

**Board of Governors  
PENSION & BENEFITS COMMITTEE  
Friday 21 February 2020  
9:30 a.m. to 12:00 noon  
NH 3318**

| <b>OPEN SESSION</b>         |  | <b>ACTION</b>                          |
|-----------------------------|--|--|
| 9:30                        | 1. Approval of the 17 January 2020 Minutes (Open Session)* and Business Arising<br>a. Actuarial Assumptions (Updated)* [Shapira/Byron]   | Decision<br>Information                |
|                             | 2. Execution Against the Work Plan* [Grivicic]   | Information                            |
|                             | 3. Update on Government Pension Plan Initiatives [Shapira]   | Information                            |
| 9:40                        | 4. Pension Plan Transfer-In Provision: Clarification on Administration of Eligibility Criteria * [Byron/Shapira]   | Decision                               |
| 10:00                       | 5. Annual Cost of Living Adjustments*<br>a. Cost-of-living Increase for Pensioners<br>b. Pensions for Deferred Members<br>c. Salaries for Pension Purposes for Individuals on Long-term Disability | Information<br>Information<br>Decision |
| 10:15                       | 6. Follow-up Activity re: Approved Increases to Contribution Rates<br>a. Draft Communication to Members*<br>b. Filing with Regulator<br>c. Implementation activity via HR                          | Information                            |
| 10:30                       | 7. Investment Fund Performance Reports from Aon – Q4 2019* [Huber]   | Information                            |
|                             | 8. 2019 Report to the Community (Draft)* [Grivicic]  | Information                            |
|                             | 9. Update re: Holistic Benefits Working Group [Byron]  | Information                            |
|                             | 10. Other Business   |  |
| <b>CONFIDENTIAL SESSION</b> |  |  |
|                             | 11. Approval of the 17 January 2020 Minutes (Confidential)+ and Business Arising   | Decision                               |

Next Meeting: Friday 20 March 2020, 9:30 a.m. – 12:00 noon in NH 3318

\*attached  
\*\* to be distributed  
+ distributed separately

14 February 2020  
*Updated 19 February 2020*

Mike Grivicic  
Associate University Secretary

**Please convey regrets to Melissa Holst at 519-888-4567 x36125 or [mjholst@uwaterloo.ca](mailto:mjholst@uwaterloo.ca)**

Future Agenda Items

- a. Pension Contribution for Members of LTD
- b. Level of LTD coverage vs. practical requirements

**University of Waterloo  
Board of Governors  
PENSION & BENEFITS COMMITTEE  
Minutes of the 17 January 2020 Meeting  
[in agenda order]**

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

**Absent:** Michael Herz, Michael Steinmann  
\*regrets

**Consultant:** Linda Byron, Allan Shapira

**Resources:** 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 13 DECEMBER 2019 MINUTES (OPEN SESSION) AND BUSINESS ARISING**  
Rush noted his attendance, and Vetzal corrected the minutes item 5 to highlight matching between asset and liability durations. A motion was heard to approve the minutes as amended. Bleaney and Mary Thompson. Carried.

**2. EXECUTION AGAINST THE WORK PLAN**  
This item was received for information.

**3. UPDATE ON GOVERNMENT PENSION PLAN INITIATIVES**  
Shapira noted that the inaugural University Pension Plan board has been formed, and includes Kathy Bardswick, an alumna of Waterloo's Board of Governors and who previously served on this committee. It is anticipated that it will be some time before the UPP is fully operational, and options for investment management are being reviewed including IMCO or an in-house model.

**4. RECOMMENDATION FOR CHANGES TO UW PENSION PLAN**  
Members noted the distribution of the formal plan amendment for potential submission to the pension regulator, which would be attached to the recommendation to the Board of Governors. Members discussed and clarified: the 0.7% of salaries that will be redirected into increasing the University's special payments cannot be directed to benefits, and there is no transferability of monies between pension funding and benefits funding; the aim of redirecting into special payments would be to shorten the time period to amortize the liability for which special payments are being made; history has shown that the University has voluntarily and proactively addressed issues related to the pension plan; the automatic provision to adjust plan caps exists alongside the committee's power to adjust caps at its discretion; Aon will bring forward a formal protocol on the revised caps regime to a future meeting to rationalize the protocols related to caps; would be helpful to bring an example of how the new cap arrangement will impact employees earning above the cap; the reason for setting the contributions rates above 2x YMPE at 1% higher than the next level down was to reflect the existence of the payroll pension plan, and this level will disappear with the new contribution rates proposed.

Members affirmed that any recommendation to the Board ought to display the level of due diligence undertaken by the committee in considering the recommendation, and clearly explain the rationale for changes in that regard. A motion was heard to recommend for approval the changes to contribution rates and caps, as described in the report and attachment distributed to members. Kibble and Mary Thompson. Carried unanimously. This recommendation is anticipated to be brought to the February 2020 meeting of the Board of Governors.

**5. APPROVAL OF ACTUARIAL VALUATION ASSUMPTIONS**  
Byron provided an overview of the material distributed, and indicated that per the committee's direction the actuarial valuation will be brought to the March meeting, rather than the February/March approval process that has been typical in recent years. Members discussed: potential to file valuation with the regulator this year, if the valuation results prove this to be advantageous; table showing asset classes should show expected returns broken down by asset class; potential to migrate to mortality table for public sector employees at a future date, as this table

may better reflect the experience at Waterloo. By consensus, members approved the assumptions and an update to the material will come for the February meeting.

**6. INVESTMENT STATUS OF PAYROLL PENSION PLAN**

Hadley provided an overview of the report, and observed that the changes in the registered pension plan would be expected to subsume the payroll pension plan over time.

**7. UPDATE RE: HOLISTIC BENEFITS WORKING GROUP**

The working group has not met in the new year, and the upcoming meeting will include an update to the survey analysis to gauge trends where respondent report single vs. family coverage.

**8. OTHER BUSINESS**

There was no other business.

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

**NEXT MEETING**

The next meeting is scheduled for Friday 21 February 2020, 9:30 a.m. – 12:00 noon in NH 3318.

13 February 2020

Mike Grivicic  
Associate University Secretary



# Actuarial Assumptions (Updated)

University of Waterloo Pension & Benefits Committee Meeting

February 21, 2020

Posted with Permission of Aon

Prepared by Retirement & Investment

# About This Material

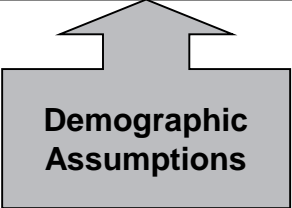
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- This document provides additional support for the going concern discount rate and solvency rates reflecting information arising since the Committee met on January 17<sup>th</sup>
- Review of actuarial assumptions for purposes of setting the actuarial assumptions to use for the January 1, 2020 actuarial valuation of the Registered Pension Plan (RPP) and Payroll Pension Plan (PPP)
- The January 1, 2020 actuarial valuation of the RPP is not required to be filed with the pension regulators (Financial Services Regulatory Authority and Canada Revenue Agency); it is prepared for Plan management purposes although the University may elect to file the January 1, 2020 valuation
- Under the funding rules which came into effect May 1, 2018 for Ontario-registered pension plans:
  - Going concern assumptions should be “best estimate”
  - An explicit provision for adverse deviation (PfAD) is added to the best estimate non-indexed going concern liabilities and normal cost
- The impact of the recently approved changes to member contributions and the RPP Cap will be included in these valuation results

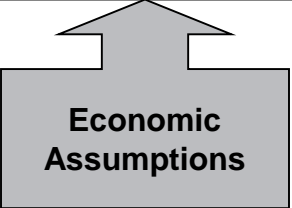
# Actuarial Assumptions For Going Concern Valuation

| Assumptions to Estimate:  |   |  |   |
|---|---|--|---|
| When Pension Benefits are Payable   | Amount of Pension Benefits Payable  | How Long Pension Benefits are Payable  | How Much Money to Set Aside   |
| <ul style="list-style-type: none"> <li>▪ Termination Rates</li> <li>▪ Disability Rates</li> <li>▪ Preretirement Mortality Rates</li> <li>▪ Retirement Ages</li> </ul> | <ul style="list-style-type: none"> <li>▪ Increases in CPP Wage Base</li> <li>▪ Increases in <i>ITA</i> Maximum Pension</li> <li>▪ Increases in Salaries</li> <li>▪ Inflation</li> </ul> | <ul style="list-style-type: none"> <li>▪ Postretirement Mortality Rates</li> </ul> | <ul style="list-style-type: none"> <li>▪ Investment Return on Pension Fund</li> </ul> |

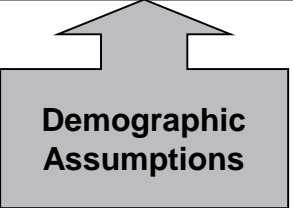
  



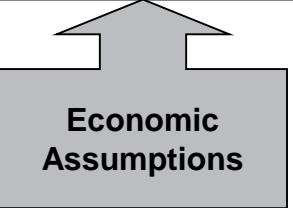
**Demographic Assumptions**



**Economic Assumptions**



**Demographic Assumptions**



**Economic Assumptions**

# Real Growth

## Benefits

### **Pension Benefits Before Retirement**

- CPP Wage Base increases
- ITA maximum pension increases
- Salary increases

### **Pension Benefits After Retirement**

- Indexation

**Inflation**

## Assets

**Investment Return on Various Assets Classes**

Since inflation drives both the pension benefits paid out and the funding made from investment return, it is the excess of interest rates and investment return over inflation, or “real return” and the excess of salary and government benefit increases over inflation that are the key factors.

# Actuarial Assumptions For Going Concern Valuation— Economic Assumptions – Prior Valuations

| Economic Assumptions  | January 1, 2018 Valuation<br>(Last Filed Valuation)   | January 1, 2019 Valuation   |
|---|---|---|
| Increase in Consumer Price Index (CPI)                                    | 2.00% per year  | No change   |
| Increase in Year's Maximum Pensionable Earnings under Canada Pension Plan | 2.75% per year (CPI + 0.75%)  | No change   |
| Increase in <i>Income Tax Act</i> Maximum Pension                         | \$2,944.44 in 2018;<br>increased at 2.75% per year up to<br>\$3,200.00                      | \$3,025.56 in 2019;<br>increased at 2.75% per year up to<br>\$3,200.00                      |
| Increase in Salaries  | 4.00% per year (CPI + 2.00% <sup>1</sup> )  | No change   |
| Increase in Salaries (Disabled)   | 2.00% per year (CPI + 0.00%)  | No change   |
| Interest Rate Used to Discount Liabilities                                | 5.60% per year (CPI + 3.60%)  | 5.70% per year (CPI + 3.70%)  |
| Interest Rate Used to Calculate 50% Rule                                  | 1.30% per year for 10 years <sup>2</sup> ;<br>1.50% per year thereafter                     | 1.60% per year for 10 years <sup>2</sup> ;<br>1.70% per year thereafter                     |
| Interest Rate for Crediting on Required Member Contributions              | 3.00% per year  | No change   |
| Loading For Administrative Expenses                                       | Explicit assumption for \$1,500,000<br>in 2018 added to current service cost                | Explicit assumption for \$1,560,000<br>in 2019 added to current service cost                |
| Provision for Adverse Deviation   | 6.95% of non-indexed liabilities and<br>current service cost (based on actual<br>asset mix) | 8.50% of non-indexed liabilities and<br>current service cost (based on target<br>asset mix) |

<sup>1</sup> Reflects PTR/grid steps/merit

<sup>2</sup> 1.70% per year for 10 years: 1.90% per year thereafter for 75% indexed benefits in 2018; 1.90% per year for 10 years: 2.10% per year thereafter for 75% indexed benefits in 2019



# Actuarial Assumptions For Going Concern Valuation— Demographic Assumptions – Prior Valuations

| Demographic Assumptions | January 1, 2018 and January 1, 2019 Valuations   |                      |
|-------------------------|--|----------------------|
| Retirement Age          | Age 64, but no earlier than one year after valuation date  |                      |
| Mortality Rates         | 2014 Canadian Pensioners Combined Table (“CPM2014 Combined”) with Improvements Under Scale MI-2017 |                      |
| Termination Rates       | <b>Age</b>   | <b>Rates Per 100</b> |
|                         | 20   | 10.0                 |
|                         | 25   | 10.0                 |
|                         | 30   | 5.6                  |
|                         | 35   | 3.2                  |
|                         | 40   | 2.2                  |
|                         | 45   | 1.7                  |
|                         | 50   | 1.2                  |
|                         | 55   | 0.7                  |

# Increase in Consumer Price Index (CPI)

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- As of December 31, 2019, underlying inflation rate implicit in the market yield of Government of Canada real return bonds (0.41%) and nominal bonds (1.76%) is 1.35%
- Bank of Canada target range for inflation extends from 1% to 3%; monetary policy aimed at the 2% target midpoint
- Assumption for increase in CPI has been set at 2.00% per year since the January 1, 2015 actuarial valuation; other economic assumptions build off of the inflation rate

# Increase in Pensionable Earnings

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- Increase in pensionable earnings of 4.00% per year based on:
  - Assumed across-the-board increase of 2.00% per year
  - Assumed 2.00% increment representing PTR/grid steps/merit across Faculty and Staff groups

## Discount Rate

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- Based on expected investment return of UW pension fund reflecting long-term asset mix
- For purposes of calculating expected investment return, the following long-term target asset mix has been used:

|                       |       |
|-----------------------|-------|
| Canadian Equities:    | 15.0% |
| Global Equities:      | 40.0% |
| Nominal Fixed Income: | 33.0% |
| Real Estate:          | 5.0%  |
| Infrastructure:       | 5.0%  |
| Cash:                 | 2.0%  |

## Discount Rate (cont'd)

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- For 2018 filed actuarial valuation, the target asset mix generated an expected return of 5.60% per annum net of passive expenses and before other administration expenses
- For the 2019 actuarial valuation, the target asset mix generated an expected return of 5.70% per annum net of passive expenses and before other expenses
- For the 2020 actuarial valuation, the target asset mix generates an expected return of 5.60% per annum net of passive expenses and before other expenses:
  - These results are based on Aon's December 31, 2019 capital market assumptions

# Expected Investment Returns on Various Asset Classes

| Asset Class               | 30-Year Annualized Mean <sup>1</sup><br>(Nominal Return) | Annual Standard Deviation |
|---------------------------|--|---------------------------|
| Inflation                 | 2.0%   | 1.4%                      |
| Cash (91-Day Bills)       | 2.3%   | 1.7%                      |
| Universe Bonds            | 2.9%   | 5.1%                      |
| Canadian Equities         | 6.6%   | 16.0%                     |
| Global Equities           | 6.8%   | 14.5%                     |
| Listed Infrastructure     | 5.8%   | 17.3%                     |
| Global Listed Real Estate | 5.8%   | 13.7%                     |

Note: Above returns determined at December 31, 2019

<sup>1</sup> Net of passive fees; takes into effect the compounding for each underlying asset class

# Expected Investment Returns For UW Pension Fund

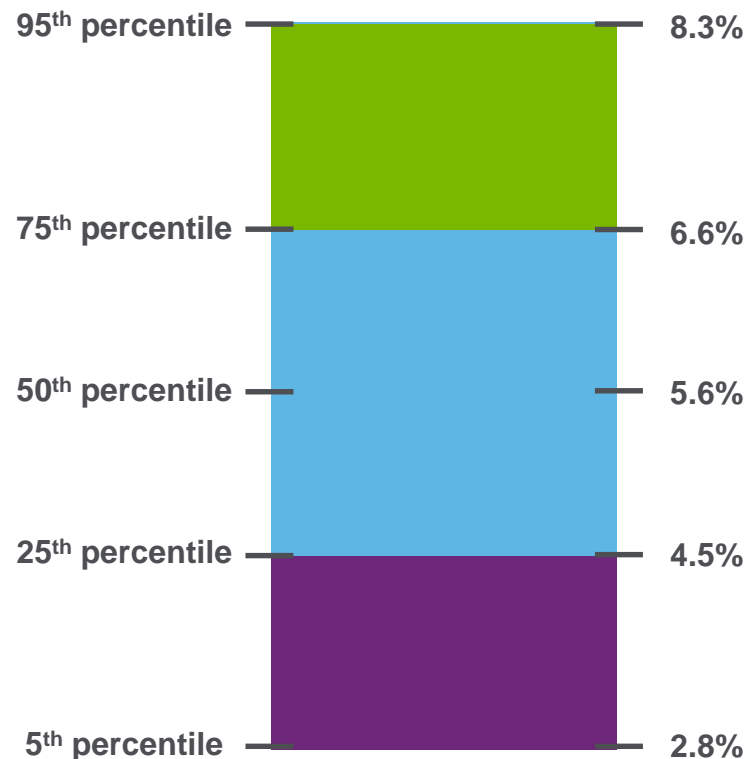
- Expected rate of return (net of passive investment fees) as of December 31, 2019 calculated based on the following target asset mix:

| Asset Class                                   | %              |
|---|----------------|
| ▪ Canadian Equities                           | 15.0%          |
| ▪ Global Equities                             | 40.0%          |
| ▪ Fixed Income                                | 33.0%          |
| ▪ Cash  | 2.0%           |
| ▪ Infrastructure (Listed)                     | 5.0%           |
| ▪ Real Estate                                 | <u>5.0%</u>    |
|   | 100.0%         |
| <b>Annual Expected Return</b>                 | <b>5.6%</b>    |
| <b>Annual Standard Deviation (Asset Only)</b> | <b>8.86%</b>   |
| <b>Annual Drawdown Risk 95% (Asset Only)</b>  | <b>-12.79%</b> |

# Expected Investment Returns For UW Pension Fund (cont'd)

- The chart below provides the range of outcomes for 30-year rate of return based on the target asset mix of the University of Waterloo pension fund:

Annualized Rate of Return over a 30-Year Period (December 31, 2019)





# Provision for Expenses

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- An explicit provision for administrative expenses is added to the normal cost as follows:
  - 2018 → \$1,500,000
  - 2019 → \$1,560,000
  - 2020 → \$1,622,000
- Prior to 2018 the administrative expenses were accounted for as an adjustment to the discount rate

# Retirement Age Experience

- The following table shows the ages at retirement for retirements during 2010 through 2019 inclusive:

|                             | Faculty    | Staff      | Total      |
|-----------------------------|------------|------------|------------|
| < Age 60                    | 14         | 67         | 81         |
| Age 60 but less than Age 61 | 6          | 39         | 45         |
| Age 61 but less than Age 62 | 11         | 29         | 40         |
| Age 62 but less than Age 63 | 25         | 137        | 162        |
| Age 63 but less than Age 64 | 10         | 51         | 61         |
| Age 64 but less than Age 65 | 17         | 51         | 68         |
| Age 65 but less than Age 66 | 44         | 213        | 257        |
| Age 66 but less than Age 67 | 28         | 41         | 69         |
| Age 67 but less than Age 68 | 15         | 17         | 32         |
| Age 68 but less than Age 69 | 7          | 13         | 20         |
| Age 69 but less than Age 70 | 14         | 12         | 26         |
| Age 70+                     | <u>32</u>  | <u>17</u>  | <u>49</u>  |
| <b>Total</b>                | <b>223</b> | <b>687</b> | <b>910</b> |

# Retirement Age Assumption

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- The valuation uses a single point retirement age of 64 but no earlier than one year following the valuation date. This assumption generates a full year of current service cost for all active members including those already at assumed retirement age
- Consider moving to retirement rates, shown on the following page

# Retirement Age Assumption

| Age | Retirement Rate                    | % of Retirements |
|-----|------------------------------------|------------------|
| 60  | 5% (with 6% reduction from age 62) | 5.0%             |
| 61  | 5% (with 6% reduction from age 62) | 4.7%             |
| 62  | 25%                                | 22.6%            |
| 63  | 10%                                | 6.0%             |
| 64  | 10%                                | 6.1%             |
| 65  | 50%                                | 27.4%            |
| 66  | 25%                                | 6.8%             |
| 67  | 25%                                | 5.2%             |
| 68  | 25%                                | 3.8%             |
| 69  | 50%                                | 5.8%             |
| 70  | 100%                               | 5.8%             |

# Mortality Rates

- Current mortality table being used is CPM 2014 Combined Table With Generational Projection Under Scale MI-2017
- Following table shows actual versus expected deaths for members of the RPP for 2012 through 2019:

|   | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018              | 2019*             | Total |
|---|------|------|------|------|------|------|-------------------|-------------------|-------|
| Actual Deaths   | 54   | 53   | 57   | 51   | 57   | 53   | 62                | 42                | 429.0 |
| Expected Deaths<br>(CPM 2014 Combined Table<br>with Generational Projection<br>Under Scale CPM-B) | 51.4 | 55.3 | 57.7 | 59.3 | 60.6 | 64.8 | 67.2 <sup>1</sup> | 52.6 <sup>1</sup> | 468.9 |

- Actual deaths over 8-year period (2012–2019) is 91% of expected deaths
- Actual deaths over 7-year period (2013–2019) is 90% of expected deaths
- Mortality losses may result if demographic profile of pensioner deaths is different from expected
- Consider moving to 2014 Canadian Pensioners Public Table (“CPM2014 Public”) with Improvements Under Scale MI-2017

\* as of September 30, 2019

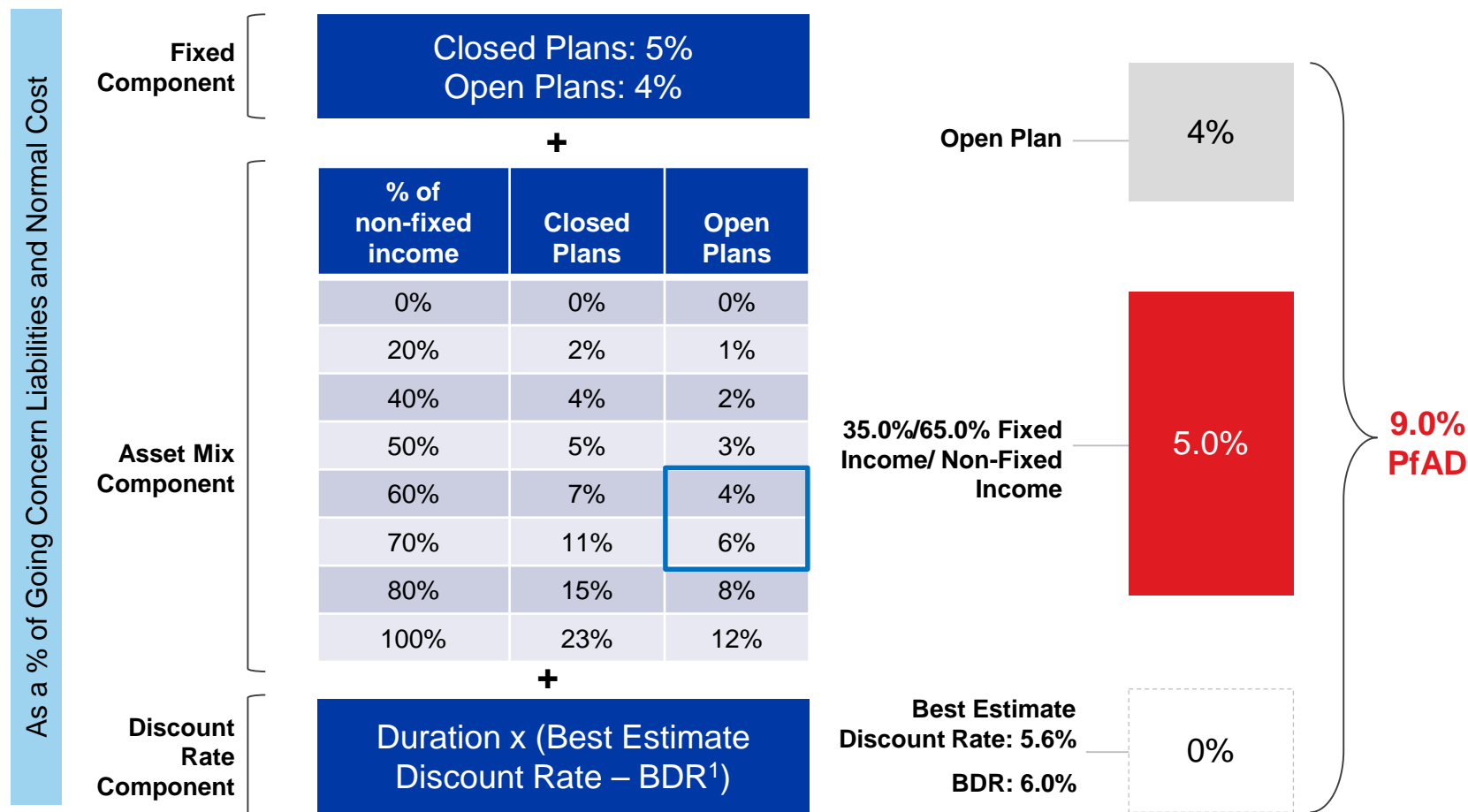
<sup>1</sup> Based on CPM 2014 Combined Table with Generational Projection Under Scale MI-2017

# Provision for Adverse Deviation (PfAD)

|                         | Target Asset Mix |
|-------------------------|------------------|
| Canadian Equities       | 15%              |
| Global Equities         | 40%              |
| Fixed Income / Cash     | 35%              |
| Real Estate (REITs)     | 5%               |
| Infrastructure (Listed) | 5%               |

- Fixed Income Allocation for PfAD and BDR = 35%
- PfAD = Base component of 4% (open plan) plus asset-based component, plus a component related to the Benchmark Discount Rate (BDR)
- The January 1, 2019 valuation used a PfAD of 8.50% based on target asset mix
  - Valuations performed or and after December 30, 2019 must use target asset mix to determine the PfAD
  - Last year, the infrastructure was counted as 50% fixed income; clarification from FSRA indicates listed infrastructure would be counted as 100% non-fixed income

# Provision for Adverse Deviation (PfAD) (cont'd)



<sup>1</sup> Benchmark Discount Rate = V39056 Rate (1.70% at January 2, 2020) + 5% x % of Non-Fixed Income + 1.5% x % of Fixed Income + 0.5% for diversification

# Preliminary Actuarial Assumptions For January 1, 2020 Going Concern Valuation—Economic Assumptions

| Economic Assumptions  | January 1, 2020 Valuation   |
|---|---|
| Increase in Consumer Price Index (CPI)                                    | 2.00% per year  |
| Increase in Year's Maximum Pensionable Earnings under Canada Pension Plan | 2.75% per year (CPI + 0.75%)  |
| Increase in <i>Income Tax Act</i> Maximum Pension                         | \$3,092.22 in 2020; increased at 2.75% per year subject to a dollar cap of \$3,400.00 which increases at 0.92% per year beginning in 2022 |
| Increase in Salaries  | 4.00% per year (CPI + 2.00% <sup>1</sup> )  |
| Increase in Salaries (Disabled)   | 2.00% per year (CPI + 0.00%)  |
| Interest Rate Used to Discount Liabilities                                | 5.60% per year (CPI + 3.60%)  |
| Interest Rate Used to Calculate 50% Rule                                  | 1.20% per year for 10 years <sup>2</sup> ;<br>1.20% per year thereafter   |
| Interest Rate for Crediting on Required Member Contributions              | 2.50% per year  |
| Loading For Administrative Expenses                                       | Explicit assumption for \$1,622,000 in 2020 added to current service cost   |
| Provision for Adverse Deviation   | 9.00% of non-indexed liabilities and current service cost (based on target asset mix)   |

<sup>1</sup> Reflects PTR/grid steps/merit

<sup>2</sup> 1.50% per year for 10 years: 1.60% per year thereafter for 75% indexed benefits



# Preliminary Actuarial Assumptions For January 1, 2020 Going Concern Valuation— Demographic Assumptions

| Demographic Assumptions | January 1, 2020   |                      |
|-------------------------|---|----------------------|
| Retirement Age          | Consider moving to retirement rates   |                      |
| Mortality Rates         | Consider moving to 2014 Canadian Pensioners Public Table (“CPM2014 Public”) with Improvements Under Scale MI-2017 |                      |
| Termination Rates       | <b>Age</b>  | <b>Rates Per 100</b> |
|                         | 20  | 10.0                 |
|                         | 25  | 10.0                 |
|                         | 30  | 5.6                  |
|                         | 35  | 3.2                  |
|                         | 40  | 2.2                  |
|                         | 45  | 1.7                  |
|                         | 50  | 1.2                  |
|                         | 55  | 0.7                  |

# Actuarial Assumptions For Solvency and Wind-Up Valuations

| Assumptions   | January 1, 2018<br>(Last Filed Valuation)   | January 1, 2019   | January 1, 2020   |
|---|---|---|---|
| Retirement Ages   | Age between 55 and 65 that produces highest value   | No change   | No change   |
| Mortality Rates   | CPM2014 Combined with Generational Improvements Under Scale CPM-B   | No change   | No change   |
| <b>Interest Rates—<br/>Solvency Valuation (Per Year)</b>                        |   |   |   |
| Active Members Age 55 and Over, Pensioners and Deferred Pensioners <sup>1</sup> | 3.03%   | 3.23%   | 2.96% <sup>3</sup>  |
| Active Members Under Age 55 <sup>2</sup>  | 2.80% for 10 years;<br>3.30% thereafter   | 2.80% for 10 years;<br>3.20% thereafter   | 2.50% for 10 years;<br>2.60% thereafter   |
| <b>Interest Rates—<br/>Wind-Up Valuation (Per Year)</b>                         |   |   |   |
| Active Members Age 55 and Over, Pensioners and Deferred Pensioners <sup>1</sup> | -0.13% (100% indexed)<br>0.66% (75% indexed)  | 0.08% (100% indexed) <sup>3</sup><br>0.87% (75% indexed) <sup>3</sup>   | -0.29% (100% indexed) <sup>3</sup><br>0.52% (75% indexed) <sup>3</sup>  |
| Active Members Under Age 55 <sup>2</sup>  | 1.30% for 10 years;<br>1.50% thereafter<br>(100% indexed)<br>1.70% for 10 years;<br>1.90% thereafter<br>(75% indexed) | 1.60% for 10 years;<br>1.70% thereafter<br>(100% indexed)<br>1.90% for 10 years;<br>2.10% thereafter<br>(75% indexed) | 1.20% for 10 years;<br>1.20% thereafter<br>(100% indexed)<br>1.50% for 10 years;<br>1.60% thereafter<br>(75% indexed) |

<sup>1</sup> Settled through annuity purchase

<sup>2</sup> Settled through commuted value

<sup>3</sup> Depends on release of final guidance from Canadian Institute of Actuaries for January 1, 2020 actuarial valuations

# Legal Disclaimer

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## 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.

| <b>Task</b>   | <b>Frequency<br/>(Target<br/>month)</b> | <b>22 Feb<br/>2019</b> | <b>8 Mar<br/>2019</b> | <b>16 May<br/>2019</b> | <b>14 June<br/>2019</b> | <b>20 Sept<br/>2019</b> | <b>18 Oct<br/>2019</b> | <b>15 Nov<br/>2019</b> | <b>13 Dec<br/>2019</b> | <b>17 Jan<br/>2020</b> | <b>21 Feb<br/>2020</b> |
|---|---|------------------------|-----------------------|------------------------|-------------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Approval of Actuarial Valuation Assumptions                               | Annual (Jan)                            |                        |                       |                        |                         |                         |                        |                        |                        | ✓                      |                        |
| Investment Status of PPP  | Annual (Jan)                            |                        |                       |                        |                         |                         |                        |                        |                        | ✓                      |                        |
| 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     | 22 Feb 2019 | 8 Mar 2019 | 16 May 2019 | 14 June 2019 | 20 Sept 2019 | 18 Oct 2019 | 15 Nov 2019 | 13 Dec 2019 | 17 Jan 2020 | 21 Feb 2020 |
|--|---------------|-------------|------------|-------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| 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<br><br>Minimum every three years - most recent filings in 2017 and 2018     |               |             |            |             |              |              |             |             |             |             |             |

# Pension Plan Transfer-In Provision

## Clarification on Administration of Eligibility Criteria

### Background

The University's pension plan includes a provision which allows new employees to transfer money from a previous employer's pension plan, in exchange for additional credited service.

There are several conditions involved with determining eligibility and provisions that impact the amount of credited service that can be purchased with the transferred in funds. One of the conditions is a 6-month rule which is used to determine eligibility of monies to transfer in. In addition to the requirement to submit an application within 6 months of joining the University, the source of the funds must arise from being a participant in a Canadian employer's pension plan in the 6 months preceding employment with the University.

Please refer to Article 12 of the Pension Plan text for full details of the Transfer-in provision.

### Current Issue

Coincident with their date of hire, an employee joined the pension plan on September 1, 2019 on a mandatory basis. In November 2019, the employee expressed interest in taking advantage of the transfer-in provision; however, during an in-person meeting in January 2020, it was determined by Human Resources that the funds available to the employee are not considered eligible for the provision. Although the source of funds is a registered pension plan of a previous employer, the employee was not employed by that employer within the 6-month period preceding employment with the University.

The employee has expressed disagreement with Human Resources' determination of ineligibility citing that the pension plan text states that the individual needs to be a participant of the prior pension plan during the 6-month period as opposed to being actively employed by the pension plan sponsor. The employee's opinion is that being a participant is synonymous with being a member of the pension plan and as the employee was a member of their previous employer's pension plan within 6 months of joining the University, the corresponding funds should be considered eligible to transfer-in.

While not explicitly defined as such in the plan text, participation in a registered pension plan ends when employment ends and at that time, there is either an earned benefit that is left in the plan to be paid at a later date, or an immediate payout (i.e. cash payment, transfer, or immediate pension). As such, Human Resources communicated to the employee that the administrative practice associated with this provision is to accept a transfer from a former employer's pension plan that the employee participated in, and therefore was employed by that employer, within 6 months of their date of employment with the University.

This administrative practice has been consistently practiced and applied for at least the last 10 years by Human Resources; however, the employee is adamant that it is not aligned with the pension plan text. As such, Human Resources respectfully requests confirmation of the eligibility criteria with respect to the transfer-in provision from the Pension & Benefits Committee.

### Action Required: *Decision*

**Cost of Living Adjustment (COLA)**  
*Applicable Changes Effective May 1, 2020*

The pension plan text defines the Cost of Living Adjustment (COLA) increase as the ratio of the average of the monthly Consumer Price Indices (CPI) for the preceding calendar year divided by the average of the monthly CPI for the previous calendar year, minus 1, to a maximum of 5%.

The following table provides the monthly CPI figures for 2018 and 2019, as well as the average of the monthly CPI for each year.

|             | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | Avg.    |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| <b>2018</b> | 131.7 | 132.5 | 132.9 | 133.3 | 133.4 | 133.6 | 134.3 | 134.2 | 133.7 | 134.1 | 133.5 | 133.4 | 133.383 |
| <b>2019</b> | 133.6 | 134.5 | 135.4 | 136   | 136.6 | 136.3 | 137   | 136.8 | 136.2 | 136.6 | 136.4 | 136.4 | 135.983 |

**May 1, 2020 COLA Calculation**

$(2019 \text{ Avg. CPI} / 2018 \text{ Avg. CPI}) - 1 = (135.983 / 133.383) - 1 = .0195 \text{ or } 1.95\%$

The COLA for pension benefits earned after December 31, 2013 is equal to 75% of COLA, and pension benefits earned up to December 31, 2013 attract 100% of COLA.

**May 1, 2020 → 100% COLA is 1.95%**  
**→ 75% COLA is 1.46%**

**Pensioners**

COLA is automatically applied to monthly pensions in pay (Plan Text, Article 7) effective each May 1<sup>st</sup>. If in any year the COLA increase exceeds 5%, the Pension & Benefits Committee must decide if the adjustment will be restricted to 5% or whether the higher rate will be applied. If the increase is limited to 5% in any given year, a catch-up increase will be given on a cumulative and compounded basis in the following year or as soon as the plan resources permit, but there will be no retroactivity in any catch-up increase.

The breakdown of the application of COLA to pensions in pay is noted below:

| <b>Pension Benefits Earned</b>  | <b>COLA</b> |
|---------------------------------|-------------|
| Up to December 31, 2013         | 1.95%       |
| Accrual after December 31, 2013 | 1.46%       |

**Action Required: None**

## Deferred Members

The COLA adjustment for deferred pensions is determined in accordance with Article 7.03(d) of the plan text, which requires the amount of COLA increase be determined by the Pension & Benefits Committee each year.

The full deferred pension of a member who terminated employment prior to January 1, 2008 is eligible for a COLA adjustment. For members who terminated employment on or after January 1, 2008, if as of the termination date the member is within 10 years of normal retirement date or has 20 or more years of continuous service, the full deferred pension is eligible for a COLA adjustment. Otherwise, the pension benefit earned for service on or after January 1, 2008 is not eligible for a COLA adjustment.

|  | Criteria for COLA   | COLA Eligibility   | # of Deferred Members |
|--|---|--|-----------------------|
| <b>Terminated prior to January 1, 2008</b>                         |   | 100% COLA on full pension                                      | 199                   |
| <b>Terminated after January 1, 2008 and before January 1, 2014</b> | Over 55<br>or > 20 years continuous service                     | 100% COLA on full pension                                      | 49                    |
|  | Under 55<br>and < 20 years continuous service                   | 100% COLA on pre 2008 pension,<br>no COLA on post 2007 pension | 86                    |
|  | No pre2008 CS and under 55<br>and < 20 years continuous service | No COLA on full deferred pension                               | 32                    |
| <b>Terminated on or after January 1, 2014</b>                      | Over 55<br>or > 20 years of continuous service                  | 100% COLA on pre 2014 pension,<br>75% COLA on post 2013        | 51                    |
|  | No pre2014 CS and over 55<br>or > 20 years continuous service   | 75% COLA on full pension                                       | 6                     |
|  | pre2008 CS and under 55<br>and < 20 years continuous service    | 100% COLA on pre 2008 pension,<br>no COLA on post 2007 pension | 29                    |
|  | No pre2008 CS and under 55<br>and < 20 years continuous service | No COLA on full deferred pension                               | 132                   |
| <b>Total as at December 31, 2019</b>                               |   |  | <b>584</b>            |

*\*Based on Membership Reconciliation done in conjunction with the Valuation.*

|  |     |
|--|-----|
| 100% COLA on full deferred pension   | 248 |
| 100% COLA on pre 2008 deferred pension, no COLA on post 2007 deferred pension  | 115 |
| 100% COLA on pre 2013 deferred pension, 75% COLA on post 2014 deferred pension | 51  |
| 75% COLA on full deferred pension  | 6   |
| No COLA on full deferred pension   | 164 |

The value of the COLA adjustment to deferred pensions based on COLA of 1.95% is included in the going concern liability.



### ***Guiding Principles***

In November 2015, the Pension & Benefits Committee approved the following guiding principles for deciding the COLA for deferred pensions:

- All deferred pension accruals currently eligible for indexation should be treated the same with respect to indexation decisions, subject to any future plan provision changes that provide otherwise;
- If indexation is granted in a particular year, it will be at 100% of the COLA increase for pre-2014 service and 75% of COLA increase for post January 1, 2014 service;
- The post retirement COLA increase “catch up” provision for pensions in payment takes precedence over indexation of deferred members’ pensions; and
- Financial status of the plan should be considered by the Pension & Benefits Committee before deciding on deferred indexation (no specific metrics).

**Action Required: *Decision***

### **Pensionable Earnings for LTD Benefit Recipients**

The pension plan provides that pensionable earnings for members on LTD be adjusted annually by an amount to be determined by the Pension Committee, taking into consideration other factors including the cost of living adjustment awarded to pensioners and the salary increases awarded to active faculty and staff, subject to the Income Tax Act limits.

As of December 31, 2019, there were 80 individuals in receipt of LTD benefit payments.

Effective May 1, 2020 the range increase for Faculty, Staff and Union employees is 2.15%.

The cost of COLA adjustment to pensionable earnings is already included in the going concern liability, based on 2% inflation assumption.

### ***Guiding Principles***

In November 2015, the Pension & Benefits Committee approved the following guiding principles for deciding the COLA applied to salaries for pension purposes for members on LTD:

- Members on LTD are more like active members than other groups receiving COLA increases; and
- Therefore, salaries for pension purposes for members on LTD should be indexed by the lesser of 100% of COLA increase and the range increase for active employees.

**Action Required: *Decision***

# Notice of Pension Plan Changes

**Date:** [insert]

**To:** Members of the University of Waterloo Pension Plan for Faculty and Staff  
(the “UW Pension Plan”)

**From:** [insert]

On February 4<sup>th</sup>, 2020 the University of Waterloo Board of Governors approved changes to the UW Pension Plan that impact member contribution rates and the maximum pension rule.

These changes are consistent with the information provided on the University’s Human Resources online site (myPENSIONinfo) and at employee information sessions held in December, 2019. This is a formal notice to confirm the changes, as required by pension legislation.

## Member Contribution Rates

Member contribution rates will be increased over a 3-year period to bring the sharing of the cost of benefits earned each year (“current service cost”) back to 50/50 between members and the University. The first rate increase will be on May 1, 2020 with subsequent increases on May 1, 2021 and May 1, 2022. The rates will increase as follows:

| Portion of Salary  | Current Rates | Rates Effective: |             |             |
|--|---------------|------------------|-------------|-------------|
|  |               | May 1, 2020      | May 1, 2021 | May 1, 2022 |
| Less than 1 x YMPE <sup>1</sup><br>(Less than \$58,700 in 2020)      | 6.25%         | 6.95%            | 7.40%       | 7.80%       |
|  |               | 0.70%            | 0.45%       | 0.40%       |
| Between 1 x and 2 x YMPE<br>(Between \$58,700 and \$117,400 in 2020) | 8.95%         | 9.95%            | 10.60%      | 11.20%      |
|  |               | 1.00%            | 0.65%       | 0.60%       |
| Above 2 x YMPE<br>(Above \$117,400 in 2020)                          | 9.95%         | 9.95%            | 10.60%      | 11.20%      |
|  |               | 0.00%            | 0.65%       | 0.60%       |

Member contributions to the UW Pension Plan are tax-deductible. The increase in member contributions will not impact any RRSP contribution room members may have.

<sup>1</sup> Year’s Maximum Pensionable Earnings under the Canada Pension Plan

In conjunction with this increase in member contributions, the University will maintain its current level of contributions, thereby increasing total funding of the UW Pension Plan to enhance plan sustainability.

## Caps on Maximum Pension Under UW Pension Plan

Pension benefits under the UW Pension Plan are limited by the *Income Tax Act* (ITA) maximum pension which is indexed each calendar year by the increase in the Average Industrial Wage (“AIW”). The ITA maximum pension in 2019 was \$3,025.56 for each year of pensionable service, increasing to \$3,092.22 in 2020. The UW Pension Plan places a further cap on the indexation of the ITA maximum pension, currently set at \$3,200 for each year of pensionable service.

Consistent with past periodic increases in the cap (which are at the discretion of the P&B Committee), effective January 1, 2021, the cap applied by the UW Pension Plan will increase from \$3,200 to \$3,400 for each year of pensionable service.

For calendar years after 2021, there will be an automatic annual increase in the \$3,400 by one-third of the percentage increase in the AIW. P&B Committee will establish a more specific framework to reset the cap or adjust the annual increase in the future.

## Contact Information

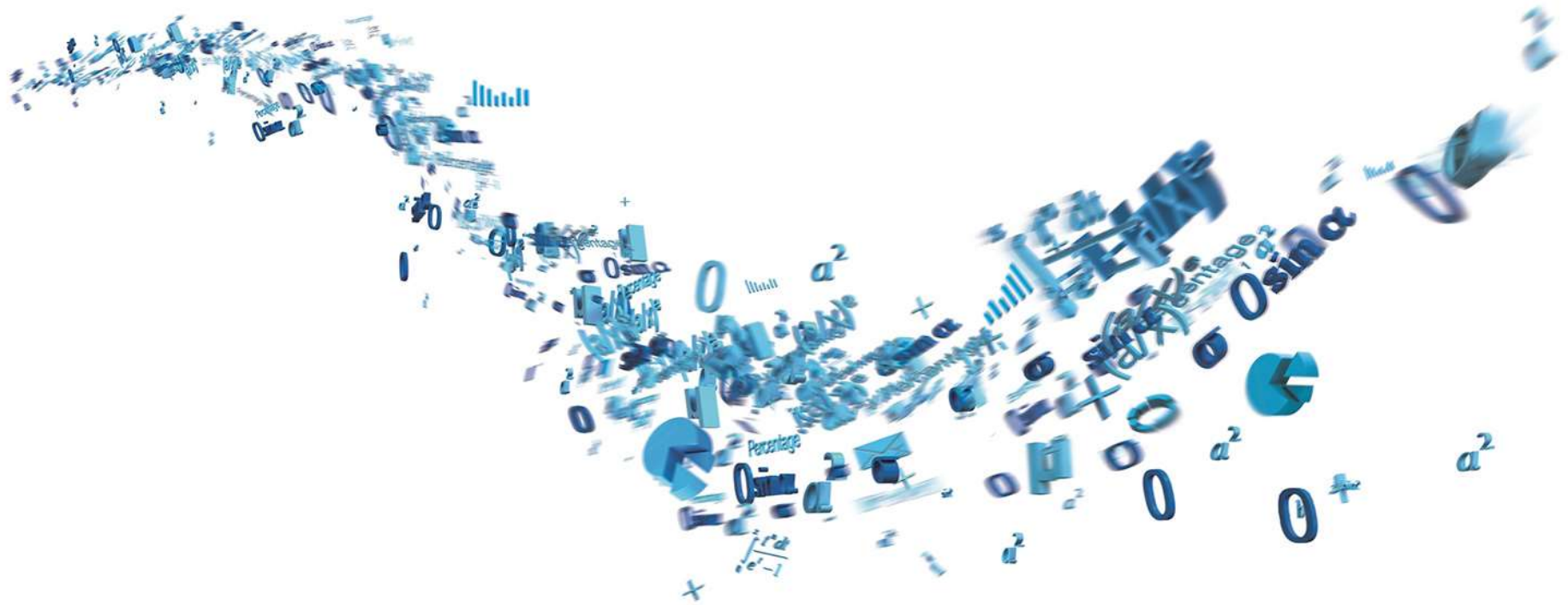
You may contact the University or the Financial Services Regulatory Authority of Ontario with questions or comments about the Plan amendment:

[insert UW contact info]

Financial Services Regulatory Authority  
of Ontario (FSRA)  
5160 Yonge Street, 16<sup>th</sup> Floor  
Toronto, Ontario  
M2N 6L9

416-250-7250 or 800-668-0128

\*If contacting FSRA, the UW Pension Plan's  
registration number should be referred to:  
0310565



*University of Waterloo Pension Plan | Quarterly Period Ending 31 December 2019*

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## Detailed Investment Review

*Visit the Aon Hewitt Retirement and Investment Website (<https://retirement-investment-insights.aon.com/canada>); sharing our best thinking.*



Performance Summary<sup>1</sup>

As of 31 December 2019

|  | Allocation           |              | Performance (%) |              |              |             |             |             |             |             |
|--|----------------------|--------------|-----------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
|  | Market Value (\$000) | %            | 1 Quarter       | 2019         | 1 Year       | 2 Years     | 3 Years     | 4 Years     | 5 Years     | 10 Years    |
| <b>Total Fund</b>                                  | <b>1,940,803</b>     | <b>100.0</b> | <b>2.57</b>     | <b>13.42</b> | <b>13.42</b> | <b>6.74</b> | <b>7.51</b> | <b>7.18</b> | <b>7.46</b> | <b>7.95</b> |
| CPI+3.6% <sup>2</sup>                              |                      |              | 1.04            | 5.93         | 5.93         | 5.79        | 5.71        | 5.57        | 5.51        | 5.40        |
| Value Added  |                      |              | 1.53            | 7.49         | 7.49         | 0.95        | 1.80        | 1.61        | 1.95        | 2.55        |
| <b>Canadian Equities<sup>3</sup></b>               |                      |              |                 |              |              |             |             |             |             |             |
| Sionna <sup>4</sup>                                | 113,748              | 5.9          | 1.62 (91)       | 18.57 (81)   | 18.57 (81)   | 3.42 (77)   | 5.73 (68)   | 10.36 (26)  | 6.56 (51)   | 7.67 (69)   |
| S&P/TSX Composite                                  |                      |              | 3.17 (40)       | 22.88 (31)   | 22.88 (31)   | 5.81 (40)   | 6.89 (39)   | 10.28 (30)  | 6.28 (59)   | 6.90 (80)   |
| Value Added  |                      |              | -1.55           | -4.31        | -4.31        | -2.39       | -1.16       | 0.08        | 0.28        | 0.77        |
| <b>Global Equities<sup>5</sup></b>                 |                      |              |                 |              |              |             |             |             |             |             |
| MSCI World Index (Net) (CAD)                       | 497,266              | 25.6         | 6.89 (41)       | 19.10 (59)   | 19.10 (59)   | 11.17 (25)  | 12.66 (33)  | 11.10 (21)  | 12.53 (30)  | 12.21 (50)  |
| Value Added  |                      |              | 0.53            | -2.25        | -2.25        | 1.33        | 1.34        | 1.71        | 1.29        | 0.38        |
| Oldfield <sup>4</sup>                              | 165,270              | 8.5          | 8.84 (14)       | 12.09 (95)   | 12.09 (95)   | 5.32 (81)   | 7.15 (89)   | 9.39 (45)   | 10.25 (67)  | 10.80 (80)  |
| MSCI World Index (Net) (CAD)                       |                      |              | 6.36 (52)       | 21.35 (42)   | 21.35 (42)   | 9.84 (39)   | 11.32 (47)  | 9.39 (45)   | 11.24 (50)  | 11.83 (63)  |
| Value Added  |                      |              | 2.48            | -9.26        | -9.26        | -4.52       | -4.17       | 0.00        | -0.99       | -1.03       |
| Walter Scott <sup>4</sup>                          | 331,792              | 17.1         | 6.06 (60)       | 23.65 (28)   | 23.65 (28)   | 15.56 (8)   | 16.32 (14)  | 12.96 (8)   | 14.62 (11)  | 13.57 (25)  |
| MSCI World Index (Net) (CAD)                       |                      |              | 6.36 (52)       | 21.35 (42)   | 21.35 (42)   | 9.84 (39)   | 11.32 (47)  | 9.39 (45)   | 11.24 (50)  | 11.83 (63)  |
| Value Added  |                      |              | -0.30           | 2.30         | 2.30         | 5.72        | 5.00        | 3.57        | 3.38        | 1.74        |
| <b>U.S. Equities</b>                               |                      |              |                 |              |              |             |             |             |             |             |
| TD Emerald U.S. Pooled Fund <sup>6</sup>           | 160,576              | 8.3          | 6.80 (37)       | 24.76 (40)   | 24.76 (40)   | 14.02 (38)  | 13.92 (42)  | 12.43 (38)  | 14.19 (38)  | -           |
| S&P 500  |                      |              | 6.86 (36)       | 24.98 (39)   | 24.98 (39)   | 14.08 (38)  | 13.99 (41)  | 12.49 (37)  | 14.26 (37)  | 16.00 (43)  |
| Value Added  |                      |              | -0.06           | -0.22        | -0.22        | -0.06       | -0.07       | -0.06       | -0.07       | -           |
| <b>International Equities</b>                      |                      |              |                 |              |              |             |             |             |             |             |
| TD Emerald International Equity Index <sup>6</sup> | 99,651               | 5.1          | 5.93 (69)       | 15.88 (57)   | 15.88 (57)   | 4.46 (50)   | 8.43 (55)   | 5.61 (57)   | 8.17 (68)   | 7.88 (84)   |
| MSCI EAFE (Net)                                    |                      |              | 5.98 (68)       | 15.98 (57)   | 15.98 (57)   | 4.35 (52)   | 8.35 (57)   | 5.53 (59)   | 8.10 (70)   | 7.77 (86)   |
| Value Added  |                      |              | -0.05           | -0.10        | -0.10        | 0.11        | 0.08        | 0.08        | 0.07        | 0.11        |

<sup>1</sup>Parentheses contain percentile rankings. (1st percentile is the best performing). All returns are reported gross of fees.

<sup>2</sup> CPI+3.6% benchmark has been implemented retrospectively since 1 November 2018. From 1 January 2017 to 31 October 2018, CPI+3.5% benchmark was used. From 1 January 2016 to 31 December 2016, CPI + 3.7% benchmark was used. From 1 January 2014 to 31 December 2016, CPI+3.75% benchmark was used. Prior to 1 January 2014, CPI+3.85% benchmark was used.

<sup>3</sup>There was no exposure to Canadian Equities from January 2012 to April 2012.

<sup>4</sup>Returns for Sionna before May 2012, Oldfield before July 2011, Trilogy before April 2008 and Walter Scott before July 2009 are based on composite returns.

<sup>5</sup>The global equities return prior to August 2018 includes Trilogy.

<sup>6</sup> In November 2016, TD Emerald U.S. pooled and International Index funds were added. Returns prior to these dates are representative only.

<sup>7</sup>The Currency Overlay was discontinued on 20 November 2017.

Performance Summary<sup>1</sup>

As of 31 December 2019

|   | Allocation           |      | Performance (%) |           |           |           |           |           |           |           |  |  |
|---|----------------------|------|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|--|
|   | Market Value (\$000) | %    | 1 Quarter       | 2019      | 1 Year    | 2 Years   | 3 Years   | 4 Years   | 5 Years   | 10 Years  |  |  |
| <b>Fixed Income</b>                                     |                      |      |                 |           |           |           |           |           |           |           |  |  |
| TDAM Universe Bond Index                                | 338,117              | 17.4 | -0.89 (86)      | 6.71 (76) | 6.71 (76) | 4.03 (82) | 3.50 (83) | 3.00 (89) | 3.10 (85) | 4.23 (89) |  |  |
| FTSE Canada Universe Bond                               |                      |      | -0.85 (78)      | 6.87 (65) | 6.87 (65) | 4.10 (76) | 3.57 (78) | 3.09 (84) | 3.18 (83) | 4.31 (87) |  |  |
| Value Added   |                      |      | -0.04           | -0.16     | -0.16     | -0.07     | -0.07     | -0.09     | -0.08     | -0.08     |  |  |
| TDAM Active Short Term Corporate                        | 344,923              | 17.8 | 0.51            | 4.62      | 4.62      | 3.16      | 2.43      | 2.44      | 2.48      | -         |  |  |
| FTSE Canada Short Term Corporate Bond                   |                      |      | 0.52            | 4.55      | 4.55      | 3.17      | 2.45      | 2.41      | 2.48      | 3.13      |  |  |
| Value Added   |                      |      | -0.01           | 0.07      | 0.07      | -0.01     | -0.02     | 0.03      | 0.00      | -         |  |  |
| <b>Alternatives</b>                                     |                      |      |                 |           |           |           |           |           |           |           |  |  |
| XRE ETF (Real Estate)                                   | 65,164               | 3.4  | -0.95           | 21.92     | 21.92     | 13.51     | 12.19     | 13.27     | 9.40      | -         |  |  |
| BIP.UN (Infrastructure)                                 | 109,345              | 5.6  | -0.11           | 44.88     | 44.88     | 12.75     | 18.46     | 22.88     | 20.54     | -         |  |  |
| Operating Account                                       | 212,004              | 10.9 |                 |           |           |           |           |           |           |           |  |  |
| <b>Currency Overlay Effect (Historical)<sup>7</sup></b> |                      |      |                 |           |           |           |           |           |           |           |  |  |
| Value Added   |                      |      | 0.00            | 0.00      | 0.00      | 0.00      | -0.21     | 0.13      | -0.35     | -0.17     |  |  |

<sup>1</sup>Parentheses contain percentile rankings. (1st percentile is the best performing). All returns are reported gross of fees.

<sup>2</sup> CPI+3.6% benchmark has been implemented retrospectively since 1 November 2018. From 1 January 2017 to 31 October 2018, CPI+3.5% benchmark was used. From 1 January 2016 to 31 December 2016, CPI + 3.7% benchmark was used. From 1 January 2014 to 31 December 2016, CPI+3.75% benchmark was used. Prior to 1 January 2014, CPI+3.85% benchmark was used.

<sup>3</sup>There was no exposure to Canadian Equities from January 2012 to April 2012.

<sup>4</sup>Returns for Sionna before May 2012, Oldfield before July 2011, Trilogy before April 2008 and Walter Scott before July 2009 are based on composite returns.

<sup>5</sup>The global equities return prior to August 2018 includes Trilogy.

<sup>6</sup>In November 2016, TD Emerald U.S. pooled and International Index funds were added. Returns prior to these dates are representative only.

<sup>7</sup>The Currency Overlay was discontinued on 20 November 2017.

Executive Summary

Rolling Year Performance<sup>1</sup>

As of 31 December

|  | 2019         | 2018        | 2017        | 2016        | 2015        | 2014         | 2013        | 2012        | 2011        | 2010        |
|--|--------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| <b>Total Fund</b>                                  | <b>13.42</b> | <b>0.46</b> | <b>9.06</b> | <b>6.19</b> | <b>8.61</b> | <b>10.48</b> | <b>9.72</b> | <b>7.29</b> | <b>6.13</b> | <b>8.66</b> |
| CPI+3.6% <sup>2</sup>                              | 5.93         | 5.66        | 5.54        | 5.16        | 5.26        | 5.12         | 4.88        | 4.46        | 5.98        | 6.04        |
| Value Added  | 7.49         | -5.20       | 3.52        | 1.03        | 3.35        | 5.36         | 4.84        | 2.83        | 0.15        | 2.62        |
| <b>Canadian Equities<sup>3</sup></b>               |              |             |             |             |             |              |             |             |             |             |
| Sionna <sup>4</sup>                                | 18.57 (81)   | -9.80 (68)  | 10.53 (23)  | 25.49 (16)  | -7.36 (72)  | 8.15 (77)    | 15.69 (83)  | 9.21 (60)   | -4.76 (28)  | 17.03 (53)  |
| S&P/TSX Composite                                  | 22.88 (31)   | -8.89 (53)  | 9.10 (52)   | 21.08 (36)  | -8.32 (82)  | 10.55 (57)   | 12.99 (95)  | 7.19 (81)   | -8.71 (49)  | 17.61 (43)  |
| Value Added  | -4.31        | -0.91       | 1.43        | 4.41        | 0.96        | -2.40        | 2.70        | 2.02        | 3.95        | -0.58       |
| <b>Global Equities<sup>5</sup></b>                 |              |             |             |             |             |              |             |             |             |             |
| MSCI World Index (Net) (CAD)                       | 21.35 (42)   | -0.59 (41)  | 14.35 (64)  | 3.80 (44)   | 18.94 (54)  | 14.37 (45)   | 35.14 (54)  | 13.31 (64)  | -3.22 (51)  | 5.93 (74)   |
| Value Added  | -2.25        | 4.37        | 1.35        | 2.72        | -0.50       | -3.82        | -3.90       | 0.42        | 1.67        | 2.04        |
| <b>Oldfield<sup>4</sup></b>                        |              |             |             |             |             |              |             |             |             |             |
| MSCI World Index (Net) (CAD)                       | 21.35 (42)   | -0.59 (41)  | 14.35 (64)  | 3.80 (44)   | 18.94 (54)  | 14.37 (45)   | 35.14 (54)  | 13.31 (64)  | -3.22 (51)  | 5.93 (74)   |
| Value Added  | -9.26        | -0.45       | -3.43       | 12.58       | -5.18       | -9.86        | -2.31       | -7.01       | 3.65        | 9.58        |
| <b>Walter Scott<sup>4</sup></b>                    |              |             |             |             |             |              |             |             |             |             |
| MSCI World Index (Net) (CAD)                       | 21.35 (42)   | -0.59 (41)  | 14.35 (64)  | 3.80 (44)   | 18.94 (54)  | 14.37 (45)   | 35.14 (54)  | 13.31 (64)  | -3.22 (51)  | 5.93 (74)   |
| Value Added  | 2.30         | 8.58        | 3.52        | -0.36       | 2.55        | -0.67        | -7.22       | 3.52        | 3.24        | 0.28        |
| <b>U.S. Equities</b>                               |              |             |             |             |             |              |             |             |             |             |
| TD Emerald U.S. Pooled Fund <sup>6</sup>           | 24.76 (40)   | 4.20 (45)   | 13.72 (49)  | 8.06 (41)   | 21.55 (46)  | -            | -           | -           | -           | -           |
| S&P 500  | 24.98 (39)   | 4.13 (45)   | 13.82 (49)  | 8.09 (41)   | 21.65 (46)  | 23.91 (34)   | 41.23 (68)  | 13.48 (47)  | 4.62 (41)   | 9.06 (55)   |
| Value Added  | -0.22        | 0.07        | -0.10       | -0.03       | -0.10       | -            | -           | -           | -           | -           |
| <b>International Equities</b>                      |              |             |             |             |             |              |             |             |             |             |
| TD Emerald International Equity Index <sup>6</sup> | 15.88 (57)   | -5.84 (38)  | 16.83 (68)  | -2.43 (57)  | 19.06 (69)  | 3.83 (65)    | 31.12 (61)  | 14.90 (70)  | -9.82 (58)  | 2.22 (82)   |
| MSCI EAFE (Net)                                    | 15.98 (57)   | -6.12 (39)  | 16.81 (68)  | -2.49 (58)  | 19.01 (70)  | 3.65 (70)    | 30.98 (62)  | 14.77 (70)  | -9.98 (61)  | 2.13 (82)   |
| Value Added  | -0.10        | 0.28        | 0.02        | 0.06        | 0.05        | 0.18         | 0.14        | 0.13        | 0.16        | 0.09        |

<sup>1</sup>Parentheses contain percentile rankings. (1st percentile is the best performing). All returns are reported gross of fees.

<sup>2</sup> CPI+3.6% benchmark has been implemented retrospectively since 1 November 2018. From 1 January 2017 to 31 October 2018, CPI+3.5% benchmark was used. From 1 January 2016 to 31 December 2016, CPI + 3.7% benchmark was used. From 1 January 2014 to 31 December 2016, CPI+3.75% benchmark was used. Prior to 1 January 2014, CPI+3.85% benchmark was used.

<sup>3</sup>There was no exposure to Canadian Equities from January 2012 to April 2012.

<sup>4</sup>Returns for Sionna before May 2012, Oldfield before July 2011, Trilogy before April 2008 and Walter Scott before July 2009 are based on composite returns.

<sup>5</sup>The global equities return prior to August 2018 includes Trilogy.

<sup>6</sup>In November 2016, TD Emerald U.S. pooled and International Index funds were added. Returns prior to these dates are representative only.

<sup>7</sup>The Currency Overlay was discontinued on 20 November 2017.

Executive Summary

Rolling Year Performance<sup>1</sup>

As of 31 December

|                                       | 2019      | 2018      | 2017      | 2016      | 2015      | 2014      | 2013       | 2012      | 2011      | 2010      |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|-----------|-----------|
| <b>Fixed Income</b>                   |           |           |           |           |           |           |            |           |           |           |
| TDAM Universe Bond Index              | 6.71 (76) | 1.40 (67) | 2.46 (74) | 1.52 (93) | 3.51 (48) | 8.75 (46) | -1.35 (86) | 3.46 (96) | 9.72 (24) | 6.66 (87) |
| FTSE TMX Canada Bond Universe         | 6.87 (65) | 1.41 (65) | 2.52 (73) | 1.66 (88) | 3.52 (47) | 8.79 (42) | -1.19 (82) | 3.60 (94) | 9.67 (24) | 6.74 (86) |
| Value Added                           | -0.16     | -0.01     | -0.06     | -0.14     | -0.01     | -0.04     | -0.16      | -0.14     | 0.05      | -0.08     |
| TDAM Active Short Term Corporate      | 4.62      | 1.72      | 1.00      | 2.46      | 2.66      | -         | -          | -         | -         | -         |
| FTSE Canada Short Term Corporate Bond | 4.55      | 1.81      | 1.03      | 2.29      | 2.74      | 3.57      | 2.40       | 3.93      | 4.75      | 4.31      |
| Value Added                           | 0.07      | -0.09     | -0.03     | 0.17      | -0.08     | -         | -          | -         | -         | -         |
| <b>Alternatives</b>                   |           |           |           |           |           |           |            |           |           |           |
| XRE ETF (Real Estate)                 | 21.92     | 5.69      | 9.59      | 16.58     | -4.82     | 9.45      | -7.79      | -         | -         | -         |
| BIP.UN (Infrastructure)               | 44.88     | -12.26    | 30.77     | 37.13     | 11.63     | 23.91     | 23.63      | 27.01     | -         | -         |

<sup>1</sup>Parentheses contain percentile rankings. (1st percentile is the best performing). All returns are reported gross of fees.

<sup>2</sup> CPI+3.6% benchmark has been implemented retrospectively since 1 November 2018. From 1 January 2017 to 31 October 2018, CPI+3.5% benchmark was used. From 1 January 2016 to 31 December 2016, CPI + 3.7% benchmark was used. From 1 January 2014 to 31 December 2016, CPI+3.75% benchmark was used. Prior to 1 January 2014, CPI+3.85% benchmark was used.

<sup>3</sup>There was no exposure to Canadian Equities from January 2012 to April 2012.

<sup>4</sup>Returns for Sionna before May 2012, Oldfield before July 2011, Trilogy before April 2008 and Walter Scott before July 2009 are based on composite returns.

<sup>5</sup>The global equities return prior to August 2018 includes Trilogy.

<sup>6</sup>In November 2016, TD Emerald U.S. pooled and International Index funds were added. Returns prior to these dates are representative only.

<sup>7</sup>The Currency Overlay was discontinued on 20 November 2017.



Performance Summary (Net of Fees)<sup>1</sup>

As of 31 December 2019

|  | Performance (%) |              |              |             |             |             |             |             |
|--|-----------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
|  | 1<br>Quarter    | 2019         | 1<br>Year    | 2<br>Years  | 3<br>Years  | 4<br>Years  | 5<br>Years  | 10<br>Years |
| <b>Total Fund</b>                                  | <b>2.51</b>     | <b>13.18</b> | <b>13.18</b> | <b>6.46</b> | <b>7.20</b> | <b>6.88</b> | <b>7.17</b> | <b>7.67</b> |
| CPI+3.6% <sup>2</sup>                              | 1.04            | 5.93         | 5.93         | 5.79        | 5.71        | 5.57        | 5.51        | 5.40        |
| Value Added  | 1.47            | 7.25         | 7.25         | 0.67        | 1.49        | 1.31        | 1.66        | 2.27        |
| <b>Canadian Equities<sup>3</sup></b>               |                 |              |              |             |             |             |             |             |
| Sionna <sup>4</sup>                                | 1.53            | 18.16        | 18.16        | 3.05        | 5.36        | 9.96        | 6.18        | 7.24        |
| S&P/TSX Composite                                  | 3.17            | 22.88        | 22.88        | 5.81        | 6.89        | 10.28       | 6.28        | 6.90        |
| Value Added  | -1.64           | -4.72        | -4.72        | -2.76       | -1.53       | -0.32       | -0.10       | 0.34        |
| <b>Global Equities<sup>5</sup></b>                 |                 |              |              |             |             |             |             |             |
| MSCI World Index (Net) (CAD)                       | 6.36            | 21.35        | 21.35        | 9.84        | 11.32       | 9.39        | 11.24       | 11.83       |
| Value Added  | 0.35            | -3.05        | -3.05        | 0.59        | 0.63        | 0.99        | 0.59        | -0.34       |
| Oldfield <sup>4</sup>                              | 8.65            | 11.21        | 11.21        | 4.51        | 6.34        | 8.57        | 9.45        | 9.99        |
| MSCI World Index (Net) (CAD)                       | 6.36            | 21.35        | 21.35        | 9.84        | 11.32       | 9.39        | 11.24       | 11.83       |
| Value Added  | 2.29            | -10.14       | -10.14       | -5.33       | -4.98       | -0.82       | -1.79       | -1.84       |
| Walter Scott <sup>4</sup>                          | 5.90            | 22.87        | 22.87        | 14.80       | 15.54       | 12.18       | 13.82       | 12.75       |
| MSCI World Index (Net) (CAD)                       | 6.36            | 21.35        | 21.35        | 9.84        | 11.32       | 9.39        | 11.24       | 11.83       |
| Value Added  | -0.46           | 1.52         | 1.52         | 4.96        | 4.22        | 2.79        | 2.58        | 0.92        |
| <b>U.S. Equities</b>                               |                 |              |              |             |             |             |             |             |
| TD Emerald Pooled U.S. Fund <sup>6</sup>           | 6.80            | 24.72        | 24.72        | 13.98       | 13.88       | 12.39       | 14.16       | -           |
| S&P 500  | 6.86            | 24.98        | 24.98        | 14.08       | 13.99       | 12.49       | 14.26       | 16.00       |
| Value Added  | -0.06           | -0.26        | -0.26        | -0.10       | -0.11       | -0.10       | -0.10       | -           |
| <b>International Equities</b>                      |                 |              |              |             |             |             |             |             |
| TD Emerald International Equity Index <sup>6</sup> | 5.92            | 15.86        | 15.86        | 4.43        | 8.40        | 5.58        | 8.14        | 7.85        |
| MSCI EAFE (Net)                                    | 5.98            | 15.98        | 15.98        | 4.35        | 8.35        | 5.53        | 8.10        | 7.77        |
| Value Added  | -0.06           | -0.12        | -0.12        | 0.08        | 0.05        | 0.05        | 0.04        | 0.08        |

<sup>1</sup>Parentheses contain percentile rankings. (1st percentile is the best performing). Reported net returns are based on estimated fees.<sup>2</sup> CPI+3.6% benchmark has been implemented retrospectively since 1 November 2018. From 1 January 2017 to 31 October 2018, CPI+3.5% benchmark was used. From 1 January 2016 to 31 December 2016, CPI + 3.7% benchmark was used. From 1 January 2014 to 31 December 2016, CPI+3.75% benchmark was used. Prior to 1 January 2014, CPI+3.85% benchmark was used.<sup>3</sup>There was no exposure to Canadian Equities from January 2012 to April 2012.<sup>4</sup>Returns for Sionna before May 2012, Oldfield before July 2011, Trilogy before April 2008 and Walter Scott before July 2009 are based on composite returns.<sup>5</sup>The global equities return prior to August 2018 includes Trilogy.<sup>6</sup>In November 2016, TD Emerald U.S. pooled and International Index funds were added. Returns prior to these dates are representative only.

Performance Summary (Net of Fees)<sup>1</sup>

As of 31 December 2019

|                                       | Performance (%) |       |           |            |            |            |            |             |
|---------------------------------------|-----------------|-------|-----------|------------|------------|------------|------------|-------------|
|                                       | 1<br>Quarter    | 2019  | 1<br>Year | 2<br>Years | 3<br>Years | 4<br>Years | 5<br>Years | 10<br>Years |
| <b>Fixed Income</b>                   |                 |       |           |            |            |            |            |             |
| TDAM Universe Bond Index              | -0.90           | 6.69  | 6.69      | 4.00       | 3.45       | 2.95       | 3.06       | 4.19        |
| FTSE Canada Universe Bond             | -0.85           | 6.87  | 6.87      | 4.10       | 3.57       | 3.09       | 3.18       | 4.31        |
| Value Added                           | -0.05           | -0.18 | -0.18     | -0.10      | -0.12      | -0.14      | -0.12      | -0.12       |
| <b>Equities</b>                       |                 |       |           |            |            |            |            |             |
| TDAM Active Short Term Corporate      | 0.49            | 4.54  | 4.54      | 3.07       | 2.34       | 2.34       | 2.38       | -           |
| FTSE Canada Short Term Corporate Bond | 0.52            | 4.55  | 4.55      | 3.17       | 2.45       | 2.41       | 2.48       | 3.13        |
| Value Added                           | -0.03           | -0.01 | -0.01     | -0.10      | -0.11      | -0.07      | -0.10      | -           |

<sup>1</sup>Parentheses contain percentile rankings. (1st percentile is the best performing). Reported net returns are based on estimated fees.

<sup>2</sup> CPI+3.6% benchmark has been implemented retrospectively since 1 November 2018. From 1 January 2017 to 31 October 2018, CPI+3.5% benchmark was used. From 1 January 2016 to 31 December 2016, CPI + 3.7% benchmark was used. From 1 January 2014 to 31 December 2016, CPI+3.75% benchmark was used. Prior to 1 January 2014, CPI+3.85% benchmark was used.

<sup>3</sup>There was no exposure to Canadian Equities from January 2012 to April 2012.

<sup>4</sup>Returns for Sionna before May 2012, Oldfield before July 2011, Trilogy before April 2008 and Walter Scott before July 2009 are based on composite returns.

<sup>5</sup>The global equities return prior to August 2018 includes Trilogy.

<sup>6</sup>In November 2016, TD Emerald U.S. pooled and International Index funds were added. Returns prior to these dates are representative only.

Performance Relative to Investment Policy Objectives

4-Year Performance vs. Market Index Benchmark

As at 31 December 2019

| Manager  | 4-Year<br>Manager<br>Return | Market Index                     | 4-Year Index<br>Return | 4-Year<br>Tracking /<br>Value Added | Target<br>Objective | Performance<br>Objective | Achieved<br>Objective | IMF <sup>3</sup> |
|--|-----------------------------|----------------------------------|------------------------|-------------------------------------|---------------------|--------------------------|-----------------------|------------------|
| <b>Passive Mandates:</b>                           |                             |                                  |                        |                                     |                     |                          |                       |                  |
| TDAM - Universe Bond Index                         | 3.00%                       | FTSE Canada Bond Universe        | 3.09%                  | -0.09%                              | +/-0.06%            | 3.03% to 3.15%           | No                    | 0.028%           |
| TD Emerald U.S. Pooled Fund <sup>1</sup>           | 12.43%                      | S&P 500                          | 12.49%                 | -0.06%                              | +/-0.08%            | 12.41% to 12.57%         | Yes                   | 0.028%           |
| TD Emerald International Equity Index <sup>1</sup> | 5.61%                       | MSCI EAFE (Net)                  | 5.53%                  | 0.08%                               | +/-0.20%            | 5.33% to 5.73%           | Yes                   | 0.028%           |
| <b>Active Mandates:</b>                            |                             |                                  |                        |                                     |                     |                          |                       |                  |
| Sionna - Canadian Equities                         | 10.36%                      | S&P/TSX Composite                | 10.28%                 | 0.08%                               | +1.0%               | 11.28%                   | No                    | 0.341%           |
| Oldfield - Global Equities                         | 9.39%                       | MSCI World (Net)                 | 9.39%                  | 0.00%                               | +2.0%               | 11.39%                   | No                    | 0.750%           |
| Walter Scott - Global Equities                     | 12.96%                      | MSCI World (Net)                 | 9.39%                  | 3.57%                               | +2.0%               | 11.39%                   | Yes                   | 0.641%           |
| TDAM Short Term Corporate Bonds                    | 2.44%                       | FTSE Canada Short Term Corporate | 2.41%                  | 0.03%                               | +0.5%               | 2.91%                    | No                    | 0.099%           |
| Total Fund ex. Currency Overlay                    | 7.18%                       | CPI + 3.6% <sup>2</sup>          | 5.57%                  | 1.61%                               |                     |                          | Yes                   | 0.220%           |

<sup>1</sup> Invested on 18 November 2016

<sup>2</sup> CPI + 3.6% benchmark has been implemented retrospectively since 1 November 2018. Prior to that, CPI + 3.5% benchmark was implemented since 1 January 2017. CPI + 3.7% benchmark was implemented since 1 January 2016, CPI + 3.75% benchmark was implemented since 1 January 2014 and CPI + 3.85% prior to that.

<sup>3</sup> IMF: Investment management fees

**UNIVERSITY OF WATERLOO**  
**BOARD OF GOVERNORS**  
**PENSION & BENEFITS COMMITTEE**  
**2019 Report to the Community**

This report provides an overview of issues addressed by the Pension & Benefits Committee for the calendar year. Further information on any of these topics may be obtained by contacting the committee secretary Mike Grivicic ([mgrivicic@uwaterloo.ca](mailto:mgrivicic@uwaterloo.ca)) or by visiting the [committee webpage](#).

**A. The Committee and its Members**

The Pension & Benefits Committee is a standing committee of the Board of Governors responsible for overseeing the University's employee pension plans, health care and dental plans, sick leave benefits, long-term disability benefit, and life insurance benefit. The committee consists of representatives from the University's employee groups, administration, Board of Governors, retirees, and affiliated and federated institutions of Waterloo. The committee meets on a monthly basis (except April, July and August); meetings are open to the University community and agendas and minutes are available on the [committee webpage](#). The committee monitors the health and oversees the administration of the Plans. Recommendations for changes and improvements to the Plans are developed, refined and approved by the committee and forwarded to the Board of Governors for approval.

**B. Benefits**

1. **Holistic Benefits Working Group.** The working group continued its work through 2019, and some highlights include: development and execution of employee benefits survey in October 2019; ongoing information gathering on market offerings and comparative analysis with similar employers/institutions, including best practices; initial plan design costings. It is anticipated that the groups work will continue into 2020, and the aim of bringing forward a recommendation to the Board of Governors in the latter part of the year.
2. **Employee and Family Assistance Program.** The committee receives courtesy updates on the utilization of the program, which was put into place for active employees and their eligible dependents in 2016.
3. **Waterloo ASO Benefits Plan Provisions, Relative to Standard GWL Plan Provisions.** At the June 2019 meeting and at the committee's request, Human Resources provided an analysis of healthcare benefits provisions in the university's plan vs. those provided in the standard plan of the university's vendor Great-West Life (GWL).
4. **Continuous Glucose Monitors – Cost Estimate.** The committee obtained estimates from GWL and Aon on the cost of adding continuous glucose monitors to the university's benefits offerings. This was forwarded to the Holistic Benefits Working Group for inclusion in the larger holistic benefits review.
5. **Annual Work Plan Items.** In accordance with the annual work plan for the committee, the committee:
  - Approved the benefits plans premium renewals negotiated by Human Resources in conjunction with our consultants. Based on claims experience, the long-term disability premium paid by employees decreased by 18% on 1 May 2019.
  - Received reports on the benefits plan utilization rates and associated costs
  - Provided oversight to a number of other items that occur automatically according to plan provisions e.g. annual indexation of pensionable earnings for employees on long term disability

**C. Pension Plans**

5. **1 January 2019 Actuarial Valuation.** An actuarial valuation report is required to be filed at least every three years; notwithstanding this, a valuation is completed on an annual basis for the purposes of assisting with planning and the University's budgeting. The most recent actuarial valuation was filed in 2018. The 1 January 2019 valuation was prepared largely using the same assumptions as the 1 January 2018, with the major exceptions of a slightly higher discount rate (5.70% vs. 5.60% in 2018) and a change to the provision for adverse deviation ("PfAD") from 6.95% of non-indexed liabilities and current service cost, to 8.50%; this reflects a regulatory change from calculating the PfAD based on the

actual asset mix of the plan's investments toward utilizing the target asset mix under the SIPP. The registered pension plan (the "Registered Plan") is in an overall deficit position – the financial position (assets less actuarial liabilities) starts with a \$21.04 million deficit and combines with the \$126.25 million PfAD to bring a calculated going concern deficit of \$147.3 million. The University continues to make additional contributions to the plan. The full actuarial report for the Registered Plan and Payroll Plan can be found on the committee's webpage: [Actuarial Valuation Results as of 1 January 2019](#)

- 6. Committee Activity Regarding Pension Plan Pension Funding/Design.** Throughout 2019, the committee discussed the pension plan's overall funding and design in the context of earlier work that was completed by a working group of the committee and led by the plan's consultant Aon. These discussions included: general objective to improve funding of the plan, while returning to an equal sharing of current service costs between the university and plan members; a potential amendment to the design and funding of the plan to increase employee contributions while reducing the number of employee contribution levels from three to two, as well as maintaining the employer contributions; provision to index plan caps at a fraction of the annual change in the average industrial wage. Members informally consulted their respective constituencies over the summer months. At the October 2019 meeting Aon provided a draft presentation and proposed consultation pathway for the amendments under consideration; these consultations were carried out in five sessions over two days in December 2020, with ~400 attendees in total.
- 7. Technical Plan Amendment Clarifying the Amortization of Unfunded Liabilities and University Contributions to the Pension Plan.** Technical amendments to the pension plan text were approved to maintain compliance with recent Regulations under the Pension Benefits Act (Ontario), and were prepared by the plan's consultant Aon. The amendments arise particularly from pension plan regulation changes made by the province in 2018 and document the University's obligation under the new regulations to fund any going concern or solvency deficiencies in the prescribed manner as well as the requirement to fund the "provision for adverse deviation" which is required as part of the actuarial valuation submission.
- 8. Reduction of Investment Position in Brookfield Infrastructure Partners LP.** At the recommendation of the Finance & Investment Committee, P&B recommended to the Board of Governors the reduction of the investment position in Brookfield Infrastructure Partners (BIP). This mitigates the risks from the overall size of this single investment position, which had appreciated significantly, while also bringing the asset allocation in the plan closer to that of the benchmark and also continuing to maintain the allowed investment limits within the bands identified within the Statement of Investment Policies and Procedures. The proceeds were subsequently allocated to the Canadian equity mandate of Sionna Investment Managers
- 9. Provincial Consultation re: Employee Renewal.** The committee received periodic updates throughout 2019 on the province's consultation activity, which touched upon re-employment at universities or as colloquially known "double-dipping". It was observed by the committee that such a provision would differentially disadvantage Ontario universities, as qualified retired persons from outside Ontario could accept jobs that the proposal would disallow to retirees from within the Ontario system. Ultimately the province did not proceed with this provision in the proposed legislation.
- 10. Education and Monitoring.** The committee receives regular reports from the consulting actuary on legislative and policy changes anticipated and in force that impact public sector pensions, as well as changes implemented by other public sector pension plans. The committee discusses implications for the University's pension plans and takes said information into account when making decisions on matters including plan design, funding and administration. Initiatives the committee has been monitoring, discussing and, where required, taking action including: discussions and progress updates on the joint University Pension Plan; ongoing implementation of changes to the Canada Pension Plan; philosophical considerations for managing the plan going forward.

**11. Annual Work Plan Items.** In addition to the above, the committee:

- Reviewed and approved the audited pension fund financial statements for filing with FSCO. The statements show, among other things, that there are significant assets in the fund, the change in assets over the year and drivers for that change, amounts paid out of assets, and compliance with the SIPP
- Reviewed and approved cost of living increases to pensionable earnings of individuals on long-term disability for the purpose of calculating pension entitlements, and to eligible deferred pensions
- Received the annual report from Aon re: the contribution and protocol caps, including the impact of indexing or removing the caps on costs and liabilities, the number of individuals who would be impacted if the caps were not indexed, and the projected date on which the cap under the *Income Tax Act* will hit the hard cap in the pension plan, if the cap is not increased. The committee monitors these numbers annually in order to make decisions about how and when to increase the caps.
- Provided oversight to a number of other items that occur automatically according to plan provisions, e.g. annual indexation of pensions

*18 February 2020*