MINISTER'S MEETING NOTE
Confidential Advice to the Minister

PURPOSE:	**Meeting with OPSEU Pension Trust (OPTrust)**
DATE:	Thursday, October 26, 2017
TIME:	4:00 – 5:00PM
LOCATION:	Minister's Office
POLICY LEAD:	Marianne Nguyen
ATTENDEES:	**Mr. Hugh O'Reilly, President and CEO** **Mr. Tim Shortill, SVP of Strategy, Communications and Public Affairs** **Mr. Darcy McNeill, AVP of Strategy, Communications and Public Affairs**

OPPORTUNITY:
To receive an update from OPTrust on some of their expansion plans, as well as the results of some surveying they have conducted on attitudes towards retirement savings.

BACKGROUND:

- OPTrust administers the OPSEU Pension Plan (OPSEUPP) and is responsible for investing the Plan's assets.
- It is governed by a 10-member Board of Trustees, five of whom are appointed by OPSEU and five by the Government of Ontario.
- OPSEUPP is a jointly sponsored pension plan (JSPP) that is co-sponsored by the government and OPSEU. The plan currently has 90,000 members and retirees, and $19 billion in assets.

KEY ISSUES:

<u>Declining Membership</u>

- OPTrust is responsible for ensuring that the OPSEUPP remains healthy.
- As a result of factors such as Plan maturity and government divestments and restructuring, the OPSEUPP has experienced a decline in active membership, from approximately 64,000 in 1992 to 44,000 in 2016.
    - This decline poses challenges as funding of the plan is equally shared with active members. While active members in the plan have declined, retirees have increased from 23,000 in 2007 to 36,000 in 2016.

- In response, OPTrust has been actively considering new lines of business, such as merging with smaller plans, providing investment management and administrative services to other plans, managing the assets of the PBGF and administering the pension benefits of beneficiaries of wound up plans.

Pension Attitudes Survey

- OPTrust has conducted a survey of the views of Ontarians towards their own pensions and towards public sector pensions.

- OPTrust intends to present to the Minister the survey's results. The presentation does not provide any detailed recommendations specifically for OPTrust. In general, they can be expected to speak to expanding the role of public sector pension plans as a means of addressing the pension concerns of Ontarians.

Proposal to Manage the Pension Benefits Guaranteed Fund (PBGF)

- OPTrust has submitted a proposal to reform the role of the Pension Benefits and Guarantee Fund (PBGF) following a plan wind-up. Representatives of OPTrust met with David Marshall, FSCO and MOF on October 19, 2017 to discuss the details of the proposal.

- OPTrust proposed that rather than purchasing annuities from an insurance company, as is done currently, OPTrust would manage all assets and liabilities for deferred members, retired members and beneficiaries after a plan has been wound up and a claim has been made on the PBGF.

- The government indicated in the May announcement of solvency funding reform that it would review the current approach to the windup of pension plans and consider alternative proposals. These could include the proposal from OPTrust. The work related to implementing the new solvency funding framework, including changes to the PBGF eligibility criteria, the new guarantee level and the new assessment formula, is a higher priority at this time.

KEY MESSAGES:

- Thank you for sharing with me the results of your survey and its findings.

- As our actions have shown, the government appreciates the role that large pension organizations play in supporting retirement incomes.

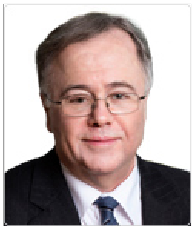
- I appreciate hearing about your proposal with respect to PBGF claims. We are currently focused on implementing the new frameworks for solvency funding, including PBGF changes, as well as TB MEPPs.

Office of the
Minister of Finance
Frost Building South, 7th Fl
7 Queen's Park Crescent
Toronto, Ontario
M7A 1Y7

Cabinet du
Ministère des Finances
Édifice Frost Sud, 7e étage
7 Queen's Park Crescent
Toronto, Ontario
M7A 1Y7

Ontario

BIOGRAPHY OF MEETING PARTICIPANTS:



Hugh O'Reilly, President and CEO, OPTrust

- Has served since January 2015. Since his arrival, he has led an organization-wide transformation of OPTrust and changed its focus to maintaining the Plan's fully funded status.

- A highly-regarded and sought-after speaker at national and international conferences and events, including the University of Calgary, Harvard Law School, The International Centre for Pension Management and Oxford University, Hugh is a member of the TMX Advancing Innovation Roundtable, the editorial advisory board of Benefits and Pensions Monitor and is a member of the Board of Directors of the Canadian Coalition for Good Governance (CCGG).

- In 2016, he was the recipient of the Industry Leadership Award from Benefits Canada Workplace Benefits Awards and was also named to the Wealth Professional Magazine 2016 Hot List.

- Hugh has extensive expertise in the governance and operations of jointly sponsored pension plans. Included among his competencies are a comprehensive knowledge of pension plan best practices, investment strategies and asset classes.

- Prior to joining OPTrust, Hugh led the Pension Benefits and Insolvency Practice at Cavalluzzo Shilton McIntyre Cornish LLP and is recognized as one of Canada's foremost pension legal experts.

- He has also served as Senior Policy Advisor and Chief of Staff to a Government of Ontario cabinet minister, was Senior Corporate Counsel at Canada Trust and practiced law as an associate at Osler, Hoskin & Harcourt LLP, and a partner at Torys LLP.

Tim Shortill, SVP Strategy, Communications & Public Affairs, OPTrust

- Mr. Shortill is responsible for the oversight, impact analysis and strategic initiatives responding to changes in the regulatory environment affecting OPTrust. Mr. Shortill also leads OPTrust's communications, advocacy, stakeholder relations and organizational reputation functions.

- Before joining OPTrust in 2014, he held the role of Chief of Staff to the Minister of Finance and helped craft and implement four provincial budgets. Prior to that role, he served as Chief of Staff to the Minister of Transportation.

- Mr. Shortill holds a BA in Political Science from Western University and a MBA from the Rotman School of Management at the University of Toronto.

Office of the
Minister of Finance
Frost Building South, 7th Fl
7 Queen's Park Crescent
Toronto, Ontario
M7A 1Y7

Cabinet du
Ministère des Finances
Édifice Frost Sud, 7e étage
7 Queen's Park Crescent
Toronto, Ontario
M7A 1Y7

Ontario

APPENDIX A: ADDITIONAL BACKGROUND INFORMATION

OPSEU Pension Plan Benefits Compared with Other Public Sector Plans

Pension benefits provided by the OPSEUPP are comparable to the benefits of other major Ontario public sector pension plans, such as the Ontario Teachers' Pension Plan (OTPP), the Public Service Pension Plan (PSPP), and the Hospitals of Ontario Pension Plan (HOOPP), as the following table shows:

Pension Plan	Employee Contribution Rate*	Unreduced Early Retirement**	Rate on Income Below YMPE	Indexation
OPSEUPP	11.0%	90 Factor, or age 60 with 20 yrs service	1.35%	100% of CPI
TPP	13.1 (12.0% as of 2018)	85 Factor, or 35 yrs service	1.55%	Prior to 2009:100% Post 2009: 50% of CPI guaranteed, 100% provided
PSPP	9.5%	90 Factor, or age 60 with 20 yrs service	1.3%	100% of CPI
HOOPP	9.2%	Age 60 + 2 years, or age 55 with 30 yrs service	1.75% before 2018, 1.5% after 2017	Guaranteed at 75% of CPI for service prior to 2006: 100% conditional after 2005

Notes:
* For earnings in excess of the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan.
** Factor is the total of a member's age plus service

Plan Financials

In 2016, OPTrust realized a 6% investment return, which compares to a return of 4.2% for the Ontario Teachers' Pension Plan (OTPP) and 10.35% for the Hospitals of Ontario Pension Plan (HOOPP).

The Plan's funded status (i.e., assets/liabilities) was 101% on a going concern basis. As a jointly sponsored pension plan, the funding of OPSEUPP (ongoing and deficits) is equally shared with its active members.