

OPTrust Select – Board Position Alternative

In addition to the features of the Sponsorship Agreement, Participation Agreement, Union Certificate and disclosure to Plan members described in the summary of Features Supporting Current Governance Structure and JSPP Status (“**Features Summary**”), the following alternative could be proposed for consideration by the Sponsors:

1. **In Addition to the Other Governance Features, Board Positions Could Be Provided to OPTrust Select Employers and Members Once OPTrust Select Reaches a Certain Size:** Upon participation in OPTrust Select reaching a certain level, the right for OPTrust Select employers and members to appoint observers (“**Observer Trustees**”) to the Board of Trustees of the Plan would be triggered. One Observer Trustee is proposed for OPTrust Select employers and one for OPTrust Select members.
2. **Observer Rights Would Allow Input into Plan Governance:** Observer rights would provide
 - insight into the Trustee deliberation process for Observer Trustees nominated, or appointed by, OPTrust Select employers and members,
 - the opportunity for Observer Trustees to ask questions related to OPTrust Select, raise issues and contribute to the deliberations at the Board of Trustees,
 - information to the Board of Trustees about the perspective/concerns of OPTrust Select employers and members, and
 - to the extent the Board of Trustees recommends amendments to OPTrust Select (which would typically originate with the Board of Trustees), the opportunity for Observer Trustees to be part of the discussions regarding amendments proposed to the Sponsors.
3. **Observer Rights Would Not Carry Votes:** Observer Trustees would not have votes at meetings of the Board of Trustees. Given that Trustees are obligated to act in the best interests of all Plan members, observer rights should be sufficient to ensure that the input of OPTrust Select employers/members is considered by the Trustees.
4. **Observer Rights Work Within Limitations Set by Plan Documents:**
 - We are proposing observer rights rather than Trustee appointment rights because the terms of the Sponsorship Agreement and Trust Agreement limit the Sponsors’ ability to amend the Plan to provide for a different governance structure.
 - Specifically, the Trust Agreement cannot be amended to provide for administration of the Plan other than by an equal number of Trustees appointed by Ontario and Trustees appointed by OPSEU with each Trustee having equal voting privileges.
 - Having OPTrust Select employer and member nominated Trustees appointed by Ontario and OPSEU would in fact shift the power balance such that Ontario and OPSEU equal governance rights could be undermined. Because of limitations on

amendment under the current Sponsorship Agreement and the requirement that each Trustee have equal voting privileges, it is not possible to provide that that Trustees nominated by OPTrust Select employers/members have lesser voting rights or restrictions on their voting rights in the event that their vote would be a tie breaker or would create a tie, which has been an approach adopted elsewhere. However, the result is effectively the same.

5. **The Appropriate Trigger Point for Observer Rights is Where OPTrust Select Liabilities Reach 5% of Plan Liabilities as a Whole or the number of active members is 20% of the active members in the Plan:** Rights of this nature would be triggered only once the size of OPTrust Select reaches 5% of total Plan liabilities or the number of Select active members reaches 20% of the total active members in the Plan. Under this threshold, OPTrust Select members/employers will not form a sufficiently large constituency to warrant additional governance rights, particularly given the existing governance features described in the Features Summary.
6. **Method of Implementation Will Be Determined by Sponsors:** The Sponsors would develop the manner in which OPTrust Select employers and members would exercise observer appointment rights in advance of the trigger point for observer rights being reached.