

# OMERS Governance Review – Progress Report

As of March 31, 2014

	<b>Recommendation (Summary*)</b> <small>*Click each summary for complete text of each Recommendation or see full list at end of Chart</small>	<b>Deliverable</b>	<b>Description/Activity/Comments</b>
<b>Aligned and efficient decision-making processes with clear accountability structures</b>			
1	<a href="#">One strategic plan for OMERS</a>	One Strategic Vision	<ul style="list-style-type: none"> <li>- Second Annual Strategic Planning Session held September 18-19, 2013</li> <li>- Implementation team recommendations in overall strategic framework regarding funding strategy, communications and goals considered by both the OAC and SC Boards at their February 2014 meetings. Working groups have been provided with direction on communication and goals, with further consideration of funding strategy and plan growth scheduled for September 2014.</li> </ul> Status: In Progress
2	<a href="#">Protocols for plan growth, plan changes and actuarial valuations and assumptions</a>	Implement the agreed processes	<ul style="list-style-type: none"> <li>- Processes were agreed upon by both Boards during the 2012 Review.</li> <li>- Joint meetings of the Boards and Committees continue.</li> <li>- Both Boards are working together on growth implementation and funding process documents, though further consideration of the various forms of growth is required.</li> <li>- OMERS Investment Management and Plan Change processes completed.</li> </ul> Status: In progress
3	<a href="#">SC Co-Chair Selection</a>	Consider chairing process and implement an agreeable process	<ul style="list-style-type: none"> <li>- The SC Board reviewed the Co-Chair selection process in the course of the By-law review and decided to implement new co-chair voting procedures effective June 2013. A further review of the model and process were completed in November 2013; no further changes were made.</li> </ul> Status: Completed
<b>Fairness in Representation on both Boards</b>			
4	<a href="#">Communication and Engagement with Sponsors and Stakeholders</a>	Improved communications and provision for improved input on decision making	<ul style="list-style-type: none"> <li>- The first issue of <i>Outreach</i>, a web-based Stakeholder Newsletter was published on December 16, 2013. The next issue was released on March 17, 2014.</li> <li>- Further review of areas to enhance stakeholder engagement is in progress, especially for those without representation at the board table,</li> </ul>

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			<p>including a new process to discuss proposals under consideration during the specified plan change process and to obtain input and feedback on the proposed changes. Meetings with unaffiliated groups scheduled for April and June 2014.</p> <p>- Spring Information Meeting held on April 3, 2014 incorporated feedback provided by stakeholder groups in 2013 following the Fall Information Session. Feedback on revised format and content has been positive.</p> <p>Status: In Progress</p>
<p>5</p>	<p><a href="#">Unaffiliated Members</a></p>		<p>This recommendation is not directed at the OMERS Boards and is dependent on the actions of unaffiliated Member organizations. However, both Boards have affirmed the commitment to reach out to all stakeholder organizations through the enhanced engagement process. The SC Co-Chairs have met with a number of the unaffiliated Member organizations and the OAC Board Chair has begun to meet with sponsor and stakeholder organizations. As mentioned above, special information meetings on the specified plan change process have been scheduled for April and June 2014.</p>
<p><b>High-level expertise and capacity on the Administration Corporation Board</b></p>			
<p>6</p>	<p><a href="#">Mechanisms to Improve Capacity</a></p>	<p>Improved Capacity on the OAC Board</p>	<ul style="list-style-type: none"> <li>- The SC Board reviewed and amended its By-Law # 13 which sets out the composition of the OAC Board as well as the nomination and appointment process which provides the foundation for addressing this recommendation.</li> <li>- Seven candidates, consisting of five new members and two existing members, were appointed to the OAC Board for January 1, 2014.</li> <li>- Notice to applicable sponsors has been provided regarding the timing for the 2014 process.</li> <li>- The first Nomination Advisory Committee meeting with sponsors to</li> </ul>

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			<p>discuss OAC Board requirements (capacity matrix and gap analysis) and to assist sponsors in planning for the OAC Board nomination process has been scheduled for April 16, 2014. A nomination toolkit providing additional information has been circulated to nominating sponsors.</p> <p>Status: Process for 2015 appointments in progress.</p>
<b>An Independent Administration Corporation Board Chair</b>			
<b>7</b>	<a href="#">Choosing a strong Independent Chair for the OAC Board</a>	Recruitment of an Independent Chair for the OAC Board	<ul style="list-style-type: none"> <li>- The SC and OAC Boards 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.</li> <li>- The recruitment process managed by a Joint Working Group of representatives of both Boards working with an external search firm has been completed.</li> <li>- George Cooke appointed as OAC Board Chair effective October 1, 2013.</li> </ul> <p>Status: Completed</p>
<b>Implementation</b>			
<b>8</b>	<a href="#">Effective Implementation</a>  a) Quick response with emphasis on communicating to sponsors, stakeholders and plan members;	Quick, but effective, implementation  See other Recommendations	<ul style="list-style-type: none"> <li>- 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.</li> </ul>

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	<p>b) Implementation should be a top priority for OMERS with the full commitment of board chairs, both CEOs and the OAC 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 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>- Both Boards have articulated a strong commitment to addressing the recommendations and have instructed senior management to prioritize accordingly.</p> <p>- Detailed timelines developed</p> <p>- Recruitment process completed.</p> <p>- Improved communication to sponsors and stakeholders underway and continuing, with updates at 2013 Spring Information Meeting on April 23, 2013, the Fall Information Meeting on October 22, 2013 and the Spring Information Meeting on April 3, 2014. The new stakeholder newsletter issued on December 16, 2013 and March 17, 2014.</p> <p>- Detailed work plans developed.</p> <p>- Implemented February 2013 - OAC and SC executives given responsibility for addressing recommendations.</p> <p>- Joint fall meeting in September 2013 to discuss joint strategic plan and other joint objectives completed. Deliverables identified and recommendations by implementation team considered by both Boards in February 2014, with the intention of potentially finalizing a joint strategic framework at a joint session in November 2014.</p> <p>- The Minister recently provided comments on her expectations regarding the report on progress to date, and both Boards are working on the report.</p> <p>Status: In Progress</p>

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## \*Full Text of Review Recommendations

- 1) The AC and SC Boards should continue to move towards adopting one strategic plan for OMERS.
- 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.
  - 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.
- 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.

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.

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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.

- 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.

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;
    - Knowledge in the areas of finance and good governance; and,

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- 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.

- 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
- 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.