



Backgrounder: Bill 206, *An Act to Revise the Ontario Municipal Employees Retirement System Act*

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OMERS (Ontario Municipal Employees Retirement System)

- One of Canada's largest pension plans with \$40 billion in net investment assets
- Equal to 8% of Ontario's annual Gross Domestic Product.
- Serves approximately 355,000 current and former employees of municipal governments, school boards, libraries, police and fire departments, children's aid societies, electricity distribution companies.
- Approximately 900 participating employers.
- Provides guaranteed retirement income for life, including inflation protection, and survivor and disability benefits.
- Uses a defined-benefit formula (pension based on member's service and salary, not investment returns).
- Funded by contributions from employers and employees.

Current Governance

- Jointly managed by a 13-member Board appointed by the Ontario Government.
- The Provincial Government currently serves as the Fund's sponsor, ensuring its viability.

Bill 206 Background

- Bill 206, *An Act to Revise the Ontario Municipal Retirement System Act*, introduced June 1, 2005.
- Seeks to change the governing structure of OMERS.
- Bill 206 would eliminate the Province's role as sponsor of OMERS.
- Multiple employer and employee representatives would be appointed to two corporations (a Sponsors Corporation and a Plan Administration Corporation). These corporations would replace the Province as sponsor and final decision-maker.
- New governance has unique voting structure whereby mediation and arbitration kicks in when a vote by the Sponsors Corporation falls between simple majority and 2/3 majority.

Municipal Concerns with Bill 206

- Proposed reforms could cost employers, employees and taxpayers dearly. AMO estimates that they will require a 3 per cent municipal property tax increase on average, province-wide.
- The Ontario Government is moving too quickly given Bill 206's magnitude and implications
- Due diligence is required to ensure financial stability of the Plan and to protect employees, employers, retirees and taxpayers.
- Bill proposes new governance model based on collective bargaining.
- Creates mandatory supplemental (or increased) benefits for police, fire sector employees and paramedics.
- Supplemental benefits likely to find their way to other OMERS members, and even provincial pensions such as OPP, through collective bargaining and arbitration.
- The OMERS pension plan is already under-funded by \$2.4 Billion. (Source: OMERS, June 2005).

Province's Response to Municipal Concerns

- Municipal concerns have largely been ignored.
- While the Province boasts of proposing more than 100 amendments to the original legislation, the vast majority of these amendments are detrimental to municipalities and taxpayers.
- Key stakeholders who share the municipal sector's concerns have been denied standing at Provincial Committee Hearings on Bill 206. These stakeholders include the Ontario Police Services Board Association and Ontario's two largest school board associations, three associations that are directly named in Bill 206.

Increased Cost to Taxpayers

- OMERS estimates that supplemental plans for police, firefighters and paramedics could require contribution rate increases of 10-20% (Source: OMERS August 2005).
- Taxpayers would shoulder approximately \$380 million in new labour costs with no improvements to programs and services.
- Taxpayers would be required to simultaneously pay retention bonuses AND facilitate early retirement for emergency service employees.
- Increased early retirement opportunities will require higher contribution rates over a compressed time.
- Financing options available to employer groups limited to property taxes increases; reduction in staffing, programs and services; and/or new provincial revenue sharing.
- Ontario residents already pay the highest property taxes in Canada as a result of downloaded Provincial program and service costs.

Threat to Municipal Programs and Services

- Ontario municipalities are already struggling to pay for \$3 billion in unfunded Provincial programs and services.
- Increased pension costs reduce budget capacity to employ new police, firefighters, paramedics and municipal staff.
- Bill 206's provisions would drain funding from core municipal priorities, particularly infrastructure maintenance and investment.

Current Status of Bill 206

- Bill received First Reading June 1, 2005 and Second Reading on December 13, 2005
- Final hearings to be held January 25-26, 2006 before Bill 206 can proceed for Third Reading Debate.

Further details, including AMO's presentation to the Standing Committee on General Government is available on AMO's website: <http://www.amo.on.ca>

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