Minister's Speaking Notes

TB/MBC – April 17, 2018

ONTARIO PUBLIC SERVICE EMPLOYEES UNION (OPSEU) PENSION PLAN EXPANSION TO NOT-FOR-PROFIT AND BROADER PUBLIC SECTORS

- Treasury Board Secretariat (TBS) is seeking Cabinet's consideration of a proposal to provide approval to the President of the Treasury Board, subject to certain terms and directions, to proceed with expansion of the OPSEU Pension Plan (Plan) to implement a separate defined benefit schedule called "OPTrust Select" on behalf of the Crown as joint sponsor of the Plan.
- The Plan is a single-employer defined benefit pension plan that is jointly sponsored by OPSEU and the Province (as represented by TBS) and administered by OPTrust.
- OPTrust's rationale for Select is to enhance the sustainability of the Plan through increased membership; and provide a retirement option to lower income target markets.
- Select will offer a reduced benefit schedule and target employees in the Broader Public Sector and not-for-profit sector, including charities registered under the Income Tax Act (Canada), some of whom have no direct connection to the Government and may not be receiving any funding from the Government.
- The governance structure of the OPSEU Pension Plan will remain unchanged until such time that Select membership reaches 20% of the total active membership in the Plan, or if the liabilities of Select reaches 5% of the total Plan liabilities, and only on the condition both sponsors agree to a change in governance.
- Select proposal may have the following implications:

1. Select employers and employees will not be given representation under the current jointly sponsored governance structure which may jeopardize the Plan's Jointly Sponsored Pension Plan (JSPP) status under the Pension Benefits Act (PBA).
    - Negative implications for sponsors may include:
        - Loss of the solvency funding exemption

- Requirement to make Pension Benefit Guarantee Fund assessments
- Expose the government to reputational risk for appearing to disregard the laws it has put in place to govern and protect other JSPP plans in Ontario
- Accounting rules which enables the Government to recognize its share of the net pension assets would no longer apply

Risk mitigation: Participation in Select is limited to the thresholds of 20% of active members in the Plan, and 5% of the total liability of the Plan until, and if, both Plan sponsors agree on changes to the governance structure.

2. Select employer may default on submitting employee / employer contributions, resulting in the main Plan members and/or plan sponsors being responsible for the liability.

   Risk mitigation: OPTrust will vet potential participating employers to assess financial viability of the employer. OPTrust will establish a pooled reserve account with the intention to protect the Plan from default by participating employers.

3. Select would be of benefit to moderate wage earners. However, for those individuals earning at or around minimum wage, a more advantageous savings vehicle may be a tax Free Savings Account so that Old Age Security and Government Income Supplement benefits payable after age 65 will not be eroded.

   Risk mitigation: Select employers are required to identify appropriate eligible employee mandatory classes that comply with legislation.

4. Select members and employers may subsidize the main Plan members as both schedules are valued together.

   Risk mitigation: OPTrust will be required to address any persistent cross-subsidy through the Funding Policy.

5. Potential Select employer may not be suitable or meet the criteria for Select.

Risk mitigation: OPTrust will be required to conduct an appropriate vetting process for potential employers.

- TBS will continue to work with OPSEU as the co-sponsor and OPTrust while conducting a due diligence review of all relevant legislation, regulations and plan documentation to determine the amendments that would be necessary to implement Select.