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BILL 206
ONTARIO MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM ACT

(Regional Council at its meeting on October 27, 2005, amended the following report by deleting the Committee recommendations and adopting the staff recommendations contained in the memorandum from Joy Hulton, Regional Solicitor, dated October 26, 2005, as follows:

1. ***The Regional Chair submit a letter to Premier McGuinty and the Minister of Municipal Affairs and Housing identifying concerns with Bill 206 and requesting that further consideration of the Bill be postponed pending municipal consultations.***

2. ***A copy of the letter be sent to Mayors and Regional Chairs of Ontario (MARCO) member municipalities for information.***

3. ***The Chief Administrative Officer and/or other appropriate Regional staff present the Region's position on Bill 206 to the Standing Committee on General Government.)***

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, October 4, 2005, from the Chief Administrative Officer:

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council endorse a letter to be sent by the Mayors and Regional Chairs of Ontario (MARCO) to Premier McGuinty and the Minister of Municipal Affairs and Housing regarding Bill 206.
2. The Chair seek endorsement of the attached letter from other MARCO member municipalities.

2. PURPOSE

The purpose of this report is to seek Regional Council's endorsement of a letter to be sent by the Mayors and Regional Chairs of Ontario (MARCO) to Premier McGuinty and the Minister of Municipal Affairs and Housing regarding Bill 206.

3. BACKGROUND

As reported to Finance and Administration Committee in September 2005, Bill 206 – *Ontario Municipal Employees' Retirement System Act* received first reading earlier this year and has been referred to Standing Committee. Hearings are expected to take place later this fall, and the Provincial government hopes to have proclamation by early 2006.

Although hearings have yet to be held, the Minister of Municipal Affairs and Housing agreed to conduct stakeholder meetings to discuss supplemental plans at the request of the Police Association of Ontario and the Ontario Professional Firefighters Association shortly after Bill 206 received first reading. Several meetings were held during the summer despite the fact that employer representatives declined to participate because they felt such discussions were entirely premature.

Several employer representatives, including Association of Municipalities of Ontario and the Ontario Association of Police Services Boards have already requested that the Province delay further consideration of Bill 206 until all stakeholders have an opportunity to fully assess the financial implications of the amendments contained in the proposed legislation, particularly with respect to supplemental plans.

4. ANALYSIS AND OPTIONS

Governance

There are two issues of concern to employer representatives: representation of stakeholders on the Sponsors Corporation, and the composition of the Administration Corporation.

(a) Appointment to the Sponsors Corporation

Bill 206 provides that appointments to the first term of the Sponsors Corporation will be made by the Province for a term of one year. Thereafter, the Corporation may pass by-laws prescribing its own composition as well as that of the Administration Corporation. However, there has been no consultation with employers regarding appointments to the Sponsors Corporation. Given that the Sponsors Corporation will assume the role of plan sponsor and the initial panel of appointees will play a significant role in shaping the future of the OMERS plans, representation on this corporation must be balanced as between employer and employee representatives to ensure that the interests of all stakeholders are represented in the decision-making process. Employers must be consulted regarding the appointees to the first panel of the Sponsors Corporation as well as the composition of the Corporations thereafter.

(b) Composition of the Administration Corporation

While the Sponsors Corporation will assume the role of plan sponsor, the Administration Corporation will have the responsibility to safeguard the financial viability and integrity of the OMERS plans. As a result, it is imperative that appointees to the Administration Corporation possess the skills and expertise necessary to carry out these fiduciary responsibilities. This is an issue of paramount importance that has been given little attention in the discussion of Bill 206 to date, and it should be addressed through the consultation process and reflected in any proposed legislation.

Supplemental Plans

Bill 206 gives the Sponsors Corporation authority to establish supplemental plans to provide optional benefits to members in the police, fire and emergency medical services sectors, and to other members. It specifically directs the Sponsors Corporation to consider providing such optional benefits for members employed in the police and fire sectors. These provisions are no doubt the result of years of lobbying by associations in these sectors.

Supplemental plans would provide greater flexibility in benefit arrangements. The terms and conditions of each plan would be bargained at the local level, however, possible plan benefits under supplemental plans could include an increased maximum annual accrual in the police and fire sectors to 2.33% from the existing 2%, final three year average earnings instead of five years and adjustments to the retirement age factor.

The Police and Firefighters' Associations are seeking to have the terms and conditions of supplemental plans enshrined in the legislation. If the Province supports this request, the role of the Sponsors Corporation to make decisions about supplemental benefits will be undermined, and employers would be bound to additional pension costs without the opportunity to engage in meaningful negotiations.

The financial implications of supplement plans are being assessed by employer groups, and they are asking that the Province suspend further discussion with employee associations until the employers can participate in the consultation process with the benefit of full financial information.

5. FINANCIAL IMPLICATIONS

There are no financial implications directly arising out of this report. Staff are participating in several working groups to assess the potential implications of the proposals contained in Bill 206, particularly with respect to supplemental plans in the police and fire sectors.

6. LOCAL MUNICIPAL IMPACT

OMERS is the exclusive pension for all municipalities, therefore all of the local municipalities will be impacted by Bill 206 in a similar fashion.

7. CONCLUSION

While it is still too early to fully assess the implications of Bill 206 and thereby formulate specific recommendations, it is the apparent that employers must urge the Province to proceed with caution in amending the OMERS legislation and to ensure that the interests of all stakeholders are fully considered.

(The attachment referred to in this clause was included in the agenda for the October 6, 2005 Committee meeting.)