

Alert

To the immediate attention of the Clerk and Council

September 9, 2005 – Alert 05/069

Bill 206 OMERS Update

Issue: Update to members on AMO's activities to respond to Bill 206, the proposed *Ontario Municipal Employees Retirement System Act*.

Status:

When the AMO Board of Directors met in August, it approved the creation of an AMO-OMERS Steering Committee made up of the Chairs of the AMO Caucuses, the Chair of the Large Urban Mayors' Caucus of Ontario (LUMCO) and the Chair of the Mayors and Regional Chairs of Ontario of Single Tier Cities and Regions (MARCO). AMO President Roger Anderson is Chair of the Steering Committee.

The Steering Committee is charged with representing the interests of municipal governments as employers who have to collect property taxes to contribute the employer portion of OMERS benefits. One of the Steering Committee's key objectives is to facilitate and support a common and cohesive response from Ontario's municipal governments and other OMERS employers, with an ultimate goal of protecting the viability of the \$36 billion OMERS pension fund for the benefit of current and future OMERS members, while also protecting the interests of property taxpayers who they represent.

The Steering Committee is leading a review of all aspects of Bill 206 to develop a response to the Bill and to prepare for Committee Hearings expected later in the Fall. This work will be shared with AMO members over the coming weeks and months to assist municipalities in preparing to respond to the Bill.

The Steering Committee is supported by a staff-level Working Group, which includes two municipal staff associations which are aligned with the interests of municipal governments as employers: the Municipal Finance Officers' Association (MFOA) and the Ontario Municipal Administrators' Association (OMAA).

AMO has made a formal request to OMERS for a detailed analysis of potential costs related to the supplemental plans that the legislation, if passed, would permit. This information will be shared with members when it becomes available. We are advised that it will be in a format that each OMERS participating municipality can use to determine their specific municipal impacts and will be built on a base that assumes the 9% increase for 2006 will occur. AMO's preliminary estimates indicate that the potential costs of supplemental plans are extremely high.

Background:

Bill 206 was introduced in June 2005. It would, if passed, change the governance structure of the OMERS Board whereby the sponsorship would fall to a "Sponsors Corporation" with representatives from employer and employee groups. (Comparisons to other devolved pensions fail to recognize the diversity of interests among both employer groups and employee groups.) As well, the Bill sets up an "Administration Corporation", which would be responsible for the investment side of OMERS.

The proposed changes to the OMERS Board governance mean that the Government of Ontario would no longer be the plan's sponsor. Instead, employer and employee groups would have equal representation and would assume the role of plan sponsors as part of the new Sponsors Corporation. How this employer/employee representation is achieved is also set out in the legislation, including transition provisions for the appointment of a transitional Sponsors Corporation for one year.

The Bill also provides for the creation of supplemental plans. The framework for supplemental plans would enable the Sponsors Corporation to set up plans in such a way as to enable local bargaining for customized benefits for some plan members. Upon the request of fire and police union associations, the Ministry is facilitating meetings to scope out the characteristics of supplemental plans. AMO and the Ontario Association of Police Services Boards (OAPSB) declined to participate in the meetings as these are matters to be considered by the Sponsors Corporation, should the Bill in its current form be passed by the Legislature.

The Bill also provides for mandatory mediation and arbitration if the Sponsors Corporation is unable to reach decisions, either on supplemental plans or any of the responsibilities of the Corporation, including its corporate bylaws.

Bill 206 was continued when the Provincial Parliament prorogued at the end of June and is expected to be referred to Committee soon after the House resumes in October.

The Government of Ontario is still messaging fall 2005 Committee Hearings with implementation as early as January 2006. This seems inordinately fast given the magnitude and implications of this legislation and in comparison to the devolution of sponsorship of other pension plans.

See also AMO Alerts 05/047 and 05/057.

2006 Rate Increase:

The OMERS Plan is currently in a deficit situation. Consequently, the OMERS Board has recommended to the Provincial Government (the current OMERS Plan sponsor) that employer and employee contributions be increased. The OMERS Board's recommendation is for an average 0.6% increase in the contribution rate for employers and employees. This is equivalent to a 9% increase in employer and employee contributions. The Province has signalled to municipalities that, while a decision has not been made, that budgeting along these lines would be prudent.

Action:

- AMO will provide members with regular updates on Bill 206 to assist members in analysing the implications of the Bill and in formulating a response to Bill 206.
- AMO will continue to press the Government to take adequate time for careful and thoughtful consideration of Bill 206 and its potential consequences.
- AMO is concerned that the Province's decision related to the 2006 rate increase is being delayed. As the current Plan Sponsor, the Province has a responsibility to make a timely, albeit significant decision. AMO has advised the Minister of Municipal Affairs and Housing that it would be unfortunate for the Province to delay this decision, leaving this as one of the first items the Sponsors Corporation would have to deal with if the legislation proceeds for January 2006.