



Thursday, November 17, 2005

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## MARCO disappointed by Province's decision to deny it deputant status at OMERS legislative hearings

NEWMARKET – The Mayors and Regional Chairs of Ontario (MARCO) expressed its disappointment today that the Government of Ontario has denied MARCO the opportunity to participate at public hearings this month on *Bill 206 – An Act to revise the Ontario Municipal Employees Retirement System (OMERS) Act*.

MARCO is an organization representing 15 member municipalities and regional municipalities, comprising more than 70 per cent of Ontario's population.

York Regional Chair and CEO Bill Fisch, the current Chair of MARCO, said that both the amount of time allotted for hearings and the criteria used to select presenters are insufficient for the magnitude of the change being proposed.

"I am dismayed that MARCO was not given the opportunity to speak at these hearings on proposed legislation that could negatively impact our member municipalities," said Chair Fisch. "MARCO members employ thousands of unionized and non-union employees, and OMERS is the exclusive pension for all municipalities. Clearly as an employer, we have a vested interest in the future of OMERS, but unfortunately the province has chosen to proceed with these hearings without our input."

OMERS has a broad range of employer and employee groups – municipal government, including fire, school boards, libraries, police, children's aid societies, electricity distribution companies and other local agencies.

Bill 206, if passed, will devolve governance of OMERS and transfer it from the Ontario Government to a stakeholder-based Sponsors Corporation and an Administration Corporation.

"We are not convinced that the OMERS plan needs to be autonomous from Provincial sponsorship in the first place," added Chair Fisch. "The issues discussed in 2002 when OMERS devolution was first discussed included increasing efficiencies in decision-making, and making OMERS Board appointments in a timelier manner. Those issues could be addressed without devolving the plan."

Given that the decision has already been made by the province for OMERS to be autonomous, then the change in OMERS governance must ensure the continued financial stability, the fair and equitable treatment of all members and the containment of costs for members.

"We are particularly concerned that the Province has not done its due diligence, especially around representation of stakeholders on the Sponsors Corporation, and the composition of the Administration Corporation," said Chair Fisch.

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In lieu of deputant status, MARCO has made a written submission to the General Government Committee regarding Bill 206 with respect to its concerns and recommendations. A summary of these follows.

### **Governance**

The Bill proposes a Sponsors Corporation with equal employer and employee group representation. The Bill requires only a simple majority for decision-making. Either a requirement for unanimous agreement or some level of super majority for benefit enhancements or any plan changes that would increase the contribution formula would be consistent with arrangements under most other devolved public pension plans. The financial stability of the plan would be enhanced with a requirement for a greater consensus in the voting protocol.

**Recommendation: That Bill 206 be amended to require either a unanimous vote or a super majority vote for any substantive issue.**

### **Dispute Resolution**

The inclusion of mediation/arbitration discourages resolution at the sponsors table through a bargaining process. In order for the representatives to be committed to resolve issues, especially during the first years of the autonomous structure, the ability to resort to mediation/arbitration should be removed. Many other public sector plans have either no access to dispute resolution or limitations on such access. Limitations could include no referral of matters involving a fundamental change, no application for benefit changes or no access for changes affecting contribution rates. The experience in the Municipal field related to arbitrators having any concerns for the cost impact of their decisions has been abysmal. What would lead us to believe that the experience in this setting would be any different? The tax payers of this Province deserve better accountability for impacts that will affect them.

**Recommendation: That Bill 206 be amended to remove access to dispute resolution or at the very least limit the issues that can be referred to binding dispute resolution.**

### **Supplement Benefits**

Bill 206 creates the potential for supplemental benefit plans to provide benefits in addition to those available from the primary plan. Admittedly the plan allows for supplemental plans from any group. It does, however, 'specifically' direct the Sponsors Corporation to consider such plans for police and fire. Access to supplemental plans would be bargained at the local level and resolved by arbitration with several detrimental effects including:

- Different supplemental plans for different employers thus making mobility in employment extremely complex. This would also result in increased cost of administration for the OMERS Corporation.
- Given that the resolution of local bargaining is through arbitration for NRA60 (police and fire), special consideration for these groups being directed through this Bill will create inequitable treatment of OMERS Members.
- The Police Association of Ontario have clearly indicated they want a 75 or 80 factor for Police Officers, and 80 or 85 factor for Civilian Members, a best three final average, and an increase to 2.33 per cent pension accrual rate. It is estimated that if these benefits are implemented for police and fire the impact on the average property tax will be at least 3 per cent. Given the OMERS plan is already in a deficit position that is likely to require additional contribution increases beyond the 9 per cent already proposed for 2006, no additional costs should be contemplated.
- Although Bill 206 limits the 2.33 per cent benefit accrual rate to a go-forward basis only, the Bill provides no such limitations on other supplemental benefits. If any of the desired benefits are accessed on a retroactive basis the estimated 3 per cent impact on the local property tax bill will only increase further.

**Recommendation: That Bill 206 be amended to exclude any provisions for supplemental benefits.**

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