

**Board of Governors  
PENSION & BENEFITS COMMITTEE  
Thursday 11 February 2021  
9:30 a.m. to 12:00 noon**

**This meeting will be held via Microsoft Teams  
Non-members may arrange to join the open session of the electronic meeting  
by contacting Melissa Holst, [mjholst@uwaterloo.ca](mailto:mjholst@uwaterloo.ca)**

<b>OPEN SESSION</b>		<b>ACTION</b>
9:30	1. Approval of the 15 January 2021 Minutes (Open Session)* and Business Arising	Decision
	2. Approval of the 25 January 2021 Minutes (Open Session)* and Business Arising	Decision
	3. Execution Against the Work Plan* [Grivicic]	Information
	4. Update on Government Pension Plan Initiatives [Shapira]	Information
9:40	5. Benchmarking UW Pension Plan vs. Comparators* [Aon]	Discussion
10:00	6. Annual Cost of Living Adjustments* [Sue McGrath] a. Cost-of-living Increase for Pensioners b. Pensions for Deferred Members c. Salaries for Pension Purposes for Individuals on Long-term Disability	Information Information Decision
10:10	7. Investment Status of Payroll Pension Plan* [Hadley]	Information
10:20	8. Draft 2020 Report to the Community* [Grivicic]	Approval
10:30	9. Next Steps – Excerpt from Approved Amendments to Employee Benefits*	Discussion
	10. Other Business	
<b>CONFIDENTIAL SESSION</b>		
	11. Approval of the 15 January 2021 Minutes (Confidential)+ and Business Arising	Decision
	12. Pension Administration System: Ariel - Agreement with Morneau Shepell +	Decision
	13. Status Update from Working Group on Definitions in Policy 23, 59	Information
Next Meeting: Friday 12 March 2021, 9:30 a.m. – 12:00 noon		

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

8 February 2021

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 15 January 2021 Meeting**  
**[in agenda order]**

**Present:** Peter Barr, Ted Bleaney, Tony Giovinazzo, Mike Grivicic (secretary), Dennis Huber, Ranjini Jha, David Saunders, Mary Thompson, Ken Vetzal

**Regrets:** Terrence Birmingham, Michael Herz, Jim Rush, Michael Steinmann, Marilyn Thompson

**Consultant:** Linda Byron, Scott Palmer, Allan Shapira

**Resources:** Sarah Hadley, Lee Hornberger, Samantha Murray

**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 15 DECEMBER 2020 MINUTES (OPEN SESSION) AND BUSINESS ARISING**

A motion was heard to approve the minutes. Bleaney and Saunders. Carried. There was no business arising. Barr observed that the board chair had inquired as to whether the committee has recently benchmarked the university's pension plan structure and offerings against comparators - Shapira indicated that this was done as part of the holistic benefits review, and an environmental scan is routinely carried out by Aon whenever changes are proposed to the plan. An analysis will be brought to an upcoming meeting.

**2. EXECUTION AGAINST THE WORK PLAN**

This item was received for information.

**3. UPDATE ON GOVERNMENT PENSION PLAN INITIATIVES**

No update provided at this meeting.

**4. APPROVAL OF ACTUARIAL VALUATION ASSUMPTIONS**

Byron provided an overview of the material distributed, and noted: full actuarial valuation will be brought to the March meeting; this valuation is not required to be filed with the regulator, though the university would have the discretion to do so; assumptions do not build in conservatism but rather begin with best estimates before applying the provision for adverse deviation. Members observed that the assumptions reflect a spread of retirement rates by age, rather than a single assumed retirement age, and noted mortality trends which show a slowdown of longevity improvements. A motion was heard to approve the actuarial valuation assumptions as presented. Giovinazzo and Jha. Carried.

**5. DRAFT PRESENTATION – RECOMMENDED CHANGES RE: BENEFITS PLANS**

Byron and Palmer presented the draft presentation deck, and members provided a variety of suggestions to clarify the content and approach to the materials, so as to be most congruent with the Waterloo context. The revised presentation will be given at four information sessions on 19-20 January.

**6. OTHER BUSINESS**

There was no other business. The committee proceeded into confidential session.

**NEXT MEETING**

The committee will hold a special meeting on Monday 25 January 2021, 1:00-2:00 p.m. The next regular meeting is scheduled for Thursday 11 February 2021, 9:30 a.m. – 12:00 noon.

8 February 2021

Mike Grivicic  
Associate University Secretary

**University of Waterloo**  
**Board of Governors**  
**PENSION & BENEFITS COMMITTEE**  
**Minutes of the 25 January 2021 Meeting**  
**[in agenda order]**

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

**Regrets:** Michael Herz, Michael Steinmann

**Consultant:** Linda Byron, Scott Palmer, Allan Shapira

**Resources:** Sarah Hadley, Lee Hornberger, Samantha Murray

**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. COMMITTEE DISCUSSION: BENEFITS INFORMATION SESSION**

Members discussed the feedback received at the information sessions as well as via web form following the sessions: disappointment that vision coverage was not added to the plan; HCM and SMART seem to generate minor savings, though Aon clarified that it may be the case currently but over time those programs may provide greater savings; it is unclear whether doctor's fees for filling the form for these two programs is also covered as part of the plan; concern among some in the community at the pace of presenting and potentially approving these changes; some in the community are interested in flexible benefits offerings that can be more customized to their particular needs; would be helpful to find a good metric for uptake of particular benefits or queries, in addition to existing utilization reports; FAQ document will be posted to the website to address questions received.

**2. DRAFT REPORT TO THE BOARD OF GOVERNORS**

A motion was heard to approve the recommendation to the Board of Governors as presented. Bleaney and Jha. Carried. The motion was carried unanimously. Members observed that action on the "additional recommendations" may commence at the next committee meeting, subject to Board approval of the recommendation at its February 2021 meeting.

With no other business, the meeting was adjourned.

**NEXT MEETING**

The next meeting is scheduled for Thursday 11 February 2021, 9:30 a.m. – 12:00 noon.

8 February 2021

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)	21 Feb 2020	20 Mar 2020	15 May 2020	12 June 2020	18 Sept 2020	16 Oct 2020	20 Nov 2020	15 Dec 2020	15 Jan 2021	11 Feb 2021
Approval of Actuarial Valuation Assumptions	Annual (Jan)									✓	
Investment Status of PPP	Annual (Feb)										✓
Cost-of-living Increase for Pensioners	Annual (Feb)	✓									✓
Pensions for Deferred Members	Annual (Feb)	✓									✓
Salaries for Pension Purposes for Individuals on Long-term Disability	Annual (Feb)	✓									✓
Actuarial Valuations (RPP and PPP), with posting to website once approved	Annual (Mar)		✓								
Review of Contribution and Protocol Caps (RPP and PPP)	Annual (Mar)		✓								
Benefits Plan Premium Renewals	Annual (Mar)		✓								
Indexing of Long-term Disability Plan Benefits and Maxima	Annual (Mar)		✓								
Annual Committee Self-Assessment	Annual (Mar)		✓								
Budget Overview	Annual (May)			✓							
Previous Years' Fees and Expenses	Annual (May)			✓							
Annual Audit of the Pension Plan Fund Financial Statements	Annual (May)			✓							

D = deferred

Task	Frequency	21 Feb 2020	20 Mar 2020	15 May 2020	12 June 2020	18 Sept 2020	16 Oct 2020	20 Nov 2020	15 Dec 2020	15 Jan 2021	
Benefits Utilization Report	Annual (June)				✓						
Annual review re: benefits added/removed from insured plans in the market	Annual (June)				✓						
Review of Committee Terms of Reference	Annual (June)				✓						
Indexing of Plan Maxima – Health, Dental, Retiree Life Insurance	Annual (Nov)							✓			
Employee and Family Assistance Program – report on utilization	Annual (Nov)						✓				
Maximum pension limits and caps adjustments, based on average industrial wage increase (AIW)	Annual (Dec)								✓		
Total Fund Overview	Quarterly	✓			✓			✓			
Investment Manager Review	Semi-annually										
Approval of the Statement of Investment Policies and Procedures (SIPP)	Annual										
Annual Report to the Community	Annual	✓									
Actuarial Filing - Minimum every three years Most recent filings: 2017, 2018, 2020											

## OVERVIEW OF PENSION PLANS FOR THE U15 UNIVERSITIES

### DEFINED BENEFIT PENSION PLANS

The following pages summarize the main provisions for the following U15 universities participating in a defined benefit pension plan:

- University of Waterloo
- University Pension Plan Ontario (UPP)  
(includes University of Toronto and Queen's University)
- Alberta Universities Academic Pension Plan (UAPP)  
(includes academic and professional staff at University of Alberta and University of Calgary)
- Alberta Public Service Pension Plan (PSPP)  
(includes administrative staff at University of Alberta and University of Calgary)
- University of British Columbia (Staff)\*
- McMaster University
- University of Ottawa
- Université de Montréal
- Université Laval
- Dalhousie University

\*operates as a target benefit plan with defined benefit provisions and a fixed university contribution.

### HYBRID PENSION PLANS

Hybrid pension plans in the university sector are unique to the sector. They are essentially plans that provide the greater of a money-purchase pension (through the plan's self-annuitization of money-purchase account balances) and a minimum guarantee defined benefit pension. There are two pension plans in the U15, identified below, that use the hybrid pension model. Queen's University also has this model for service prior to joining the UPP. There are a number of other non-U15 universities that use this model.

- University of Manitoba
- McGill University

### DEFINED CONTRIBUTION PENSION PLANS

- University of British Columbia (Faculty)
- University of Saskatchewan (Faculty and non-CUPE Staff)
- University of Western Ontario

### OTHER

- University of Saskatchewan (CUPE Staff)  
(participate in CAAT Pension Plan DBPlus option for future service)

## SUMMARY OF DEFINED BENEFIT PROVISIONS (FOR FUTURE SERVICE)

Provision	University of Waterloo	UPP	Alberta UAPP	Alberta PSPP	UBC (Staff)	University of Ottawa	McMaster University <sup>5</sup>	Dalhousie University
<b>Average Earnings (Years)<sup>1</sup></b>	5	4	5	5	3	5	4	5
<b>Average YMPE (Years)</b>	5	4	5	5	N/A	1 <sup>4</sup>	4	N/A
<b>Benefit Rate (Below YMPE/Above YMPE)</b>	1.4% / 2.0%	1.6% / 2.0%	1.4% / 2.0%	1.4% / 2.0%	1.8%	1.3% / 2.0%	1.4% / 2.0%	2.0%
<b>Bridge Benefit to Age 65</b>	none	none	0.6% YMPE	0.6% YMPE	none	none	none	none
<b>Subsidized Payment Form</b>								
With Spouse	LG10	50% J&S	66% J&S	LG5	LG10	60% J&S	50% J&S	LG7
Without Spouse	LG10	LG10	LG10	LG5	LG10	LG5	LG7	LG7
<b>Eligibility For Unreduced Early Retirement</b>	Age 62	Age 60 + 80 Points (Service)	Age 60 + 80 Points (Pensionable Service)	Age 55 + 85 Points (Service)	none	Age 60, or 90 Points (Pensionable Service)	80 to 90 points (Pensionable Service), depending on employee group	none
<b>Reductions on Reduced Early Retirement</b>	6% per year from age 62	5% per year from normal retirement date	3% per year from unreduced retirement date	3% per year from unreduced retirement date	Actuarially reduced from normal retirement date	Actuarially reduced from unreduced retirement date	6% per year from normal retirement date	3% to 5% per year from normal retirement date, depending on age
<b>Indexation After Pension Commencement</b>	75% of CPI (guaranteed)	75% of CPI (funded conditional)	60% of CPI (guaranteed)	60% of CPI (guaranteed)	Based on plan funded status	CPI ≤ 3%: 100% of CPI up to 2% CPI ≥ 3%: CPI-1% (guaranteed)	Excess investment return over 4.5%, up to 100% of CPI	Excess investment return over 5.05%, up to 100% of CPI
<b>Indexation in Deferral Period</b>	none	none	Same as above	Same as above	none	Same as above	Same as above	none
<b>Member Contribution Rates (Below YMPE/Above YMPE)</b>	7.8% / 11.2% <sup>2</sup>	9.2% / 11.5%	12.37% / 16.32% <sup>3</sup>	10.47% / 14.95% <sup>3</sup>	6.5%	7.15% / 10.95% <sup>4</sup>	8.0% / 11.0%	6.65% up to \$5,000, 8.15% above \$5,000

<sup>1</sup> Most provisions are best average not final average.

<sup>2</sup> Ultimate rate.

<sup>3</sup> Includes contributions toward unfunded liability.

<sup>4</sup> Breakpoint for benefit and contribution formula is 85% of 1999 YMPE increased by 55% of the increase in the YMPE since 2003 (\$40,028 in 2020).

<sup>5</sup> Management members hired on or after June 16, 2009 participate in a DC plan; Lower benefits for UNIFOR members hired on or after May 1, 2010.

Provision	Université Laval (Academic)	Université Laval (Office Staff)	Université Laval (Other Employees)	Université de Montréal
<b>Average Earnings (Years)</b>	3	Indexed career average <sup>1</sup>	3	5
<b>Average YMPE (Years)</b>	none	none	5	5
<b>Benefit Rate (Below YMPE/Above YMPE)</b>	1.85%	2.0%	2.52% FAE – 0.7% YMPE (1.82% / 2.52%)	2% FAE – RRQ (CPP) (1.3% / 2.0%)
<b>Bridge Benefit to Age 65</b>	none	none	0.7% YMPE	OAS benefit
<b>Subsidized Payment Form</b>				
With Spouse	LG5	LG10	LG5	LG10
Without Spouse	LG5	LG10	LG5	LG10
<b>Eligibility For Unreduced Early Retirement</b>	none	none	Age 60	Age 60
<b>Reductions on Reduced Early Retirement</b>	Actuarially reduced from normal retirement date	Table with reductions between 1.7% to 4.5% per year from normal retirement date	5% per year from unreduced retirement date	5% per year from unreduced retirement date
<b>Indexation After Pension Commencement</b>	100% of CPI up to 2% (funded conditional)	100% of CPI (funded conditional)	100% of CPI (funded conditional)	75% of CPI (funded conditional)
<b>Indexation in Deferral Period</b>	none	none	none	none
<b>Ultimate Member Contribution Rates (Below YMPE/Above YMPE)</b>	9.6% until 2031% / 9.35% thereafter	8.8%	10.0% / 11.5%	8.55% / 11.05%

<sup>1</sup> Accrued benefit is indexed at a 4.4% per year until the employee has reached the last pay scale and 2% per year thereafter.



## Cost of Living Adjustment (COLA)

*Applicable Changes Effective May 1, 2021*

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 2019 and 2020, 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>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
<b>2020</b>	136.8	137.4	136.6	135.7	136.1	137.2	137.2	137.0	136.0	137.5	137.7	137.4	136.958

### May 1, 2021 COLA Calculation

$$(2020 \text{ Avg. CPI} / 2019 \text{ Avg. CPI}) - 1 = (136.958 / 135.983) - 1 = .00717 \text{ or } 0.717\%$$

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 0.717%**  
**→ 75% COLA is 0.538%**

### 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	0.717%
Accrual after December 31, 2013	0.538%

**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	191
<b>Terminated after January 1, 2008 and before January 1, 2014</b>	Over 55 or > 20 years continuous service	100% COLA on full pension	46
	Under 55 and < 20 years continuous service	100% COLA on pre 2008 pension, no COLA on post 2007 pension	85
	No pre2008 CS and under 55 and < 20 years continuous service	No COLA on full deferred pension	32
<b>Terminated on or after January 1, 2014</b>	Over 55 or > 20 years of continuous service	100% COLA on pre 2014 pension, 75% COLA on post 2013	62
	No pre2014 CS and over 55 or > 20 years continuous service	75% COLA on full pension	8
	pre2008 CS and under 55 and < 20 years continuous service	100% COLA on pre 2008 pension, no COLA on post 2007 pension	32
	No pre2008 CS and under 55 and < 20 years continuous service	No COLA on full deferred pension	181
<b>Total as at December 31, 2020</b>			<b>637</b>

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

100% COLA on full deferred pension	237
100% COLA on pre 2008 deferred pension, no COLA on post 2007 deferred pension	117
100% COLA on pre 2013 deferred pension, 75% COLA on post 2014 deferred pension	62
75% COLA on full deferred pension	8
No COLA on full deferred pension	213

### ***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).

The value of the COLA adjustment to deferred pensions based on COLA of 0.717% is included in the going concern liability.

**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, 2020, there were 104 individuals in receipt of LTD benefit payments.

### ***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,
- 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.

The salary agreements have not yet been finalized for May 1, 2021; however, legislation limits suggest a maximum scale increase of 1%.

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

**Action Required: *Decision***

# The Quarter at a Glance

## Performance Summary for the Quarter Ending December 31, 2020

Performance Summary at December 31, 2020 (%)										
	Last Month	Last 3 Months	Year To Date	One Year	Two Years	Three Years	Four Years	Five Years	Since Inception	Inception Date
<b>Fixed Income</b>	<b>0.31%</b>	<b>0.57%</b>	<b>8.45%</b>	<b>8.45%</b>	<b>7.57%</b>	<b>5.47%</b>	<b>4.71%</b>	<b>4.06%</b>	<b>5.45%</b>	<b>07/31/00</b>
FTSE Canada Bond Universe Index- CAD	0.37%	0.63%	8.68%	8.68%	7.76%	5.60%	4.82%	4.18%	5.53%	
<b>Canadian Equities</b>	<b>1.73%</b>	<b>8.95%</b>	<b>5.68%</b>	<b>5.68%</b>	<b>13.96%</b>	<b>5.81%</b>	<b>6.62%</b>	<b>9.35%</b>	<b>5.40%</b>	<b>07/31/00</b>
S&P/TSX Composite Index CAD	1.72%	8.97%	5.60%	5.60%	13.89%	5.73%	6.56%	9.31%	5.27%	
<b>U.S. Equities</b>	<b>2.06%</b>	<b>6.87%</b>	<b>15.94%</b>	<b>15.94%</b>	<b>20.08%</b>	<b>14.42%</b>	<b>14.17%</b>	<b>12.83%</b>	<b>5.73%</b>	<b>07/31/00</b>
S&P 500 Net TR Index - C\$	2.05%	6.83%	15.69%	15.69%	19.79%	14.14%	13.89%	12.55%	5.49%	
<b>International Equities</b>	<b>2.86%</b>	<b>10.65%</b>	<b>5.97%</b>	<b>5.97%</b>	<b>10.80%</b>	<b>4.96%</b>	<b>7.80%</b>	<b>5.67%</b>	<b>3.31%</b>	<b>07/31/00</b>
MSCI EAFE Net TR - C\$	2.88%	10.68%	5.92%	5.92%	10.76%	4.86%	7.73%	5.60%	3.27%	
<b>Total Portfolio</b>	<b>1.29%</b>	<b>5.37%</b>	<b>9.23%</b>	<b>9.23%</b>	<b>12.68%</b>	<b>7.38%</b>	<b>7.40%</b>	<b>7.88%</b>	<b>5.69%</b>	<b>07/31/00</b>
45420 CUSTOM BENCHMARK	1.31%	5.40%	9.23%	9.23%	12.63%	7.30%	7.33%	7.84%	5.67%	

For segregated assets total return is calculated using daily time-weighted rates of return which are linked geometrically over the period. The total return includes realized and unrealized gains and losses plus income. Returns are calculated after trading expenses but before management fees. Assets are valued using trade date accounting and accrual accounting for dividends as well as fixed income securities and all other assets that accrue interest.

Fund returns are calculated as Ending Net Asset Value per unit (NAVpu) plus distribution per unit divided by beginning NAVpu. If the since inception period is less than one year, the since inception return represents the total return for the period.

# The Quarter at a Glance

## Portfolio Valuation as at December 31, 2020 - Summary

Description	Cost (\$)	% of Cost	Market Value	% of Portfolio
<b>Fixed Income</b>				
TD Emerald Canadian Bond Index Fund, Class B	16,334,367	45.16	17,528,991	38.21
<b>Sub Total</b>	<b>16,334,367</b>	<b>45.16</b>	<b>17,528,991</b>	<b>38.21</b>
<b>Canadian Equities</b>				
TD Emerald Canadian Equity Index Fund, Class B	14,950,003	41.33	18,920,381	41.25
<b>Sub Total</b>	<b>14,950,003</b>	<b>41.33</b>	<b>18,920,381</b>	<b>41.25</b>
<b>U.S. Equities</b>				
TD Emerald U.S. Market Index Fund, Class B	3,054,418	8.44	7,031,659	15.33
<b>Sub Total</b>	<b>3,054,418</b>	<b>8.44</b>	<b>7,031,659</b>	<b>15.33</b>
<b>International Equities</b>				
TD Emerald International Equity Index Fund, Class B	1,831,717	5.06	2,390,637	5.21
<b>Sub Total</b>	<b>1,831,717</b>	<b>5.06</b>	<b>2,390,637</b>	<b>5.21</b>
<b>Total</b>	<b>36,170,505</b>	<b>100.00</b>	<b>45,871,668</b>	<b>100.00</b>
			<b>Total Market Value of Portfolio</b>	<b>\$45,871,668</b>

### Assets Under Management at December 31, 2020 (\$000)

#### Change In Value

<b>Value at Start of Quarter</b>	<b>\$43,983</b>
Deposits	0
Withdrawals	460
Investment Income	793
Capital appreciation/depreciation (-)	1,555
Net change in portfolio market value	1,889
<b>Value at End of Quarter</b>	<b>\$45,872</b>

**UNIVERSITY OF WATERLOO**  
**BOARD OF GOVERNORS**  
**PENSION & BENEFITS COMMITTEE**  
**2020 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 2020, and this activity including: investigation of potential plan structures and redesign options; consultation with employee group leadership to gauge appetite for potential designs, along with findings from the employee survey; costings of plan options to bring net zero financial impact. The working group prepared a recommendation to the committee, which was brought forward to the December meeting and provisionally approved for recommendation to the Board of Governors subject to holding information sessions to seeking community feedback in January 2021.
2. **Employee and Family Assistance Program.** The committee received an update 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 2020 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 Canada Life (formerly Great-West Life).
4. **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 the two-year rate guarantee that was negotiated for the 1 May 2019 renewal, there was no change to the long-term disability premium paid by employees.
  - 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 2020 Actuarial Valuation and Filing.** 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 2020 valuation was prepared largely using the same assumptions as the 1 January 2018, with identical an discount rate (5.60%) and a change to the provision for adverse deviation ("PfAD") from 6.95% of non-indexed liabilities and current service cost, to 9.00%; this reflects a regulatory change in the PfAD calculation. The registered pension plan (the "Registered Plan") is in an overall deficit position – the financial position (assets less actuarial liabilities) starts with a \$69.8 million surplus and combines with the \$145.8 million PfAD to bring a calculated going concern deficit of \$76.0 million. The University continues to make additional contributions to the plan. This valuation was filed with the regulator, and 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 2020](#).

6. **Pension Plan Amendment – Funding/Design.** At the February 2020 meeting of the Board of Governors, the committee’s recommendation to amend the pension plan was approved. This amendment brought about an increase in member contribution rates as follows, phased in over a three-year period, to restore sharing of current service cost back to 50/50 once changes are fully phased-in:

Portion of Salary	Current contribution rate	Contribution Rate effective:		
		May 1, 2020	May 1, 2021	May 1, 2022
Less than 1x YMPE (Less than \$58,700 in 2020)	6.25%	6.95%	7.40%	7.80%
Between 1x and 2x YMPE (Between \$58,700 and \$117,400 in 2020)	8.95%	9.95%	10.60%	11.20%
Above 2x YMPE (Above \$117,400 in 2020)	9.95%	9.95%	10.60%	11.20%

YMPE = year's maximum pensionable earnings under the Canada Pension Plan

The approved recommendation also included an increase to the pension cap from \$3200 to \$3400, as well as automatically increasing the cap each calendar year by one-third of the percentage increase in the Average Industrial Wage, with both changes effective 1 January 2021. This change is in line with the long-term funding objective for the University of Waterloo Pension Plan for both members and the University to share the cost of benefits being earned on a 50/50 basis (if there is a funding shortfall on past benefits earned, the University is responsible for making the special payments required to fund that shortfall).

The changes bring member contribution rates to 8.9% of salaries once fully phased-in. The University notional share of current service cost would decrease from 9.6% of salaries currently to 8.9% of salaries. This restores the 50/50 sharing of current service cost upon phase-in. Since the University’s overall contributions will be maintained at current levels through the phase-in period, the notional 0.7% of salaries decrease in University contributions will be reallocated entirely toward the University’s special payments in the UW Pension Plan. - those payments will be effectively increased to 3.5% of salaries from 2.8% currently.

7. **Pension Plan Amendment – Transfer-In Provision.** At the October 2020 meeting of the Board of Governors the committee recommendation was approved to clarify the plan language around the allowed transfer-in provisions. The new language ensures that only individuals who have joined the UW Plan can transfer credited service, while also clarifying that the individual must have been actively participating in the previous Canadian pension plan just prior to the proposed transfer into the Waterloo plan. While pension legislation may be more permissive, the revised wording is consistent with the intent of the plan and existing practices as well as with the practices of other university defined benefits plans.
8. **Funding Request for Asset-Liability Study.** The Committee approved a \$70,000 expense (plus any out-of-pocket expenses) to the Registered Pension Plan to engage Aon Hewitt Inc. to conduct an asset-liability study. The most recent study was completed in 2017, and since that time capital markets have changed significantly, the Pension Investment Committee (PIC) has been constituted and has held two meetings, and as part of its work plan the PIC has requested that the 2017 asset-liability study be updated to inform future investment decisions. An asset-liability study identifies risks faced by the Plan and opportunities to improve the risk-reward of the investment asset mix; the goal of the investment strategy in 2017 was to minimize risk while maintaining sufficient returns to provide the promised benefits at a reasonable cost. The results of this study will be shared with the Committee.

- 9. United Nations Principles for Responsible Investing (UN PRI) Membership Fees.** On February 27, 2020, the University of Waterloo submitted its application to the UN PRI. A subsequent declaration was signed on March 31, 2020 and submitted to establish the Pension Plan as a separate applicant. On May 6, 2020, the application for the Pension Plan was provisionally approved, pending payment of the first year's member fees. The first year's membership fees (£2,507.50; \$4,536 CAD), which are charged based the value of an organization's investment assets, were pro-rated to represent the 10-month period of June 2020 through March 2021 and were paid by the University of Waterloo. Subsequent invoices will be issued to reflect future year's membership fees covering the 12 months between April and March (approx. £3,000). The committee approved payment of the membership fees.
- 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: YMPE 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), which will have an impact on pensions generally, increasing the ITA maximum pension and also impacting CPP premiums; changes in commuted value standards effective December 1, 2020, which will require updating the administration tools and option forms to ensure compliance as well as updating certain calculations in the January 1, 2021 actuarial valuation to reflect the changes, with liabilities expected to be modestly lower.
- 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

XX February 2020



**University of Waterloo**  
**PENSION & BENEFITS COMMITTEE**  
**Report to the Board of Governors**  
**2 February 2021**  
**[recommendation approved by BOG]**

...

The Pension & Benefits Committee further recommends the following:

- That the committee investigate the expansion of plan eligibility to provide access on a premium-paying basis for those currently ineligible. Examples include for temporary employees and for retirees who do not meet the 10 years of service eligibility requirement with potential to determine contributions on a pro-rata basis.
- That the committee undertake a review of the University's existing insurance partners, with potential to market certain benefits plans to secure the best available pricing
- That the committee investigate opportunities/partnerships to add dental coverage for retirees, outside of the current University benefits plan
- That the committee maintain a working group to review ongoing change suggestions to the benefits plan

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The "further recommends" items reflect the committee's observation that certain identified gaps could not be addressed neatly within this process and will require time and attention following the potential approval of these extended health benefit plan amendments. Further, the committee regrets that no recommendation could be made to introduce coverage for vision care into the plan nor to add dental coverage for retirees, as well as adding increased chiropractic coverage. All of these remain significant priorities to the community, but which carry significant costs.