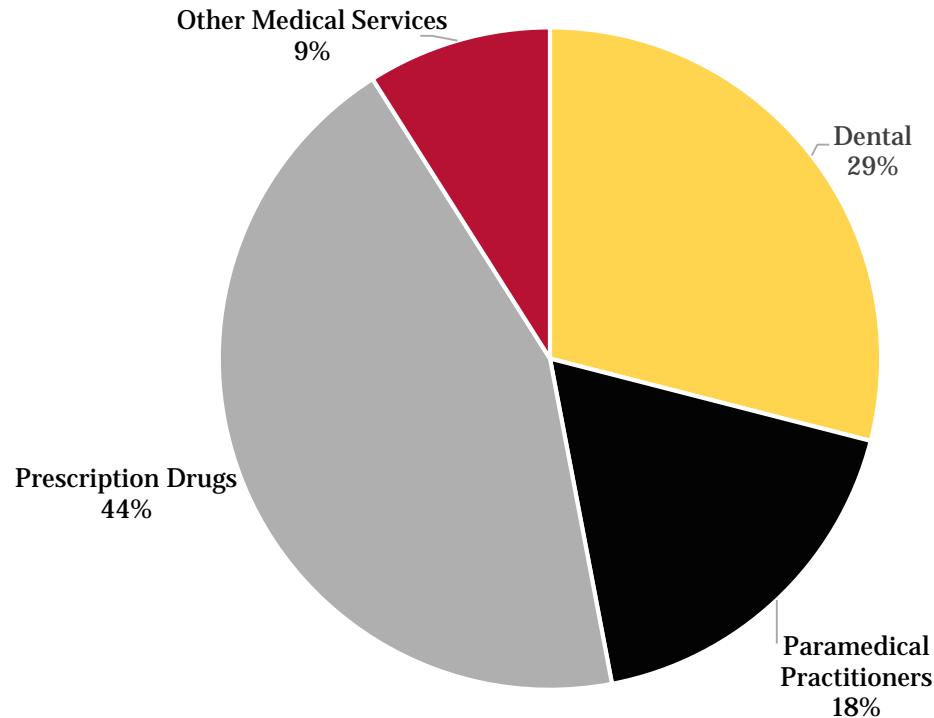


Healthcare Benefits (cont.)

In 2018, healthcare claims amounted to \$15.7M with 296,108 occurrences which equates to an average reimbursement of \$53 per occurrence ...

Distribution of Paid Healthcare Claims

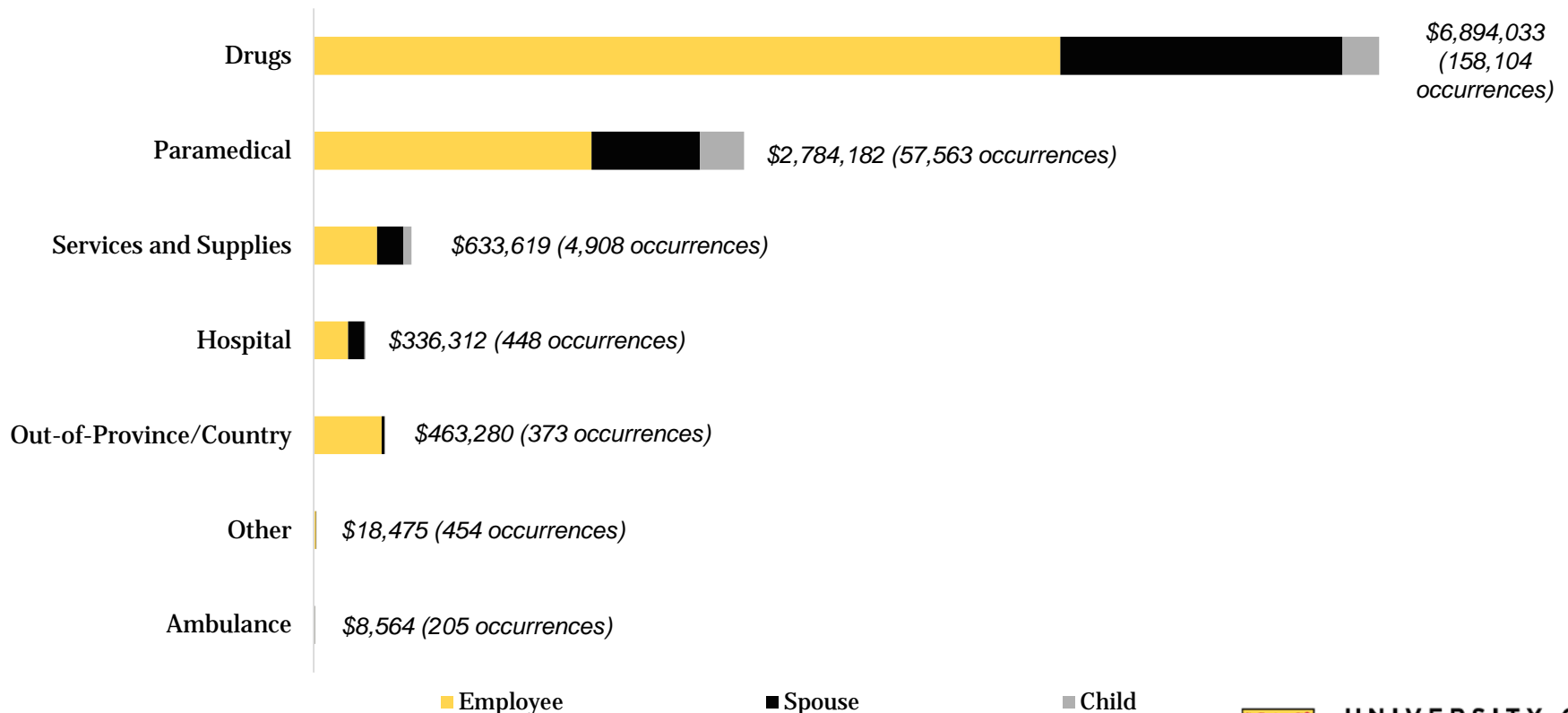
For the January 1 to December 31, 2018 Period



Medical

In 2018, medical claims amounted to \$11.1M with 222,055 occurrences which equates to an average reimbursement of \$50 per occurrence ...

Breakdown of Paid Medical Claims *For the January 1 to December 31, 2018 Period*

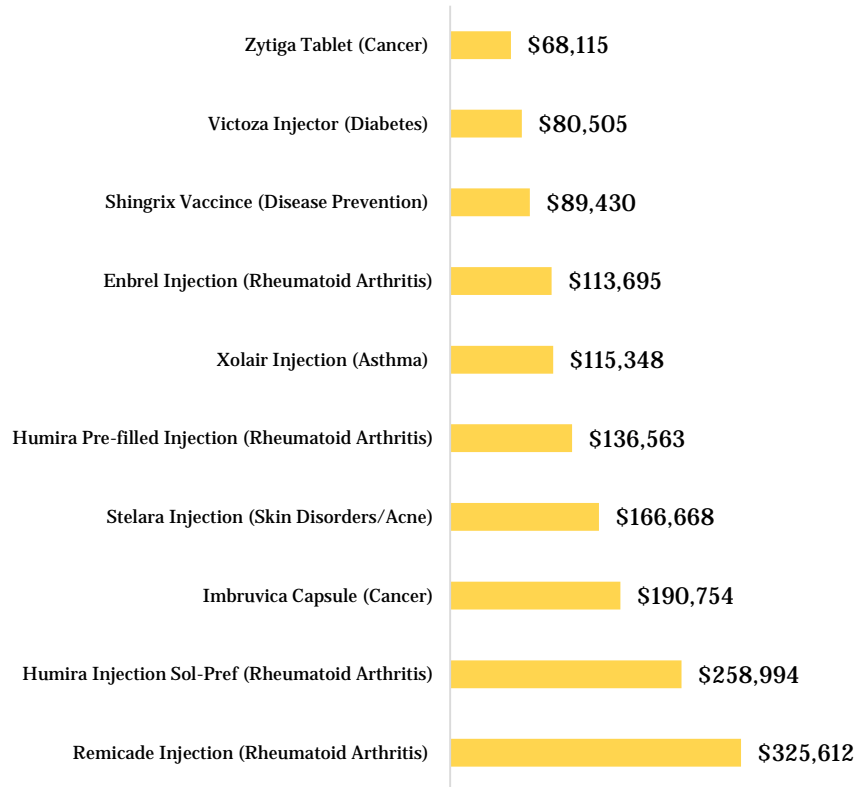


Prescription Drugs

Top 10 Prescription Drugs

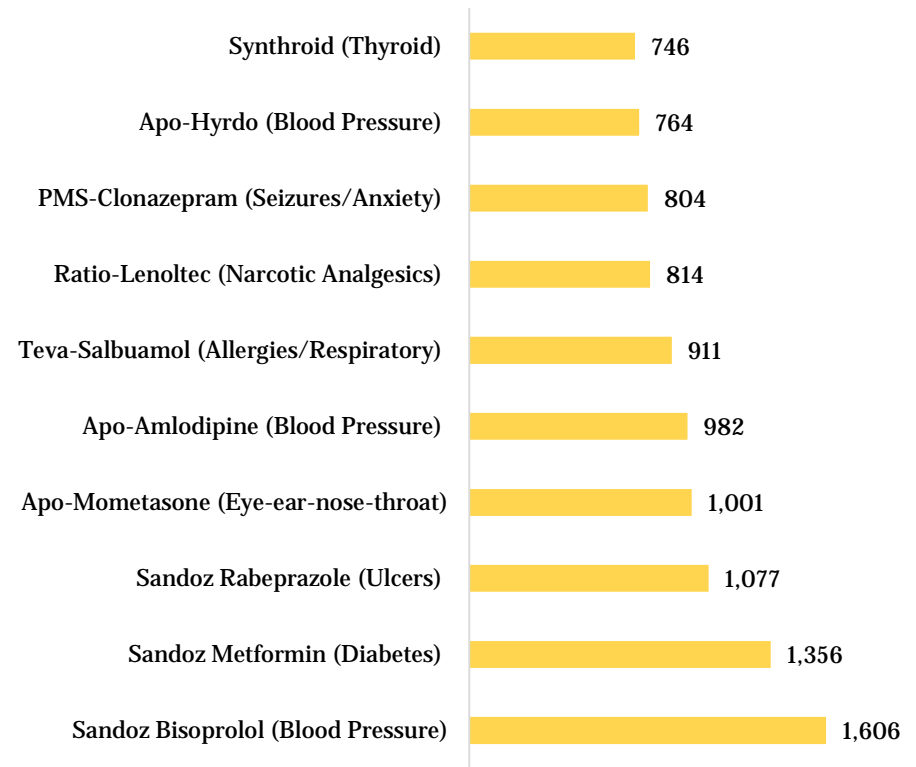
By Amount Paid

For the May 1, 2018 to April 30, 2019 Period



By DIN

For the May 1, 2018 to April 30, 2019 Period

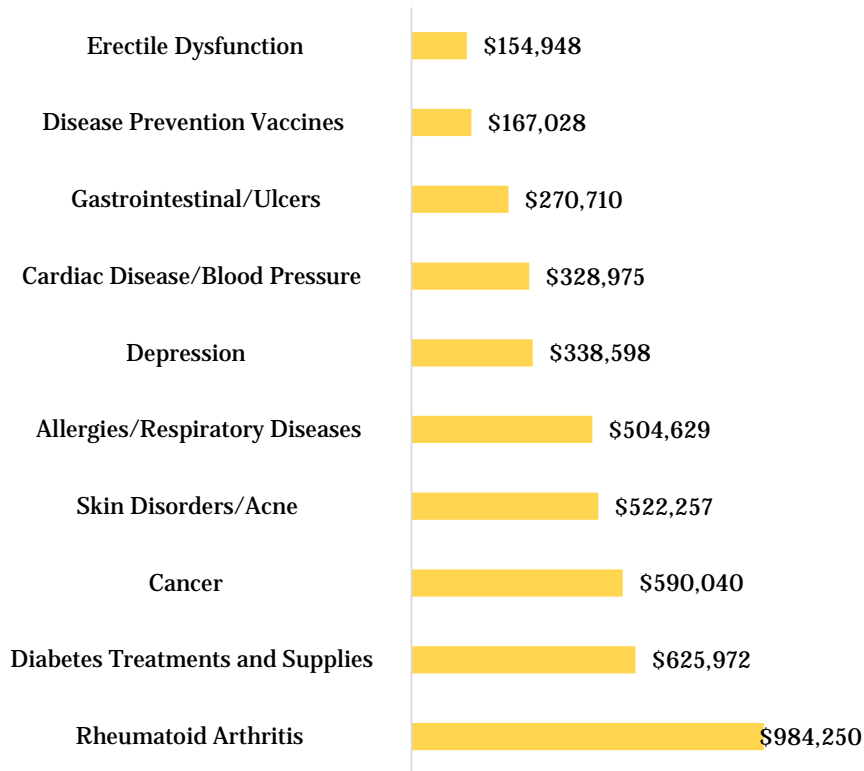


Prescription Drugs [cont.]

Top 10 Therapeutic Classifications

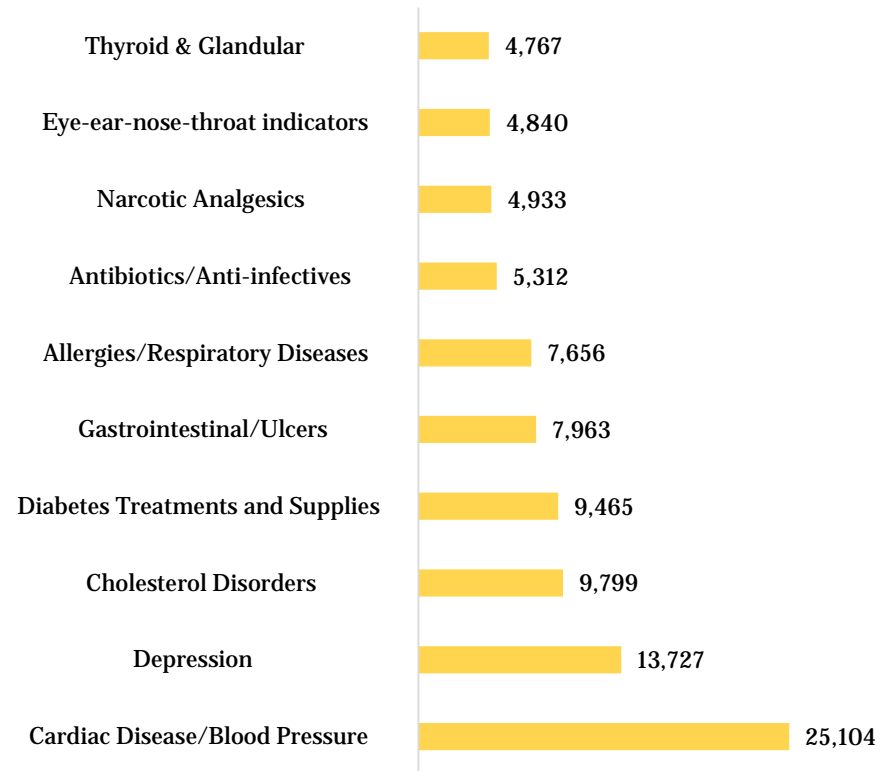
By Amount Paid

For the May 1, 2018 to April 30, 2019 Period



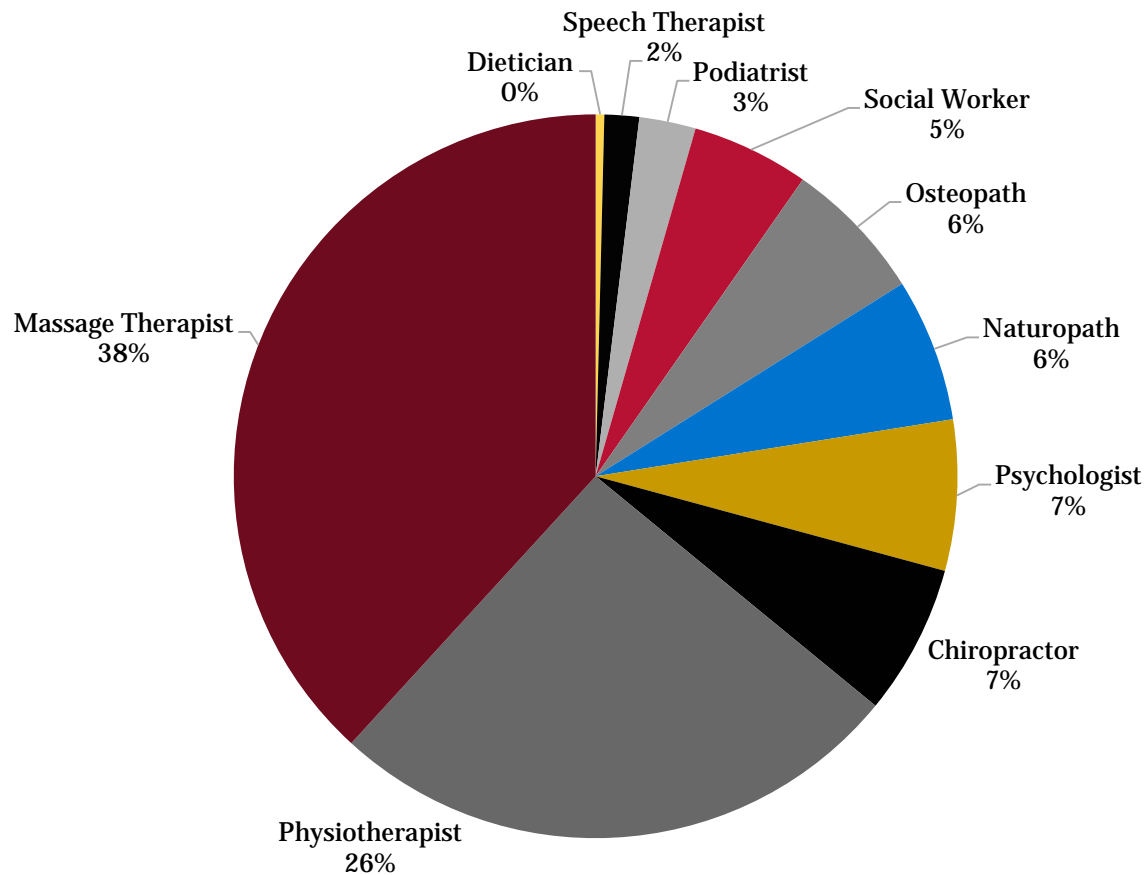
By DIN

For the May 1, 2018 to April 30, 2019 Period



Paramedical Practitioners

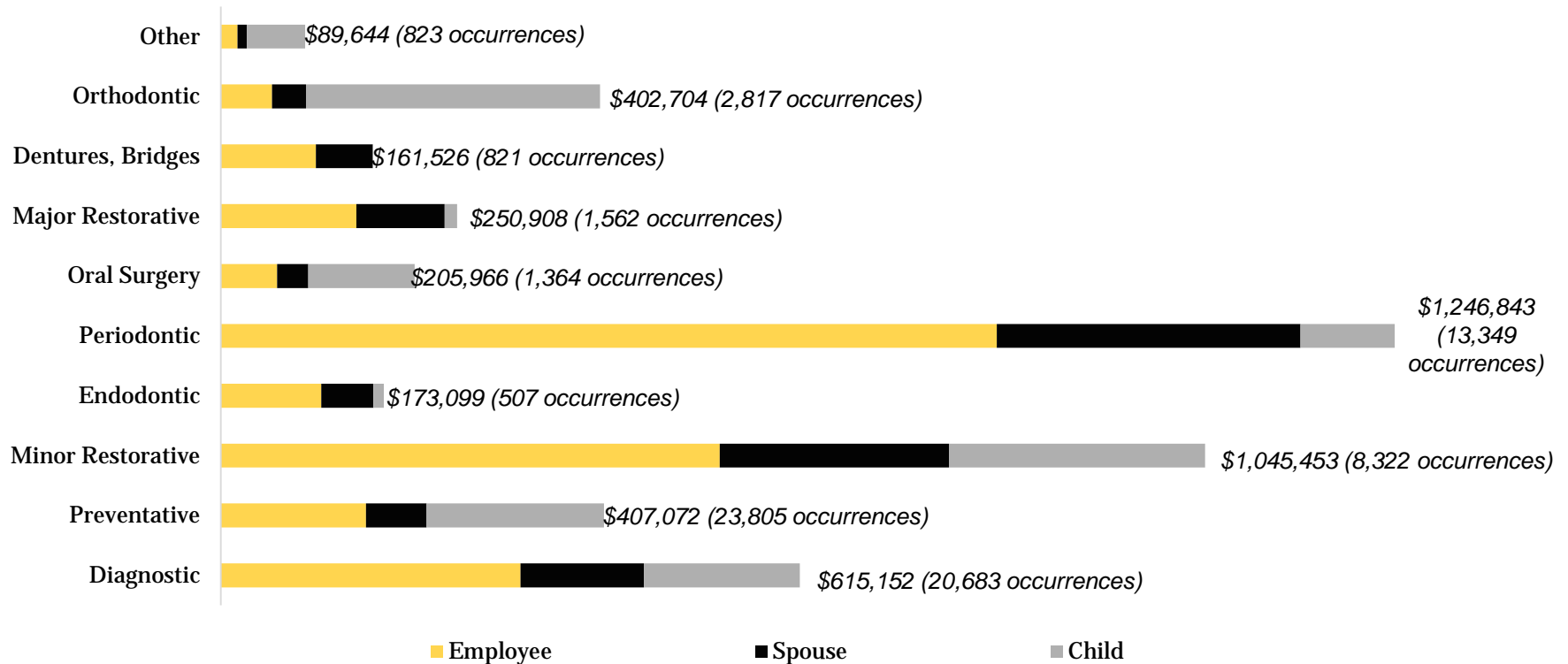
Distribution of Paid Paramedical Practitioners Claims
For the January 1 to December 31, 2018 Period



Dental

In 2018, dental claims amounted to \$4.6M with 74,053 occurrences which equates to an average reimbursement of \$62 per occurrence ...

Breakdown of Paid Dental Claims *For the January 1 to December 31, 2018 Period*



UNIVERSITY OF **WATERLOO**



Healthcare Benefit Provisions

GWL's Standard versus University of Waterloo

A regular practice of benefits providers including Great-West Life (GWL), is to review the standard contract provisions and apply changes through time as deemed appropriate. Standard contract provisions include items that are eligible but also processes that are applied to those expenses to determine eligibility.

Since the University's contract is an Administrative Services Only (ASO) arrangement, the standard provisions for GWL's insured contracts are not automatically applied but coverage is available through an amendment to the ASO contract.

At present, the differences between the University of Waterloo's ASO contract and GWL's standard contract provisions are as follows:

- Prescription drug claims management practices:
 - Health case management (on renewal, beginning June 1, 2012)
 - Enhanced generic substitution (on renewal, beginning June 1, 2012)
 - SMART drug contract wording (on renewal, beginning September 1, 2017)
- Wheelchair Ramps – once per lifetime with a maximum of \$2,000 (has always been a GWL standard)
- Convalescent Care – immediately following 3 or more days of confinement for acute care (has always been a GWL standard)
- FreeStyle Libre flash glucose monitors and sensors (standard as of April 1, 2018)
- Continuous glucose monitors, transmitters, and sensors - \$4,000 per year per member (standard as of August 1, 2018)

To: Pension & Benefits Committee

From: Mike Grivicic, Associate University Secretary

Date: 3 June 2019

Subject: **Amendment to Annual Meeting Schedule of Pension & Benefits Committee**

Further to the initial discussion at the May 2019 meeting of the committee, and subsequent conversations with the pension consultant Aon as well as the vice-president, administration & finance, this is to enunciate potential minor changes to the meeting schedule and work plan of the Pension & Benefits Committee (P&B).

In particular, at various times in recent years members have posed questions on the short (two weeks') timeframe between the February and March meetings. Per the committee's annual work plan, this arrangement facilitates the completion of a preliminary valuation of the pension plan in February, with a final valuation brought forward for approval shortly thereafter in March. As a parallel observation, the university's Finance department utilizes the figures from the preliminary valuation to help build the annual operating budget approved at the April meeting of the Board of Governors. Overall, these internal processes are burdensome on the university's human resources department as well as on the pension consultant and Finance, all of whom are completing these activities at a high-demand time of year for their respective staffs.

To mitigate these pressures, the two-step approval of the pension valuation can feasibly be changed to a single step at the March meeting, and both the February and March meetings can be scheduled with the customary 4-5 weeks spacing (with both meetings to be usually schedule between 15th to 20th days of those respective months).

Such a change would require that the Finance department be able to obtain the preliminary pension valuation calculations directly from the pension consultant, and prior to the committee's prospective March approval.

Action Required: Decision