

"Pension Talk"

October 2004

7 – How to Protect Against P3s

When the money managers, hired by pension trustees, are approached by privateers it is usually to invest in a private equity or private bond issue in support of a P3 project. The overall policy direction on investment given to pension fund money manager(s) is the Statement of Investment Policies and Procedures (SIP&P) along with any additional detailed investment guidelines or policies. If we are to ensure that Canadian workers pension funds do not assist privatizing public sector services and infrastructure, each SIP&P requires a strong statement about approving any investments in a private equity or private bond issue.

Here is some suggested SIP&P language to propose at a Pension Plan Board:

"All investments in private equity must first receive approval from the trustees".

"All investments in private bond issue that relates to public private partnerships must first receive approval from the trustees".

This language gives the pension board the ability to invest in a private equity or bond that does not privatize public services or infrastructure, while rejecting ones that do. If this is Board policy, trustees will be forced to debate each offering of a P3 private equity/bond issue which creates the opportunity to present arguments against P3s.

Here's an example of how the British Columbia Municipal Pension Plan (BCMPP) joint board of trustees rejected the first P3 proposal brought to them:

- The BCMPP has been jointly trustee since April 1, 2001. The board of trustees consists of 16 members, half appointed by members and half appointed by the provincial government and employer associations. The plan covers

BC municipalities, hospitals, schools, nursing homes and social services.

- A money manager brought forward a P3 proposal – to invest in privatized transmission of BC Hydro – to the trustees for approval. Other large BC public sector pension plans had already agreed to participate in the "investment opportunity".
- An important first step for the trustees was to take their time and not to rush into a decision. They decided to fully investigate the issues so that their decision would be made with full understanding of its impact.
- The union (members) side of the board asked CUPE Research for information. A presentation was made to a meeting of all of the unions representing members in the plan and representatives of the retirees. After discussion, the group agreed that the member trustees should reject the proposal as it was too risky and had extremely high odds of hurting the employment of BC workers and impacting BC communities negatively.
- In addition, several unions addressed the issue internally. For example the CUPE named trustee discussed the issues with CUPE's executive and membership at a special meeting called to deal with the P3 proposal.
- Because of the work done by the union named trustees it was possible to go to the next meeting of the Board of Trustees knowing that saying no to the P3 proposal would be consistent with the views of plan members (and retirees). The CUPE trustees knew they "represented the plan members".
- The BCMPP rejected the P3 investment and indeed have continued to reject other P3 investment opportunities since then.

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