

PENSION REMARKS
Rod Albert
OTPP Member

It's my pleasure to be here today, although it's been a long time since I've had to give a speech...especially from this podium. It's much easier to heave your heart in your mouth when your backside is still firmly planted in your seat.

It's also my first opportunity to publicly thank the OTF Board of Governors for appointing me to serve as a Director on the Board of the Ontario Teachers' Pension Plan.

It's a privilege to serve on your behalf at the Board.

My official status as a member of the OTPP board only goes back 8 months...so if all the issues you hoped we'd fix haven't yet occurred, keep at us.

Being on a Board, like Teachers', is a daunting responsibility. The well-being of 289,000 contributors/retirees today and thousands of teachers yet to begin their careers, rests on the decisions made today by the Board and the Partners.

The Board meets approximately 10 times per year; the day to day business of the Plan is run by Management. Jim Leech and his Executive Team manage the investments, member services, the financial operations, communications and relationships with the Partners.

Directors are appointed to "supervise" management. At a crude minimum this means understanding the business at the Plan. As you know, there are many components to that business:

- KNOWLEDGE OF PENSIONS: This involves setting an appropriate asset mix and assessing the risk tolerances for the time; 2) striving to increase returns, to protect future benefits, and to lower contribution rates, if possible; and 3) valuing the Plan's assets and liabilities.

- INVESTMENTS: The Plan invests in everything from global container terminals to trees; from meats to Maple Leafs; there are also bonds, equities, commodities, real estate and infra-structure to consider.

- MEMBER SERVICES: This department deals with 114,000 retirees, 175,000 active members and 193 school boards and designated employers. This department takes in and processes billions of dollars of contributions and buy-backs, handles millions of pieces of personal information every year and administers the pension payments of retirees – one of Canada’s largest payrolls!

- HEIGHTENED RESPONSIBILITY: Directors have a heightened responsibility to act in the best interests of the Plan members. Under the *Pension Benefits Act*, Directors cannot select/exclude investments solely on the basis of political, social, environmental or other non-financial criteria. The law also requires directors to act independently of both the plan sponsors and the plan management.

- GOOD CORPORATE GOVERNANCE: The challenge is to promote good governance practices, both at Teachers’ and at the companies in which we invest. To improve my own financial literacy, I confess that I recently completed the Directors Education Program offered at the Rotman School of Business. (My job was to tease the capitalists!)

And not as an aside, but to a significant governance point: Every member of the Board wants to see more openness and transparency at the Plan.

- REPRESENTATION: Of the 9 directors on the Board, I am the only one who has ever been a member of the plan. My unique role is to keep you and your concerns central to everything we consider and do. My job is to remind my colleagues on the Board and Management THAT: “Behind every dollar, traded, invested, or leveraged, is a member of the Plan looking to buy a house, pay a child’s education, or save for retirement. What happens at THE PLAN has real consequences for real people across Ontario.”

Rest assured that you are represented by a cadre of dedicated individuals who serve as Directors on this Board. I am impressed by the knowledge, experience and genuine commitment my colleagues display as we work to ensure the health of the Plan.

I remind everyone that you are paying an average of 11%, matched by the Government, for your pension. And in fairness, the Board and the Plan's leadership understand that.

Some Positive Outcomes

In early 2010, a new 4-year agreement was reached with our unionized employees represented by OPSEU. The deal was reached without a request for conciliation – a first for the parties.

Some of you may remember that the last agreement between the Board and OPSEU was reached only after a strike that lasted almost 6 weeks.

At the Winter Board, OTF/FEO raised concerns about a labour dispute between a union group and Cadillac Fairview. Your engagement in this issue and the actions of the Plan's management led to a resolution of that dispute in March. I bring this to your attention to illustrate that the more opportunities to communicate between the Partners and the Plan the better. Structures and processes that encourage more open dialogue and regular communications are extremely helpful.

Ethical and Social Responsible Investments

The purpose of the Plan is to make money. And while money may not have a conscience, the people who manage those huge sums should. The Board of Directors has to set the parameters of the Plan's investment policy wisely. The goal must be to protect and improve pension assets and to ensure that pension benefits are maintained at the appropriate contribution rate.

The last thing anyone wants is to have the Plan's participants pay too much. Under the *Ontario Pensions' Benefits Act*, the Plan must invest prudently with members' best financial interests in mind. As I said earlier, the Plan cannot select or exclude investments SOLELY on the basis of political, social, environmental or any other non-financial criteria.

Everyone here knows that there is a lot of power in the \$96 B that the OTPP controls. Investing in a socially responsible manner speaks to our core values as teachers/social activists. The challenge is to scrutinize each investment opportunity with a great deal of due diligence that takes environmental, social and governance considerations into account. Socially responsible companies and their boards can only enhance long-term shareholder value. All other things being equal, we should be able to choose investments that improve the Plan's performance without adversely affecting people or the planet. Today we have more opportunity to choose green investments with the potential for equal investment return to other opportunities. It seems that the investment world is at a tipping point both economically and environmentally. Some of our assets can grow as the new economy grows.

These decisions are not easy. Given today's projected liabilities, we want our investments to provide us with good financial returns. There are, however, some socially responsible opportunities, especially with new investments. But it won't be easy. SRI means something different to every person to whom you talk. Different people get riled up over different things.

If the provincial government were to sell part ownership of its LCBO's, would you want your pension plan to buy shares?

If they chose to sell shares in OLG, would you want to buy in?

They would certainly be profitable for the Plan, both in the short and long term. Social consequences?

You bet!

It seems to me that OTF and the Government have to decide on a process for considering the nature of investments in advance.

To make money you have to move quickly and boldly. You know what they say about early birds and worms. And that those who hesitate are not going to win the bid!

One real example: Investing in an Irish cement company. Sounds benign. One can use cement to build the foundations for thousands of homes, schools, and even hospitals. And if the company also has operations in Israel?! And some cement is purchased to build walls, which some believe is inappropriate – then what? Does the Plan divest? And at what point

Because 25 object: 200? 2,000? One affiliate?

What criteria would suit all members? Obviously not even a united OTF would be unable to unilaterally control the criteria. Would the Government agree to the selection criteria? Would the Partners be willing to accept the risk of lower returns or higher contributions?

All I'm saying is that it's tricky.

Thank you for this opportunity to address the Board.

I'd be happy to answer your questions.