

UPP PENSION EXPLORATION

UNIVERSITY OF
WATERLOO



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AGENDA

- Pension fundamentals
- Overview of the University of Waterloo pension plan
- Rationale for exploration
- University Pension Plan (UPP) overview
- UPP governance and plan comparison
- Decision-making and the consent process
- Q&A

SPEAKERS

- **Diana Skrzydlo, ASA**
Professor, Teaching Stream, Department of Statistics and Actuarial Science
- **Jacinda Reitsma**
Vice-President, Administration and Finance
- **David Hughes, FIA, FCIA,**
Associate Partner, Aon
- **Nick Manning**
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WHAT IS A PENSION?

- A pension provides a monthly income for life, after you retire.
- Contributions are made during working years by employees and employers.
- Designed to provide financial stability and predictability.



WHAT IS A DEFINED BENEFIT PLAN?

- A defined benefit pension plan provides a predetermined monthly retirement income paid for life
- Payments are calculated using a specific, known formula based on an individual's earnings and service.
- University of Waterloo and UPP are both defined benefit plans.



SEPP VERSUS JSPP PLANS

Single Employer Pension Plan (SEPP)

- One employer participates and contributes to the pension plan.
- Employer is the plan sponsor and is responsible for governance, funding, and administration.
- The University of Waterloo pension plan is a SEPP.

Jointly Sponsored Pension Plan (JSPP)

- Multiple employers often participate.
- Jointly sponsored by employers and plan members who share responsibility of governance, funding, and decision-making.
- UPP is a JSPP. Other examples include Ontario Teachers' Pension Plan, OSPEU Pension Plan, and OMERS (municipal employees).

BENEFITS AND RISKS

| | SEPP | JSPP |
|-----------------|--|---|
| Governance | Employer manages the plan, with oversight by committees/groups | Joint oversight by employers and employees who have equal representation in decision-making |
| Risk allocation | Primarily employer-backed, so employees are shielded from volatility | Shared between employers and participating members |
| Sustainability | Financial risk rests with a single employer | Financial risk is distributed between multiple employers and larger membership base |
| Scale | Smaller plan that may have more limited access to certain investments | Larger plan that can access a wider range of investments, diversify more broadly, and spread costs across more assets |
| Plan protection | If plan were wound up, Pension Benefits Guarantee Fund (paid by employer) covers unfunded portion up to \$3,000 per month. | Plan would not wind up if one employer became insolvent and accrued benefits continue to be paid. Can't be wound up unilaterally by employers; both employees and employers must agree. |

CURRENT WATERLOO REGISTERED PENSION PLAN (RPP)

- Defined benefit (DB) pension plan
 - Members contribute a percentage of pensionable earnings through payroll deductions.
 - A formula calculates the benefit based on pensionable earnings and credited service.
- As the plan sponsor, Waterloo is responsible for:
 - Funding the Waterloo RPP to deliver the benefits payable (contributions and investments).
 - Plan administration – enrolments, communications, entitlements, payments, etc.
 - Plan valuations, audits, and other regulatory requirements.
 - Ensuring governance and oversight of the plan by Board of Governors, Board-level committees (volunteers, employees, and retirees manage investments and other decisions).
 - Engages third party experts for specific support (e.g. actuary, custodian, trustee, investment consultant and investment managers)

RATIONALE FOR EXPLORING A CONVERSION

- Opportunity to consider a different defined pension plan to manage the growing scale, complexity, and risk of the current Waterloo RPP.
- An exploration is good due diligence, at a time when the plan is in a strong financial position.
- Alternative options may better serve plan members over the long term
- Converting offers operational and governance efficiencies so the University can focus its resources and governance activities on its core functions.

WHY IS UPP BEING CONSIDERED?

The University has been engaged in a process to review alternative options, and identified UPP as the best option to consider:

- UPP is structurally and legally created for Ontario's university sector.
- UPP has dedicated infrastructure, expertise, and technology to manage pensions over the long term.
- UPP offers advantages that come with scale, including the ability to spread risk across a broader membership and to invest across a wider range of asset classes and investment opportunities.

WHO MAKES THE DECISION TO CONVERT?

- Conversion to UPP is not Waterloo's decision; conversion requires plan member support.
- We are currently in an exploratory phase to:
 - Compare the two plans to identify differences.
 - Determine if there are requirements or opportunities to address differences.
 - Support members' understanding of the opportunity and conversion impact.
- Aon has been engaged to support this exploration.
 - Independent third-party that is Waterloo's current RPP actuary.
 - Experience supporting other universities and their members with conversion to UPP.

WHAT IS UPP?

UPP is a jointly sponsored defined benefit plan for Ontario universities.

Key metrics:



46,000+ members



\$13.5 billion in pension assets with a funding surplus



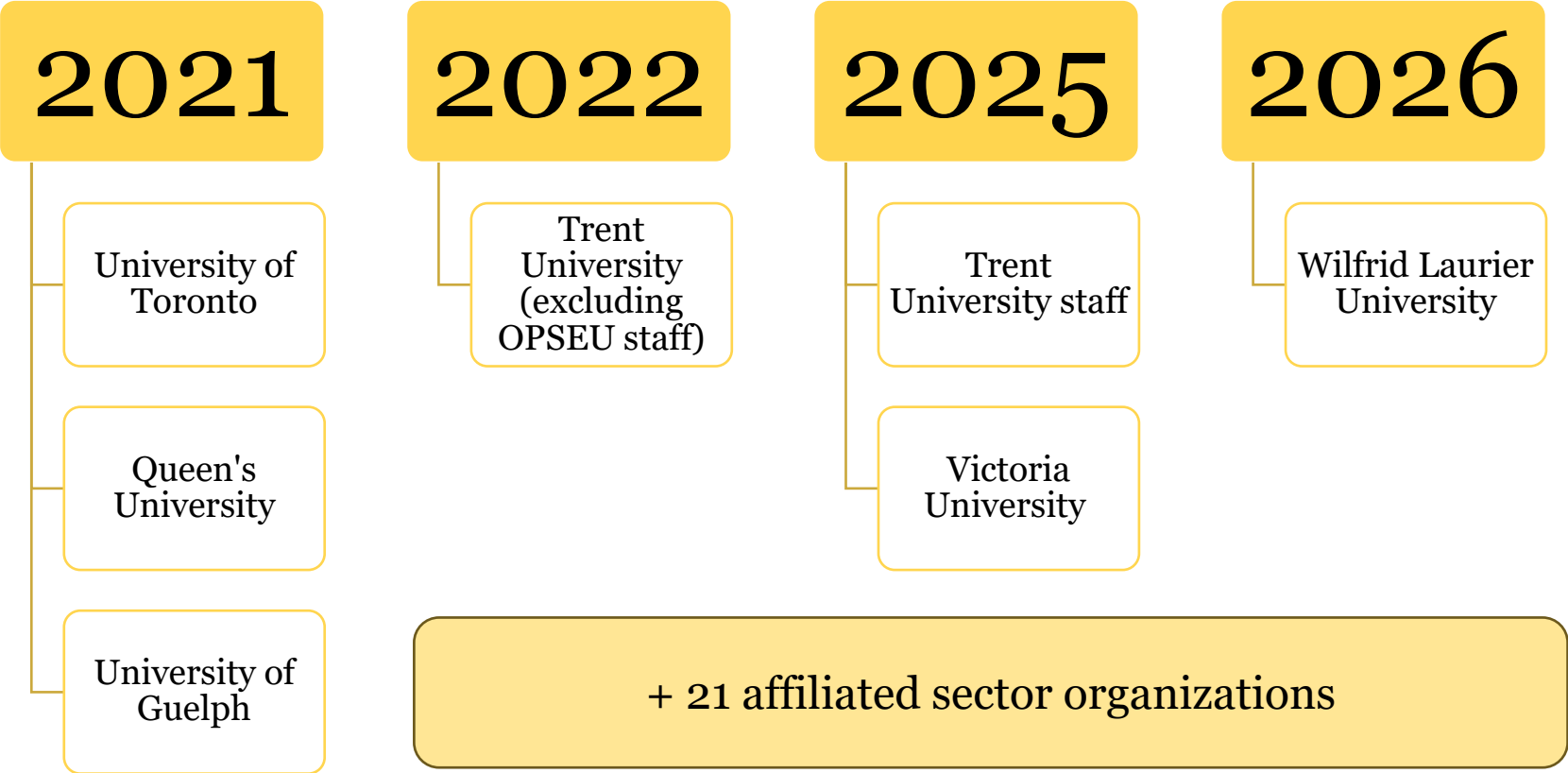
6 participating universities



21 participating sector organizations

* as of June 2026

UNIVERSITIES PARTICIPATING IN UPP



UPP GOVERNANCE

UPP Joint Sponsors

- UPP is governed on a consensus basis by Joint Sponsors, made up of a six-member Employer Sponsor Committee and a six-member Employee Sponsor Committee.
- Together, the Joint Sponsors make key decisions about the Plan, including contribution rates and how benefits are calculated, the plan's funding policy, changes to the plan text or design, and more.

UPP Board of Trustees

- Made up of 14 members, including an Independent Chair appointed by Joint Sponsors.
- Members include 6 board members appointed by universities, 6 appointed by faculty associations and unions, 1 appointed by non-union employees.
- Responsibilities include oversight of actuarial valuation, investment of assets, member services, and benefit payments.

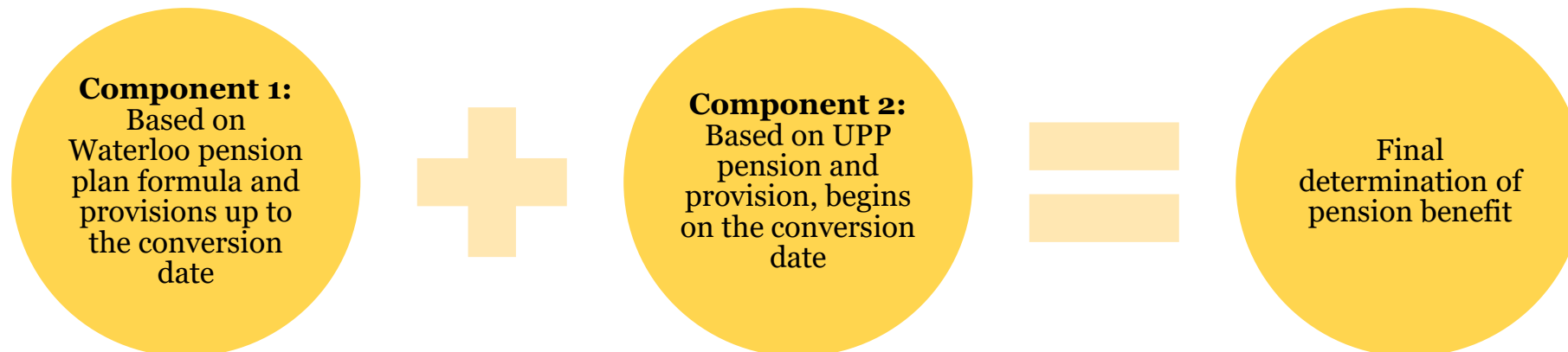
BENEFIT STRUCTURE

All current eligible employees would join and begin contributing to UPP as of the conversion date for future benefits.

Pension benefits earned under the prior University plan would be transferred and administered by UPP.

Retirees would see no change to existing benefits. They would continue to receive their pension and an annual indexation, administered by UPP.

When an employee retires from UPP and has entitlements under the prior University pension plan, benefits are composed of two parts:



PLAN COMPARISON

| Feature | UWaterloo RPP | UPP | What this means for you |
|--|--|--|---|
| <p>Formula and earnings calculation</p> | <p>1.4% of earnings up to the year's maximum pensionable earnings (YMPE) plus 2% of excess.</p> <p>Based on highest average 60 months (consecutive).</p> | <p>1.6% of earnings up to the year's additional maximum pensionable earnings (YAMPE) plus 2% of earnings in excess.</p> <p>Based on highest average 48 months of earnings (non-consecutive).</p> | <p>Given formula and earning calculation, UPP will provide a higher or equal benefit to all active members. Retirees and former members not yet retired will be unaffected.</p> |
| <p>Contribution</p> | <p>7.80% of earnings up to YMPE, plus 11.20% of earnings above YMPE.</p> <p>Average of approximately 9% of earnings</p> | <p>9.20% of earnings up to YAMPE, plus 11.50% of earnings above YAMPE.</p> <p>Average of approximately 10% of earnings.</p> | <p>You would contribute more to the UPP plan.</p> |

PLAN COMPARISON

| Feature | UWaterloo RPP | UPP | What this means for you |
|----------------------|---|--|--|
| Participation | Voluntary until age 35, after which it becomes mandatory for all regular full-time and part-time employees. | Mandatory for all continuous full-time employees. Optional for part-time employees if specific criteria are met. | All full-time, continuous employees will be required to participate in UPP on the conversion date. |

PLAN COMPARISON

| Feature | UWaterloo RPP | UPP | What this means for you |
|--|---|---|--|
| Retirement age and early retirement | Normal retirement age is 65, you can begin to take an unreduced pension at age 62. | Normal retirement age is 65 but you can begin to take an unreduced pension at 60, provided your age plus total years of service equals at least 80. | Impact will be member specific. If member age is 60 + years of service equals 80, then early retirement pension would be higher under UPP formula. In other situations, University of Waterloo retirement provisions may provide a higher net benefit. |
| Post-retirement indexation | Guaranteed each year. Adjustment is 75% of the increase in Consumer Price Index (CPI), up to a maximum 3.75% annual increase. | Increases are conditional and not guaranteed. Target adjustment is 75% of the increase to CPI, with no max limit. Any increases determined by UPP's Joint Sponsors. | After retirement, Waterloo provides guaranteed increases; UPP increases are conditional and may vary year-to-year. |

THE CONSENT PROCESS

Phase 1: Exploration (12-18 months)

The opportunity to:
Review information about what joining UPP would mean for your pension, and what the process involves.

Compare plans and review any additional information plan members require.

Attend information sessions to obtain information and ask questions.

Phase 2: Member approval (90 days)

If University and employee representatives agree to move forward in the process of joining UPP, a formal decision-making process begins.

Approval to join UPP involves a 90-day consent process where members receive a formal notice and vote.

Phase 3: Converting (12-18 months)

If the required level of consent is achieved, pension assets, investments, and member data prepared to be transferred to UPP.

Required regulatory, legal and actuarial steps are completed.

Phase 4: You are a UPP member

Your pension is fully administered by UPP, and you have access to UPP's services and support.

HOW IS CONSENT REACHED?

| Member type | How you consent | Approval requirements |
|------------------------------------|--|-----------------------------|
| Non-unionized plan members | You submit an individual consent form. | At least 2/3 must consent |
| Unionized plan members | Approval is provided by your representatives on your behalf. | |
| Retirees, former and other members | No action required unless you wish to submit an objection. | No more than 1/3 can object |

The consent process must be conducted in compliance with Ontario's Pension Benefits Act. Legally, all applicable approval thresholds must be met for consent to be reached.

Q&A

NEXT STEPS

- Review the Waterloo UPP website for more information and updates.
www.uwaterloo.ca/university-pension-plan
- Register for additional information session to obtain more detailed info.
- Submit your questions and feedback via the website to inform future work.

SCAN TO SUBMIT A QUESTION



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YOU+WATERLOO

Our greatest impact happens together.