

**Board of Governors
PENSION & BENEFITS COMMITTEE
Tuesday 15 December 2020
9:30 a.m. to 12:00 noon**

This meeting will be held via Microsoft Teams

Non-members may arrange to join the open session of the electronic meeting by contacting Melissa Holst, mjholst@uwaterloo.ca

OPEN SESSION		ACTION
9:30	1. Approval of the 20 November 2020 Minutes (Open Session)* and Business Arising	Decision
	2. Execution Against the Work Plan* [Grivicic]	Information
	3. Update on Government Pension Plan Initiatives [Shapira]	Information
9:35	4. Maximum Pension Limits and CAPs – RPP and PPP* [McGrath]	Information
	5. Recommendation from Holistic Benefits Working Group* [Byron]	Discussion
	6. Other Business	
CONFIDENTIAL SESSION		
	7. Approval of the 20 November 2020 Minutes (Confidential)+ and Business Arising	Decision

Next Meeting: Friday 15 January 2021, 9:30 a.m. – 12:00 noon

*attached
** to be distributed
+ distributed separately

10 December 2020
revised 14 December 2020

Mike Grivicic
Associate University Secretary

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

Future Agenda Items

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

University of Waterloo
Board of Governors
PENSION & BENEFITS COMMITTEE
Minutes of the 20 November 2020 Meeting
[in agenda order]

Present: Peter Barr, Terrence Birmingham, Ted Bleaney, Tony Giovinazzo, Mike Grivicic (secretary), Dennis Huber, Ranjini Jha, David Saunders, Michael Steinmann, Marilyn Thompson, Ken Vetzal

Regrets: Michael Herz, Jim Rush, Mary Thompson

Consultant: Linda Byron, Allan Shapira

Resources: Lee Hornberger, Sarah Hadley

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

1. APPROVAL OF THE 16 OCTOBER 2020 MINUTES (OPEN SESSION) AND BUSINESS ARISING

Members noted one minor amendment. A motion was heard to approve the minutes as amended. Vetzal and Huber. Carried. There was no business arising.

2. EXECUTION AGAINST THE WORK PLAN

This item was received for information.

3. UPDATE ON GOVERNMENT PENSION PLAN INITIATIVES

Shapira observed that the YMPE is projected to rise ~5% in 2021, as a result of the pandemic and the resulting removal of lower paying jobs from the overall calculation of the average industrial wage (AIW). This will have an impact on pensions generally, increasing the ITA maximum pension and also impacting CPP premiums.

a. Changes in Commuted Value Standards Effective December 1, 2020. Byron provided a PowerPoint: assumptions have been modified for interest rates and pension commencement age, with some impacts on the plan; Morneau Shepell is updating the administration tools and option forms to ensure compliance; the January 1, 2021 solvency and wind-up calculations will reflect the changes, with liabilities expected to be modestly lower. Members discussed: should be no material impact for optional forms of pension; the changes were made based on the perspective that the current rate spread was seen as arbitrary. This item was received for information.

4. EXTENDED HEALTH AND DENTAL BENEFITS – INDEXATION OF MAXIMUM EFFECTIVE JANUARY 1, 2021

Hornberger provided an overview of the exhibit, and members discussed: process to adjust based on CPI is based on university practice; utilization of rounding for calculations; inflation calculation. A motion was heard to approve the indexations as presented in the exhibit. Giovinazzo and Bleaney. Carried.

5. PENSION RISK MANAGEMENT DASHBOARD - Q3 2020

Byron provided a PowerPoint presentation, noting changes to valuation calculations over the past quarter and observing the overall decline of interest rates in 2020 (with some upward movement more recently).

6. INVESTMENT FUND PERFORMANCE REPORTS FROM AON – Q3 2020

Huber provided an overview of the exhibit, indicating that regular reporting from the PIC will be forthcoming in the near term. Jha noted that investment managers are being examined/considered by the PIC.

7. UPDATE – HOLISTIC BENEFITS WORKING GROUP

Byron noted that the group is meeting regularly and that a recommendation may be ready for the December PB meeting.

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 Tuesday 15 December 2020, 9:30 a.m. – 12:00 noon.

10 December 2020

Mike Grivicic
Associate University Secretary

Execution against Work Plan

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

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

Task	Frequency (Target month)	13 Dec 2019	17 Jan 2020	21 Feb 2020	20 Mar 2020	15 May 2020	12 June 2020	18 Sept 2020	16 Oct 2020	20 Nov 2020	15 Dec 2020
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	13 Dec 2019	17 Jan 2020	21 Feb 2020	20 Mar 2020	15 May 2020	12 June 2020	18 Sept 2020	16 Oct 2020	20 Nov 2020	15 Dec 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 - Minimum every three years Most recent filings: 2017, 2018, 2020											

Maximum Pension Limits and CAPs

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

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

The following table shows the pension limits for 2020 and the change to these limits effective January 1, 2021:

Plan	2020 Limits		2021 Limits	
	Maximum annual pension per year of pensionable service	Final Average Earnings at Threshold	Maximum annual pension per year of pensionable service	Final Average Earnings at Threshold
RPP	\$3,092.22	\$171,543	\$3,245.56	\$179,612
PPP	\$3,400	\$186,932	\$3,400	\$187,334

*AIW increase is 4.96% (difference in the RPP limit for 2021 over 2020)

In addition to the RPP and PPP maximum pension limits, both plan texts include a fixed dollar cap. Each year the new maximum pension limits are restricted not to exceed the respective CAP. As approved by the Board of Governors in February 2020, the RPP cap increases to \$3,400 effective January 1, 2021 and automatically increased each calendar year thereafter beginning in 2022 by one-third of the percentage increase in the AIW. The CAPs are as follows:

Plan	2020 CAPs		2021 CAPs	
	Maximum annual pension per year of pensionable service	Final Average Earnings at Threshold (estimate)	Maximum annual pension per year of pensionable service	Final Average Earnings at Threshold (estimate)
RPP	\$3,200	\$177,000	\$3,400	\$186,932
PPP	\$3,400	\$187,334	\$3,400	\$187,334

These CAPs have an impact on the valuation of the liability associated with each plan. The PPP maximum pension limit has been restricted to the PPP CAP since 2019.

Projection of when RPP Cap will reach the ITA Maximum

AIW	2.25%			2.75%		
	Year	RPP Cap	ITA Max	Year	RPP Cap	ITA Max
2021	\$3,400	\$3,246	3,400	2021	\$3,400	\$3,246
2022	\$3,425	\$3,318		2022	\$3,431	\$3,335
2023	\$3,451	\$3,393		2023	\$3,463	\$3,427
2024	\$3,477	\$3,470		2024	\$3,494	\$3,521
2025	\$3,503	\$3,548		2025	\$3,526	\$3,618

Note: AIW increase in 2020 was significantly higher than previous years due to the COVID-19 impact which resulted in lower paid jobs being removed from the workforce; expectation is a return to lower increases in future years

Contribution Limit

Registered Pension Plan (RPP)

As approved by the Board of Governors in February 2020, pension contribution rates changed effective May 1, 2020 and will continue to change on May 1, 2021 and May 1, 2022, as follows:

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

**YMPE was \$58,700 in 2020 and based on the AIW, the YMPE is \$61,600 for 2021*

The ITA also limits annual member contributions, and this limit adjusts annually based on the AIW increase. The following table highlights the member contribution limit change effective January 1, 2021:

2020 Contribution Limit		2021 Contribution Limit	
<i>Maximum annual contribution</i>	<i>Annual Earnings Threshold</i>	<i>Maximum annual contribution</i>	<i>Annual Earnings Threshold</i>
\$20,061	\$222,700	\$21,027	\$221,096

Action Required: None



Holistic Benefit Review – Recommendation to P&B

University of Waterloo
December 15, 2020

Tabulation of Recommended Changes to Medical Benefits Plan eff. May 1, 2021

Benefit	Current Plan Design	Recommended Plan Design
Maximum Dependent Child Age	21, or 23 if a full-time student	21, or 25 if a full-time student
Annual Net Employee Cost	None	No change
Annual Deductible	None	No change
Annual Out-of-Pocket Limit	\$130 single / \$262 family	No change
Overall Benefit Maximum	None	No change
Prescription Drugs	80%; \$7 dispensing fee cap;	No change
—Generic Substitution	Included, with physician override	Mandatory
—Other Drug Management Programs	None	HCM and SMART
Continuous Glucose Monitors	No coverage	Add 80% coverage (physician Rx required)
Hospital	80% first 5 days / year; 100% for remainder; Semi-private coverage; Chronic Care included; 60 day maximum for Homewood and Donwood; Out-of-pocket cap does not apply	No change
Private Duty Nursing	80% first 10 days / year; 100% for remainder; \$22,517 / year maximum (referral required); Out-of-pocket cap does not apply	No change
Vision	No coverage	No change
Hearing Aids	80%; \$743 / ear / 5 years	No change
Paramedical Practitioners		
— Acupuncture	No coverage	No change
— Chiropractor	80%; \$743 / year*	No change
— Massage Therapist	80%; \$743 / year****	80%; \$743 / year
— Physiotherapist**	80%; \$743 / year	80%; \$743 / year
— Speech Therapist	80%; \$743 / year****	80%; \$743 / year
— Psychologist***	80%; \$743 / year****	80%; \$943 / year
— Dietician	80%; \$743 / year****	80%; \$743 / year
— Naturopath	80%; \$743 / year	No change
— Osteopath	80%; \$743 / year	No change
— Podiatrist / Chiropodist	80%; \$743 / year	No change
Custom Orthotics	80%; \$743 / year (physician Rx required)	No change

Benefit	Current Plan Design	Recommended Plan Design
Custom Orthopedic Shoes	80%; 3 pairs / 2 years R&C charges apply per pair (physician Rx required)	No change
Medical Supplies and Services	80% (physician Rx required)	No change
In-vitro Fertilization Treatment	No coverage	80% coverage (physician Rx required)
Emergency Transportation	100%	No change
Out-of-Country		
— Emergency	100%; \$1,000,000 lifetime	100%; \$5,000,000 lifetime
— Referral	No coverage	No change
— Trip Duration	180 days	No change

* Coverage limited to \$12 per visit for the first 15 visits, reasonable and customary thereafter

** Or Occupational Therapist (current plan); extended to include Athletic Therapist in recommended plan

*** Or Social Worker; extended to include Registered Social Worker and Psychotherapist in recommended plan

**** Physician referral required; this administration requirement is being removed for Massage Therapist, Speech Therapist, Psychologist, and Dietician in recommended plan

Comments

- Implementation of better prescription drug management programs (mandatory generic drug substitution, HCM, and SMART) to fund Medical plan improvements
 - Under a mandatory generic drug substitution program, an exception process exists to allow a member to switch from the generic drug to the brand name drug if there is a valid medical reason
 - Health Case Management (HCM) is a program (similar to a disability case management program) where:
 - Canada Life, through engaging **HealthForward** Inc., would work with the patient and their doctors to help manage complex treatment plans by:
 - ◆ Helping gather information for coverage decisions;
 - ◆ Providing support services;
 - ◆ Helping patients follow treatment plans and monitoring adherence;
 - ◆ Assessing treatment effectiveness after an initial coverage period;
 - ◆ Coordinating claim through specialty designated pharmacies (including major chains like Shoppers, Loblaws, and Safeway); and
 - ◆ Patient assistance and government program coordination
 - This program generates cost savings by allowing Canada Life to ensure very competitive pricing in the management of drug acquisition costs
 - Research conducted in 2017 by Canada Life shows that HCM administered with routine care delivered better health outcomes to the plan member than routine care alone
 - The “SMART” – Sustainable, Managed and Reasonable Treatment – drug management program focuses on how drugs are added to the plan moving forward, no longer linking to Health Canada approval. Ensures new drugs added to the plan are cost and clinically effective
- Medical plan improvements to include the following:
 - Increase maximum dependent child age from age 23 to age 25 (assuming in full-time student)
 - Addition of coverage for continuous glucose monitors and in-vitro fertilization
 - Increase annual maximum for Psychologist by \$200
 - Removal of doctors note requirement for Massage Therapist, Speech Therapist, Psychologist, and Dietitian
 - Extend definition under Psychologist to include Registered Social Worker and Psychotherapist
 - Extend definition under Physiotherapist/Occupational Therapist practitioner maximum to include Athletic Therapist
 - Increased Out of Country coverage maximum from \$1M to \$5M

Medical Design Costings – Employee Impact

- No member will be financially disadvantaged by the design changes being recommended, as long as members switch from taking brand name drugs to generic drugs (where a generic drug exists)
- The new design provides better health outcomes to the employees by adding/increasing coverage in various areas

Medical Design Costings – Employer Impact

Costing	Active Employees		Post-1996 Retirees	
	Impact to Active Medical Claims	Annual Employer Cost Increase (Decrease)	Impact to Post-96 Retiree Medical Claims	Annual Employer Cost Increase (Decrease)
1 – Add mandatory generic substitution	-2.8%	(\$285,000)	-2.8%	(\$94,100)
2 – Implement HCM & SMART drug management programs*	-0.1%	(\$10,200)	-0.1%	(\$3,400)
3 – Add coverage for Continuous Glucose Monitors	0.5%	\$51,000	0.8%	\$25,300
4 – Add coverage for in-vitro fertilization	0.5%	\$51,000	0.0%	\$0
5 – Increase Out of Country lifetime max to \$5M	0.0%	\$0	0.0%	\$0
6 – Increase Psychologist annual maximum to \$943/year	0.6%	\$60,200	0.6%	\$19,900
7 – Add Registered Social Worker and Psychotherapist as eligible practitioners under the Psychologist maximum	0.5%	\$51,000	0.5%	\$16,800
8 – Remove doctors note requirement on Massage Therapist, Dietician, Speech Therapist, and Psychologist	0.7%	\$71,400	0.7%	\$23,600
9 – Add Athletic Therapist as an eligible practitioner under Physiotherapist maximum	0.05%	\$5,100	0.05%	\$1,700
10 – Increase eligible dependent child age from 23 to 25 (for full-time students)	0.1%	\$10,200	0.0%	\$0
Total	0.0%	\$4,700	-0.3%	(\$10,200)

* Estimated average annual savings over a 5 year period

Key Observations

- Medical coverage modified to ensure no overall cost or liability increase/decrease to the University of Waterloo
 - Actives and post-1996 retirees will maintain the same plan design with no employee/retiree contributions
 - Smaller items added/subtracted to modernize current coverage within existing structure
- No changes to Life Insurance, Disability, or Dental coverage
- Larger expense items such as Vision (over \$1 million in added annual cost) and improvement in Chiropractic coverage (over \$0.5 million in added annual cost) are not addressed in this recommendation since no palatable “take-away” could be found from the existing coverage to fund these items
 - Adding Vision or Chiropractic coverage would have required member contributions or a significant increase in the out of pocket maximum, which was a concern for the stakeholder groups as it pertains to lower income members
- Retiree Dental coverage was also not addressed in this recommendation, as this addition would increase costs/liabilities for the University

Additional Recommendations and Next Steps

- As soon as practical, expand eligibility for retiree benefits on a pro-rata/liability neutral basis to employees not meeting 10 years of eligibility requirement, recognizing that this would generate a small increase in cash costs to the University
- Prioritize Vision and Chiropractic coverage enhancements should alternate funding mechanisms become available
 - This working group and the stakeholder groups were disappointed that no palatable option to fund these benefits could be found given the cost-neutral constraint
- Conduct a Request for Proposal for the University’s current insurer, Canada Life, to ensure best in class pricing and service following implementation of this recommended design
 - Should long-term cost savings be generated from this process, consider reinvesting the savings back into the program through coverage enhancements
- Investigate opportunities/partnerships to add Dental coverage for retirees outside of the current University benefits plan
- Investigate expanding eligibility for those currently ineligible (e.g. temporary employees) for a greater suite of benefits (LTD, dental)
- Suggest P&B maintain a working group to annually review change suggestions to the program
 - Would ensure changes are considered both in response to changes in industry norms and employee requests/questions
 - Would avoid another multi-year process to review the design

Background

- In 2018, the University of Waterloo (UWaterloo) embarked on a Holistic Benefits Review (HBR) project
 - The working group for this project included UWaterloo administration representatives as well as stakeholders from the various groups across the organization (CUPE, Staff, Faculty, Retirees) and the University's affiliated and federated university colleges. Working group members included the following individuals:
 - Terrence Birmingham;
 - Ted Bleaney;
 - Stewart Forrest;
 - Mike Grivicic;
 - Lee Hornberger;
 - Joan Kennedy;
 - David Kibble;
 - Melanie McKellar;
 - Samantha Murray;
 - David Saunders;
 - Mary Thompson
 - The goal of the review was to ensure the plan remained competitive against UWaterloo's competitors, and address any benefit plan gaps in coverage
 - It was clear from the onset of this project that UWaterloo was not going to allocate additional funds towards the program. Existing UWaterloo funds could be redistributed amongst the benefits, and if plan improvements were still required after University funds were redistributed, employees would need to fund the improvements
- The first step in the review process was a Benefits Index study (completed in early 2018), which analyzed the University's benefits program against a selected group of University and non-University competitors. The main observations from this competitiveness review included the following:
 - UWaterloo's Life Insurance program was very rich relative to all comparators. Most organizations offer 1-2x salary as the base coverage, with additional coverage offered at the employee's expense
 - Coverage offered through UWaterloo's Long-Term Disability program was very rich relative to all comparators
 - UWaterloo's Medical program was average relative to its comparators. Improved Chiropractor and Vision coverage would help address the main competitiveness issues
 - UWaterloo's Dental program, following the 1/1/2019 plan improvements, was very competitive relative to the comparators in the study
 - Of the Universities in the comparator group, 22% required employee contributions to its Medical programs and 44% required contributions to its Dental programs

- Following this competitiveness review, a survey was released to UWaterloo plan members in the fall of 2019 to allow members to provide their input into the benefits program review process
 - Members were asked to provide both the items they'd like to see improved in the plan design, as well as items they would be willing to see reduced to fund the plan design improvements
 - Members were also asked to provide feedback on a variety of other items, including overall plan flexibility, introducing employee contributions, etc
 - ~40% of members responded to the survey indicating the following:
 - ~77% of active employees were in favour of some form of change to the program
 - More respondents were willing to pay more to fund improvements (~41%) than not (32%)
 - Priority additions for active members included the following: vision coverage (glasses/lenses and eye exams), addition of Dental coverage in retirement, removal of physician referrals, and increased maximums for mental health providers
 - Acceptable cost reductions for active members include the following: required use of generic drugs when available, addition of a mandatory employee contribution
- Based on the competitiveness review and employee survey results, the HBR working group developed two active benefit design options it was comfortable sharing with the stakeholder groups for additional feedback
 - The first design option was a traditional benefits design
 - Savings from reduced Life Insurance and Long-Term Disability coverage was redirected to fund Medical plan improvements
 - The second design option was a flexible benefits design
 - Savings from reduced Life Insurance and Long-Term Disability coverage was redirected to fund Medical plan improvements
 - Medical and Dental were proposed to have three options for members to choose from. Higher levels of coverage were accompanied by higher employee contributions.
- Feedback received from the stakeholder groups showed the employee groups were not supportive of the flexible design structure; although they expressed some concerns with the first design structure as presented they felt it was workable with some considerations:
 - The employee groups were not in favour of a flexible benefits design;
 - The employee groups were not in favour of removing the annual plan maximum indexing;
 - The stakeholder groups were concerned about the impact of any design changes on those most vulnerable in the employee population (i.e. those with the lowest incomes)
- Based on the feedback received from the stakeholder groups, the first option (a traditional benefits design) was adjusted to the design being recommended earlier in this document

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