

RE: OPTrust Select - Opinion re Governance Issues FINAL.PDF

From: "Nguyen, Marianne (MOF)" <"o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=nguyen, marianne (mof)2ec">
To: "Ghiassi, Ali (MOF)" <ali.ghiassi@ontario.ca>
Date: Tue, 20 Mar 2018 19:16:36 -0400
Attachments: Select Representation.docx (13.98 kB)

Hi Ali,

Below are my comments, in consultation with MOF pensions officials.

As discussed, I've also attached their proposed recommendation in addressing the governance issue. MOF officials have developed this recommendation to address MOF Legal's concerns, which are outlined on slide 9 of the deck presented to us last Friday.

In essence, I don't think Tim will have issue with an Advisory Board as they're already planning to establish one. However, I think he will take issue with a future trigger (based on either the size of Plan Select active members or liabilities) because it would still at some point in the future require a change to governance.

Finally, the draft recommendation has not been shared with TBS at the officials level. Our Pensions ADM has advised her counterparts that we need to have internal conversations before we bring them into the loop.

Marianne

From: Ghiassi, Ali (MOF)
Sent: Tuesday, March 20, 2018 12:37 PM
To: Nguyen, Marianne (MOF)
Subject: FW: OPTrust Select - Opinion re Governance Issues FINAL.PDF

I need to understand why we can't do and give direction on what Tim is proposing?

Ali Ghiassi
Chief of Staff
Minister of Finance
416.948.5409

From: Tim Shortill TShortill@optrust.com
Date: Tuesday, Mar 20, 2018, 12:25 PM
To: Ghiassi, Ali (MOF) <Ali.Ghiassi@ontario.ca>
Cc: Baker, Michelle (OPO) <Michelle.Baker@ontario.ca>, Pichelli, Jason (TBS) <Jason.Pichelli@ontario.ca>, Nguyen, Marianne (MOF) <Marianne.Nguyen@ontario.ca>
Subject: Re: OPTrust Select - Opinion re Governance Issues FINAL.PDF

Hi folks- thanks for the call yesterday. Just looping back after the meeting my colleague Dani had (Marianne pretty sure you were there) with officials.

Firstly, they let Dani know that they were tracking to an April 24th TB meeting. That is a month later than what was committed to me, so I imagine that was a mistake on their part. Wanted you to be aware so it could be clarified.

Secondly, on requiring the province to agree to each and every employer, officials were unmoved in their position on that. They did indicate that a policy had not yet been decided. I think they would benefit from policy direction in that regard. None of our peer plans seem to have a similar requirement.

To be clear, TBS officials are the ones pushing for a requirement to have new employers be vetted by MOF officials.; MOF officials don't think it's required.

Currently, MOF officials vet employers for the main plan (i.e. not OPTrust Select), based on three criteria: whether or not it's a BPS employer, potential fiscal impact or pressures, and potential conflict (i.e. to ensure one plan is not poaching an employer from another plan). OPTrust conducts a financial and actuarial analysis, to ensure long-term sustainability; we presume they would continue to do the same for Plan Select.

Officials advised me this process has been in place since about 2013 or 2014 (I believe Tim cited 2012 on the call). For Plan Select, MOF officials could think of no policy rationale as to why a vetting process should be required. The only criteria that would not be addressed is the potential conflict/poaching, but officials don't think this is a concern.

All that being said, MOF officials do think some type of process should be in place to vet employers and were interested to learn more about the "net-benefit test" Tim references below.

As I mentioned, it feels totally unworkable to make the entry of every employer into our plan a bargaining point between the two sponsors.

Perhaps I could suggest the same approach being taken with regards to governance, which is building in criteria that would help satisfy the province?

To that end, could I suggest:

1. Sponsors acknowledge that the Board of Trustees will make the decision about admitting new employers, only after a successful net-benefit test (this ensures the entry doesn't harm the existing membership). MOF officials are comfortable with this approach, but would be interested to learn more about the net-benefit test (see above comments regarding the current process).
2. The Participation Agreement with a new employer will state, and require a new employer to acknowledge, that if the employer is a transfer-partner of the Government of Ontario, there will be no increased public financial support (or however TBS/MOF want to word it) for its participation in the Plan. MOF officials have no concerns about this potential issue and certainly no issues with Tim's proposed mitigation approach; the fact that this is an issue at all is news to MOF officials.
3. OPTrust will notify each Sponsor prior to the signing of the Participation Agreement and will provide to the Sponsors all relevant information including the net-benefit test, in a form agreeable by the Sponsors (meaning, you may want more info - and we are happy to provide). MOF officials are comfortable with this approach; they would be most interested in knowing who the new employer joining is. At this time, MOF officials did not identify any other information they consider to be critical for sharing.

If there is a consolidated agency that the Province, for whatever reason, does not wish to join our plan, you can simply direct them not to without involving OPTrust or OPSEU. No actual concerns, but MOF officials were stumped on this one and wanted to know how the Province would do so in this theoretical situation; more details required from Tim.

Also, I believe the external Actuarial opinion that the province requested will help satisfy your concerns about the risk. Confirmed that MOF officials are comfortable now.

However, on that point, I would strongly suggest that an employer, with 50/100 employees, paying a total 6% contribution for an average salary of \$50,000, does NOT pose a systemic risk to the Government of Ontario.....

Hope this helps

Tim

> On Mar 16, 2018, at 3:27 PM, Ghiassi, Ali (MOF) <Ali.Ghiassi@ontario.ca> wrote:

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> Tim,

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> Can we set up time for a call between all of us on Monday morning? How about 10:30am?

>
>
> Ali Ghiassi
> Chief of Staff
> Minister of Finance
> 416.948.5409
>
> From: Tim Shortill <TShortill@optrust.com<mailto:TShortill@optrust.com>>
> Date: Friday, Mar 16, 2018, 11:07 AM
> To: Baker, Michelle (OPO) <Michelle.Baker@ontario.ca<mailto:Michelle.Baker@ontario.ca>>, Pichelli, Jason (TBS) <Jason.Pichelli@ontario.ca<mailto:Jason.Pichelli@ontario.ca>>, Ghiassi, Ali (MOF) <Ali.Ghiassi@ontario.ca<mailto:Ali.Ghiassi@ontario.ca>>
> Subject: OPTrust Select - Opinion re Governance Issues FINAL.PDF
>
> Sending this to the three of you so you are informed and everyone is on the same page.
>
> After months (really years) of discussion, all items had been resolved and agreed to between our two Sponsors.
>
> At that point, two new issues were raised by the government. The timing of which I strongly question.
>
> 1. TBS has decided it wishes to approve or "vet" every incoming employer. Naturally then OPSEU would like the similar authority. This means that every group, whether related or not to either Sponsor, must go through this same bargaining process between our two Sponsors. It is clear that this is designed to halt our proposal through another form.
>
> 2. TBS and Finance have raised concerns around the governance of our Plan under an expansion scenario and whether we would still be considered a JSPP. A third party legal opinion was obtained and shared with both sponsors which addresses this point.
>
> These are policy decisions and should be made by the policy decision-makers. We have jumped through far more hoops than our peer plans had to in expanding their plans.
>
> If the current proposal - absent the above two items - are not sufficient, please let me know. But my sense is we are done and ready to submit the amendments to the government and OPSEU.
>
> Please confirm.
>
> You all know where my attention is focused (or should be) right now, so the fact I am taking time to engage you should indicate not only the importance of this but the level of frustration I now have.
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> Thank you.
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> Tim
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