

OMERS

Bill 206 –Proposed Model
Resolution

Purpose

Consider AMO's request to pass a Resolution:

- “Markham does not support Bill 206, and requests that the Government of Ontario reconsider the advisability of proceeding with Bill 206 in its current form; and...
- that Markham's local MPPs, the Honourable John Gerretsen, Minister of Municipal Affairs and Housing, the Honourable Dalton McGuinty, Premier of Ontario, and the Association of Municipalities of Ontario be advised that this Council does not support proposed changes to the OMERS pension fund contained in Bill 206”

Background

- The Ontario Municipal Employee Retirement System (OMERS) was created by the Government of Ontario in 1962 and since mid 1968 has been the only pension plan that new municipal employees may join
- Under the Ontario Municipal Employee Retirement System Act the Government of Ontario is responsible for appointing directors to the OMERS board and for determining the terms and conditions of the plan itself, including its design and the types of basic and supplementary pension benefits. The Province of Ontario acts as the plan sponsor
- On June 1, 2005 the government of Ontario introduced legislation (Bill 206) regarding the future governance model of OMERS. The Bill has received first reading and Standing Committee meetings are currently being held

Key Features of the Bill 206

- The OMERS plan continues as a defined benefit pension plan, equally funded by employers and plan members
- Introduces a new governance model
- Creates a new Sponsors Corporation that has the authority to determine plan design and set contributions rates
- The Sponsors Corporation would replace the Government of Ontario as the Plan Sponsor
- Enables the Sponsors Corporation to create supplemental plans which provide optional additional benefits to plan members beyond the basic plan, funded by additional contributions
- Supplemental Plans can allow for an increase of the accrual rate for public safety occupations(Firefighters, Police) as specified in the Income Tax Act from the current 2% up to 2.33%
- Continues the current Ontario Municipal Employees Retirement Board as the OMERS Administration Corporation
- Transition Provisions

AMO's Position

- The Province is rushing to reform one of Canada's most important pension funds without a reasonable understanding of the potential repercussions and without sufficient regard to the best interest of employees, retirees, employers, communities, taxpayers or Ontario's economy
- Preliminary and rough estimates indicate that the potential costs of the proposed changes are extremely high. OMERS' analysis confirms a significant increase to labour costs
- Substantive detailed analysis of costs related to the changes have not been provided by the Province, although requested
- Takes issue with the proposed provisions relating to Governance, Dispute Resolution and Supplemental Benefits

Model Resolution re: Bill 206

- **WHEREAS** the provincial Standing Committee on General Government is currently debating Bill 206, *An Act to revise the Ontario Municipal Employees Retirement System Act*; and
- **WHEREAS** the OMERS pension fund is currently equal to approximately 8% of Ontario's annual GDP; and
- **WHEREAS** the OMERS pension fund serves approximately 900 employers and 355,000 diverse employee groups including: current and former employees of municipal governments; school boards; libraries; police and fire departments; children's aid societies; and, electricity distribution companies; and
- **WHEREAS** Ontario's municipalities and their employees depend on the prudent management of the \$36 Billion plan and to ensure that employees and employers are paying for benefits they can afford; and
- **WHEREAS** OMERS employer and employee members are facing an increase in OMERS contributions in 2006 of approximately 9% as a result of a significant deficit in the OMERS fund; and
- **WHEREAS** the Bill includes significant, potentially costly and unnecessary changes to the governance structure of OMERS including a Sponsors Corporation structured to be governed by arbitration; and
- **WHEREAS** the Bill would permit the creation of expensive supplementary plans to provide optional enhanced benefits that will impose new collective bargaining obligations on municipalities, the operating costs of which cannot yet be fully assessed; and
- **WHEREAS** the Province has a responsibility to study the potential impact of the changes it is proposing and to share the results with employers and employee groups; and
- **WHEREAS** AMO and others have urged the government to consider the potential implications of Bill 206 and to ensure the proposed policy changes protect the interests of employers, employees and taxpayers; and
- **WHEREAS** the Government is moving in haste with a Bill, which in its current form raises significant technical, public policy and economic issues;
- **THEREFORE BE IT RESOLVED THAT** (Name of municipality) does not support Bill 206, and requests the that the Government of Ontario reconsider the advisability of proceeding with Bill 206 in its current form; and
- **FURTHER IT BE RESOLVED THAT** (Name of Local MPP), the Honourable John Gerretsen, Minister of Municipal Affairs and Housing, the Honourable Dalton McGuinty, Premier of Ontario, and the Association of Municipalities of Ontario be advised that this Council does not support proposed changes to the OMERS pension fund contained in Bill 206.

Recommendation

- Support AMO's position
 - Significant Cost
 - Expedited and limited consultation process
- Pass the Resolution