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Monday 14 November 2005

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Lundi 14 novembre 2005

**Standing committee on
general government**

Ontario Municipal Employees
Retirement System Act, 2005

**Comité permanent des
affaires gouvernementales**

Loi de 2005 sur le régime de
retraite des employés municipaux
de l'Ontario

Chair: Linda Jeffrey
Clerk: Tonia Grannum

Présidente : Linda Jeffrey
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
GENERAL GOVERNMENTCOMITÉ PERMANENT DES
AFFAIRES GOUVERNEMENTALES

Monday 14 November 2005

Lundi 14 novembre 2005

*The committee met at 1601 in room 151.*ONTARIO MUNICIPAL EMPLOYEES
RETIREMENT SYSTEM ACT, 2005LOI DE 2005
SUR LE RÉGIME DE RETRAITE
DES EMPLOYÉS MUNICIPAUX
DE L'ONTARIO

Consideration of Bill 206, An Act to revise the Ontario Municipal Employees Retirement System Act / Projet de loi 206, Loi révisant la Loi sur le régime de retraite des employés municipaux de l'Ontario.

The Chair (Mrs. Linda Jeffrey): Good afternoon. The standing committee on general government is called to order. For the people who are standing at the back of the room, we're trying to create another space for overflow so you won't be standing as long. I hope you'll be patient while we arrange that for you.

We're here today for the purpose of commencing public hearings on Bill 206, An Act to revise the Ontario Municipal Employees Retirement System Act.

SUBCOMMITTEE REPORT

The Chair: The first item of business on our agenda is the report of the subcommittee on committee business. May I ask someone to move the report of the subcommittee and read it into the record.

Ms. Deborah Matthews (London North Centre): I move the adoption of the report of the subcommittee.

Your subcommittee met on Monday, October 17, 2005, to consider the method of proceeding on Bill 206, An Act to revise the Ontario Municipal Employees Retirement System Act, and recommends the following :

(1) That the committee meet for the purpose of public hearings on Bill 206 on November 14, 16 and 21, 2005, and only on November 23, 2005, if needed, in Toronto at Queen's Park.

(2) That the committee meet from 4 p.m. to 6 p.m., subject to change and witness demand.

(3) That an advertisement be placed in all English dailies and the one French daily for one day, November 1, 2005, and that an advertisement also be placed on the OntParl channel and the Legislative Assembly Web site.

(4) That the deadline for those who wish to make oral presentations on Bill 206 be 5 p.m. on November 9, 2005.

(5) That all groups be offered 20 minutes in which to make their presentations and individuals be offered 10 minutes in which to make their presentations.

(6) That the clerk, in consultation with the Chair, be authorized to schedule all witnesses.

(7) That if all witnesses cannot be accommodated, the clerk provide the subcommittee members with the list of witnesses who have requested to appear, by 6 p.m. on November 9, 2005, and that the caucuses provide the clerk with a prioritized list of witnesses to be scheduled, by 12 p.m. on November 10, 2005.

(8) That the Minister of Municipal Affairs and Housing be invited to make a 15-minute presentation before the committee on November 14, 2005, followed by a five-minute question/comment period from each of the three parties, followed by a 15-minute technical briefing by ministry staff, followed by a further five-minute question/comment period from each of the three parties.

(9) That the deadline for written submissions on Bill 206 be 6 p.m. on November 24, 2005.

(10) That, in order to facilitate the committee's work during clause-by-clause consideration of the bill, when time permits, proposed amendments shall be filed with the clerk of the committee by 2 p.m. on November 25, 2005.

(11) That the committee meet for the purpose of clause-by-clause consideration of Bill 206 on November 28 and 30, 2005, in Toronto at Queen's Park.

(12) That the research officer provide the committee with background information on Bill 206 prior to the start of public hearings, and that the research officer also provide the committee with a summary of witness presentations prior to clause-by-clause consideration of the bill.

(13) That the clerk of the committee, in consultation with the Chair, be authorized, prior to the passage of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

The Chair: Are there any questions or comments on the report of the subcommittee? Seeing none, all in favour? All those opposed? That's carried. The report of the subcommittee is carried.

MINISTRY OF MUNICIPAL AFFAIRS
AND HOUSING

The Chair: As agreed to in the subcommittee, we invited the Minister of Municipal Affairs and Housing to be here to make a presentation. Welcome, Minister. We're glad you're here. As requested, you have 15 minutes to make your presentation.

Hon. John Gerretsen (Minister of Municipal Affairs and Housing): Thank you very much, Madam Chair. It's good to be here. I'm joined here today by Dana Richardson, who is the ADM for local government, and Janet Hope, the director of the municipal finance branch within the Ministry of Municipal Affairs and Housing.

On June 1, I introduced for first reading Bill 206, An Act to revise the Ontario Municipal Employees Retirement System Act. It's my pleasure to now bring this bill to this committee. If passed, our legislation will enable OMERS stakeholders to determine for themselves what is best for their future.

OMERS was established in 1962 as the pension plan for employees of local governments in Ontario. Today, OMERS is the pension plan for about 355,000 current and former employees. They are from a diverse range of about 900 employers, which include municipal governments, school boards, police service boards, children's aid societies and other local agencies throughout Ontario. The plan members are represented by about 50 different unions. OMERS manages approximately \$39 billion in assets.

At this time, I'd like to share with you the government's intentions regarding the bill and the legislative process that we're currently engaged in.

The bill, if passed, will devolve governance responsibilities from the province and, instead, place responsibility for the plan with those who pay for it, who pay into it and who benefit from it. We believe that devolving the responsibility of OMERS governance will place greater authority in the hands of the contributors.

OMERS remains the only pension plan where the province plays the sponsor's role without being a direct contributor to the plan.

Over the last two years, our government has built a new relationship with our municipal partners, one that acknowledges their expertise and fosters municipal autonomy. This bill is another example of how we are providing municipalities, along with other members of the municipal sector, an opportunity to make their own decisions in areas that impact them. Our government wishes to strengthen local autonomy and improve the operations of OMERS for the benefit of the pension plan members and for the plan's continued fiscal sustainability, and this bill does just that. In response to requests over the years by stakeholders, this bill, if passed, will give the members control over their own plan.

Bill 206 also builds on the recommendations made in a report from the OMERS board in 2002. The board's report suggests a general path to devolve sponsorship

from the government to stakeholders that was based on broad input from representatives of both employee and employer groups.

This bill also addresses a commitment made by Premier McGuinty, while Leader of the Opposition, in response to that report, and addresses several issues that remain outstanding in the report.

The key features of the bill include the following: a single base plan with potential supplemental benefit plans for those in the police and fire sectors and for all other employees who contribute to OMERS; a sponsors corporation with subcommittees providing advice on the design of the supplemental plans; an administration corporation to continue the fiduciary role of the current OMERS board; raising the accrual rate cap to 2.33% for public safety employees to reflect changes made recently to the federal Income Tax Act; access to supplemental plan benefits offered by the sponsors corporation through local decision-making; and a proposed sponsors corporation disputes resolution mechanism similar to that used by the Ontario teachers' pension plan, with mandatory mediation before arbitration.

I'm also pleased to note that the bill provides that OMERS would continue to be the exclusive provider of pension products for the municipal sector.

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At this time, I would like to summarize some of the key events that have taken place between the time the legislation was introduced and these hearings. Ministry staff conducted technical briefings for stakeholders so that they would have a clear understanding of the draft bill and would have time to productively discuss this issue within their respective organizations. The proposed legislation has been a feature topic of discussion at the AMO annual conference and also at regional municipal conferences. In addition, OMERS themselves held a stakeholder meeting on Bill 206 where they shared information that assisted employers and employees with determining the potential costs of sample supplemental benefits.

Our government is committed to hearing stakeholders' views and taking those views into account. These very hearings are proof of our commitment. We are holding hearings after first reading so that we can get immediate comment and input into this bill. These hearings will add to the good comments we have received to date and will provide a further opportunity to hear from the various individuals who want to make presentations. We welcome their suggestions.

Let me turn for a few minutes to discuss what the stakeholders have brought to my attention up to now. Over the last couple of months, I have received a number of carefully considered submissions from stakeholders that truly reflect the importance these groups give to their pension plans. A number of these stakeholders have also taken the time to set up meetings with my parliamentary assistant, Brad Duguid, or with staff from my office to let the government know how they feel about the governance of their pension plan. Also, the police and fire

unions suggested that employee and employer groups meet informally to talk about potential supplemental benefit plans. With the exception of the city of Toronto, employers did not participate in this opportunity.

Overall, the comments that we have received reflect the full spectrum of groups that this legislation will impact: municipalities and their associations; representatives of firefighters, police, retirees, unions, and various associations; as well as the OMERS board. I'm pleased to have had a chance to hear from all of these groups in advance of the hearings. In all cases, we have encouraged groups to provide their input to this committee, and I suspect that you'll be hearing from many of the same groups, and more, over the course of the hearings.

What is quite clear is that various OMERS stakeholders have different views on many matters relating to the bill. We are pleased that these hearings are being held, and that there will be an opportunity for full input. We expect and encourage debate on this legislation.

I thank you for the opportunity to speak to you today. I too look forward to the deputations of stakeholders as we work toward providing a secure framework for OMERS that continues fiscal sustainability in the plan and provides competitive pensions and benefits for those in the municipal sector. Those are my opening comments.

The Chair: Thank you, Minister. Did you want to invite any other staff up to you during the times that the parties would like to ask questions?

Hon. Mr. Gerretsen: I have two very competent ministry people here with me. I understand that they will be giving a further technical briefing after we're through in this portion of the hearings.

The Chair: Yes. Just for the audience's knowledge, for those who are standing, committee room 1 has been set up for overflow. You'll be able to hear and see what's going on in this meeting, so should you want to sit down during the course of the next two hours, that's the place where you would go: committee room 1, which is, as you step out the door, to the right and down the hallway.

As agreed to by subcommittee, this time has been allotted for questions and comments from all three parties. There are five minutes for each party, beginning with Mr. Hardeman.

Mr. Ernie Hardeman (Oxford): Thank you, Minister, for your presentation. First of all, I want to say thank you, as we've discussed many times before, for bringing this bill to public hearings after first reading rather than after it has been almost cast in stone. This gives an opportunity for everyone's voice to be heard, and the legislation to reflect the views of the majority of the population.

As you mentioned, there have been a lot of comments made about this bill. After I reviewed some of the written presentations that have come forward for this committee hearing, if you've done the amount of consultation that you just suggested, I'm surprised we're even proceeding this far with it, because there seems to be very little support for what's being proposed here in the general

comments that have come forward, save and except for the supplementary benefit plans for certain people in the sector, such as the professional firefighters and police services, which is something that makes a lot of sense.

A lot of people have expressed concerns, though, about the supplementary benefits, and that's the one I wanted to touch on first, the supplementary benefits going to the sector that is dealt with by arbitration. It really doesn't then become a negotiated supplemental plan; it becomes an arbitrated supplemental plan, and there's great concern on behalf of municipalities that that will not treat them fairly. Before we hear all the comments during the hearings, I wonder if you would care to comment on the arbitration part of the supplemental plans, if you've given that any thought.

Hon. Mr. Gerretsen: Let me put it to you this way: The way I look at it is that what we are allowing is for supplemental plans to be negotiated at the local level between municipal employers and municipal employees in certain sectors. Being from a local background and having served in local government for a number of years, you and I know that there are always different opinions as to how arbitration affects the system. All I can tell you is that whatever benefits and salary demands are being negotiated at any time, depending upon the economic and political climate, it's always a question of give and take. Presumably, if a group is more interested in benefits at any one particular time, then their demands or what they get by way of monetary increases are limited.

Basically, what we're doing with this bill is allowing one additional area of negotiation to take place as it relates to supplemental plans. How that ultimately unfolds in the long run remains to be seen. My only comment to the municipal sector has been—and we brought this matter forward at the AMO MOU meeting; we have monthly meetings with the larger executive of AMO—that I don't think the municipal sector should discount its own ability to negotiate, in exactly the same way that I would never discount the ability of the different unions to negotiate with the employer.

Mr. Hardeman: The other question relates to the same thing. The concern that municipalities have with the supplementary plan is in fact the cost. At the same time, the other part of the legislation is to devolve the province out of the OMERS business, to get right out of it. The responsibility for any future requirements for more money or something to deal with the increased cost of the pension plan will no longer rest with the province; the liability will no longer rest with the province.

Going back to the supplementary plans, if at the end of an arbitration the award goes to increase the benefits to all existing, in this case, firefighters, who is going to pick up the cost of that in the future? Presently, without this bill, anything like that would be at the total expense of the province of Ontario, and it is no longer going to be. Could you please tell me why this bill is devolving the responsibility of the finances of the plan away from the province?

Hon. Mr. Gerretsen: No, it's devolving the governance of the plan. It's the only public sector—

Mr. Hardeman: But all the liabilities too, John.

Hon. Mr. Gerretsen: Just a minute, now; there's an asset base of \$39 billion there.

We're devolving the governance of the plan, which I think everybody agrees to, even you, yourself. I've got a very nice letter in which you agreed that OMERS should be devolved. I've seen letters from just about all parties in the Legislature, and certainly many of the members.

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When we're talking about the supplemental plans that may now be negotiated, I think it should be clearly understood that, whatever the result of those negotiations is going to be, there's going to be an equal contribution made by an employee and by the employer for whatever the benefit is. I know that municipalities look at it from the municipal cost, but we should also take a look at, what is it going to cost the individual employee? It may very well be that those employees, or the majority of those employees within a bargaining unit, may not want to negotiate this. So the assumption that this is going to cost municipalities money—yes, it may, if the negotiations are successful, but it will cost the individual employees an equal amount of money. It's just something else that they can bargain for.

Basically, what it boils down to is earlier retirement, that they can retire at an earlier stage of their career than they currently can. It's going to cost the employee money—exactly the same amount that it will cost the employer for that particular employee.

Interjection.

Hon. Mr. Gerretsen: Yes, it will. Right now, it's an equal-contributed plan. The employees contribute equally to the OMERS pension plan as employers, exactly the same amount. Whatever the new benefits are will be cost-shared on exactly the same basis.

Mr. Hardeman: I think my colleague has a question.

The Chair: I'm sorry; your time has been exhausted. Ms. Horwath.

Ms. Andrea Horwath (Hamilton East): Minister, I wanted to ask you a little bit about the timing of the bill, the way you see it moving into the future. I'll have one more specific question, but I've heard from some stakeholders a concern that this is moving very quickly. The changes have been a long time coming, and there's some concern that it's moving quickly. Others are saying that it's not moving quickly enough.

Could you tell me, if you're crystal-balling where we are now, what you see occurring after hearings into the next phase of the bill? Could you comment on that at all?

Hon. Mr. Gerretsen: It's just like any other piece of legislation. For some people, it's going too fast, and for others, not fast enough. This bill was introduced in June, so that's about five, six months ago. We're now having hearings for four days, then there will be a day of clause-by-clause. I suppose it all depends on the legislative process and on the workings of this committee as to when it will be reported back to the House and how much debate there will be in the House at both second and third reading. I don't want to prejudge that. That's up to the House leaders to decide.

Ms. Horwath: In regard to your greater experience in these matters than mine, being fairly new to the process, would you expect there would be committee hearings again after second reading?

Hon. Mr. Gerretsen: I think that all depends on this committee—or, I should say, probably it all depends on the House and the House leaders involved. So I don't want to prejudge anything in that regard.

Ms. Horwath: All right. That's fair.

Minister, I want to get your general opinion on the governance model that was chosen. There were options around that, and I would like your insights as to why the governance model you chose is the one that's here, as opposed to other plans of a similar nature that are public sector plans.

Hon. Mr. Gerretsen: It's my understanding that most of the other public pension plans have the same sort of corporate model. I know that one of the main unions involved, CUPE, doesn't particularly care for this particular model. I understand where they're coming from, but we felt that because there were 90 different unions involved, it was the best model to go with.

Ms. Horwath: Any particular reasons why you think it's the best model to go with?

Hon. Mr. Gerretsen: The way I understand it, it has worked fairly well with respect to other public pension plans as well—a similar model. That's why we adopted the arbitration model as contained within the teachers' pension plan as well, in order to come to a conclusion on any of the issues that may have to go to mediation and then to arbitration.

Ms. Horwath: Minister, because you raise the issue of a particular stakeholder who has some concerns about the model, I'm wondering if you could comment on what your perspective is on the relationship between the two bodies: the sponsors corporation and the administration corporation. I'll lay it on the table—particularly when it comes to issues, for example, of investment strategies and those kinds of issues.

Hon. Mr. Gerretsen: It's my understanding that one of the corporations will look after the management of the plan and the other one will look after the investment side of the plan, and that will continue.

Ms. Horwath: I guess what I'm asking you, though, is do you see any relationship between those two organizations in that regard?

Hon. Mr. Gerretsen: Do you want to answer that?

Ms. Janet Hope: Sure. It's a general principle of pension governance that the sponsor roles be kept distinct from the fiduciary roles in managing the pension plan. The sponsors corporation is proposed to look after the decisions around benefit plan design and the administration corporation is to continue the fiduciary responsibilities that are currently carried out by the OMERS board.

Ms. Horwath: In regard to the fiduciary responsibilities, the actuarial advice that the sponsors corporation receives, though, comes from the administration corporation?

Ms. Hope: Correct.

Hon. Mr. Gerretsen: That's my understanding, yes.

Ms. Horwath: I don't have any other questions initially, Madam Chair. I'm actually looking forward to hearing from the stakeholders and getting into some of the drilling down that I expect we're going to get from the stakeholders as they come forward through the remainder of the hearing. So I'll just leave it at that.

The Chair: Anybody from the government side?

Mr. Brad Duguid (Scarborough Centre): Just very briefly, I want to thank the minister for being here today and in particular for moving this forward after first reading. It really does give all parties an opportunity to listen very carefully to the deputations that we're about to hear and give very serious consideration to some of the good ideas that may crop up out of that. So on behalf of the government members, I just want to thank the minister for that and let the deputants who are here today and who will be coming know that we're looking forward to hearing their concerns, their suggestions and what they have to say.

The Chair: I believe now we have the opportunity for a technical briefing, up to 15 minutes. For the purposes of Hansard, could you identify yourself again, just before you begin to speak. That would help.

Hon. Mr. Gerretsen: I've got another meeting currently going on, but I'd like to thank the members for their attention and wish you well in your deliberations as you hear from the important stakeholders you're about to hear in the next four days.

Ms. Dana Richardson: My name is Dana Richardson and I'm the ADM of the local government division of the Ministry of Municipal Affairs and Housing. I have here a very brief technical briefing for you on the key features of Bill 206. We've provided the members with a copy of some slides, which I will be referring to as we go through the bill. The presentation is going to be a summary and an overview, and certainly we're happy to answer your questions as we finish this.

The devolution of OMERS governance is the main feature of this bill. The goal of the legislation is to provide a pension plan that's governed by those who pay into it and those who benefit from it. Therefore, the stakeholders will have the responsibility of governing the plan, very much like other public sector pension plans do.

Under the current arrangement of the legislation, the province plays the sponsors role and the OMERS board plays the administrative role of the fiduciary. The board members of OMERS are appointed by the province, an equal number of employees and employers and a provincial representative.

After devolution, the act will provide for the plan sponsors, being the employers and the employees, to assume the province's current responsibilities. On page 2, we have a chart that outlines what those responsibilities actually are.

The governance of the pension plan has four major roles, and this governance structure follows very much the governance structure of other pension plans. It's

divided primarily into a sponsors role and a fiduciary role.

The first two boxes on the left are the description of the fiduciary role: the plan administration, determining the appropriate funding policies for the plan and making sure that the benefits are secured at a reasonable cost. The investment policies and investment planning necessary to pay for those benefits are the responsibility currently of the OMERS board. In the future model, those will be the responsibility of the OMERS Administration Corp.

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The bottom two boxes on that page relate to the sponsors role. That would be to appoint the fiduciary board and to be responsible for the plan design and the benefit changes. Currently, those two roles are played by the province of Ontario through the OMERS act and regulations and through the Lieutenant Governor in Council. After devolution, these roles will be played by the sponsors corporation, which would be made up equally of employers and employees.

On page 5, as the minister has mentioned, we have proceeded with this devolution on the basis of the 2002 OMERS board report and a commitment made by the Premier when he was Leader of the Opposition which addressed some of the issues left unresolved by that board report—in particular, the supplemental plans and dispute resolution. We have received a great deal of input from stakeholders since 2002 as well.

On page 6, the approaches to the legislation are outlined. It is very important that we continue the existing plan itself. It will continue to be a defined benefit plan. It would provide for an orderly transition, so that it is absolutely seamless. For those who are receiving pensions today, they will continue to receive pensions, and the governance will proceed without any gap. We will put in place a framework to permit the establishment of supplemental benefit plans. We'll establish permanent parameters to safeguard employer fiscal sustainability within the legislation itself, and we'll provide for the sponsors corporation to be able to amend its own procedures for an orderly procedure on into the future.

On page 7, we outline what the proposed governance structure is. As Janet has previously mentioned, it consists of two corporations. One is the sponsors corporation and the second is the administration corporation. Both corporations would have natural-person powers and they would be subject to the usual rules of the Pension Benefits Act here in Ontario and the Income Tax Act federally. The OMERS plan will continue to be a defined benefit plan.

On page 8, we set out who the eligible employers are. Section 7 of the act would provide for OMERS to continue to be the exclusive provider of pension products for the municipal sector. All municipalities and most local boards would be eligible to participate. That would include police services boards and also the non-teaching staff of school boards. Other employers undertaking

municipal services are eligible to request membership, and they could become associated employers. An example of an associated employer today would be the staff of the Municipal Finance Officers Association of Ontario. On into the future, other such associations could apply. All existing associated employers will continue.

On page 9, we set out what the proposed features are to safeguard the fiscal sustainability of the pension plan. The first and most important is that it's an equal sharing of plan contributions by both employers and employees, that they are a check and balance against each other.

Secondly, the sponsors corporation is not permitted to make benefit changes within the main plan unless the ratio of market value of assets of the pension fund to the going-concern liabilities is not less than 1.05 and the ratio of solvency assets to the solvency liabilities is not less than 1.0. In plainer language, that means that, as a going concern, where the value exceeds liabilities by at least 5%, only at that time would the sponsors corporation be permitted to improve benefits.

There are two exceptions. Those exceptions are that there would be some reason for legal compliance under the Pension Benefits Act or the Income Tax Act or if the going-concern liabilities would not otherwise be increased by more than 1%.

On page 10, we set out some of the transitional features of the bill. As a policy matter, the province proposes to make the initial appointments to the sponsors corporation based on recommendations from the sponsors. These appointments would last for a period of one year, after which section 38 comes into force. After that, the sponsors corporation could decide itself on its composition and membership. The current members of the OMERS board would be the initial appointees of the administration corporation, with two additional positions. The purpose of this would be to provide for continuity of the fiduciary role that's currently played by the OMERS board. The position of the provincial representative would no longer exist because this would be a completely devolved plan.

On page 11, the sponsors corporation would be responsible for such things as, first and most importantly, changing the plan design; that is, it would be responsible for any changes in benefits and what type of supplementary plans could be offered. Secondly, it will determine the terms and conditions of the OMERS plans, for example, eligibility for the pension plans. It would agree on what employers could participate in OMERS, it would agree to administer other plans, receive reports from the administration corporation on investment and financial state of the plan, approve the remuneration of the administration board and set the contribution rates based on the advice of the administration corporation and the actuary.

The sponsors corporation would meet at least once every three years following the tri-annual plan valuation to consider whether to change benefits or contribution rates. The tri-annual valuation is required by the Pension Benefits Act. The sponsors corporation would also meet,

if requested by the administration corporation, under certain circumstances outlined in section 42 of the act. Section 42 would apply until the sponsors corporation passed a bylaw setting out different types of procedures.

On page 13 is the proposed sponsors corporation composition. There are an equal number of employer and employee representatives, for a total number of 18, which includes two non-voting members. No member of the sponsors corporation may be cross-appointed to the administration corporation. There's a complete separation of roles on the boards between the two corporations.

On page 14, we outline some of the features of the proposed supplemental benefit plans. The sponsors corporation could establish supplemental benefit plans in addition to the main plan for police and fire personnel and for all other sectors. That's set out in section 4 of the act. The sponsors corporation, when making decisions about additional benefit options available to the plans, would receive advice from two advisory committees and from the administration corporation. Supplemental benefits are optional, and that's what the minister referred to as being accessed through local decision-making.

On page 15: Section 14 of the act provides that the actuary is required to take into consideration the impact on the main plan of any benefits provided by the supplemental plans when determining the contribution rate for the supplemental plan members. In lay language, that means if there are any additional costs in the main plan due to the creation of a supplemental plan, that would be paid for by the beneficiaries of the supplemental plan. It would not be paid for by any other beneficiaries of the main plan.

1640

On page 16, we set out the feature of the 2.33% pension accrual rate. Currently, the Municipal Act provides that there is a 2% accrual rate cap on pensionable earnings, and this will be transferred to the new act, with the exception of a 2.33% cap for eligible employees under federal legislation. The Income Tax Act of Canada has recently been amended to allow public safety occupations to accrue a 2.33% rate. What this actually means is that in most cases, persons achieve a pension benefit of about 70% of their salary at 35 years at a 2% rate. On the 2.33% rate, that would be achieved in 30 years. So you can achieve that 70% earnings level at a faster rate. That benefit would be enabled only on a go-forward basis, not for past service benefits.

On page 17, we outline what the proposed mediation process would be. The decisions of this sponsors corporation will be based on a simple majority as set out in section 26 of the act. The sponsors may refer a matter to mediation, or mediation can be triggered in the following way:

A meeting is held on a specified change, such as a benefit increase, and the member of the corporation makes a written request for a change or the status quo, and if no decision is made within 30 days, it will go to mediation. The mediator could be chosen by a decision of the sponsors corporation or, if the sponsors cor-

poration was unable to make that decision, by the CEO of the administration corporation. So the act provides a mechanism for the choice of the mediator.

The mediator then would provide a written report that would set out what the issues are, the results of the mediation and any recommendations. If resolution seems possible, the mediator could extend the time. The member who originally put forward the request would be able to request arbitration if a decision isn't made following the mediator's report.

Page 18 sets out the arbitration system. The method for choosing an arbitrator would be similar to that as a mediator. The chair of the sponsors corporation could choose that arbitrator if the corporation could not otherwise be decided upon. The person chosen as a mediator could also be the arbitrator.

The matter referred to arbitration would either be decided on by the sponsors corporation or by the member who originally requested it. The arbitrator is required to take into consideration the legal requirements, plan valuations prepared by the OMERS actuary, the advice of the administration corporation, and the economy of Ontario, including economic conditions and the financial state of the OMERS employers.

Finally, the arbitrator would be limited in making a decision that would not require a contribution rate increase on the part of both the employer and the employee of more than 0.5% of the salary of a plan member. This is a very similar cap as set out in the teachers' pension plan.

The sponsors corporation would be given the ability to pass a bylaw to require employers and employees to pay a fee to fund any of its costs that are not related to pension administration. Some of these costs that might not be considered to be valid under the Income Tax Act would be things like supplementary decision-making—that is, mediation and arbitration—or actuarial and consulting fees related to that mediation and arbitration. The administration corporation could be asked to collect those fees on behalf of the sponsors corporation.

On page 20, we set out what the proposed administration corporation would do. It has responsibility for administering the plan—for plan administration, investment policy, asset allocation and investment management. It looks at the actuarial valuation of the plan and sets the actuarial assumptions of plan funding policy, and provides technical support to the sponsors in making their decisions. It also provides the administrative support for the sponsors corporation.

Finally, on page 21, we set out what the proposed composition of the administration corporation would be. It would have 14 members, once again in equal number of employer and employee representatives.

That's a very quick and high-level overview of the act.

The Chair: Thank you for the briefing. As agreed to by subcommittee, this time has been allotted for all three parties to ask questions, beginning with the official opposition.

Mr. Hardeman: Thank you, Dana, for the presentation. On the proposed mediation for the sponsoring

corporation, not having looked directly at section 43, why would the sponsoring corporation need mediation if all it requires is a decision? It doesn't say mediation if it's a negative decision; it just says mediation if they didn't make a decision. How could that happen?

Ms. Richardson: The decisions of the corporation are required to have a simple majority. So it could be possible that there is a stalemate or it could be possible that they just don't call a matter for a decision, don't call a matter for a vote within the 30-day period. In either of those situations, there would be no decision within 30 days and the matter could be taken on by that member to mediation.

Mr. Hardeman: I have just one final question, and then I think my colleague would like to ask one. Looking at the overall presentation—as you said, it's a pretty high-level presentation—I understand that what is here is that we're devolving the administration of the sponsor of the OMERS program, and this piece of legislation tells us how that sponsoring agency is going to work.

Ms. Richardson: That is correct, yes.

Mr. Hardeman: Thank you.

Mr. Tim Hudak (Erie–Lincoln): Thank you very much for the presentation. I'm not sure if you can answer this question, if the decision has been made by government already, or maybe the parliamentary assistant can. It appears that the formation of the sponsorship committee over time is going to be quite an arduous process, with so many unions and employers that are going to be represented there. There may be substantial costs involved with that, over time. I know legislation enables that to be passed on to the plan members, but my understanding is that, in the past, with teachers and HOOPP, that had been paid for by the province as opposed to the plan members. If it takes a long time, it's going to be a substantial cost to plan members. Will the government fund the costs of the initial transition period to get to the fully and duly elected sponsors group?

Ms. Richardson: At this point, we don't actually know how long that transition period will be or what those types of costs will be, so there is no decision about that.

Mr. Hudak: Maybe I could just refer that to the parliamentary assistant, if that is something the government is considering, because it could be millions and millions of dollars in transitional costs.

Mr. Duguid: Right now, at this stage, we really are here to receive input. That may be one of the things we'll hear from the deputants as it moves forward. We'll certainly consider all of the suggestions as we move forward. No decisions have been made or no direction has been given from the government on that at this point in time.

Mr. Hudak: OK. Thank you.

Back to the assistant deputy minister, who had made the point on rebound costs, to make sure I understand that. Maybe you can walk me through an example. If there is an additional cost to the main plan by a supplemental agreement, I thought I understood you to

say that it would ensure that those who benefit from the supplemental plans will cover those increased costs in their plan.

Ms. Richardson: That is correct.

Mr. Hudak: Can you give me an example of how that would take place?

Ms. Richardson: An example might be—we'll say the 2.33% accrual rate. If that was the benefit that was being offered and calculated, it may have the effect of encouraging people to retire earlier. Because of earlier retirements, there could be additional costs in the main plan as well, for the main benefits. Therefore, all of those costs would be absorbed by the persons who are benefiting from the supplemental plan. A calculation would be made and they would pay that additional amount.

Mr. Hudak: So there should be no circumstances under which somebody who belongs to CUPE, say, would pay for increased benefits to police or fire under a supplemental plan?

Ms. Richardson: That is correct. We've set out that provision especially to safeguard against that situation.

Mr. Hudak: I am wondering about a policy decision. I can appreciate that emergency workers are treated differently in this bill if they are fire or police workers, but paramedics are not given the opportunity to have supplemental plans. Why was that policy decision made? Is that an open question, for paramedics to have similar treatment? And I guess the last part of that question: Will the sponsors corporation have the ability to add paramedics as a supplemental plan beneficiary?

Ms. Richardson: The way the act is written, it is possible that the sponsors committee could decide that another group is eligible for a supplementary plan. Under the current provision, as it's set out right now, it's being offered to the police and fire sectors.

1650

Mr. Hudak: If I can understand it, I don't know if it was at—

The Chair: Mr. Hudak, can you make this a really short question?

Mr. Hudak: Why was the line drawn for police and fire but not paramedics if the goal was for emergency workers to benefit from supplemental plans?

Ms. Richardson: Initially, it was firefighters who were covered by the Income Tax Act with respect to public safety occupations, and only recently have paramedics been added in. So there has been some history over time of differentiated benefits, for example, between police and fire sectors and other municipal employees. Initially, that differentiation has been continued.

Ms. Horwath: I asked the minister about the model, and I'm going to now ask you about the model. I think the minister spoke about the teachers' pension fund particularly, but are you aware of other trustee models in Canada that work well as opposed to the corporate models?

Ms. Richardson: I'm aware of one other plan, and that's the OPSEU pension plan, that is based more on the

trust model. But the teachers' plan is actually a corporate model.

Ms. Horwath: So, then, can I ask again why the preference was for more of the corporate model versus more of a trustee model?

Ms. Richardson: The decision was made to set up a corporation. It does continue the current corporate model that OMERS is under. It also has worked well in other pension plans, and it is subject to all of the very rigorous fiduciary responsibilities as required under the Pension Benefits Act and the Income Tax Act.

Ms. Horwath: Was there any serious consideration at all given to the other type of model or was it an initial understanding that the corporate model was preferred, so that was the direction that most energy was put into?

Ms. Richardson: Clearly, a number of options were reviewed.

Ms. Horwath: Madam Chair, is there a way I could get any briefing notes on those reviews of the various models, by chance?

The Chair: You can make the request.

Ms. Horwath: Could I get that, please? That would be great. Thanks very much.

I had a couple of questions that were already asked by the member of the official opposition, so at this point I'm going to listen attentively to the remarks that come from the stakeholders, because I believe that's the most important thing for us to do today.

The Chair: Anybody from the government side who wants to ask questions? Mr. Duguid.

Mr. Duguid: I have no questions, Madam Chair. My colleagues may. No? We're good.

The Chair: Thank you for being here and for the briefing. It was very high level but it was interesting.

We're now at the public portion of our hearings. I'd like to welcome our witnesses and tell everybody who's here that you have 20 minutes to make your presentation. When you are called forward, if you could come up and state your name for Hansard. If you have any handouts you can provide them to our clerk, and she'll be pleased to pass those around.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

The Chair: Our first delegation is Mr. Frederick Biro of OMERS. Welcome.

Mr. Frederick Biro: Thank you very much.

The Chair: Is there anybody else with you? We have two other names.

Mr. Biro: Yes, we have two additional people.

The Chair: They're welcome to join you.

Mr. Biro: I was in the overflow room.

The Chair: Good. Those are good seats.

Mr. Biro: I rushed over here, so I'm out of breath. It was a lot cooler in there. I appreciated the escort from security to make sure I got there safely.

The Chair: So you have given us a handout.

Mr. Biro: Yes, we have, Madam Chair.

The Chair: This is the handout. OK. We'll make sure everybody has it. Welcome.

Mr. Biro: Thank you very much, again. I'm pleased to be here. I am joined by Dave Kingston, who is vice-chair of the OMERS board, and Mr. Paul Haggis, who is president and CEO. I'm Frederick Biro. I am chair of the board and have been for the last two years.

Today we come before you as fiduciaries of the OMERS pension plan with the sole mandate of protecting the best interests of our members. We also come as representatives of a mature organization with a history of providing secure pensions through sound management and investment practices for workers in the municipal sector in Ontario. We have grown to be one of the largest public sector pension plans in Canada, and we have an international reputation as a financial institution.

As the minister said in his opening remarks, we're also here as the only public sector pension plan in Ontario that is not controlled by those who pay into the plan; namely, our members and employers. OMERS autonomy has been a goal of the board since the mid-1990s, and we are strong and unanimous supporters of devolving responsibility for the plan to its sponsors.

Our sole intent in being here today before you, as the fiduciary board, is to protect the interests of our members, and those interests are simple and straightforward: We want the 100,000 retirees and 260,000 employees of Ontario's municipalities, school boards, local hydro utilities, police and fire departments, children's aid societies and many others to have secure income for their retirement. To put things into perspective, if we consider a family of four people, it stands to follow that one million Ontarians are directly affected by the OMERS plan.

This means providing members and employers with value for money. It means offering a secure pension benefit, survivor benefits, full inflation protection and income for members who become disabled and can no longer work.

We also remind ourselves on a daily basis that OMERS plays a significant role in the provincial economy. Through our investment programs, including our infrastructure investment initiative, we have contributed billions of dollars to the Ontario economy and created thousands of jobs.

For example, OMERS, through its investment entities, recently announced a \$4.25-billion investment in Bruce Power for the restart of Bruce A units 1 and 2. Fifteen hundred construction jobs and 44,000 person years of employment will be created because of this one investment.

The vital role that pension plans can play in infrastructure, and in creating an efficient financial system, was the subject of Bank of Canada Governor David Dodge's remarks just last week in Montreal, Quebec. He said:

"Here in Canada, policy-makers need to think about how our pension system can contribute to efficiency. There is a need for long-term investment in critical

infrastructure to support Canada's future production capacity. And there are pools of pension capital that, given their very long-term horizon, can be invested in this manner."

So OMERS is extremely important to this province, both in terms of the one million people we affect and our impact on the economy.

That's why we're here, to ensure that the ability of OMERS to discharge its quite enormous responsibilities is not inadvertently hampered or impaired. Our principal objective in considering the impact of Bill 206 is to ensure continuity and minimize disruption to the plan during devolution of OMERS governance. We believe our suggestions are non-controversial and in the best interests of all plan members.

Specifically, we are proposing amendments that will ensure the terms and conditions of the plan are clear, updated, well documented and understood for the new plan's sponsors and administrators; clearly separate and clarify the roles of the sponsors corporation and administration corporation; and address significant technical issues needed to administer the plan.

We also want to introduce some additional considerations that we think will strengthen the plan.

First, clarify plan text: To give the new plan sponsors and administrators a solid footing, we recommend that the plan text, which documents the benefits payable under the plan and the required contributions in Bill 206, be amended and consolidated in one document prior to the proclamation of the new act.

This proactive measure will ensure that the sponsors corporation and the administration corporation are working with an updated and accurate plan text document that can be readily interpreted and administered and which minimizes confusion or legal challenges.

A new plan text can be included as a schedule attached to Bill 206 setting out the terms and conditions for the plan as of day one. This is not a new concept.

When the teachers' pension plan was devolved, the plan text was included in the Teachers' Pension Act as a schedule to the legislation. This schedule is then transferred to the partners committee with authority to amend it going forward.

Similarly, during the founding of the OPSEU pension trust, the government at the time made a number of housekeeping changes to the plan prior to transferring it to the new structure.

Consistent with these two examples, we support Bill 206 in setting out that, following proclamation of the legislation, the sponsors corporation have the authority to make any subsequent amendments to the plan.

Clarify roles: In order that the newly constituted sponsors corporation can govern the plan effectively, and to avoid potential conflict, the distinct roles and responsibilities of the sponsors corporation and the administration corporation must be clearly spelled out in Bill 206. That was certainly part of your technical briefing before from the ADM.

Our concern is that some of the language used to describe the roles and responsibilities in the draft bill

could result in differing interpretations or in needless overlap.

By amending the language in the bill, and we point out the relevant sections in our written submission, we can clarify that the sponsors corporation is responsible for plan design and setting contribution rates and that the administration corporation is responsible for administering the plan and managing the investment program—again, consistent with the briefing you received from the assistant deputy minister.

Again, this is not a new concept but rather follows what is now a well-recognized and very successful model as exemplified by the Ontario teachers' pension plan.

1700

Technical issues: In our submission we suggest several amendments to improve plan administration. We characterize them as “technical” issues. As fiduciaries, we are concerned about the effective functioning of the new governance structure and wish to ensure that the committee is aware of the opportunities and considerations in adopting a new OMERS act. Given our roles as stewards of the plan, OMERS is uniquely placed to recognize unintended anomalies and recommend changes to correct them.

For the benefit of the committee, one such example is the requirement under section 11 of the bill that employer contributions must equal member contributions.

Although the intent is that employers and members share equally in the funding of the plan, in practice, at any given time the employer contribution could be a little more or less than the member contribution. For example, when a member buys back outstanding service in the plan, the member pays the full cost.

As such, we recommend amending the bill to provide authority for employers and/or members to contribute more or less, as appropriate, while maintaining the overall intent that contribution rates be equal.

Other technical matters are also appended to our submission.

Those represent our three primary areas of interest. We'd like to now highlight some additional considerations for the bill.

Experience tells us, and we've been at this for 42 years—not myself personally but certainly the plan has—that it's important that there be enough time to execute a successful implementation of the new act.

The bill contains numerous complex changes in governance and contemplates the implementation of supplemental plans—a new pension plan design that does not currently exist in Ontario. It will take a considerable amount of time and expertise to prepare for the supplemental plans following proclamation.

There is the issue of costs. There will be recurring and one-time costs associated with, for example, legal fees, actuarial fees, administrative costs attributable to the establishment of the sponsors corporation and the development of a supplemental plan model.

I want to point out that there are strict legal restrictions on what the sponsors corporation can and cannot charge

to the basic plan. For example, it is not permitted to recover from the basic plan the start-up costs or expenses associated with the design of supplemental plans.

Some of you may recall that when the Ontario government devolved the Ontario teachers' plan and the OPSEU pension trust, it committed resources to ensure the successful transition of these plans. We suggest the government find the appropriate means to ensure transitional funding, as well as ongoing funding, to support the sponsors in educating themselves as they assume their new and very important role.

Solvency: With Bill 206, the government also has an opportunity to address a long-standing concern that directly affects the affordability of pensions—and not just for OMERS but for all public sector pension plans in Ontario.

Currently, OMERS is subject to generic solvency funding rules under the Pension Benefits Act. These rules are designed to protect employees from private sector bankruptcies where pension plans are not adequately funded. We are all aware of some of these examples of shortfalls from recent media coverage.

There is, however, a fundamental difference between private and public sector pension plans, as public sector pension plans, while not guaranteed, are funded either directly or indirectly by governments and there are no foreseeable circumstances that would lead to every police service, fire service, municipal electrical utility and municipality going bankrupt. I simply suggest that won't happen.

The solvency issue is particularly relevant in the case of supplemental plans, which are enabled in Bill 206. As I mentioned, statutorily these plans must be funded separately from the existing plan and will face extraordinary additional costs as a result of the solvency funding requirement.

For example, the cost of implementing certain supplemental plan benefits can be quadruple the total cost without solvency funding in the first five years. This places additional, and perhaps even insurmountable, fiscal pressure on the employers and employees who will fund them.

I'd like to point out that every other Canadian province has pension legislation that exempts public sector pension plans from funding solvency valuations.

Flexibility: There are several provisions that should be considered in Bill 206 to make the plan responsive to new and emerging member needs. For example, the bill does not allow the sponsors corporation to improve the CPP offset in the pension formula. No other pension plan in Ontario is subject to such a limit.

Or, ultimately, the sponsors corporation may wish to offer ancillary post-retirement benefits to OMERS members. The ability to contemplate such a measure is common in other jurisdictions, such as British Columbia.

Also, it seems that new kinds of employers in the broader public sector are being created every day, such as devolved crown agencies, local health authorities and not-for-profit corporations. These employers could

conceivably benefit from access to an established and affordable pension plan like OMERS. To make this a reality, authority should be transferred to the sponsors corporation to allow that body to define and admit additional classes of Ontario-based employers related to the local government or broader public sector.

In conclusion, we have presented recommendations and amendments that we believe are in the best interests of all our members and employers. These measures will strengthen Bill 206 by clarifying roles, terms and conditions, and technical aspects of the plan; minimizing disruption during transition; and ensuring the plan remains affordable to members and employers.

We genuinely look forward to the passage of an amended Bill 206, and we have committed ourselves to working with the sponsors corporation to continue to deliver a superior pension benefit system for local government employers and employees across Ontario.

We also very much appreciate the opportunity to start these series of hearings as the lead delegate, who's non-government in this case. On behalf of OMERS, Madam Chair, we thank you and the committee members for their time. We'd be pleased to take any questions you may have.

The Chair: You left about two and a half minutes for each party, beginning with Mr. Hardeman.

Mr. Hardeman: In a previous presentation—I believe you were present—there was talk about the structure of the boards, and the issue that they have on the sponsoring agency retiree representatives, but they're non-voting. Do you have any opinion on how the plan functions, whether there's a need to have the retirees represented on the decision-making body of how the plan will operate?

Mr. Biro: It would be inappropriate for me to have an opinion on that. I think that really is up to the sponsors. I'll simply say that our experience as the administration corporation, because we've had the benefit of a retiree member for as long as I've been on, I think, and certainly before, there was always a value of having them on the administration corporation. That's just my own experience. It would be inappropriate for me to comment on something for the sponsors.

Mr. Hardeman: The present retired member is in fact a voting member of the organization—

Mr. Biro: Of the administration corporation, and I can only speak personally. We have had the benefit of some sparkling people, who I think have added a lot.

Mr. Hardeman: Does it happen or does it occur where the decisions made by the sponsor—in this case, the province of Ontario—would negatively or positively impact the retiree's pension?

Mr. Biro: Again, I think that's more for the sponsors to comment than me. We've always had a very good relationship with the government as sponsors, in terms of having them understand why we're making certain recommendations. But then I know very well every government of the day would then get input itself directly from the sponsor groups.

Mr. Hudak: Thank you very much, chair of OMERS, for the presentation. I asked the ministry staff a bit earlier

about the importance of the transition cost, and the parliamentary assistant said that this is going to be an open question, to see what the advice is. I don't want to ask you to speculate, but could you perhaps give us some indication of what those transitional costs may be that will be incurred by OMERS pension plan members?

Mr. Biro: I can speculate within a certain window on one aspect of it, which is the creation of supplemental plans, because we can't fund that. We're the basic plan; those would be stand-alone pension plans. We've estimated—and this is a ballpark estimate from our lawyers and pension experts—it will cost you \$5 million to \$6 million to set up the province-wide supplemental plans, because you have to hire actuaries, you have to hire lawyers, you have to have draft documents etc. Just on the supplemental plan aspect alone, it will be \$5 million to \$6 million. That's our best guess at this moment.

Mr. Hudak: How will the sponsors corporation, in terms of—it might be very unwieldy, right? Everybody will want to have their say at the table, naturally.

Mr. Biro: I listened very carefully to the presentations earlier on. It's my view, and I expressed this to a meeting of the sponsors back on September 23, that the sponsors corporation is going to be very busy in its first year. They have to draft bylaws. Before they draft bylaws, they have to introduce themselves, they have to agree on a meeting room table, and I heard that the assistant deputy minister said that the basic plan, the administration corporation, were responsible for administrative costs. I think we're going to have to have a bit more legal analysis of exactly what we can do.

In my view, and again, as chair of the board, we'll do everything we can to work successfully with the sponsors to make them successful, but there are simply some things we can't pay, in law. I think they're going to have to be busy, and there has to be a method found to ensure they educate themselves before they're called upon to make some very important decisions.

1710

Ms. Horwath: I wanted to ask about your comment around trying to open up the number of employers that would be able to participate. When we had the technical briefing, the ADM indicated that that's something that's possible. It's in section 6 of the act. So I guess what I'm wanting to know, from your perspective, is what's lacking in that regard. Your comments indicate that you think that there is more opportunity there. So you don't think that it's addressed adequately in section 6?

Mr. Biro: I would refer you to the technical submissions, instead of taking up your time and my fumbling through it. Really, what we're arguing about is that, as an example, we want to ensure that the maximum flexibility is provided for the sponsors, and right now, as we interpret some of the language, we're not sure it's there to the extent that it should be there, especially around allowing associated employers to come in. I'd have to refer you to the technical submission. I'd be happy to get back to you on that directly.

Ms. Horwath: All right. Just for a point of clarification, though, when you talk about associated employers, are you suggesting perhaps private contractors that are—

Mr. Biro: I'm not suggesting anything necessarily beyond giving the sponsors the flexibility to make some of those determinations. The example that was used previously by the ADM, I think, was one of the associations, the municipal finance and treasurers' officers. Those are more in our sweet spot—if I can put it that way—traditionally, but I'm not advocating either expanding or narrowing that. I'm just advocating that we think the sponsors should have the flexibility to deal with it.

Ms. Horwath: You don't, at this point, feel that the language that exists currently provides that flexibility.

Mr. Biro: Correct, and we'll get that clarified for you, exactly where it is in the technical submission.

Ms. Horwath: The only other question I have is in regard to some past criticisms of decisions that were made by the OMERS board and whether you think that this model that we are going down the road toward in Bill 206 would in any way alleviate concerns about that kind of a problem.

Mr. Biro: I think that's a question better directed at those who've put forward the criticism. I have to say that I've been around this for a little while, and when you compare our returns and our performance to the vast majority of our peer group, we do very well. Ultimately, when you're in the pension world—and we are fiduciaries—we operate under the prudent-person rule. We have to make decisions in the best interests of all plan members, not based on our personal bias. When you take that and you take a look at our performance returns, again I have to tell you quite honestly, I think we do very well. I'm sure there'll be others who'd be willing to take that question on and give you a different response.

The Chair: Thank you very much. Anybody from the government side?

Mr. Duguid: Thank you for your presentation, and your thoughtful presentation that you've left with us as well.

I want to see if it's possible for you to give us a human example of why you've been consistently supportive of devolution of the OMERS fund. One of the things that has been mentioned to me is that the current process, with the provincial government being the administrator, can be unwieldy when it comes to having to move quickly or you as a board having to make certain decisions that impact your members. Do you have any human examples where devolution would have assisted?

Mr. Biro: I appreciate the question. My difficulty in responding to some of the language—I get choked up about it, because I get quite passionate about this. I'll say that upfront.

The OMERS board, back in 1999 initially, and then again in 2001, made a recommendation to the government of the day—and this is not a criticism of any level of government; we know that sometimes we're off the

radar screen for reasons that are quite appropriate here—that for those parents who were on a disability pension and would then die, the children who are still in full-time school or still in education would continue to receive the full pension payments from the age of 21 to the age of 25. It took two governments—and again, it's not a criticism; it's just the fact—over two and a half years to make that decision. I tell you, I choke up on this one. It does impact on people.

As recently as October 28, I received a letter from a woman it directly impacted. All she wants is education for her child. We couldn't do it. So there are human examples out there. I've blocked out the names. I've got copies somewhere. I'd be happy to share that with the committee.

Mr. Duguid: I appreciate that. Thank you.

The Chair: Thank you very much for being here. We appreciate your submission.

Mr. Biro: Thank you very much.

MUNICIPAL RETIREES ORGANIZATION ONTARIO

The Chair: Our next submission is from the Municipal Retirees Organization Ontario: Mr. Don MacLeod and Mr. Bill Winegard. Good afternoon. As you settle yourself, this is your handout? Does everybody have a copy of it?

Mr. Don MacLeod: Yes.

The Chair: Great. When you're ready, if you could identify yourselves before you begin to speak. When you begin, you have 20 minutes. Should you leave any time, we'll have an opportunity to ask you questions.

Mr. MacLeod: Thank you, Madam Chair. With me is Bill Winegard, our executive director. My name is Don MacLeod. I'm president of the Municipal Retirees Organization Ontario.

I have a number of issues that I would like to talk about, but I'd like to tell you first who we are. MROO, the Municipal Retirees Organization Ontario, is an organization that was started in 1977 by three gentlemen in the London area. One of the gentlemen they've named a park after, across from city hall. We have nearly 15,000 all across Ontario, plus, while I didn't say so in our presentation to you, not only in Ontario but across Canada and outside of Canada, because OMERS pensioners can go wherever they want when they retire.

We're a non-partisan organization formed to voice the interests of OMERS retirees to the OMERS government, your government and the federal government—we mobilize our membership in the legislative matters that affect retirees—and to provide such other services that will improve the lot of our members.

We have a board consisting of eight members from around the province; we've split the province up into eight sections. Our board is elected at annual zone meetings around the province, and then they represent us. We bring them into Toronto here and we have our board meetings. We have four board meetings a year. We have

anybody from across the sector who's getting an OMERS pension on our board, anywhere from union members to police officers, to hydro managers, to nurses, secretaries and building inspectors. That was me, a senior building inspector for the city of Hamilton and a retired chief building official. So our board is made up of anybody who gets elected who receives an OMERS pension. To be a member of the Municipal Retirees, you must receive your pension, in whole or in part, from OMERS.

We've had the privilege of nominating to this government of Ontario the first, second and third retiree OMERS board members with a voice and a vote. The first member we had was a police officer, the second OMERS board member with a voice and a vote was a retired school board administrator, and our third and present one was a manager of municipal budgets. So these are three retirees who sat on the OMERS board with a voice and a vote.

We've advocated improvements to the OMERS pension plan. One of the improvements that I don't talk about in our presentation to you is that long before 1992, we were always advocating that we have a retiree on the board with a voice and a vote. Some of the things that have happened through our advocacy, and through others helping us, are that we have full indexing, spousal benefits to a maximum allowed by the law and a reduced CPP offset, although I'll speak about that later. In addition, we have had 20 years of sponsoring a benefit package for our members when they retire and lose their benefits. This is something that I will talk about later, but this is one of the things that we do.

We're the largest OMERS retiree organization, with the membership open to retirees from all walks of municipal life. We have a credible record of responsible advocacy, service and communication. We send three to four newsletters a year out to our members, to let them know what we're doing, besides our zone meetings, which we hold around the province. We move them around in each zone, so that our members may not get there one year, but they could the next year if the zone meeting is close to where they live.

We have an executive summary, and I think I should stress the executive summary. You can read what's there, our general comments, later. In our executive summary, we talk about the different issues as they come up in the bill.

1720

I'm going to go right down to number 8 first. I said I wasn't going to do it in the line of importance, but think in number 8, section 56 of the proposed bill should be deleted, because it says on a certain date—and I think it's three years from now—that if we haven't set up a proper system, if we don't have a sponsors committee set up, if we're not set up properly, this section is deleted and we have to start all over again. I don't think that should happen. The employers, the employees and the retirees should be able to sit down and come up with one section before the three years are over, because we've asked for governance, way back to the NDP when they were in

power, and to the next party, the Conservatives, and to the Liberals. Now we see something on the paper there, and we hope that we will have governance, and we hope that it's something that we can all agree with. I would stress that section 56 be deleted and that we should work at getting some kind of a governance system as quickly as possible.

One of our issues that we're very concerned with, and this is the title that they give us: "a former member," and in the bill, it classes us as "a former member." I find that hard to accept, because I paid 35 years into the plan when I was an employee of the city of Hamilton. I think the plan is really for members, for retirees, and if we could change that term of "former member," then it would please a lot of us—especially at the time when we got into a surplus and we found out that the employer took a contribution holiday, and that the employees took a contribution holiday, but there was nothing in the legislation or in the act that said retirees would get anything from these contribution holidays. I saw my 35 years of contributions into the pension plan going back to the employer, and the employees didn't have to pay.

We struggled, and we were able to gain some benefits from the OMERS board for our retirees—we got full indexing and some other benefits—but we felt left out, we felt we weren't part of the plan, because we're called "former members," and really the idea of a pension plan is for the retirees. That's one issue that we feel very strongly about.

The second issue is in sections 12 and 13, on the CPP offset: Right now in the act, there's a cap on the CPP offset. It says that we can't go below 0.6%, and we feel this is wrong. We feel that if the sponsors can negotiate it with the employees, and the employers on the sponsor's committee can negotiate a cap lower than the 0.6, we should be able to have that. It shouldn't be in the bill. It shouldn't be a detriment, it shouldn't be a cap that stops them from negotiating. Right now, the HOOPP has 0.5, and I think the teachers have 0.55. For our members who make much less than the YMPE, this 0.6 is a real detriment to them. We would ask that the 0.6 be removed from sections 12 and 13.

Under section 25, the sponsors corporation, we feel that we should have, either directly or indirectly, partnership in the non-profit, should have the authority to expand not just the pension plan where we receive a pension, but we feel that there should be something in there, maybe something that we started back in 1984, which was benefits for our retirees who lost their benefits when they retired and weren't able to buy benefits anywhere else. We were able to step in and find something, but we felt that if the act was changed, then maybe OMERS could take that over in partnership with us, and then retirees could receive benefits. Once they lose the benefits, it's pretty tough. If you're healthy, that's fine, but if you're not healthy and you lose your benefits at age 65, that can be very difficult. We're asking that section 25 be amended to provide these other benefits.

Section 26—and you can see I'm not following my notes—we recommend that a retired member be added to

section 26. The reason that we're asking for another retired member on this is that we have, if you look at the pie on page 6, other retirees, 27% of the retirees in the plan. That's not counting the inactive or deferred members, which is 9%. So we have 27% of the members of the plan, and we have one representative with a voice and a vote. We feel that with 27% and with representation by population, we should have two. We met with the other major retiree groups, the police and the fire groups, and we feel that we should have one retiree representative with a vote for the NRA-60, which is the police and the fire, and one retiree nominated from MROO, which basically is a 65, but we also have NRA-60s as members of our organization. These are the reasons we think we should have two on that committee.

Also, if you go down to sections 40 and 41, it's the same thing, because we're not restricted to recommending only supplemental plans; we recommend that each benefits advisory committee contain at least one retiree representative. Here we're just asking for one because probably the police and the fire on their advisory committee would have one, because they're the ones who are looking for the supplemental plans, and we would be on the other advisory committee. We feel that we bring something to the table. I have been involved with the OMERS pension plan since the start and I was involved with the city of Hamilton pension plan when Paul Hickey started that. I also had an annuity, which was \$25 a month and has stayed the same all these years I've been retired. Of course, I started when I was 10; that's why I'm going way back to all of these other different pension plans. So we feel that there should be retirees on these committees.

On the sponsors committee, again we're asking that we have two retiree representatives, and it's for the same reasons as I said for section 26, that we would have one from the NRA-60 and one from the NRA-65. We sat down with these other groups and thought we could come up with this representation.

Section 45: We recommend that the administration corporation contain two retiree representatives with full voting status. As I said, right now we have one there, and OMERS are quite pleased, I think, with the representatives we've nominated for them. They've been an asset to the present OMERS board. We feel that should continue, but we should have two; again, one for the NRA-60, which is the police and fire, who pay more into the pension plan so they can retire five years early, and one for the NRA-65 or one from MROO. We do not suggest, as the bill is suggesting, that we nominate or elect these people from one group and then the next group and then the next group and the next group. We're suggesting that the NRA-65 or the MROO representative would circularize and get all the people together, and we would then pick a nominee who would be on the board.

Section 56: I talked about that earlier. This is the section that was going to be deleted if by three years' time we didn't have a proper governance model. We think that that should be gone because we really feel we

should have governance. Had we had governance in the past, some of these things that happened during the contribution holiday could have been ironed out, and we could have improved the pension plan instead of giving employers and employees a contribution holiday from our wages that we put into the plan.

I think I've covered them all. There's a lot more in the eight or nine pages that I have, but I wanted to highlight our feelings on the plan. As Fred said, sometimes you get a little bit choked up about this. I've been choked up about this because it's been a long time coming and I think we need it. Thank you.

The Chair: You've left just over two minutes for each party. Mr. Hardeman, you can begin.

Mr. Hardeman: Thank you very much for the presentation. I want to quickly go to the representation of the people who are on the pension now and their involvement. You mentioned in number 6 that sections 40 and 41 be changed so that the retirees would have a representative on each advisory committee in the supplementary plans. Do you envision that changes in the supplementary plan could affect retired people?

Mr. MacLeod: You can answer it if you want.

Mr. Bill Winegard: If I may. One of the misunderstandings—as we read sections 40 and 41, there's no reference to them being restricted to advice about supplemental plans. If that were the case, and this may be an amendment that the committee might like to propose, if that is the intent: My understanding about supplemental plans is that that's a going-forward basis, as the assistant deputy minister said, so there would be no role for retirees, whereas I think we believe that if it has to do with benefits in their entirety—supplemental or non-supplemental—a lot of our money is in there and makes those possible, so we would like to be represented in those deliberations.

1730

Mr. MacLeod: If I could add to that, we would be proposing that it would be somebody probably from the supplemental plan for the police, the fire and the emergency workers. It would probably be somebody from the NRA-60 group who would be sitting on that, because at this time they're probably the only ones who would get the 2.33 that they're asking for.

Mr. Hardeman: The other question, just very quickly, is about what seems to be the number one issue, the wording "former members." Is the difference between "former" and "retired" critical to your members? I'm from the country, and a retired farmer is a former farmer because, having been retired, he is no longer a farmer. I wonder if it's critical to you to have that changed. I don't have any view on it.

Mr. MacLeod: I don't think we would not sleep at night if it wasn't changed, but to be honest, we feel that we should be recognized. A retired farmer is still a farmer, even though he retired. When somebody wants to know something, they come to you; they don't go to the young fellow.

Mr. Hardeman: That was a slam, I think.

Mr. MacLeod: We feel that we've paid our dues. We are members of the plan, because if it weren't for retirees, you wouldn't have a plan.

Mr. Hardeman: I support you in the change.

Mr. MacLeod: Thank you. We appreciate that.

Ms. Horwath: My question would be if there's been any advice to government around changes in the description of "former members" or, as they would prefer to be called, "retired members." Is that something that's possible or is there some kind of legal reason that that's not possible?

The Chair: Mr. Duguid, did you want to answer that?

Mr. Duguid: Sure. I can give you a very quick answer. Technically, maybe there is some way they can make it possible. I don't know. I know that the attempt is to be consistent with the Pension Benefits Act. So it's a case of trying to be consistent with all the other legislation.

Ms. Horwath: Thanks.

I was wanting to ask a question around the second point in your executive summary, around the removal of the 0.6% minimum. Can you tell me if you've talked to any other stakeholders about that idea and what kind of interest there is in that?

Mr. MacLeod: Do you mean the stakeholders in OMERS? We've talked about that. I hear OMERS is proposing that we drop that; at least, I thought that in their presentation. We feel it takes away the bargaining to improve the pension plan, because the majority of our members are probably members who make less than the YMPE, and this 0.6% affects the YMPE, because your pension is based on 2% times the number of years of service times your best 60 months, but minus the 0.675%, which it is right now. We think it should be down where the other pension plans are.

Mr. Winegard: If I might add, it's a benefit improvement which benefits everyone in the plan. Regardless of whether it's a supplemental plan or not, it benefits everyone. We also had support—as the president said, when we met with the other retiree organizations in OMERS, they all agreed that this was something that was the first priority for improvement to the plan.

Mr. MacLeod: If I could just add to that, because I glossed over my notes here. We were recommending that they add to section 26 that retired members also be given that increase, if a benefit is made, and that that increase be effective from the date of the change forward, as well as for the new members.

The Chair: Thank you, gentlemen. Thank you for being here. Oh, I'm sorry. I saw no action on this side so I didn't think you had any questions. Ms. Matthews.

Ms. Matthews: Thank you very much. First let me say I'm pleased that you support the idea of devolution. It's good to have that support from your folks.

I do have a question, though, about the CPP offset. I wonder if you could expand a little bit on that and tell us what impact the change you're recommending would have on your members.

Mr. MacLeod: The CPP offset is something most people don't realize when they're calculating their

pension. A pension is based on 2% times the years of service times their best consecutive 60 months. When people retire early, they get that 2% increase because there's a bridge benefit in there. When they hit age 65, all of a sudden their pension is reduced by the CPP offset. You could be retired for five or 10 years and have the benefit of this bridge benefit and be spending accordingly—maybe get a nicer condo or something like that—and then, all of a sudden, the month you hit 65, OMERS tells you your pension's going to be reduced by \$500 a month, or something to that effect, which is the CPP offset.

So the smaller the number, the larger a pension it will be. If we had it at 0.5%, then instead of it being reduced by \$500, it may only be reduced by \$300 a month. It's something the pension is based on, but it's something people don't realize until they hit age 65. During the contribution holiday, a lot of people went early because the penalties were reduced and the 90 factor was reduced, but once they hit age 65 they're going to lose out. They're going to find all of a sudden that they've got to change their spending.

At one time, when the CPP offset was there, it was put in to accommodate the OAS—the old age security—which is about \$450. At that time, when the CPP offset came off and you had your old age security, it was about the same, but that's not the case any longer. The old age security hasn't escalated as the CPP has, so therefore it's a penalty for the retirees. If it could be reduced to 0.5%, then these people would have a little bit more spending money when they retire.

Mr. Winegard: I think it's important we reassure the committee also that this is not one of the safeguards that we appreciate having been built into the bill to ensure the financial integrity of OMERS, and that we recognize that, in accordance with the other sections—section 15, I think—the 1.05 the assistant deputy minister was mentioning is not something that can be done at any point; it would have to be a surplus in the plan, which would enable this then to be considered by the sponsors.

Mr. MacLeod: That it would go forward, and not retroactively.

The Chair: Thank you very much, gentlemen, for your deputation.

CANADIAN UNION OF PUBLIC EMPLOYEES ONTARIO

The Chair: Our next and last deputation is the Canadian Union of Public Employees, CUPE Ontario, Mr. Sid Ryan.

Mr. John O'Toole (Durham): Chair, if I might ask a question of the researcher, I'd like to have from the research group a report indicating the change in life expectancy in an actuarial sense. There's a report on that that says life expectancy has increased. It would address some of the retiree benefits. There is a report. Could we? Thank you.

The Chair: OK. Welcome. Thank you for being here.

Mr. Sid Ryan: Good evening. I appreciate the opportunity to make a presentation.

The Chair: Can I just ask that, if anyone else besides you is speaking, you identify them.

Mr. Ryan: I was going to identify them anyway.

The Chair: Great. When you begin, you'll have 20 minutes, OK?

Mr. Ryan: Thank you. Darcie Beggs is from our national office and she's a pension expert. Antoni Shelton has been working on this file for quite some time. I've only got 10 minutes. I'm going to get right into it.

The Chair: You actually have 20 minutes. You can use all 20 minutes if you want. I'll give you a warning when you get close, if you like.

Mr. Ryan: OK. I hope you're taking all this time off the clock that you're talking there.

The Chair: I haven't started your timing yet, Mr. Ryan, but I could.

Mr. Ryan: I appreciate that. Time is precious.

The Chair: You should start.

Mr. Ryan: OK. Thanks. I just want to tell you, first off, that we have a technical brief that we have delivered to you already. I've got cards here representing 10,000 signatures from our members—active members and retirees—who are absolutely incensed at the way the Liberal government is handling these discussions, these negotiations, and in fact the brief itself.

There are many technical areas of this brief, such as the corporate model versus the trust model, the dispute-settling mechanism, duties and responsibilities of the corporate sponsors committee and the admin corporation. I'm not going to get into all those details. We can talk about them later if you want, but for now I want to talk about some of the areas that we have some really serious concerns about.

1740

I will say this much: To use an old Irish expression, the minister was spinning you a yarn a few moments ago about the corporate model versus the trust model, because I can tell you that there's only one pension plan that is jointly governed in this country, never mind in this province, that uses the corporate model, and that's the teachers. Every other jointly administered pension plan actually has a trust model, not the corporate model. So he was spinning it a little bit there for those members of the committee who are not terribly familiar with all our pensions.

I want to say that when Dalton McGuinty got elected, I was in his office within two or three weeks talking to Dalton about this very issue. We said to Dalton McGuinty at the time that what we wanted was a table—that's all we asked for from this government—and said, "Allow the unions and the employers of this province to do their job and let us negotiate what a governance model will look like for our pension plan." That's precisely what we've done in British Columbia, Alberta and every other province where we've got jointly trustee plans. We sat down and negotiated what the plan would look

like. We never asked for a prescription. We never asked for Bill 206. We never asked for government to come in and tell us what should be in our pension plan. We're paying for it and we should be allowed to freely negotiate it.

The first problem we've got is these public hearings, which have got six hours of hearings, and there are 360,000 plan members. In every small, tiny hamlet, town, village and city across this province, there are people who are impacted by what's going on here today and you only have hearings in Toronto. I know you sometimes feel that the city of Toronto—no disrespect to Toronto—is the centre of the universe, but there are a lot of people out there, outside of this city, who would dearly love to be able to come here and make some presentations, because what you're doing dramatically impacts upon retirees and future retirees in this plan.

I want to get into it right away. At the end of the day, what really matters—let's blow the smoke away from everything—is the pension promise. What will pensioners receive and what can those who are part of the plan expect to receive in terms of benefits down the road? Here's what your government is doing to retirees and to my plan members with this legislation. I'll give you an example to explain it quite easily, because I know people get confused about these accrual rates, and I notice numbers being kicked around.

Let me preface my comments by saying that OMERS is one of the worst pension plans in Ontario when it comes to paying the pension promise. By that, I mean it delivers the least amount of dollars into the pockets of retirees of any other pension plan in the public sector, bar none. The reason for that is that the accrual rate is set at 1.325%. The teachers' is at 1.55%, and there are small segments of very privileged workers—we talked about a lot of them here this afternoon—the police and the fire, who are actually talking about moving their accrual rates up to 2.33%. What does that mean in terms of a pension? I'll give you an example.

Lucille Kehoe is a retiree. She is 69 years of age. She lives in the city of Oshawa. She was a school board worker in the Durham school board, in the public sector, for 30 years. She is retired and because of this accrual rate that's in place for OMERS, her pension is \$1,100 a month. If Lucille was working in the hospital down the street, for instance, and she was part of the hospital pension plan, and she spent that same 30 years in the clerical position she was in in the school board, doing exactly the same work for the same number of years, paying exactly the same amount of money into that pension plan, out of the HOOPP pension plan she'd be taking home nearly an extra \$200 a week or \$2,400 a year, for exactly the same payment in. That's why we say this OMERS pension plan is one of the worst pension plans in Ontario.

What your government has done is you have brought in legislation that puts a cap on that accrual rate. The maximum we can negotiate is up to 1.4%. It means that people like Lucille Kehoe and others will be forced into a life of poverty and we have no means of moving her out

of that poverty trap she's in, as a result of what you're doing with this legislation.

The reason is—you take a look at it and it's very simple—you've put this 1.4% cap on and you say we cannot negotiate that, but at the same time you're saying to the police and fire, who already have a Cadillac of a plan and now you want to move it into a gold-plated plan, "We're going to give you the ability to negotiate further improvements over the Cadillac plan you've already got."

The language that's in this bill—you hear a lot about cross-subsidization. There is not one single sentence in this legislation that protects my members, the lowest-paid workers in this OMERS system, from cross-subsidization. The minister can talk all he likes, and the technical brief you got a few moments ago may refer to it, but there is not a single sentence, no clear and concise language in that legislation, that prohibits cross-subsidization. So what you're saying to my members is, "You cannot negotiate yourselves out of poverty. You cannot increase your benefits or improve your pension plan, but the police and the fire can jack theirs up to 2.33% in terms of accrual rate, moving that pension plan from Cadillac to gold- to diamond-plated, if you ask me, and then you're saying to the lowest-paid workers in the system, "You're going to have to pay for it," because you haven't put the language in there to protect them.

In terms of those supplementals, will they apply to CUPE? No, because you also put a cap in that says that any benefits CUPE would negotiate, or those other unions outside of police and fire, have a half of a per cent of a cap placed on them as well, as a result. In other words, we cannot go in and say, "We want to negotiate a supplemental." We would be unable to, because you cannot get a supplemental with a cap of only half of a per cent. So we will never be able to move our members into the stratosphere where the police and the fire are at. We'll never be able to move them into where even the hospital workers are at, or the workers' compensation or my pension plan or the Ontario hydro pension plan. We'll never be able to move them.

I did a little quick study before I came here just to check out some stats. Do you know that \$1,100 a month that Lucille is earning? In the city of Oshawa, where she lives, the cost of living, the poverty level is around \$1,500 a month. In Gerretsen's own Kingston, it's \$1,400 a month, and in McGuinty's Ottawa, it's \$1,600 a month. What do you say to those CUPE members, those retirees who are members of the OMERS pension plan in McGuinty's riding, that you are now handcuffing the union to say, "You will never have an opportunity to take your members out of poverty"? Even if we have a massive surplus like we did a couple of years ago—there was \$6 billion of surplus in this pension plan. Don MacLeod, who was here a few moments ago, a 79-year-old retiree from the city of Hamilton speaking on behalf of MROO, do you know what he got out of that \$6 billion? Do you know how much of a weekly increase he got? It was three bucks. And he was very lucky, because

Don had a high-paying job in the city of Hamilton, relative to the other members in our union. Lucille Kehoe got zero—zilch, she got—out of \$6 billion.

What we're saying to you is, give us an opportunity here to negotiate these workers out of poverty, and let them retire with dignity and a sense of respect and a decent pension plan. You've brought in legislation that's playing games with the highest-paid workers in the system, police and fire, who, Lord knows, don't need anything else. I don't know of one cop in this city and one firefighter in this city who has retired into poverty, but I can tell you thousands have retired into poverty from our union. That's what we're asking you to change.

You want to take a look at police and fire, but let's take a look at the paramedics who belong to our union as well. What has this government got against the Canadian Union of Public Employees? Why aren't the paramedics allowed in to be able to share in this largesse that the police and the firefighters are able to share in? Is it because maybe Dalton McGuinty didn't sign a secret deal with CUPE before the last election and he did with the firefighters? Is that what it's all about, living up to a commitment to the wealthiest people in the plan at the expense of the rest of them? That's not on. That's why we've got 10,000 signatures here from retirees and others across this province telling you that this is not on.

Don't think for one second that this is going to go away, that you're just going to pass this legislation in the dead of night with six hours of hearings, and somehow 360,000 members and 100,000 retirees are just going to go away and say, "OK, we lost that battle." That ain't happening. I'll tell you this much: Brian Mulroney learned the lesson; he learned the lesson of grey power. This government is going to learn the lesson of grey power. You're going to find these people out on that lawn at Queen's Park. You're going to find them in every single riding where we're running a campaign against the Liberals for what you're doing to the retirees of this province.

This is not about fairness and this is not about the devolution of a pension plan down to the members to run, because if it was, you would not be bringing in legislation that restricts our ability to do what we earn a living doing; that is, negotiating collective agreements and improving the lives of our membership. That's all we're asking this government to do. Don't get in the way of that by playing politics. I know that Roger Anderson, the unelected chair of Durham region, is running a campaign out there—of course he is—to try to prevent the lowest-paid workers in the system—maybe, if Roger Anderson is listening in to this program, he should look around at his \$157,000 salary. He's not going to retire into poverty, but the people he's trying to screw around are the people who are working in the municipalities, who are working in the Durham region, his employees. We're trying to move those folks into a meaningful retirement.

In addition, what kind of game is the government playing when it comes to CUPE? We've got 45% of the plan members on the employee side of the house. When

it comes to the administration corporation, AMO, which you could argue is a comparable organization to CUPE on the employer side, they get three seats on the administration corporation and so does CUPE—sorry, on the sponsors corporation. Which one is it?

1750

Interjection.

Mr. Ryan: Yes. But when it goes to the sponsors corporation, we get two. We're saying, "Wait a second, this just doesn't make sense." Why would we get two seats? Firefighters, with 4% of the membership, get one seat; police officers, with 10%, get one seat. So between the two of them, they've got 15% of the plan members and they get two seats. CUPE's got 45% of the plan members and we get two seats. Where's the logic in that? Why can't we have fairness and representation by population? Why would you want to be going out of your way to intentionally stick it to the lowest-paid workers in the system?

At least give us a fighting chance when we sit around the sponsors corporation and the administration corporation. Allow us at least to be able to represent the percentage that our members make up in the pension plan. Allow us to put up a fight and try to move them out of poverty. Why play games like this with the politics behind the scenes?

These individuals who were here earlier on from OMERS, we've been fighting them for 20 years. That \$6-billion surplus that I talked about a few moments ago was primarily driven by those bureaucrats, who said, "No, let's have contribution holidays," and they frittered the \$6 billion away in questionable investments and contribution holidays, to the point that people like Don MacLeod got \$3 a week. What we're saying is, don't be listening to these individuals.

By the way, we have them in the courts. This organization has been investigated by FSCO, and you're now turning our pension plan over to these folks based on a brief that the board of OMERS submitted to you in 2002, which he said had broad support. It had zero support. The employers absolutely killed that report. They said, "We don't support it." I was at the joint stakeholders' meeting. All of the unions said, "We don't support it." Yet Gerretsen still comes in here today and spins another yarn, telling you that it had broad-base support when it did not. Those same bureaucrats here, who we now have in the courts and who are being investigated by FSCO—you're handing our pension plan back over to them.

We will never be able to negotiate our members out of poverty if this continues and if this bill stays the way it is. I'm imploring you: Take a serious look at the issues we're raising here today, take a look at our brief and don't consign my membership to a life of poverty because you want to play politics and live up to a commitment that McGuinty made, inappropriately, to the firefighters before the last election. If McGuinty wants to cut a deal with firefighters, then cut a deal with firefighters, but don't play politics with my members and the retirees in this province. That's not acceptable.

The last thing I want to talk about is the supplementals. In term of the supplementals, there is no concise and clear language, and that has got to be in there. This would be a travesty of justice if it turns out that the wealthiest people in this pension plan are now being subsidized by the lowest-paid. That's what this government is doing with the way this legislation is constructed. I ask you to put that clear and concise language in. Don't listen to the bureaucrats when they tell you that it's there—it is not. I defy anybody in this room to point out to me the clear language that protects that plan.

In that regard, I can see where AMO is coming from. They don't see the clear language either that protects the rest of the plan members. They're coming at it from a different angle. They're looking at it and saying, "Oh, this is going to increase taxes for taxpayers." But from our perspective, whatever the taxpayers pick up, my members will also pick up the same amount, and it would be grossly unfair to the lowest-paid workers in this pension plan to ask them to have to pick up that load. That needs to be tightened up.

I guess that's basically it in terms of what I've got to say, in my opening remarks anyway. Maybe we'll open it up for questions. I would ask you to read that technical brief, because it goes into a lot of areas that I don't have time to go into here today.

The Chair: Mr. Ryan, you've left about a minute and a half for everybody. Mr. Hardeman, are you beginning?

Mr. Hardeman: Thank you very much for the presentation. My question is to the parliamentary assistant. I'm just wondering if we could hear from the government side what the intent was of capping the rate in the bill, as was pointed out by Mr. Ryan.

The Chair: Mr. Duguid, did you want to answer that question?

Mr. Duguid: I don't think there was an intent there on the side of the government. It's one of the things that has come forward in terms of recommendations that would have been concerns about the future integrity of the plan. It's probably considered a safeguard. We have heard concerns raised about that, and we're certainly looking at those concerns, but I can only assume that the recommendations, as they came forward, would have come forward on that basis.

Mr. Hardeman: I'm just saying the minister's comments were that we shouldn't worry about the contributions because both sides in the negotiations have to pay it. We shouldn't worry about it because the negotiations will even it out. In this case, why are we saying that it has to stop at a certain level for some but not for everyone?

The Chair: Mr. Hardeman, do you want to use your time asking the delegate questions rather than Mr. Duguid?

Mr. Hardeman: Not particularly, no.

The Chair: OK. You're running out of time. This is probably going to be your last question.

Mr. Hardeman: That's fine. Thank you.

The Chair: Do you have no more questions of Mr. Ryan?

Mr. Ryan: That was an excellent question, and I'd love to hear an answer. It begs an answer.

The Chair: Mr. Ryan, we're here to hear your questions and answers. We've heard your deputation. This is an opportunity for the opposition to ask you questions.

Mr. Hardeman: From the presentation, that was the number one issue in it, and I was just wondering if I could get, for my personal satisfaction, some handle on why we have that figure in the bill, if there is an explanation for it.

Mr. Duguid: I'm not sure how I can explain it in any other way, other than that it was a recommendation that would have come forward as one of the safeguards for the integrity of the plan into the future. Again, it's something we've heard about from a number of groups and that we're taking a good look at to see whether in fact that is the case. I would assume that would have been the reason for that recommendation from the beginning.

Ms. Horwath: My question is more of a philosophical one than a specific one on any of the issues that you've raised, and that is whether or not CUPE is of the opinion that Bill 206 is able to be amended to the point where your membership will be able to find some support for it. You have some very specific points. I think they are extremely well researched and well thought out. Considering your initial remarks in regard to the process that you're very displeased with and how we got to this point so far, do you think this bill can be amended to the point where the members you represent are able to feel that it meets their needs in terms of a pension system that they can benefit from in the long run?

Mr. Ryan: I'll put it this way: I've been fighting for 20 years for the devolution of this pension plan and I'm so disappointed that after that 20-year battle, what comes before us is a document that we can't support. Is the bill fixable? I believe it is. I think if they address the questions of the handcuffs they're placing on us as a union to negotiate benefit improvements for our members and let both sides go into free negotiations, free collective bargaining, if you will, and decide what the level of benefit will be for our members, that's one area that could be addressed quite easily. You don't have to put those caps in place that prevent us from taking our members out of poverty when they retire.

The responsibility, for example, of the sponsors corporation meeting once every three years—what they're doing is so ridiculous. It's like saying to any government, to the Ontario cabinet, for instance—and that would be like the sponsors corporation—that the bureaucrats will decide when the cabinet gets a chance to meet. That's precisely the analogy you can draw from this. They're saying that the administration corporation is the one that will decide when the sponsors corporation gets to meet. We get to meet once every three years to negotiate benefits but there's absolutely no oversight of the sponsors corporation over the admin. corporation, and

that just makes absolutely no sense whatsoever. That needs to be fixed. That would not be allowed in corporate Canada and it wouldn't be allowed in the Ontario government. You can't have the bureaucrats telling the sponsors corporation or telling the cabinet, for example, when and how often you can meet. It makes no sense.

Rep by pop: clearly to goodness that's a basic principle that we should all live by in a democratic society. Surely we can decide that if we've got 45% of the membership, we should at least have 45% of the seats on that board. That's not terribly difficult to do, unless you want to play politics with us, and that's what these Liberals are doing: playing politics.

In the supplementals—you've got to take the supplementals.

The Chair: Mr. Ryan, can you wrap up? Thank you very much. From the government side, Mr. Duguid.

Mr. Duguid: Just a few comments. First and foremost, to respond to the issue of "playing politics": I think playing politics is something you do when you tell people something to get them incensed that may not in fact be the case. I bring your attention to section 14 of the bill. There may well be some amendments that can clarify this even further, but it's very clear that the government has no intention of allowing rebound costs to be projected to any of the members of the primary plan. To suggest that CUPE members would somehow end up paying for the supplemental benefits or any changes with regard to supplementary plans is absolutely misleading and incorrect.

The section states: "In determining the required contribution rate for the primary pension plan to be paid by the members of the primary pension plan who are also members of a supplemental plan and by their employers, the actuary shall take into account the likely impact of the benefits provided by the supplemental plan on the required contribution rate that would otherwise be payable."

Now, I'm not a lawyer. There may be ways to tighten that up and make it even clearer, but I can assure everybody here at committee today that it's the government's intention to ensure that in fact members who are outside of those supplemental plans don't end up paying in any way in terms of rebound costs for those who do obtain those supplemental plans.

The Chair: Thank you. You've exhausted your time.

Mr. Ryan: I think I—

The Chair: I'm sorry, Mr. Ryan, he's exhausted—

Mr. Ryan: Excuse me, please. I do deserve at least to be able to answer him.

The Chair: I'll give you 30 seconds to respond.

Mr. Ryan: I appreciate that Mr. Duguid may not be a lawyer, but really, I am a negotiator and I know weasel words when I see them. You could drive a Mack truck through these weasel words where "the actuary shall take into account the likely impact of the benefits provided by the supplemental plan." Give us a break. Do you honestly believe that that says that the main, primary plan members will not be supporting a supplemental plan? It does not. It doesn't even come close. That is not

language that will be sustainable by an arbitrator, keeping in mind the process you've set up that goes into the arbitrator to make a ruling. In this particular case, that would never stand up in front of an arbitrator. If the employer was to argue that the plan members at the low end of the income scale have to pay for this supplemental, I guarantee you that the employer would win that argument and my members would be left holding the can. Those are weasel words, if ever I saw them. That is not clear and concise language.

The Chair: Thank you, Mr. Ryan. We appreciate you being here today. Thank you for your deputation.

Mr. Ryan: Thank you very much. What do I do with these 10,000—

The Chair: You can leave them here and our clerk will take them for you. Thank you for coming today.

I'd like to thank all the witnesses. I'd like to thank Minister Gerretsen and his staff, the committee and the ministry staff for their participation in the hearings. This committee now stands adjourned until 4 p.m. on Wednesday, November 16.

The committee adjourned at 1802.

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