

**UNIVERSITY OF WATERLOO**  
**BOARD OF GOVERNORS**  
**PENSION & BENEFITS COMMITTEE**  
**2021 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 Secretariat 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 (Board) 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 (Plans). The committee consists of representatives from the University's employee groups, administration, the Board, 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. Changes and improvements to the Plans are developed by the committee with support from staff and external consultants and recommended to the Board for approval.

**B. Benefits**

**1. Holistic Benefits Working Group Recommendations.**

In February 2021, the Board approved changes to the extended health care plan on the recommendation of the Pension & Benefits Committee, which was informed by the work of the Holistic Benefits Working Group (HBWG) struck in 2018. Benefit plan changes came into effect on 1 May 2021 and included:

- Medical plan improvements including the removal of the requirement for doctors' notes for some paramedical services, the increase to the annual maximum for psychologist and emergency out-of-country coverage, expansion of practitioners within some paramedical categories, the addition of coverage for Continuous Glucose Monitors and in vitro fertilization; and
- Implementation of new prescription drug management programs: mandatory generic substitution requirement; Canada Life's Health Case Management and SMART program.

The Board also endorsed the recommendations to review the administrative service and insurance provider for quality of service and competitiveness of pricing. In June 2021, the University released a request for proposal for a provider to insure/adjudicate its long-term disability, health and dental programs. Following completion of due diligence, the committee approved engaging Sun Life Financial to ensure the long-term disability program effective 1 May 2022; and Green Shield Canada to administer the health and dental plans effective 1 January 2023.

**2. 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. The two-year rate guarantee for long-term disability premium (employee paid) ended this year, and, even with a negotiated reduction to the originally proposed premium (97% increase), there was a 50% increase. The premiums are expected to be reduced with the new provider, Sun Life Financial;
- Received reports on the benefits plan utilization rates and associated costs; and
- Provided oversight to a number of other items that occur automatically according to plan provisions e.g. indexation of long-term disability plan benefits and maxima.

**C. Pension Plans**

- 3. 1 January 2021 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 2020. The 1 January 2021 valuation was prepared largely using the same assumptions as the 1 January 2020 valuation, except for a change to the discount rate from 5.60% to 5.30%, phased in changes to member contributions, and an amendment to the Standards of Practice by the Canadian Institute of Actuaries which has impacted the way that commuted values are determined.

As at 1 January 2021, the going concern deficit for the registered pension plan (Registered Plan) was \$89.3 million. The University continues to make additional contributions to the Registered 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: [1 January 2021 Actuarial Valuation Report](#).

- 4. Pension Investment.** The committee receives quarterly reports from the Pension Investment Committee (PIC) on pension fund investments, meetings with investment managers and other activities of PIC. In 2021, following diligence by PIC, the committee made recommendations to the Board re: exiting a Canadian investment manager for underperformance, and appointing two new global equity managers based on both their long-term performance and their approach to environmental, social and governance factor integration in investment decisions. The Board approved these investment decisions in June 2021.

Following research, consultation and consideration of an asset-liability study conducted by Aon Hewitt, a working group of PIC revised the Statement of Investment Policies and Procedures (SIPP) for the Registered Plan and created a new Fund Implementation Procedures (FIP) document to accompany and guide implementation of the SIPP. The committee received and provided feedback on these documents before recommending their adoption by the Board. At the same time, the committee considered and recommended further diligence on a standalone Responsible Investment Policy (RIP) which will govern the Registered Plan and the endowment fund. A recommendation on the RIP is expected in early 2022.

- 5. Renewal of the Pension Administration System.** The committee approved the renewal of the license agreement for Ariel software and services which supports the administration of the defined benefit pension plan. The committee also asked Human Resources to investigate functionality to provide commuted value estimates for those members who need them for United States tax filings and other purposes. It is anticipated that a competitive bidding process will be required in late 2024/early 2025 in order to confirm the supporting system in late 2026
- 6. 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.
- 7. 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 fully 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 fully indexed. The committee monitors these numbers annually in order to make decisions about how and when to increase the cap; and
  - Provided oversight to a number of other items that occur automatically according to plan provisions, e.g. annual indexation of pensions.

We would appreciate your feedback on this report. If you have any suggestions, for example, on content, timing or format, please send them to the [committee secretary](#).