Confidential

MB20 Submission

OPSEU Pension Plan Expansion

TREASURY BOARD SECRETARIAT

Centre for Public Sector Labour Relations and Compensation Division

Table of Contents

I. PURPOSE OF THE REQUEST 3

II. KEY CONSIDERATIONS 3

III. RATIONALE 6

IV. FINANCIAL ANALYSIS 6

V. PERFORMANCE MEASURES 7

VI. RISKS 7

VII. TIMEFRAME 8

VIII. RECOMMENDATION 8

IX. COMMUNICATIONS PLAN 9

I. PURPOSE OF THE REQUEST

Treasury Board / Management Board of Cabinet (TB/MBC) to provide approval to the President of the Treasury Board to proceed to implement the establishment of a new schedule to the OPSUE Pension Plan (the "Plan") entitled OPTrust Select that would provide a separate Plan benefit to employees in the Broader Public Service and not-for-profit sector, including registered charities upon securing required documentation.

II. KEY CONSIDERATIONS

Scope of Application:

Procedure to implement OPTrust Select will be in accordance with design document attached hereto as Appendix "A" and with the following terms and directions:

1) Direct the Treasury Board Secretariat to proceed as follows:
   i. Obtain written confirmation from OPSEU in its role as co-sponsor of the Plan of its approval to establish OPTrust Select as set out in the design document attached hereto as Appendix A;
   ii. Obtain feedback from FSCO to indicate that the status of the OPSEU Pension Plan as a Single Employer, Jointly Sponsored Pension under the *Pension Benefits Act* is not impacted by the implementation of OPTrust Select;
   iii. Obtain written agreement by the Plan sponsors and OPTrust that sufficient provisions are present in the funding policy to mitigate the risk of cross-subsidization between the Plan and OPTrust Select on an ongoing basis.

2) Direct the President of the Treasury Board, subject to the completion of the items under paragraph 1 above, to amend the Plan documentation as necessary in order to establish OPTrust Select as a schedule to the Plan, subject to the written agreement of OPSEU to such documentation, in accordance with the following:
   i. The Letter of Agreement,
   ii. The Plan text,
   iii. The Sponsorship Agreement,
   iv. The governance related provisions of the Agreement and Declaration of Trust of OPSEU Pension Plan Trust Fund, the key terms of which are attached hereto as Appendix "B";
   v. A new Participation Agreement and Letter of Acknowledgment to be executed by non-OPSEU bargaining agents in order to waive their collective bargaining rights in respect of the terms and conditions under OPTrust Select.

3) Direct the President of the Treasury Board, subject to the completion of the items under paragraph 1 above, to recommend an amendment to the *OPSEU Pension Act, 1994* following implementation of OPTrust Select to

expand the definition of “employer” for consistency with the definition in the *Pension Benefits Act* so that regulatory measures to enforce employer payments would apply to new OPTrust Select employers.

III. RATIONALE

OPTrust, as administrator of the OPSEU Pension Plan (Plan), is proposing the expansion of plan membership OPTrust Select.

- OPTrust’s rationale for expansion is to:
  - spread the Plan’s investment volatility risk across increased numbers of active members in an effort to support Plan sustainability; and
  - provide greater pension coverage for Ontario workers who do not have access to a defined benefit pension plan
- Rationale for the Province of Ontario is to:
  - Build retirement security by providing a retirement option to lower income target market.
  - Leverage the existing pension administration infrastructure to administer both schedule of benefits.
  - Supports the government’s commitment to pooled asset management.

IV. FINANCIAL ANALYSIS

- There is no financial request from TBS for the Plan related to this request.
- The cost of employee participation in the Plan if applicable is expected to be fully borne by the participating employers and their employees. A liability for the Crown as sponsor of the Plan could materialize if, for whatever reason, a participating employer is not able to cover its pension expenses and the security protocol in place is not sufficient to meet the needs of such liability.
- Approval would not materially change the results of the most recent valuation of the Plan at December 31, 2016 or materially affect future funding valuations.
- The impact to the government’s OPSEU pension accounting expense under the Public Sector Accounting Board reporting standards is negligible.

V. PERFORMANCE MEASURES

VI. RISKS

Risk	Impact (Low, Medium, or High)	Likelihood (Low, Medium, or High)	Mitigation Strategy

Risk	Impact (Low, Medium, or High)	Likelihood (Low, Medium, or High)	Mitigation Strategy
Select employer may default on submitting employee / employer contributions, resulting in the main plan members and/or plan sponsors responsible for liability	Potential to be High	Low	OPSEU, OPTrust and TBS require security provisions to mitigate risk that other plan members and employers would have to cover a defaulting employer's liabilities.
Select members may be subsidizing the main plan members as both schedules will be valued together			OPSEU, OPTrust and TBS require sufficient provisions are present in the funding policy to mitigate risk of cross-subsidization on an ongoing basis
Employer may not be suitable or meet the criteria for Plan Select			OPSEU, OPTrust and TBS require sufficient vetting to mitigate risk of ineligible employers admitted to Plan Select.
Select employers will not be represented under the governance structure may jeopardize the Plan's JSPP status under the PBA.			MOF, OPSEU, OPTrust and TBS require agreement on expanding representation to Select Employers and Select Employees on the Board of Trustees OPSEU, OPTrust and TBS require agreement on an Advisory Committee(s) for Select Employers and Select Employees
Create upward pressure from some BPS employers to expand their funding envelope	Dependent on update		Vetting process to ensure potential employers are able to continue to provide the same level of service without additional funding.
Uptake of the proposal is uncertain – there		Unknown??	

Risk	Impact (Low, Medium, or High)	Likelihood (Low, Medium, or High)	Mitigation Strategy
is no evidence of eligible employers interested in joining OPTrust Select			
Uptake of OPTrust Select becomes too great (i.e. membership numbers challenging those of the main plan), and thereby jeopardizing the governance structure.	High	Unknown?	
Plan Select will be marketed to the very low income earners – that would be unfavourable to their financial situation	High	Medium	Vetting process??

VII. TIMEFRAME

- OPTrust has communicated that they do have interested employers waiting to join OPTrust Select.
- The proposed implementation would proceed upon the approval by the President of Treasury Board that all required documentation has been completed and signed by both sponsors.

VIII. RECOMMENDATION

- Treasury Board / Management Board of Cabinet (TB/MBC) to provide approval to the President of the Treasury Board to proceed to implement the establishment of a new schedule to the OPSUE Pension Plan (the “Plan”) entitled OPTrust Select that would provide a separate Plan benefit to employees in the Broader Public Service and not-for-profit sector, including registered charities upon securing required documentation.

COMMUNICATIONS PLAN

- If OPTrust Select is approved for implementation with all required documentation secured:
  - OPTrust would be able to promote OPTrust Select to the defined potential employer market.
  - Provide potential employers with the necessary application and documentation.

Appendix XX:

[plan design document]

Appendix XX

“OPTrust Select Employer” means an employer

a) in respect of employees for whom it applies to participate in OPTrust Select, are not members of, or eligible to be members of, the OPSEU Pension Plan pursuant to Article 3 of the OPSEU Pension Plan or another registered defined benefit pension plan by virtue of their employment with the employer; and
b) that at the time it applies to commence participation in OPTrust Select:
    i. is a charity in Ontario registered under the *Income Tax Act,* (Canada),
    ii. is a not for profit corporation in Ontario incorporated under Part III of the *Corporations Act* or successor legislation,
    iii. is an organization at which employees who are represented by OPSEU are employed and is set out in the list of organizations attached as Schedule “X” to the Sponsorship Agreement as may be amended in writing by the Sponsors from time to time, or
    iv. is a Broader Public Sector Organization; and
c) has entered into a Participation Agreement with the Board.

“Broader Public Sector Organization” means:

1. Every public hospital and the University of Ottawa Heart Institute/Institut de cardiologie de l’Université d’Ottawa.
2. Every school board.
3. Every university in Ontario and every college of applied arts and technology and post-secondary institution in Ontario whether or not affiliated with a university, the enrolments of which are counted for purposes of calculating annual operating grants and entitlements.
4. Every agency, authority, board, commission, committee, corporation, council, foundation or organization that received public funds of the Government of Ontario in the previous fiscal year ending March 31, of an amount that is at least equal to (a) $1,000,000; or (b) 10 per cent of the organization’s gross revenues for the year if that percentage is $120,000 or more but does not include,
    i. the Office of the Lieutenant Governor,
    ii. the Office of the Assembly or the office of an officer of the Assembly,
    iii. a ministry of the Government of Ontario,
    iv. an agency of the Government of Ontario, or

v. an organization that undertakes its activities for the purpose of profit to its shareholders.