On November 16, 2012, William Morneau released a report regarding the proposed pooling of pension assets for Ontario’s public-sector institutions. Below is a summary of the recommendations contained in the report:

- Employees and retirees would remain members of their existing plans.
- The relationship between pension plans and their members would not change.
- Institutions would maintain their current plan designs including benefit levels and contribution rates, as well as funding policies and approaches to administration.
- Participating institutions retain control over asset allocation decisions.
- Pooled asset management should only be undertaken if it achieves sufficient scale to support the development of cost-effective internal investment management teams and to attract and retain world-class leadership. The threshold is to be at least $50 billion.
- The Province should introduce legislation to establish a new pooled asset manager to facilitate pooled asset management for Ontario’s smaller public-sector institutions, hereafter referred to as the Ontario Investment Management Corporation (“the Corporation”).
- The government should legislate the participation of public-sector pension funds that are expected to realize appreciable benefits from pooled asset management.
- The government should include provisions in legislation that would indemnify current fiduciaries from any fiduciary liability arising from the legislated transfer of investment management responsibility to the Corporation.
- All public-sector institutions with pension funds of less than $40 billion in assets under management should be compelled to pool their assets with the Corporation, subject to limited exceptions.
- The Ontario Nuclear Funds, the Workplace Safety and Insurance Board investment funds, and the Agricorp Production Insurance fund should be compelled to participate in the pooling framework.
- All public-sector institutions whose assets are not mandated to be managed by the Corporation should be permitted to voluntarily access the services and individual asset classes available through the Corporation, subject to reasonable terms and conditions, and on a “cost recovery” pricing basis (i.e., voluntary participants would experience pricing on the same basis as mandated participants).
- Broader public-sector institutions should be permitted to voluntarily access the services available through the Corporation for endowment funds and supplemental employee retirement plan funds, subject to reasonable terms and conditions, and on a “cost-recovery” pricing basis. The Corporation should be equipped to accommodate these types of funds immediately upon its establishment.
- Any public-sector pension plan that can negotiate an agreement-in-principle to transition its assets to an existing large Ontario asset management entity (i.e., Teachers’, OMERS, or HOOPP) with a signed memorandum of understanding prior to the establishment of the Corporation should not be compelled to pool its assets with the Corporation.
- The Corporation should be structured to facilitate the management of defined contribution assets. Defined-contribution funds would be permitted to pool assets with the Corporation on a voluntary basis, but only at such time as the capacity of the Corporation permits.
• The Corporation should develop the capacity to offer cost-effective advice on asset allocation decisions to participating institutions.
• The timing of implementation includes the Corporation inheriting pension assets in the first half of 2014.
• The government should finance the start-up costs, which could subsequently be recovered from savings realized through negotiation with, and consolidation of, external managers.
• The Corporation would need to employ a unitized fund structure, providing the flexibility to accommodate the distinct asset-allocation decisions of each participating institution.
• After a cooling-off period (seven years), participating institutions should be free to withdraw from the pooling framework, as directed by their trustees or governors. This cooling-off period would give the Corporation time to negotiate lower investment management costs, rationalize external investment managers, and develop internal investment expertise. It should also allow for a significant period of full operation and a more accurate assessment of the Corporation’s performance.

This summary highlights what we believe to be the most pertinent points concerning the Pension Committee. The Morneau Report includes numerous other recommendations, including those relating to administration and governance.