RE: Revised MB20 - Select

From: "Proulx, Didem (TBS)" <didem.proulx@ontario.ca>

To: "Aikenhead, Carol (TBS)" <carol.aikenhead@ontario.ca>

Cc: "Cooper, Fran (TBS)" <fran.cooper@ontario.ca>, "Makrigeorgos, Niki (TBS)" <niki.makrigeorgos2@ontario.ca>, "Donaldson, Mark (TBS)" <mark.donaldson@ontario.ca>, "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Schiller, Catherine (TBS)" <catherine.schiller@ontario.ca>, "Di Misa, Anna (TBS)" <anna.dimisa@ontario.ca>

Date: Thu, 12 Apr 2018 15:18:47 -0400

Hi Carol,

Thank you so much for sharing the submission with us yesterday and for taking the time to walk us through the high level deck. We understand OPCD colleagues may have shared some questions with you already. Our apologies if there is duplication between our qs and theirs.

Key Questions:

- Given the plan provisions of the main plan and Plan Select are so different, is there a risk that FSCO (or courts, if there is future challenge) deem these two plans separate plans, hence eliminating the “cross-subsidization benefit”?

- The submission states that there is a risk OTP trust may lose its JSPP status. What are the financial implications associated with OPTrust losing JSPP status?
  - What would be the impact on the fiscal plan related to accounting treatment of pensions?
  - What would be the impact on the fiscal plan related to additional solvency funding payment requirements?
  - What would be the impact of losing the anticipated exemption from enhanced ongoing concern funding under Ontario’s new funding regime?

- What are the implications if the plan is deemed to be not compliant with PBA?

- There is a note that the new “PlanSelect” participating employees would be from the not-for-profit sector as well as BPS sectors – such as hospitals, school boards, universities, colleges, etc. While there is a reference that the Participation Agreement would require the employer to acknowledge that if the employer receives Transfer Payments from the Government of Ontario, there would be no increased funding. However, it is important to note that most of the BPS sectors are consolidated into the government’s books, and hence, if their overall spending increases (as a result of making employer contributions that they previously did not make), there would be an impact on the Fiscal Plan. Have there been any scenarios done regarding the $ annual contributions to access the magnitude of the potential indirect impact? Similarly, if the employees in these sectors bargain for higher salaries to offset the impact of the contributions, there would be an impact on the sectors/consolidated expense.

- As a Plan Sponsor, the Pension Plan/its Board has a fiduciary responsibility. Our understanding is that there has been actuarial analysis done to show that while the plan will likely be able to cover the base benefits (for plan select that would be benefits without indexation) 100% of the time, but that the probability of the PlanSelect members benefit from positive Conditional Indexation adjustments is significantly smaller. What is the legal, fiduciary, and ethical responsibility on the OPTrust, its board and sponsors to divulge this information before employees and employers sign-up for this arrangement?

- Given the statement in the submission that MOF analysis shows that the target group of employees would be better off using Tax Free Savings Account (TFSA) as a more advantageous retirement saving vehicle, should there a reference to loss of trust/credibility for the government if the government is seen as implementing a schedule for lower income earners that may make them worse off (while cross-subsidizing fully indexed benefits of Main Plan employees, who on average have much higher incomes)?

We fully appreciate that this submission is on an expedited timeline. We would greatly appreciate consideration of our questions/issues raised.

Thank you,
Didem

From: Aikenhead, Carol (TBS)
Sent: April-11-18 4:23 PM
To: Doherty, Elizabeth (MOF); Killoch, Alex (MOF); Donaldson, Mark (TBS); Veinot, Cindy (TBS); Schiller, Catherine (TBS); Proulx, Didem (TBS)
Cc: Cooper, Fran (TBS); Aikenhead, Carol (TBS); Makrigeorgos, Niki (TBS)
Subject: Revised MB20 - Select

It is our understanding that a copy of the submission has been requested. Attached please find the draft TB submission that has been shared with DMO/MO. Please note that we are currently making additional edits to this version based on feedback we received this afternoon.
Carol