TREASURY BOARD / MANAGEMENT BOARD OF CABINET REQUEST ASSESSMENT NOTE

Ministry:	Treasury Board Secretariat	
Meeting Date:	March 20, 2018	
Agenda Class:	Consensus	
Last reviewed by: n/a		**Tracking to:** Cabinet, March 28, 2018

SUBMISSION TITLE:	Ontario Northland Transportation Commission (ONTC) Asset Transfer and Designation in the Public Service Pension Plan (PSPP)

I. DECISION BEFORE THE BOARD

- Treasury Board Secretariat is requesting the recommendation to Cabinet of four Orders in Council (OIC). The OICs would authorize the designation of ONTC as an employer under the PSPP and transfer the assets and liabilities of the ONTC Contributory Pension Plan (ONTC Plan) into the PSPP.

II. RECOMMENDATIONS:

• Recommend an Order in Council to designate: o All permanent full-time and part-time employees of ONTC as mandatory members in the PSPP; o All other ONTC employees who are not permanent as elective members of the PSPP; and o ONTC as an employer under the PSPP effective May 1, 2018.	*Recommend*
• Approve the PSPP as the successor pension plan to the ONTC pension plan in accordance with Section 81 of the *Pension Benefits Act* with respect to: o Service of designated ONTC employees on and after May 1, 2018; o Credit of ONTC employees accrued prior to May 1, 2018 that is purchased through the transfer of assets from the ONTC Plan and any payments associated with the transfer of assets to the PSPP; and o Payment of pension benefits for ONTC employees who retired prior to May 1, 2018 or any ONTC Member entitled to an annual deferred vested pension from the ONTC Plan and does not retire prior to May 1, 2018.	*Approve*
• Recommend an additional three Orders in Council for regulatory approvals: o To amend the PSPP to authorize the Ontario Pension Board (OPB) to enter into an agreement with ONTC to transfer ONTC Plan assets and liabilities into the PSPP; o To amend the Public Service Supplementary Benefits Account (PSSBA) to permit ONTC members to receive benefits; and o For regulation made by the ONTC to facilitate the agreement with OPB.	*Recommend*

III. Financial Summary

$ Millions	2017-18	2018-19	2019-20
Initiative cost requested	0.0	0.0	0.0
Initiative cost recommended	0.0	0.0	0.0
Recommended program base	0.0	0.0	0.0
Offset Recommended	0.0	0.0	0.0
Total Fiscal Impact	0.0	0.0	0.0

IV. Key Comments and Considerations

Request

On February 6, 2018, Treasury Board/Management Board of Cabinet approved in principle that ONTC seek designation as a participating employer under the PSPP and transfer assets and liabilities under the ONTC Plan to the PSPP in accordance with Section 81 of the *Pension Benefits Act*. Treasury Board Secretariat (TBS) is now moving forward with this direction.

Context

ONTC is an operational enterprise agency of the Province that provides transportation services in Northeastern Ontario.

ONTC is consolidated on the Public Accounts of the Province and obtains a significant portion of its funding through the Ministry of Northern Development and Mines (MNDM) as part of the PRRT cycle.

The ONTC Plan is a single employer, defined benefit pension plan that provides pensions to over 1300 retirees and approximately 740 active members. The ONTC also offers an unfunded Supplemental Employee Retirement Plan (SERP) to its executives and pays pension benefits to those members whose pension benefits exceed the Income Tax Act maximum pension limit.

The ONTC Pension Plan in its current form is not sustainable without large special funding payments from ONTC for the foreseeable future. Similar to most defined benefit plans, the ONTC Plan has been facing funding pressures since the 2008 economic downturn due to persistently low interest rates. It has attempted to mitigate the risks and liabilities through various means since 2009. Despite these efforts, the ONTC Plan still represented a significant financial risk to ONTC.

Fiscal Impact

There is no financial request. It is noted in the February 6th TB/MBC approval there is a one-time cost estimated to be $21M related to the transfer of the ONTC Plan (See Appendix D). The February 2018 Employee and Pensioner Benefits update includes this amount.

Further work with OPCD is in process to assess fiscal impacts.

ONTC is responsible for covering all transfer value liabilities. The ONTC Plan totals approximately $522 million in assets as at January 1, 2017. This represents less than two per cent of the PSPP assets (approximately $25 billion). OPB has advised that this request is expected to have a negligible impact on the PSPP’s funding.

ONTC's employer required contributions would be lower under the PSPP both on an overall basis (i.e., including special payments) and on a current service basis. A comparison of required payments under both plans for 2018 is below:

Contribution Type	2018 ONTC Plan	2018 PSPP
Employer Current Service Cost	$6.4M	$4.0M
Going Concern Special Payments	$7.3M	$0.0
Solvency Special Payments	$5.1M	$0.0
Pension Benefits Guarantee Fund Premium	$0.7M	$0.0
Total	**$19.5M**	**$4.0M**

Once designated, ONTC will no longer have to pay Pension Benefits Guarantee Fund premiums. For 2017 the PBGF premium was over $700,000.

Timeline/Communications Plan

The proposed membership designation would become effective May 1, 2018.

The execution of the transfer agreements between ONTC and OPB would happen as soon as the agreements could be negotiated and drafted.

Calculation of the transfer amounts could not be started until after May 1, 2018. It is anticipated that the asset transfer reports would be ready for filing with the Superintendent of FSCO in early fall 2018. The actual transfer would occur following receipt of the Superintendent's consent.

MNDM would be responsible for notifying ONTC and TBS would be responsible for notifying OPB. OPB and ONTC would initiate the processes to prepare transfer agreement and obtain regulatory approval under the Pension Benefits Act. OPB would enroll the ONTC as an employer in the PSPP and administer the transfer of assets. ONTC and OPB would jointly be responsible for any required communications with ONTC Plan members regarding the asset transfer and ensuring that ONTC bargaining agents and employees are aware of the procedures.

Risks

ONTC would be responsible for any transfer value shortfall that could occur due to market fluctuations during the period between the effective date of the asset transfer and the actual transfer may reduce the amount of assets available for the transfer.

TBS also recommends that ONTC and MNDM sign a letter from the Deputy Minister of TBS as a condition of joining the PSPP that would acknowledge that there is no authority to change the terms of the PSPP as a result of collective bargaining.

ONTC executive have conducted 11 employee sessions with bargaining and non-bargaining employees, presenting to the employees the need for a sustainable pension. Employees and the bargaining agents understand the issues and want to work towards a sustainable solution with the employer and are in agreement with this recommendation.

ONTC is a unionized organization with the following unions present: International Brotherhood of Electrical Workers, Teamsters, Unifor and the United Steelworkers. ONTC executive have conducted 11 employee sessions with bargaining and non-bargaining employees, presenting to the employees the need for a sustainable pension. Employees and the bargaining agents understand the issues and want to work towards a sustainable solution with the employer and are in agreement with this recommendation.

ONTC is not requesting inclusion in the OPS post-retirement benefits program for its existing or future employees, retirees or deferred vested members; therefore, PSPP credit for these ONTC employees would not count toward eligibility for OPS post-retirement benefits. ONTC will continue to maintain and administer their post-retirement benefits program for current and future employees and retirees.

Name of analyst:	Laura King	**Phone number:**	327-0178
Date:	March 6, 2018	**Log number:**	
Branch / Division:	Health, Social and General Government/OEMD		

APPENDIX A: PROPOSED MINUTE

Reviewed the request related to the transfer of the Ontario Northland Transportation Commission (ONTC) Contributory Pension Plan (ONTC Plan) to the Public Service Pension Plan (PSPP) and the designation of ONTC as an employer under that plan.

In this regard and subject to Ministry of Northern Development and Mines, ONTC and Treasury Board Secretariat (TBS) executing a letter of agreement, the Board:

i) Recommend to the Lieutenant Governor in Council (LGIC), an Order in Council to:

   a. Designate all permanent full-time and part-time employees of ONTC as mandatory members in the PSPP effective May 1, 2018 and to designate ONTC as an employer under the PSPP with regard to these employees.

   b. Designate all other ONTC employees who are not permanent as elective members of the PSPP.

   c. Designate ONTC as an employer under the PSPP, effective May 1, 2018, with respect to all ONTC employees who are members of the PSPP.

ii) Approve the PSPP to be the successor pension plan to the ONTC Plan in accordance with Section 81 of the Pension Benefits Act with respect to:

   a. The service of designated ONTC employees on and after May 1, 2018

   b. The credit of ONTC employees accrued prior to May 1, 2018 that is purchased through the transfer of assets from the ONTC Plan and any payments associated with the transfer of assets to the PSPP; and

   c. The payment of pension benefits for ONTC employees who retired prior to May 1, 2018 or any ONTC Member who is entitled to an annual deferred vested pension from the ONTC Plan and does not retire prior to May 1, 2018.

iii) Recommend to the LGIC an additional three Orders in Council to be made and submitted for regulatory approval to:

   a. Amend the PSPP to authorize the Ontario Pension Board (OPB) to enter into an agreement with ONTC to transfer ONTC assets and liabilities into the PSPP with respect to active plan members, to provide for a new part that would replicate the ONTC pension benefits payable under the PSPP to transferred deferred members and retirees who retire or become deferred members prior to the transfer date, and to permit transferred ONTC members to purchase credit in the PSPP for periods of employment with ONTC for which the transferred ONTC members did not have credit in the ONTC Plan prior to April 30, 2018.

   b. Amend the Public Service Supplementary Benefits Account (PSSBA) (OIC 3044/98) to permit transferred ONTC members to receive benefits for service under the PSSBA for past ONTC service and to permit the transfer of assets or payments into the PSSBA to cover the liabilities associated with those benefits.

c. Approve a regulation made by the ONTC pursuant to section 8 of the Ontario Northland Transportation Commission Act providing authority for:

   1) The PSPP to be the pension plan and where applicable the PSSBA to be the supplemental pension plan for certain of the employees of the ONTC, and

   2) Subject to the consent of the Superintendent of Financial Services to the transfer of assets and liabilities from the ONTC Contributory Pension Plan to the PSPP, for the payment or payments from Public Service Pension Fund under the authority of the Public Service Pension Plan to certain of the former employees of the ONTC and their beneficiaries who become entitled to a deferred pension or other payment or who commence receipt of a pension or other payment under the ONTC Contributory Pension Plan prior to the date of the transfer.

APPENDIX B: FINANCIAL IMPACTS

FINANCIAL IMPACTS: CHANGES TO EXPENSE AND REVENUE					TABLE B1
			Fiscal Plan Basis		*Appropriations Basis*
$ Millions		**2017-18**	**2018-19**	**2019-20**	**2017-18**
Initiative cost recommended		0.0000	0.0000	0.0000	
Expense changes:					
Operating item	Oper	0.0000	0.0000	0.0000	0.0000
Capital item	Cap	0.0000	0.0000	0.0000	00000
Revenue changes:					
Revenue increase/offset		0.0000	0.0000	0.0000	
Revenue decrease		0.0000	0.0000	0.0000	
Total Fiscal Impact		**0.0000**	**0.0000**	**0.0000**	**0.0000**

APPENDIX C: DRAFT ORDERS-IN-COUNCIL

-DRAFT DESIGNATION OIC-

WHEREAS the Ontario Northland Transportation Commission (ONTC) is a federal undertaking and a body corporate established under the *Ontario Northland Transportation Commission Act,* R.S.O. 1990, c. O.32;

AND WHEREAS the ONTC is the sponsor and administrator of a single employer, defined benefit pension plan with approximately 800 active members that currently provides pension benefits to over 1,300 retirees known as the Contributory Pension Plan of The Ontario Northland Transportation Commission, amended and restated as at January 1, 2006, registration number 0355164;

AND WHEREAS the ONTC also provides pension benefits that exceed permissible limits under the federal *Income Tax Act* through an unfunded Supplemental Employee Retirement Plan (SERP);

AND WHEREAS certain non-bargaining employees that transferred from the ONTC as part of a divestment on April 1, 2002 to the Owen Sound Transportation Company Limited (OSTC), a company established under the Ontario *Business Corporations Act*, R.S.O. 1990, c.B.16, are members of the above-described ONTC pension plans;

AND WHEREAS streamlining these separate pension/retirement plans with a larger defined benefit and supplemental pension plan would be more consistent with the Ontario Government's commitment to pool asset management and increase efficiencies for smaller pension plans in the province;

AND WHEREAS the ONTC and the OSTC have requested to be designated as participating employers in the Public Service Pension Plan (PSPP) set out in Schedule 1, as amended, under the *Public Service Pension Act* and in the Public Service Supplementary Benefits Account that has been continued under Order in Council 3044/98 as amended by Order in Council 1905/2009 and by Order in Council 2238/2017, and as may be further amended from time to time (PSSBA):

AND WHEREAS the ONTC has made a number of written acknowledgments set out in the letter attached as Appendix A to this Order including: that it does not have authority to change the terms of the PSPP; that the Lieutenant Governor in Council in its sole discretion can change the terms of the PSPP; that such changes may impact ONTC and its employees and that the current and former ONTC employees have been advised of the same; and that ONTC will be responsible for all liabilities associated with the participation of its employees in the PSPP including the risk that any workplace bargaining agents or employees could seek to change the pension terms and conditions;

AND WHEREAS the Lieutenant Governor in Council considers it reasonable and appropriate for the ONTC, which is public body and an agent of the Crown, to join as a participating employer in the PSPP;

AND WHEREAS the Lieutenant Governor in Council considers it reasonable and appropriate for the OSTC, which is a public body and an agent of the Crown, to join as a participating employer in the PSPP with respect to its non-bargaining employees who have continued to be members of the ONTC pension plans;

NOW THEREFORE PURSUANT TO paragraph 2 of subsection 2(1) of the PSPP, effective May 1, 2018:

1. All permanent full-time and part-time employees of ONTC are designated as a class of employees required to be members of the PSPP; and
2. All non-bargaining employees that transferred from the ONTC to the OSTC on April 1, 2002 are designated as a class of employees required to be members of the PSPP; and

AND PURSUANT TO subsection 2(2) of the PSPP, effective May 1, 2018, ONTC employees, other than those who are permanent employees, are designated as a class of employees who are entitled to be members of the PSPP and shall, upon filing a written election with the Ontario Pension Board, become members of the PSPP;

AND FURTHER THAT ONTC and OSTC shall be employers under the PSPP and the PSSBA for the purposes of all ONTC and OSTC employees who are required to be members or elect to become members of those plans.

-DRAFT PSPP AMENDMENT OIC-

WHEREAS the Ontario Northland Transportation Commission (ONTC) is a federal undertaking and a body corporate established under the *Ontario Northland Transportation Commission Act,* R.S.O. 1990, c. O.32;

AND WHEREAS certain classes of ONTC employees currently participate in the Contributory Pension Plan of The Ontario Northland Transportation Commission, amended and restated as at January 1, 2006, registration number 0355164 ("ONTC Plan");

AND WHEREAS the ONTC also provides pension benefits that exceed permissible limits under the federal *Income Tax Act* through an unfunded Supplemental Employee Retirement Plan (SERP);

AND WHEREAS certain non-bargaining employees that transferred from the ONTC as part of a divestment on April 1, 2002 to the Owen Sound Transportation Company Limited (OSTC), a company established under the Ontario *Business Corporations Act,* R.S.O. 1990, c.B.16, are members of the ONTC Plan;

AND WHEREAS the ONTC and OSTC, which are public bodies and agents of the Crown, have requested to be designated as participating employers in the Public Service Pension Plan (PSPP) set out in Schedule 1, as amended, under the *Public Service Pension Act* and in the Public Service Supplementary Benefits Account that has been continued under Order in Council 3044/98 as amended by Order in Council 1905/2009 and by Order in Council 2238/2017, and as may be further amended from time to time (PSSBA);

AND WHEREAS, pursuant to a separate Order in Council, the Lieutenant Governor in Council is designating the employees of ONTC and the above-noted employees of the OSTC, as classes of employees who are either required or eligible to join the PSPP effective May 1, 2018;

AND WHEREAS the Lieutenant Governor in Council considers it reasonable and appropriate for the assets and liabilities in the ONTC Plan in respect of pension credit accrued by ONTC/OSTC employees and former employees prior to May 1, 2018 to be transferred into the PSPP pursuant to Section 81 of the *Pension Benefits Act* effective May 1, 2018;

AND WHEREAS the Lieutenant Governor in Council considers it reasonable and appropriate to facilitate the purchase of credit in the PSPP for periods of employment of ONTC/OSTC employees and former employees prior to May 1, 2018, and also to provide for other transition provisions in relation to former ONTC/OSTC employees;

NOW THEREFORE PURSUANT TO subsection 6(1) of the *Public Service Pension Act,* the Public Service Pension Plan set out in Schedule 1 under that Act, as amended, is further amended, as follows:

1. **Subsection 8(3) is amended by adding the phrase "or comparable provisions in other applicable employment standards legislation" immediately after the reference to the *Employment Standards Act 2000.***

2. **Subsection 8(3.1) is amended by adding the phrase "or comparable provisions in other applicable workplace safety and insurance legislation" immediately after the reference to the *Workplace Safety and Insurance Act* in paragraph (a).**

3. **Subsection 10.1 (3) is amended by adding the phrase “or comparable provisions in other applicable workplace safety and insurance legislation” immediately after the reference to the *Workplace Safety and Insurance Act.***

4. ***Subsections* 13(14), (15) and (16) of the Plan are amended by deleting the references to "subsection 11(2) or (5) or section 36" in each of those subsections and replacing them with a reference to "subsection 11 (2) or (5), section 36, or section 36.3 ".**

5. **Section 17 of the Plan is amended by adding a new subsection 17 (1.1) immediately following subsection 17(1).**

Guarantee for ONTC Credit Prior to May 1, 2018
17 (1.1) Subject to subsections 15(1) and 16(1) and to the other subsections of this Section, the annual amount of pension payable to a former member with respect to credit that was transferred to the Plan from the Contributory Pension Plan of The Ontario Northland Transportation Commission, amended and restated as at January 1, 2006, registration number 0355164 (ONTC Plan) in respect of service prior to May 1, 2018 shall be calculated using the greater of:

(a) The definition of “average annual salary” as set out in the Plan, or
(b) The definition of “Highest Average Earnings“ as set out under the ONTC Plan on April 30, 2018.

6. **The *Plan* is amended by adding new Section 36.4 immediately following Section 36.3.**

Transfer from ONTC Pension Plan to PSPP
36.4 (1) Following the designation of certain classes of the Ontario Northland Transportation Commission (ONTC) and Owen Sound Transportation Company Limited (OSTC) employees as persons who are either required or eligible to be members in the Plan effective May 1, 2018, and in accordance with Section 81 of the *Pension Benefits Act,* the Board may enter into one or more written agreements with the ONTC providing for the transfer to the Plan of the assets and liabilities in the ONTC Plan for employee service prior to May 1, 2018 for members, former members and retired members of the ONTC Plan as well as other persons who are entitled to payments under the ONTC Plan.

Transfer of assets
(2) If the Board enters into the transfer agreement described in subsection (1), the Board shall comply with all applicable requirements under the *Pension Benefits Act* in order to transfer the assets from the ONTC Plan into the Plan.

ITA Limits
(3) The transfer of assets and liabilities under this section is subject to the limitations set out in the *Income Tax Act* and Regulations.

(4) The ONTC/OSTC employees who are or were members of the ONTC Plan on or before April 30, 2018 and have one or more periods of employment with the ONTC/OSTC prior to April 30, 2018 for which they do not have credit in the ONTC Plan, and who become members of the Plan on or after April 1, 2018, may purchase credit in the Plan in respect of that period or periods of prior employment by paying into the Fund the amount set out in subsection 11 (2).

Transition - Deferred ONTC Pension Plan Members and Retirees
(5) If the assets and liabilities in the ONTC Plan in relation to the provision of defined

benefits for employee service prior to May 1, 2018 are transferred to the Plan pursuant to this Section, former ONTC/OSTC employees and their beneficiaries who are entitled to a deferred pension or other payment or who commence receipt of a pension or other payment under the ONTC Plan prior to the date on which assets are transferred shall be entitled to payment from the Fund in an amount equal to the pension benefits or other payment that are paid or payable to them in accordance with the terms and conditions in the ONTC Plan as of the date immediately preceding the transfer and, for the purpose, these former employees shall be former members of the Plan.

(6) If the assets and liabilities in the ONTC Plan in relation to the provision of defined benefits for employee service prior to May 1, 2018 are transferred to the Plan pursuant to this Section, and if any of the persons described in subsection (5) accrues credit in the Plan between May 1, 2018 and the date on which assets are transferred, their pension benefits in respect of that credit shall be calculated separately in accordance with the terms of the Plan.

(7) For the persons described in subsection (5), all conditions, terms and rules that applied and options that were available for the payment, eligibility and entitlement to a pension or other payment under the ONTC Plan as of the date immediately preceding the transfer shall apply to the payment, entitlement and eligibility to the pension or other payment provided under subsection (5).

ONTC Pension Plan Defined
(8) In this section, 'ONTC Plan" means the Contributory Pension Plan of The Ontario Northland Transportation Commission, amended and restated as at January 1, 2006, registration number 0355164.

-DRAFT PSSBA AMENDMENT-

WHEREAS the Ontario Northland Transportation Commission (ONTC) is a federal undertaking and a body corporate established under the *Ontario Northland Transportation Commission Act,* R.S.O. 1990, c. O.32;

AND WHEREAS the ONTC has requested to be designated as a participating employer in the Public Service Pension Plan (PSPP) set out in Schedule 1, as amended, under the *Public Service Pension Act* and in the Public Service Supplementary Benefits Account that has been continued under Order in Council 3044/98 as amended by Order in Council 1905/2009 and by Order in Council 2238/2017, and as may be further amended from time to time (PSSBA):

AND WHEREAS, pursuant to a separate Order in Council, the Lieutenant Governor in Council is designating the employees of ONTC, and certain non-bargaining employees that transferred from the ONTC as part of a divestment on April 1, 2002 to the Owen Sound Transportation Company Limited (OSTC) as classes of employees who are either required or eligible to join the PSPP effective May 1, 2018;

AND WHEREAS certain classes of the ONTC/OSTC employees currently participate in the Contributory Pension Plan of The Ontario Northland Transportation Commission, amended and restated as at January 1, 2006, registration number 0355164 (“ONTC Plan”);

AND WHEREAS since September 1993 certain ONTC employees also participate in a Supplemental Employee Retirement Plan ("SERP");

AND WHEREAS the SERP provides benefits to certain employees in excess of the benefits payable to such employees under the ONTC Plan, which benefits are restricted by the maximum benefits permitted under the *Income Tax Act* (Canada);

AND WHEREAS the PSSBA exists for PSPP members to provide pension benefits in excess of those permitted for registered pension plans under the federal Income *Tax Act* (Canada);

AND WHEREAS, pursuant to a separate Order in Council, the PSPP is being amended to authorize the Ontario Pension Board to enter into one or more written agreements with the ONTC in accordance with Section 81 of the *Pension Benefits Act* to provide for the transfer to the Plan of the assets and liabilities in the ONTC Plan for employee service prior to May 1, 2018 for members, former members and retired members of the ONTC Plan as well as other persons who are entitled to payments the ONTC Plan;

AND WHEREAS the Lieutenant Governor in Council considers it reasonable and appropriate for the ONTC employees who are members in the SERP to be able to receive benefits under the PSSBA that includes the value of the pension credit they accrued under the SERP prior to May 1, 2018;

A. <u>NOW THEREFORE PURSUANT TO Section 6.01 of the *Public Service Pension Act,* R.S.O. 1990, c. P. 48, Order in Council 3044/98 as amended by Order in Council 1905/2009, and Order in Council 2238/2017 is further amended as follows:</u>

1. Section 1 is amended by adding a new definition of "ONTC Supplemental Member" immediately following the definition of "Supplementary Plan".

"ONTC Supplemental Member" means a member who is or was an employee of the Ontario Northland Transportation Commission and who, as of April 30, 2018, had accrued benefits in the Supplemental Employee Retirement Plan ("SERP") and who joined the Public Service Pension Plan effective April 1, 2018.

2. The Order is also amended by deleting the word “or” after clause 3(b), replacing the period at the end of clause 3 (c) with a comma and adding the word "or" after the comma, and by then adding a new clause 3 (d) **as follows:**

(d) that is transferred into the Plan for that period under Section 36.4 of the Plan unless the credit relates to an ONTC Supplemental Member's service prior to May 1, 2018 and has been determined by an actuary who is employed or retained by the Crown to be included in the calculation of the supplementary benefit under Section 2 in order to reflect the value of credit that accrued in the SERP in respect of the ONTC Supplemental Member prior to April 1, 2018.

3. The Order is further amended by adding a new Section 10.2 immediately following Section 10.1.

10.2 Despite sections 4 and 9 of this Order, if assets are transferred into the Plan pursuant to Section 36.4 of the Plan, the following rules apply for an ONTC Supplemental Member:

(a) The ONTC shall transfer into the Account an amount that is determined by an actuary who is employed or retained by the Crown to be equal to the value of the pension benefits that is or will become payable collectively to all of the ONTC Supplemental Members in accordance with Section 2 of this Order in respect of service prior to April 1, 2018; and

(b) Upon the completion of the transfer described in paragraph (a), each ONTC Supplemental Member shall be deemed to have met the requirements for member contributions under sections 4 and 9 of this Order for the amount of credit that is determined by an actuary who is employed or retained by the Crown pursuant to clause 3 (c) to be included in the calculation of the supplementary benefit under Section 2 in respect of service before May 1, 2018.

Placeholder - Transition - Deferred ONTC Pension Plan Members and Retirees
(c) Former ONTC/OSTC employees and their beneficiaries who are entitled to a deferred pension or other payment or who commence receipt of a pension or other payment under the SERP prior to the date on which assets are transferred shall be entitled to payment from the PSSBA in an amount equal to the pension benefits or other payment that are paid or payable to them in accordance with the terms and conditions in the SERP as of the date immediately preceding the transfer.

(d) If the assets and liabilities in the ONTC Plan in relation to the provision of defined benefits for employee service prior to May 1, 2018 are transferred to the Plan pursuant to this Section, and if any of the persons described in subsection 36.4 (5) of the Plan accrue credit in the Plan between May 1, 2018 and the date on which assets are transferred, their pension benefits in respect of that credit shall be calculated separately in accordance with the terms of the PSSBA.

(e) For the persons described in subsection 36.4 (5) of the Plan, all conditions, terms and rules that applied and options that were available for the payment, eligibility and entitlement to a pension or other payment under the ONTC Plan as of the date immediately preceding the transfer shall apply to the payment, entitlement and eligibility to the pension or other payment provided under paragraph 10.2(c).

Draft ONTC Pension Regulation

WHEREAS the Ontario Northland Transportation Commission (the "**Commission**") established a pension plan known as The Contributory Pension Plan of the Ontario Northland Transportation Commission on November 1, 1922, which pension plan has been amended and restated effective April 30, 1939, December 31, 1972, January 1, 1988, January 1, 1992, January 1, 2006, and which pension plan has most recently been amended by the amendment dated February 4, 2016 and approved by Order in Council OC 610/2016 dated April 20, 2016 (the "**ONTC Contributory Pension Plan**");

AND WHEREAS the Commission wishes to be designated as a participating employer in the pension plan known as the Public Service Pension Plan under the *Public Service Pension Act*, R.S.O. 1990, c. P.48 (the "**Plan**") and in the Public Service Supplementary Benefits Account that has been continued under Order in Council OC 3044/98 as amended by Order in Council OC 1905/2009 and as may be further amended from time to time (the "**PSSBA**");

NOW THEREFORE pursuant to Section 8 of the *Ontario Northland Transportation Commission Act*, R.S.O. 1990, c. O.32 subject to the approval of the Lieutenant Governor in Council:

The Plan

1. The Plan shall be the pension plan for the employees of the Commission who are designated under the Plan as a class or classes of employees who are required to be members of the Plan or who are eligible to become members and elect to do so.

The PSSBA

2. The PSSBA shall be the supplemental plan for members of the Plan under Section 1 of this regulation who meet the requirements to receive benefits under the PSSBA.

Assets and Liabilities Transfer

3. If the Commission is designated as a participating employer in the Plan and the PSSBA and if, pursuant to section 81 of the *Pension Benefits Act*, R.S.O. 1990, c. P.8, the assets and liabilities of the ONTC Contributory Pension Plan are transferred to the Plan, then former employees of the Commission and their beneficiaries who prior to the date on which the assets and liabilities are transferred are or become entitled to a deferred pension or other payment under the ONTC Contributory Pension Plan, or commence receipt of a pension or other payment under the ONTC Contributory Pension Plan shall be entitled to a payment or payments from the Public Service Pension Fund under the authority of the Plan in an amount equal to the pension benefits or other payments that are paid or payable to them in accordance with the terms and conditions of the ONTC Contributory Pension Plan as of the date immediately preceding the date of the transfer.

4. If the former employees of the Commission and their beneficiaries noted in paragraph 3 also are or become entitled to a deferred pension or other payment under supplemental plan to the ONTC Contributory Pension Plan entitled the Supplemental Employee Retirement Plan prior to

the date on which the assets and liabilities are transferred and if the requisite assets are transferred into the PSSBA in respect of those supplemental benefits, such employees and their beneficiaries shall be entitled to a payment or payments from the PSSBA in an amount equal to the pension benefits or other payments that are paid or payable to them in accordance with the terms and conditions of the Supplemental Employee Retirement Plan as of as of the date immediately preceding the date of the transfer.

B.

Effective Date

5. This regulation comes into effect as of May 1, 2018.

Signed on behalf of the Commission this _____ day of _________________________, 2018.

____

Signature

____

Title

Draft OIC for ONTC Pension Regulation

Pursuant to section 8 of the *Ontario Northland Transportation Commission Act,* R.S.O. 1990, Chapter O.32, the pension fund regulation made by the Ontario Northland Transportation Commission on **[insert date]**, which is set out in the attached Schedule, is hereby approved.

Recommended ____________________________ Minister of Northern Development and Mines	Concurred ______________________ Chair of Cabinet
Approved and Ordered _____________________ Date	_____________________________ Lieutenant Governor

APPENDIX D: PREVIOUS MINUTE – FEBRUARY 6TH.

The Ministry of Northern Development and Mines (MNDM) is requesting Treasury Board/Management Board of Cabinet (TB/MBC) recommend the following to Cabinet with regard to the Ontario Northland Transportation Commission (ONTC):

i. Directed MNDM to manage from within the requested amount of $415,000 in the Northern Economic Development transfer payment (Vote-Item 2202-1) to support the ONTC pension plan solvency for the period of January 1, 2018 to March 31, 2018:
    - Note that the consolidated financial impact of the pension solvency payments on government assets is expected to be offset between cash and pension assets.

ii. Approved in principle, the ONTC to seek designation as a participating employer under the Public Service Pension Plan (PSPP) and to transfer the assets and liabilities under the ONTC Pension Plan to the PSPP in accordance with Section 81 of *the Pension Benefits Act*;

iii. Directed MNDM to determine complete necessary legal and accounting requirements, and work with the Ontario Pension Board to obtain all necessary approvals under the *Pension Benefits Act*.

iv. Directed MNDM to report back to Treasury Board/Management Board of Cabinet at a future date with the financial details and legal instruments to authorize the transfer of assets and liabilities from the ONTC Pension Plan to the PSPP and the dissolution of the ONTC Pension and the unfunded Supplemental Employee Retirement Plan of the ONTC.

v. Noted that prior to its transfer and subsequent dissolution, the SERP and ONTC Plans will require additional funds for a settlement payment due to the PSPP, to ensure service of ONTC Plan members is equivalent to those in the PSPP. This one-time cost is currently estimated to be $21 million.