

OMERS Governance Review – Progress Report

March 8, 2013.

	Recommendation (Summary*) *Click each summary for complete text of each Recommendation or see full list at end of Chart	Deliverable	Description/Activity/Comments
	Aligned and efficient decision-making processes with clear accountability structures		
1	One strategic plan for OMERS.	One Strategic Vision	-2 nd Annual Strategic Planning Session scheduled for September 2013 for joint discussion by both Boards Status: In Progress
2	Protocols for plan growth, plan changes and actuarial valuations and assumptions.	Implement the agreed processes	- Processes were agreed upon by both Boards during the 2012 Review. - A process for plan changes has been implemented. Implementation of the remaining processes are in progress Status: Partially complete/In progress
3	SC Co-Chair Selection	Consider chairing process and implement an agreeable process	- The SC Board reviewed the current chairing structure and elected to retain the current co-chairing structure and implement new co-chair voting procedures effective June 2013. Status: Complete
	Fairness in Representation on both Boards		
4	Communication and Engagement with Sponsors and Stakeholders	Improved communications and provision for improved input on decision making	- The SC and OAC Boards are developing a joint communications and engagement process to address the recommendations. - An update will be provided at the Spring Information Meeting on April 23, 2013. Status: In Progress
5	Unaffiliated Members	Currently no deliverables	This recommendation is not directed at the OMERS Boards and is dependent on the actions of unaffiliated Member organizations.

OMERS Governance Review – Progress Report

March 8, 2013.

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	High-level expertise and capacity on the administration board		
6	Mechanisms to Improve Capacity 1. Development and communication of an implementation plan; 2. A rigorous capacity matrix; 3. An assessment of current board capacity; and 4. A transition plan to accelerate the cycle of board appointments in order to address capacity gaps.	Improved Capacity on the OAC Board Implementation / work plan OAC capacity matrix Gap analysis Revisions to By-Law #13	- The SC Board is currently reviewing its By-Law # 13 which sets out the composition of the OAC Board as well as the nomination and appointment process which will be the foundation for addressing this recommendation. - Implementation plans involving effective engagement and communication tools are being developed. - The OAC Governance Committee is preparing an updated competency matrix for delivery to the SC - The OAC Governance Committee is conducting the assessment for the SC and considering the December 31, 2013 Board seat expiries - Planning is underway for an orderly transition for new OAC Board members Status: In Progress
7	Choosing a strong, independent chair for the OAC Board	Recruitment of an Independent Chair for the OAC Board	- The concept has been approved by both Boards. - The SC and OAC Boards have approved a jointly prepared implementation plan with the intent of the SC appointing an independent chair for the OAC Board by the fall of 2013. Status: In Progress
8	Effective Implementation	Quick, but effective, implementation	The SC Co-Chairs and OAC Chair have scheduled bi-weekly calls and bi-monthly Joint Council meetings to consider the status of goals.

OMERS Governance Review – Progress Report

March 8, 2013.

	Recommendation (Summary*) *Click each summary for complete text of each Recommendation or see full list at end of Chart	Deliverable	Description/Activity/Comments
	<p>a) Quick response with emphasis on communicating to sponsors, stakeholders and plan members;</p> <p>b) Implementation should be a top priority for OMERS with the full commitment of board chairs, both CEOs and the AC senior management team;</p> <p>c) Implementation within 12 – 18 months for most recommendations</p> <p>d) Joint Board discussion on Chair recruitment and stakeholder outreach should begin immediately;</p> <p>e) A critical path for each recommendation;</p> <p>f) Identified executives accountable for implementation of each recommendation.</p> <p>g) Two special-purpose joint board meetings for evaluating progress towards goals; and</p> <p>h) A written progress report within one year</p>	<p>See other Recommendations</p> <p>See Recommendation 6</p> <p>See Recommendation 7</p> <p>Internal work plan</p> <p>Internal accountabilities</p> <p>Joint meetings</p> <p>Letter to Minister January 2014</p>	<p>- Development and implementation of this work plan was given organizational priority within days of the release of the report. Independent chair concept approved in December based on discussions with Mr. Dean. This work plan is now available on OMERS websites to all sponsors, stakeholders and plan members and will be updated regularly.</p> <p>- Both Boards have articulated a strong commitment to addressing the recommendations and have instructed senior management to prioritize accordingly.</p> <p>- Detailed timelines being developed</p> <p>- Recruitment process underway</p> <p>- Communication to sponsors and stakeholders underway, with focus on providing an update at 2013 Spring Information Meeting, April 23, 2013.</p> <p>- Detailed work plan under development</p> <p>- Implemented February 2013 - OAC and SC executives given responsibility for addressing recommendations</p> <p>- Joint fall meeting scheduled for September , 2013.</p> <p>- To be submitted by both Boards January 2014</p> <p>Status: In Progress</p>

OMERS Governance Review – Progress Report

March 8, 2013.

*Full Text of Review Recommendations

- 1) The AC and SC Boards should continue to move towards adopting one strategic plan for OMERS. ([Back to Top](#))
- 2) The SC and AC Boards have approved principles and process agreements on plan growth, plan changes and actuarial valuations and assumptions which were developed in discussions between the chairs and the Review Team. ([Back to Top](#))
 - a. It is recommended that the boards collectively identify an accountable executive/s responsible for implementing these protocols with a requirement that there be quarterly reports to the boards on progress and outcomes; and
 - b. It is further recommended that in the event that issues associated with other “touch-points” give rise to tensions in the relationship between the boards, that the chairs should meet together in a concentrated effort to find consensus on principles and processes that will address the issues to the satisfaction of both boards.
- 3) The SC Board should continue to review the process for selecting chairs or co-chairs to ensure that board members have confidence that decisions are made in an equitable manner. It is suggested that AMO and CUPE consider from time to time supporting representatives of other organizations for the co-chair positions. ([Back to Top](#))
- 4) The AC and SC Boards should develop a comprehensive strategy for improving communication with sponsors and stakeholders, including unaffiliated organizations, and providing for improved input on decision-making. The goal in this respect should be to achieve the same level of service provided to members and employers. ([Back to Top](#))

A three-level approach to improving communications and engagement with these groups was discussed and there was general agreement on the part of the boards with the following:

- a. Improving communications and engagement with all stakeholders should become an organizational priority for OMERS;
- b. The boards should proactively reach out to stakeholders, with an emphasis on those currently concerned about lack of voice. An example of this would be extension of invitations to these groups to attend OMERS information sessions and a willingness to adjust the timing of these meetings or to add meetings, in an effort to provide information and receive advice from stakeholders earlier in the decision-making cycle; and
- c. The SC board, or both boards collectively, should create an advisory committee or an alternative engagement forum with representatives of unaffiliated members, small unions and the retiree groups not represented on the SC Board. In the current circumstances a new advisory committee or some alternative forum would be the most effective mechanism for communications and engagement (both outward to the groups and inward to the SC and AC). It is possible that such a committee or forum might be permitted to provide specified plan changes (typically benefit changes) for consideration by the SC and to propose changes to any proposed specified plan changes brought forward by SC Board members.

The leadership of both the AC and SC would meet with the advisory committee/forum at its meetings which would number up to four annually. It is anticipated that the leadership of both corporations would also engage representatives of the three groups in discussion on strategic planning, plan administration, pension reform and the economic outlook and other issues affecting OMERS.

OMERS Governance Review – Progress Report

March 8, 2013.

The advisory committee or forum would serve as a focus group to allow the SC and AC to solicit feedback on the views of unaffiliated members. As a result, members of the committee would be expected to communicate and engage with unaffiliated members beyond the organizations that they represent.

Advisory committee/forum members should be compensated for their travel expenses. Meeting space and some staff support should also be provided.

The details of how this form of engagement mechanism will work must be finalized and this is best done in collaboration with representatives of the target groups. The same is true for the potential composition of the committee or forum and how representatives would be chosen. An obvious first step is for the corporation to reach out to these three groups or categories of members, to communicate its willingness to improve communications and to open up a channel for engagement.

Associations representing unaffiliated members should work together to devise an equitable method for choosing representatives to the advisory committee/forum and for generally working together to speak on pension issues collectively. They might also consider mechanisms to reach out to plan members who are not represented by any association or union.

- 5) Associations representing unaffiliated members should work together to devise an equitable method for choosing representatives to the advisory committee/forum and for generally working together to speak on pension issues collectively. They might also consider mechanisms to reach out to plan members who are not represented by any association or union. ([Back to Top](#))
- 6) The two boards should work collaboratively on a fast-track plan to improve the capacity of the AC board.

A higher capacity board should have a majority of board members with demonstrated prior experience and skills in areas such as governance, investments, risk management, law, accounting, human resources, strategic planning and government relations. The nomination process should be assessed to ensure that it contributes to this outcome. ([Back to Top](#))

No more than four seats would be designated for representative board members. The following mechanisms should be put in place in order to effectively pave the way towards a higher capacity board:

1. The development of an implementation plan and critical path with timelines, desired outcomes and executive accountabilities. This should be communicated widely to sponsors, stakeholders and plan members; there should also be quarterly updates on the boards' websites and annual updates in the annual reports published by the boards;
 2. A rigorous capacity matrix which aligns board skills to the plan's strategic directions and desired outcomes;
 3. An assessment of current board capacity in relation to that matrix with an emphasis on identifying capacity gaps; and
 4. A transition plan to accelerate the cycle of board appointments in order to address capacity gaps.
- 7) Priority should be given to the appointment of a strong, independent chair to lead the AC board. This would be a new and fifteenth position on the board and it should be filled by the fall of 2013. This individual should have the following attributes:
 - Extensive board experience, including experience in the role of chair;
 - An established track record of collaborative leadership;

OMERS Governance Review – Progress Report

March 8, 2013.

- Knowledge in the areas of finance and good governance; and,
- Highly respected with a well-known public profile.

This appointment should be made through a collaborative process that deeply involves the AC board from start to finish. There should be a wide recruitment effort with support from a professional search firm. Both boards should be involved in developing selection criteria, concluding a short list for interviews and participating on the interview panel. Ideally, the boards will find consensus on the successful candidate. Failing this, the SC should make every effort to find consensus with the AC on two or three finalists from which the SC would make a final selection. ([Back to Top](#))

- 8) By virtue of the process undertaken in the course of this review, there will be no surprises in these recommendations for the OMERS Boards. Some recommendations have been crafted together with representatives of the boards and many have already been endorsed by both boards, at the very least at the level of principle.

There are a small number of manageable recommendations. There is no reason why implementation should not commence on all of them in short order. The following recommendations speak to effective implementation and are based on best practices observed in other large and complex organizations. They are also made in light of the fact that the report will be released publicly by the Minister no later than 30 days following receipt.

- a. The board or boards with responsibility for the various recommendations should respond quickly to the recommendations with an emphasis on communicating to sponsors, stakeholders and plan members;
- b. Implementation should be a top priority for OMERS with the full commitment of board chairs, both CEOs and the AC senior management team;
- c. Implementation of these recommendations can, for the most part, occur quite rapidly. The re-composition of the AC board might require a 24-month phase-in but certainly no longer and the lion's share of that work should be completed in 12-18 months;
- d. Initial joint board discussions on the recruitment process for an independent chair should commence immediately, as should the process of reaching out proactively to stakeholders;
- e. A critical path should be developed for the implementation of each recommendation indicating key milestones, expected outcomes and executive and board member accountabilities. The critical path should be updated quarterly and be communicated on a quarterly basis to sponsors, stakeholders and plan members (at the very least on the boards' websites). Updates should also be provided in each of the next two annual reports;
- f. Identified executives should be accountable for implementation of each recommendation. In the case of executive leads, success in meeting key milestones, identified outcomes and eventual implementation should be included in performance contracts;
- g. Two special-purpose joint board meetings should be scheduled in the spring and fall of 2013 for the purpose of evaluating progress towards goals; and

OMERS Governance Review – Progress Report

March 8, 2013.

- h. A written progress report on implementation of the recommendations should be provided to the Minister of Municipal Affairs and Housing within one year of the report being released by the Minister. ([Back to Top](#))