



Backgrounder:

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AMO's Opposition to OMERS Bill 206 – A Reality Check

AMO's Estimate of Bill 206's Costs

The Association of Municipalities of Ontario (AMO) has undertaken the most comprehensive analysis of what Bill 206's OMERS pension benefit reforms could cost municipal property taxpayers. AMO undertook this analysis in September 2005 because the Ontario Government did not share any analysis of its own. To date, it still has not.

Importantly, AMO's cost estimate does not include the significant transitional costs that municipalities would incur under the governance reforms that Bill 206 proposes.

In addition, the supplemental benefits within Bill 206 are on top of the retention pay benefits that most fire and police have recently received through arbitration.

AMO's Methodology

AMO's calculations were based on conservative assumptions that modelled just two supplemental plans for police and fire employees and one for other municipal employees. They are based on costing analysis that was provided by an OMERS actuary. The methodology was then shared with municipal treasurers across Ontario who calculated the impact on their individual municipalities, given their unique employee demographics.

120 municipalities analyzed the data. On average, the supplemental benefit provisions of Bill 206 would represent a new cost pressure of approximately 3 per cent to a municipal budget at maturity. That represents a total cost of approximately \$380 million a year.

AMO presented its data and methodology to the Ontario Government's Standing Committee on General Government on November 16, 2005 and the information has been posted on AMO's web site for several months.

More Recent Estimates

Bill 206 is ill conceived and poorly drafted. Almost 100 amendments have been made in an effort to fix it. While a number of these amendments would impact AMO's original cost analysis, the overall impact would be neutral to negative. For example, the bill now requires OMERS to make supplemental plans available to paramedics. Amendments added in January will slow down but not reduce the total cost impacts.

Province's 'Recognition' of Emergency Service Employees is Unfunded

The Premier has repeatedly stated that Bill 206 merely recognizes that emergency service workers have strenuous jobs and that his government wants to give them enhanced pension benefits. While that recognition is noble, it is not backed up by a willingness to pay for those benefits. Municipal governments should not be forced to pay the Bill for the Ontario Government's desire to award supplemental benefits to emergency workers.

Ontario municipalities already pay for \$3 billion in unfunded Provincial programs and service costs that have been downloaded to municipalities by the previous Government. As a result, Ontarians pay the highest municipal property taxes in Canada. Bill 206's supplemental benefit provisions, however well-intended, would increase this tax burden even more, without providing taxpayers any benefit to tax payers in return.

The Ontario Government's Second-Guessing of Municipal Treasurers

The Ontario Government has suggested that AMO's cost analysis presents a 'worst case' scenario. Call it what you will, AMO's calculations are based on the scenario that is most likely under Bill 206. AMO has no motive to exaggerate the financial impact of Bill 206. If the costs weren't real, supplemental benefits would not pose a problem.

There are real costs coming from this Bill and responsible cost estimates are essential to pension fund management. In this case, those costs must also be understood by taxpayers, municipalities, the Province, and the 350,000 Ontario employees and retirees who depend on the \$40 billion OMERS Plan.

Rather than second-guessing municipal treasurers, when it comes to calculating the real costs of Bill 206, the Ontario Government should have conducted and released its own actuarial analysis before it introduced Bill 206. AMO has been requesting the Province's actuarial analysis since August 2005 and even submitted a freedom of information request for it in December. Unless Bill 206 is halted, it will likely become law before the Province reveals what standard of due diligence was applied to its OMERS reforms.

Benefits Will Be Awarded by Arbitration, Not Negotiation or Collective Bargaining

The Ontario Government has repeatedly said that supplemental benefits would be awarded through collective bargaining, and therefore, would not necessarily be awarded at all. In truth, these awards are likely to be imposed on municipalities by unaccountable arbitrators. Emergency services are essential services and many of the employees who would be eligible for these supplemental benefits do not have the right to strike. As a result, the majority of contract disputes are settled by arbitration. The Ontario Government is well aware of this. In fact the Ontario Government is likely to find these supplemental benefits, awarded to its own emergency service employees, such as the OPP under its own pension plan.

Responsibility to Taxpayers

Pension benefits are not free. If the Province wants to provide supplemental benefits to emergency service workers, it should pay for them. Ontario municipalities and property taxpayers are already over-burdened with Provincial programs and services. While municipalities value their emergency service employees, they must also consider the cost that supplemental benefits would impose on property taxpayers, including seniors on fixed incomes, who should not be required to pay more for the benefits of a select few. Property taxpayers will receive nothing in return for these increased costs and it's clear to municipal councils that their ratepayers would not approve of them.