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## **Official Report of Debates (Hansard)**

**Monday 21 November 2005**

## **Journal des débats (Hansard)**

**Lundi 21 novembre 2005**

**Standing committee on  
general government**

**Comité permanent des  
affaires gouvernementales**

Ontario Municipal Employees  
Retirement System Act, 2005

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

Chair: Linda Jeffrey  
Clerk: Tonia Grannum

Présidente : Linda Jeffrey  
Greffière : Tonia Grannum

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON  
GENERAL GOVERNMENT**

**COMITÉ PERMANENT DES  
AFFAIRES GOUVERNEMENTALES**

Monday 21 November 2005

Lundi 21 novembre 2005

*The committee met at 1600 in room 151.*

**ONTARIO MUNICIPAL EMPLOYEES  
RETIREMENT SYSTEM ACT, 2005  
LOI 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. We're here today to continue public hearings on Bill 206, An Act to revise the Ontario Municipal Employees Retirement System Act. I'd like to welcome all the witnesses who are here today and tell you that you have 20 minutes to speak. When you begin speaking, I will have a timer. Should you leave time at the end, you'll have an opportunity to be asked questions by members around the table.

**TORONTO POLICE SERVICES BOARD**

**The Chair:** Could I ask the Toronto Police Services Board to come forward. Welcome. Is it Mr. Mukherjee? Could you identify yourself for Hansard when you begin, and should anybody else be speaking with you, could you identify them as well. When you begin, I'll begin the timer.

**Dr. Alok Mukherjee:** My name is Alok Mukherjee. I have with me Mr. Doug Moffatt. Good afternoon, Madam Chair and members of the committee. I want to thank you for allowing me the opportunity to make some comments on Bill 206.

The Toronto Police Services Board strongly opposes the provisions of the bill that permit a simple majority of the sponsors corporation the authority to create new pension liabilities, which could amount to tens of millions of dollars for Ontario taxpayers and in particular the taxpayers of Toronto. I do not believe that unanimity, which is the procedure we will recommend, is too much to expect when so many millions of taxpayers' dollars are at stake. Further, I also do not believe that an arbitrator should decide in the event that the sponsors corporation

cannot make a unanimous decision. Unelected, unaccountable arbitrators should not decide when a new pension liability should be imposed on Ontario taxpayers.

Let me explain, starting with the issue of sponsor unanimity. Unlike other well-respected and well-governed devolved public sector pension plans, such as the hospitals of Ontario pension plan and the Ontario teachers' pension plan, Bill 206 would allow a mere simple majority of sponsors corporation members to approve plan changes and contribution rates. I submit that the requirement to have the full agreement of all sponsors as a precondition to the establishment of benefit or contribution rate changes is essential to responsible governance and safeguarding of this plan. I would challenge your committee to ask why such a significant departure from the governance structure of so many other highly successful devolved plans is contemplated, particularly if the intention of this bill is to promote good governance.

Bill 206's stark departure from the best governance practices used in other pension plans leads us to conclude that there is a very good chance that well-organized employee representatives will be successful in establishing costly new benefits that are opposed by a majority of employers. Bill 206 specifically directs the sponsors corporation to consider providing supplemental benefits to police and firefighters. A majority of employers could oppose such benefits due to their prohibitive cost, and yet a simple majority of sponsors could establish these remarkably expensive benefits. Worse, in the absence of a simple majority, these huge additional liabilities can be imposed by an arbitration system that is completely divorced from the collective bargaining process under the Police Services Act, with no responsibility to account to the taxpayers or their elected representatives for the increased spending.

I wish to be categorically clear on one matter: We support an amendment to Bill 206 that would have it join the ranks of most other Canadian public sector pension plans by requiring the sponsors corporation to reach unanimous agreement before making fundamental changes, including changes to benefits or contribution rates.

With respect to the mediation and arbitration provisions of the bill, the Toronto Police Services Board is uniquely positioned to comment on the provision for binding arbitration. By way of summary, I would submit that there are four major concerns with the bill's

mediation/arbitration provisions: (1) They place too much power into the hands of an unelected and unaccountable authority; (2) they fail to place any real constraints on the possible outcomes of arbitration; (3) they undermine the opportunity for consensus-building and deal-making among sponsors; and (4) they increase significantly the possibility that local-interest arbitrators will impose supplemental benefits through interest arbitration.

Bill 206 would allow any member of the sponsors corporation to refer a matter such as a proposed benefit enhancement to arbitration. We say that the bill grants arbitrators too much power because an arbitrator could, for example, establish supplemental plans where the parties would otherwise be unable to agree. In those devolved pension plans that do have an arbitration provision to break deadlock, the arbitrator is not authorized to issue an award of any kind if it increases contribution rates. That isn't the case with Bill 206. Nothing in this bill would prevent a series of initiatives being referred to arbitration, each of which can be considered in isolation.

If you think about the very different interests of the employee representatives appearing before this committee, I know you can appreciate that each will be seeking to achieve a particular objective through this arbitration process. We are concerned that the inclusion of a binding arbitration clause in the bill will weaken the likelihood of negotiated agreements at the sponsors corporation. At stake at the sponsors corporation is the need to ensure an accountable and responsible process for making benefit and contribution rate changes, but I ask you, is the proposed process conducive to the governance of a \$36-billion pension plan?

What is also at stake at the sponsors corporation is the establishment of the very bylaws and rules that will guide the future governance of OMERS. In its present form, this bill drives the parties into their respective corners for a fight at arbitration, rather than challenging them to find common ground and direction for the sake of the plan's governance, operability and financial welfare. I challenge your committee to remove the arbitration provisions from the bill and hold each of the sponsors responsible for reaching its own deals, rather than relying upon arbitration.

The bill's arbitration provisions greatly increase the likelihood that supplemental plans will be imposed upon police boards through local-interest arbitration awards, but the issue of local costs associated with supplemental plans is effectively divorced from the arbitrator's decision-making process because the legislation says that the issue of costs would be the subject of local negotiations. Without any financial limits or constraints on what an arbitrator can award, the issues we foresee arbitrators having to assess are the policy issues of whether or not to provide access to certain benefits. An arbitrator appointed under the Police Services Act would be hard-pressed not to find that a benefit already approved by another arbitrator in a different sector is suitable for the police sector.

The prospect of supplemental benefits rolling out in our community is financially daunting.

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I cannot complete my submission to you without noting the very serious financial implications to us of the possible establishment of supplemental benefits. Conservative estimates suggest that the institution of supplemental plans will double the Toronto Police Services Board's OMERS contribution expense from the present \$44 million to a whopping \$82 million. That is a staggering figure and one I want you to be completely cognizant of when you assess the merits of the other submissions that you will have heard during these hearings.

In conclusion, I would submit to you that this bill ignores the best governance practices of almost every devolved public sector pension plan in Canada. Seeing this, we worry about the future governance and financial viability of this \$36-billion plan. For all of these reasons, and to pick up on my earlier submissions, fundamental changes to OMERS should only be permitted if the sponsors corporation unanimously agrees, and there should be no binding arbitration.

Thank you for the opportunity to make this presentation to you today. I would be pleased to answer any questions you may have, but first I will invite my colleague Mr. Moffatt to address some comments to you.

**Mr. Doug Moffatt:** Thank you, Alok. Good afternoon, ladies and gentlemen. I will try to be as brief as possible. I understand the constraints here. My name is Doug Moffatt. I'm the chair of the Durham Regional Police Services Board, and I'm also a director of the Ontario Association of Police Services Boards.

Along with Dr. Mukherjee, we were concerned that the OAPSB, representing all of the boards who are members, was not among the groups chosen to present. We have, we think, a story that is interesting and important to be told. I want to make sure that I cover off the fact that we concur, as an association, with the comments, by and large, made by Alok about Toronto's position. I'm not going to go into a lot of difference there. I want to make sure, however, that a minimum OAPSB request on this particular bill be heard.

We are not opposed to the bill. We think it can be made a workable and good bill, but it does need work and it does need some change:

—At a minimum, we should ensure that the structure of the sponsors corporation and the administration corporation at all times consist of a balanced representation of employee and employers.

—We should eliminate the reference to police and fire employees in section 4, permitting the establishment of supplemental plans.

—We should eliminate subsection 10(2), requiring the sponsors corporation to consider providing optional increases in pension benefits for members employed in the police and fire sectors.

—On subsection 26(1), a requirement for a two-thirds majority vote for all decisions of the sponsors corpor-

ation, or more preferably a requirement, as Alok has said, for the unanimous support for any significant plan design changes.

—Make clear that the sponsors corporation may not, subject to appropriate exceptions, implement changes in benefits for members or in contribution rates, by bylaw or otherwise, more frequently than tri-annually.

—Eliminate the dispute resolution clauses in the bill.

—In addition to that, we feel strongly that due diligence has to be applied throughout on this particular item.

We asked our members to do their own costing analysis based on the potential of supplemental plans. In most communities, it is estimated that such costs will result in property tax increases of at least 3%. On a province-wide basis, that would amount to about \$380 million a year, without a single penny toward addressing any public service needs.

Tax dollars directed to pay for the province's decision for supplemental plans to be implemented will take municipal funds away from infrastructure and service requirements in every part of Ontario. The 3% increase in costs does not include a pending 9% increase in contributions in 2006, estimated at a cost of \$137 million a year; potential increases in post-employment benefits associated with adopting supplemental plans; sponsor start-up costs of an estimated \$5 million to \$10 million; anticipated higher administrative costs for OMERS; or other costs associated with the potential future extension of supplemental benefits to other emergency workers.

OMERS is a key player in the health and growth of Ontario's economy. For example, through its private investment program in major infrastructure projects for Ontario, we all recently learned that OMERS plans to invest \$4.25 billion in the Bruce Power plant.

We understand that with its own deficit challenges, the province is working hard to better manage and control its own costs, but in everything it does, the province must also consider how its actions impact on municipal government and on property taxes. You've heard it before: There is only one taxpayer.

Thank you very much, Madam Chair.

**The Chair:** Thank you, gentlemen. You've left about two minutes for each party, to begin with Mr. Hardeman.

**Mr. Ernie Hardeman (Oxford):** Thank you very much for your presentation. I find it rather interesting. When the minister introduced the bill, he suggested that we shouldn't worry about the supplemental plan, because all the benefits from it or all the costs from it would be fairly negotiated between the parties. So there was no sense worrying about that, because everybody would have the same risk and the same benefit from the end results. I'm not surprised, but I find it rather interesting that the minister would see it that way. In fact, so far we have not heard one presentation that agreed with that synopsis on the supplemental plans. I'm not suggesting right or wrong, but it's rather interesting.

The one thing I would like to ask about is the ability of the sponsoring body—you're suggesting that we should

have just a straight vote as to changes in the plan, as opposed to having a two-thirds majority?

**Mr. Moffatt:** It should either be a two-thirds majority or a unanimous vote required.

**Mr. Hardeman:** Required, not just a majority vote?

**Mr. Moffatt:** Required—unanimous.

**Mr. Hardeman:** Not just a majority vote. OK. I was a little concerned. I thought I heard you say that you wanted it to go to just a majority vote, and I just couldn't understand why that would be.

**Mr. Moffatt:** Two thirds would be minimal; our preferred would be a unanimous vote.

**Dr. Mukherjee:** We at the Toronto Police Services Board have said that it should be unanimous, so that it persuades and forces sponsors to try and reach negotiated settlements among themselves.

**The Chair:** Mr. Hardeman, you have 30 seconds.

**Mr. Hardeman:** OK. The last thing I wanted to ask is, could you tell me why it is that the employer sees the end result of arbitration differently for pension benefits than it does for the regular salary? Isn't it the same thing? I mean, it's a cost to the employer and a benefit to the employee.

**Mr. Moffatt:** I think Alok made it clear in his presentation that arbitrators are chosen from a list of arbitrators. They don't—as you do, Mr. Hardeman—have to go back to the voter and face those people. They tend to pick things from one settlement as opposed to another, and eventually, practices become standard just because they have become practices. We saw that with the retention pay issue across police services; as soon as it was established in three or four, all the arbitrators rolled them in. That's what seems to happen.

**Dr. Mukherjee:** The point I made was that if there is an arbitration award for supplementary benefits in one sector, it's very likely that that will be used in another sector. We continue to roll down all the sectors.

**Ms. Andrea Horwath (Hamilton East):** I have two questions, initially. If we can get more than that in, then I'll go for it.

I'm going to go on the same vein, but ask: In your brief on page 6, you indicate that you don't like this idea of arbitration, that in fact your preferred system of dealing with these issues is then to have the province retain the authority to review and make final, binding decisions. I guess what I'm wondering is, isn't this getting rid of the whole premise, which is the autonomy of OMERS, the autonomy from government? Could you remark on that? It's on page 6 of the brief, the bolded paragraph.

**Dr. Mukherjee:** I'm working from two documents.

**Mr. Moffatt:** It's been tough to know these things.

**Ms. Horwath:** So in the last line there, you say that the province could retain authority to review. But isn't that contrary to the whole principle of what the exercise is that's in front of us, which is to have OMERS' autonomy from the government?

**Mr. Moffatt:** I don't think, from the OAPSB point of view, that it is departing from the principle.

**Dr. Mukherjee:** I think it's provided as a qualifier, that the first requirement is for the sponsors corporation to find unanimity, but the provision we're saying is that if this can reject doing that, then there should be some way to resolve it, and that should be where the government could play a role.

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**Ms. Horwath:** So then, as opposed to an arbitration system, which is theoretically a neutral third party, you would put that responsibility back on to the government, and you don't see that as a bit of a conflict in terms of the vision behind devolution of OMERS.

**Dr. Mukherjee:** I guess in principle we support the notion of autonomy and we want to see that autonomy implemented, but we're also concerned that it should be done in a way that does not impose prohibitive costs on the employer. Our fear is that arbitration will result in such costs.

**Ms. Horwath:** OK. Just very briefly—

**The Chair:** I'm sorry; your time has expired. Mr. Duguid.

**Mr. Brad Duguid (Scarborough Centre):** In my two minutes, there are about three or four little points you brought up that I'd like to comment on. If there's time for you afterward to comment, that's great.

I want to thank you both for being here and taking the time to join us. We're doing this after first reading, which is somewhat unusual, to ensure that we get input from all stakeholders. We will be considering all the input we receive seriously.

There were a number of points you raised in your presentation, though, that I'm looking at with some question. First, you've indicated that there are serious financial implications and you brought forward some cost estimates. I haven't had a chance to look at them in detail, but it appears to me that you're probably looking at 100% take-up in those cost estimates. We had the firefighters here just the last meeting who indicated that even the employees wouldn't be looking toward 100% take-up. I haven't had a chance to look at your cost estimates, but if they're based on the same as others that have come before us, they're very unrealistic—not to say there will be no cost down the road, potentially, but that cost is something that would be negotiated between employees and employers.

Second, you indicated as well that you'd like to see unanimous consent required on the sponsors committee from all three parties. I guess my question on that is, if I was an employer, of course I'd want that, because you would never give them an opportunity to ever consider supplemental benefits, unless you felt that was something in your interest as employers. I'd look at that. I understand why you would want it; I'm just not sure how fair that would be to the other stakeholders.

Third, you indicated that you want—

**The Chair:** Mr. Duguid, do you want to give them a chance to respond, because you have 30 seconds left?

**Mr. Duguid:** I'll just quickly go to my third point—no binding arbitration of new benefits. I wonder, for

employees who don't have the right to strike, how would they then be able to articulate their concerns or their desire to see supplemental benefits if they didn't have an arbitration opportunity?

**The Chair:** Gentlemen, I'll give you a chance to respond, but if you could be brief, I'd appreciate it.

**Dr. Mukherjee:** I haven't seen any cost estimates from the government. I'd like to see what the government estimates are before this bill was introduced. Our estimates are based on surveys that were undertaken by different organizations and we feel that they are within the realm of possibility. Your sense of what's realistic may be different from ours, since we have to find the money.

As to the question of unanimity, we believe it is possible to reach that. If there was a provision like that, it would force parties to make deals and to come to agreements around the table. If there was an arbitration provision, the temptation would be to take issues to arbitration, especially when the requirement is a simple majority. That's not a great incentive to find agreement, to find unanimity. The incentive of the simple majority, in my mind, will encourage going to arbitration.

**The Chair:** Thank you, gentlemen. I appreciate you being here today.

I would just remind you that you have some background information that was requested from OMERS in front of you, just in case you were wondering what these extra briefs were: requested materials. They should be in two packages.

#### CITY OF LONDON

**The Chair:** Our next delegation is the corporation of the city of London. Good afternoon. Welcome. If you could identify yourself and who will be speaking. When you begin, you'll have 20 minutes.

**Mr. Grant Hopcroft:** I'm Grant Hopcroft, director of intergovernmental liaison for the city. With me are Vic Cote, general manager of finance and corporate services for the city, and Mike St. Amant, city treasurer.

Thank you very much for the opportunity to convey the city of London's serious concerns regarding this bill. We regret that a member of city council couldn't be with us this evening to deliver the brief, but it conflicts with a city council meeting tonight. The 2006 water and sewer budgets are on the table, so it was kind of difficult to pry someone away from something quite as engaging as sewer and water issues.

For us, the OMERS pension plan represents a significant investment of some \$36 billion in net assets. It affects the lives of hundreds of thousands of employees and retirees across this province. Given the significant investment that's at stake, a high level of consultation and diligence is called for as the government considers this bill and the implications for those who rely on it.

While we appreciate the opportunity to comment at first reading, we are dismayed that only eight hours of hearings over four days have been committed to by the

government at this point. In the face of this apparent rush to third reading in early 2006, we're looking for a commitment to more research, consultation and review to address the many concerns that we and other municipal employers asked for but were not permitted the opportunity to express in person to the committee, and to avoid the perception that this bill is a *fait accompli*.

This government has made great strides in consulting with municipal governments during its mandate, and that commitment to listen and to consult has never been more important than in the context of this particular bill. We urge you to conduct further review and due diligence on both the obvious costs to the municipal taxpayer and the less obvious, hidden costs and to commit to further consultation following second reading.

I'd like to dwell a bit on the impact on the city of London taxpayers if this bill were to pass. In the past two years, our citizens have experienced property tax increases of 8.1% in 2004 and 6.6% in 2005. A significant portion of those increases were directly attributable to provincial downloading in the form of mandated programs and new regulations. To mitigate the continuing impact on our taxpayers, the city, along with many other municipalities, was proactive in raising these issues and explaining why these practices could not continue, and you listened. This year, London's property tax increase will be less than 5%, and very little of that increase will be because of new provincial downloading.

However, we face a new pressure: For 2006, 60% of our anticipated increase is attributed to high arbitrated wage and benefit settlements with police, fire and land ambulance. In fact, of the proposed \$18-million increase in our levy for 2006, \$11 million is directly related to protective services in London, and none of this \$11 million accounts for a single improvement in service to our residents.

If passed, Bill 206 will inevitably lead to further major increases to the cost of providing protective services, and again, without any improvements in service levels to our citizens. Bill 206 provides for consideration of supplemental plans to increase pension benefits for the police and fire sectors and opens the door to consideration of supplemental plans for all sectors. Of particular and immediate concern is the opportunity for enhancements which would see the annual rate at which police and fire pensions accrue increase from 2% to 2.33%, effectively reducing years of employment to achieve full pension by five years, along with the impact of 25-and-out and 30-and-out enhancements that will be on the table.

The cost of such a change to London property taxpayers is estimated to be \$8.375 million, or a 2.3% increase in the London property tax rate. When you consider the probability of this benefit spreading to land ambulance, the potential increase is closer to 3%, and this doesn't even account for other wage and benefit demands or the impact on municipally funded boards and commissions other than police and fire, which would add to this amount; nor does it consider a number of other potential supplemental benefit plans.

AMO has estimated the impact across Ontario at \$380 million. This number is almost exactly the estimated 2006 property tax levy for the entire city of London. What this bill could result in is that kind of money being taken across this province, without any direct improvement to the level of service, simply to fund enhancements to benefits and pensions.

#### 1630

The property taxpayers of London cannot afford this bill. Like many others, our city faces an infrastructure deficit, housing issues, a variety of new regulations and increasing needs for services and new fire stations. These needs cannot be addressed if our existing services in police, fire and land ambulance continue to receive wage and benefit increases that far exceed our ability to pay.

The argument will be made that municipalities are free to negotiate such benefits and changes and that Bill 206 doesn't force this change, but we do not agree. London is participating in an arbitration hearing this week on a fire wage settlement. The city is not in agreement with the fire association that they receive retention pay. Retention is not an issue for our firefighters. Notwithstanding this provision and this position, some other municipalities have negotiated to give retention pay to firefighters, and we may possibly have to give retention pay through the arbitration award. That brings with it additional hidden costs, and costs in increases of pensions.

Our same fear exists with the cost of requests for enhanced pension benefits. These costs could be imposed on us through an arbitrated settlement made inevitable by Bill 206.

Between retention pay, salaries and benefits and the possible impact, our costs for emergency services could rise by as much as 33% over a three-year period. Compare this to other public and private wage earners earning average increases of only 2% to 3% per year. London cannot afford Bill 206, and our London taxpayers cannot afford it either.

I'd like to turn now to some of the specific provisions of the bill. You've heard from AMO and others that this legislation is flawed and will lead to a host of problems. We'll highlight only a few today.

A simple majority vote of the sponsors corporation for major changes to the plan is not supported by London. The creation of supplemental plans and major changes to benefits and contribution rates should require unanimous, or at the very least super-majority, support of the sponsors corporation board.

Mediation and arbitration: We do not support the dispute resolution provision in the bill establishing a binding arbitration process, as it leaves employers vulnerable to an arbitration system that has not worked for them and that is in need of reform. Benefits have to be negotiated and agreed upon by employers and employee members of the plan through a balanced government model. Few other pension plans are subject to a mediation-arbitration process for major changes, and neither should OMERS.

Plan design: The proposed legislation talks about autonomy, yet it defines the OMERS contribution as a defined benefit plan and provides no option to look at

other defined plans. At a time when OMERS has a significant unfunded liability and we see other private and public plans in serious financial difficulty, the option should be open to the governing board to consider other types of plans.

**Capping:** Bill 206 prohibits the sponsors corporation from amending the plan in a manner that reduces contributions or increases growing-concern liabilities if the change brings the funded ratio of the plan to less than 1.05% on a growing-concern basis and 1% on a solvency basis. However, amendments that do not increase the growing-concern liabilities by more than 1% are exempt from this restriction, and an exemption of this magnitude is significant in a plan of \$36 billion.

Start-up and transition costs for the sponsors corporation have been estimated at between \$5 million and \$10 million. Stakeholders will also incur substantial costs preparing for these new responsibilities. The province should require start-up and transition funding to enable stakeholders and the sponsors corporation to prepare for devolution.

Subsidization of supplemental plan costs by the basic plan is a concern, despite the apparent prohibition in the bill. Clear language is required to remove any ambiguity.

**Portability:** One of the strengths of the OMERS plan has been its portability—the ability to transfer pensions across municipal boundaries. This bill will make portability more difficult and will make administration extremely expensive for those who do wish to move between employers.

Lastly, I'd like to deal with solvency. The OMERS board raised solvency issues in their submission. The provisions of the Ontario Pension Benefits Act, while beyond the scope of this hearing, require further review and consultation with stakeholders and review by pension experts.

What are we asking you to do? (1) We're asking this committee to send the bill back for further analysis of the potential costs and financial implications for employers and employees, and for further consultation with stakeholders and pension experts; (2) hold further hearings at second reading; (3) eliminate the requirement for the sponsors corporation to consider enhancing pension benefits for employees in the police and fire sectors and eliminate the requirement that the sponsors corporation cannot consider defined contribution pension plans—neither requirement is a reflection of true autonomy; (4) key decisions such as significant plan design changes should require unanimous consent or at least a super-majority vote of the sponsors corporation; (5) eliminate or modify the proposed dispute resolution mechanism for significant changes to the design of the plan or creation of any supplementary plans; and (6) provide start-up funding and support for the sponsors corporation through the transition period.

Thank you for your attention. I'd be pleased to answer any questions.

**The Chair:** Thank you, Mr. Hopcroft. You've left about three minutes for each party, beginning with Ms. Horwath.

**Ms. Horwath:** I wanted to ask first about your point around portability. It's the first time I've heard it in these hearings. Could you explain that to me a little bit, what your concern is?

**Mr. Hopcroft:** Yes. Our concern is that with a multiplicity of claims, if an employee's current employer has a different plan than someplace they may wish to relocate to, it will make that relocation difficult. It will be a barrier to the mobility of the labour force and will not leave employers open to a full pool of qualified labour, because people will be reluctant to move where pension plan changes have not moved as quickly as in some other areas.

**Ms. Horwath:** How is that different from what currently occurs?

**Mr. Hopcroft:** Currently, the OMERS plan is a uniform plan for all municipalities in Ontario. If an employee chooses to move from London to Toronto or from Toronto to London, that plan is completely portable. If there are differences in pension benefits, it can be an impediment to the mobility of the labour force.

**Ms. Horwath:** The other question I have is on your comments around defined contribution plans. You indicate that you have a desire—and so have many others from the municipal sector, including AMO—to see the opportunity for defined contribution plans introduced, as opposed to enshrining the principle of defined benefit. Can you explain that a little bit?

**Mr. Hopcroft:** If this bill is really about autonomy, it should give the board of the sponsors corporation the opportunity to truly discuss those and reach consensus among employers and employees without the threat of binding arbitration. It should not be a requirement. Either this bill is about devolution or it's about something else, and we're concerned it's about something else.

**Ms. Horwath:** Do I have more time?

**The Chair:** Yes.

**Ms. Horwath:** On page 2 of your brief you describe the increase to the property tax base, which I think is about two thirds of the way down. It's bolded, actually. Can you just tell me what your assumptions were when you came up with that estimate?

**Mr. Hopcroft:** Yes. I'd like to turn that over to Mr. St. Amant for a more detailed response to that question, but it includes certain assumptions which were consistent with what AMO and MFOA have put forward. I'd like him to dwell on some of the issues that are not included in those costs as well, and which we would face in any event.

**Mr. Mike St. Amant:** Our assumptions are based on information from Watson Wyatt Worldwide, who are the actuaries for OMERS, and the presentations they have done based on different supplemental plans. Included in those costs is a snapshot of the OMERS database. The numbers would apply to the province as a whole but don't necessarily apply to the demographics of the city of London.

We have not hired an actuary, so our numbers will be different, but this was our best estimate, based on the



information available. It's based on 2006 wage and salary budgets. It does not include our demographics. It does not include the newly ratified 9% increase. It does not include other boards and commissions in the city of London, other than police. It does not include land ambulance. It does not include post-employment benefits, which average approximately \$2,500 per employee per year, and there are 2,900 employees in OMERS at this point in time. It does not include sponsor costs and does not include higher administrative costs as a result of supplemental plans. It also does not include any other potential supplemental plans which we've heard some discussion about in terms of pension enhancements.

1640

**Ms. Deborah Matthews (London North Centre):** Thank you very much for your very thoughtful and articulate presentation. I would expect no less from people from such a fine community.

I have a few questions. Maybe you could just clarify a simple one first. You used the term "super-majority." I'm not familiar with that expression.

**Mr. Hopcroft:** Two thirds or three quarters; preferably unanimous, but something beyond a simple majority.

**Ms. Matthews:** Do you have any problems with the notion of devolution of OMERS autonomy?

**Mr. Hopcroft:** We'd like to know who's been asking for this devolution and for the legislation in the first place. Devolution, in and of itself, is not what concerns us, if it is truly devolution with a model of governance that works. We are very concerned that the governance model that's in this bill does not work for us. We've watched and read some of the other Hansard material and we've seen some of the other submissions. It obviously doesn't work for people, not just on the employer side but the employee side as well. We feel that for this to go forward, it requires a better governance model, and we need to know what the costs are.

We're not pension experts. I don't expect that any of you around this table are pension experts. With the greatest respect to the wonderful staff at the Ministry of Municipal Affairs and Housing, they're not pension benefits experts, for the most part, either. We all need to know what pension experts think about this model, and we haven't, to date.

**Ms. Matthews:** I know you appreciate the fact that we're doing these consultations after first reading, which is pretty unusual, so it will allow us to do some of that work.

**Mr. Hopcroft:** Yes. We are most appreciative of that, but we'd feel better if we knew there were some commitments to further review after second reading, after some of the diligence that we've asked for is completed.

**Ms. Matthews:** I can assure you that we're taking comments from the deputants very seriously, that they include—

**Mr. Hopcroft:** And we would expect no less from one of our great members from the city of London.

**Ms. Matthews:** Thank you.

**The Chair:** This mutual admiration society has about a minute left.

**Mr. Hopcroft:** We were just getting started, Madam Chair.

**Ms. Matthews:** You raised the movement from 2% to 2.33%, which of course allows police and firefighters to retire at age 60. Do you have any problem with the notion that, in some fields, earlier retirement—

**Mr. Hopcroft:** Actually, they can retire at 60 now. This would enable them to retire five years earlier if they had their 30 years in.

**Ms. Matthews:** Yes, with full benefits.

**Mr. Hopcroft:** With full pension, yes.

**Ms. Matthews:** Do you have a problem with that?

**Mr. Hopcroft:** Well, it has obvious costs to it. We're concerned that, given the arbitration process hanging over all of our heads in terms of any true bargaining, inevitably we will see that happen, because of the way the system works for us right now. That's a bit of misnomer—it doesn't work for us right now. That has costs, and unfortunately we don't see any recognition of municipal taxpayers' ability to pay in any of the arbitration awards.

**Ms. Matthews:** Do I have time for one more?

**The Chair:** No, sorry.

**Mr. Hardeman:** I welcome the city of London. As we heard from across the aisle, it's a great city. As a suburb of Oxford county, we very much appreciate your existence there.

**Mr. Hopcroft:** And we certainly appreciate all the jobs that come from the county of Oxford.

**Mr. Hardeman:** Thanks. I just wanted to ask about the devolution. That's been an issue presented lightly by a lot of people. The answer from the government side is that it's because people were asking for it and that's why this is happening. The only presentation so far that has suggested the positive side of that was that presently, with the government running it, it took too long to make changes to the plan. It had to do with benefits for a pensioner's children as they were going through school. They wanted to change that so they could pay, but they couldn't because it took too long to get it through the system. Then we look in the bill and we find that the sponsoring body may not have meetings for up to three years. One would suggest that if you're going to get something through quickly, it wouldn't be with a body that has nine players and only meets once every three years to discuss the affairs of the organization.

What would you suggest, Grant, would be the positive side or the reason the government would want to devolve this to municipalities if it isn't to transfer the unfunded liability that the plan will eventually have?

**Mr. Hopcroft:** One can always speculate what any government's motives are for what it does. We're very concerned about the implications this bill would have for us, not just from the cost perspective but from the hidden consequences in terms of the consequences for our taxpayers. We're already seeing serious issues around costs for protective services crowding out other services

and our ability to fund those other services. This would just exacerbate the problem.

You mentioned the three-year provision, and yet, on the other hand, we see that if the sponsors corporation is unable to reach a decision within 30 days, it could automatically go to arbitration. For the issues we're dealing with and the significant consequences that has for the stakeholders, that period is too short. There needs to be more effort to reach a consensus of the corporation, which is one of the reasons we feel the unanimous or super-majority vote is so important.

**Mr. Hardeman:** The other issue of debate has been about the supplemental plans.

**The Chair:** You have 30 seconds.

**Mr. Hardeman:** The firefighters I've talked to have said they can't see any reason why, if we're going to have supplemental plans, they're not mandated, as opposed to just suggested. It says, "shall consider." Does that, in your opinion, mean they are being mandated?

**Mr. Hopcroft:** It certainly sets those two sectors apart from all the others in the context of the bill. If the bill is in fact about autonomy, we can't understand why any particular sectors are mentioned at all.

**The Chair:** Thank you for your delegation.

**Mr. Hopcroft:** Thank you very much for the committee's time.

#### INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS

**The Chair:** Our next delegation is the International Brotherhood of Electrical Workers. Welcome. You will have 20 minutes. Should you use all the time, we won't have an opportunity to ask you questions, but should you leave time at the end, we will be able to ask you about your delegation.

**Mr. Patrick Vlanich:** Good afternoon. My name is Patrick Vlanich. On behalf of the International Brotherhood of Electrical Workers, I would like to take this opportunity to thank you for allowing us to share our views regarding Bill 206. Mindful of the hour, as well as those waiting to make their submissions, I will do my very best to remain true to the words of Franklin D. Roosevelt, who, when asked the key to success in speech-making, responded, "Be sincere, be brief, and be seated."

For more than a century, the International Brotherhood of Electrical Workers has represented members in the electrical and utility industries across North America. Today we are recognized as the largest trade union in that sector.

Our Canadian membership presently numbers just over 55,000 from coast to coast, with approximately 3,400 members working for local distribution companies (LDCs), which were formerly referred to as municipal electrical utilities, and municipalities across Ontario. Local 636 is proud to serve as the bargaining agent for employees at the vast majority of these workplaces.

Over time, our complexion has changed and the IBEW now represents workers in a variety of industries in both the public and private sectors. What hasn't changed is our commitment to improving the quality of life for these workers. That is precisely why we have advocated for an independent governance model for OMERS for many years.

On June 1, 2005, the government tabled Bill 206, and, while amendments are necessary, the IBEW supports many of the key features of this initiative. We believe the time has come to transfer sponsorship and control to the members and employers who fund the plan and share a vested interest in its continued success. Other large public sector pension plans in Ontario have long enjoyed the rights of autonomy, and we see no reason for denying such rights to OMERS.

**1650**

At the bargaining table, we seek fairness, justice and equality. With respect to Bill 206, we expect nothing more and will accept nothing less.

The IBEW supports the OMERS submission, which includes updated plan text, except on the issue of defined contribution plans. We believe that OMERS' recommendations on the key features of this bill will ensure that the integrity of the system is maintained, good governance practices are sustained, the plan can continue to provide superior pension benefits that meet the needs of future generations, the plan can continue to be managed and administered effectively, and there is an orderly transition to the new governance model.

During their election campaign, the Liberals encouraged voters to choose change. We now ask you to do the same with OMERS.

With the genesis of OMERS in 1963 came financial security and peace of mind for successive generations of workers who have retired over the past four decades. From humble beginnings, OMERS has now matured and grown into the third-largest pension plan in Canada. We would submit that the major reasons for the success of this plan are sound, well-balanced investment strategies, creative forward-thinking and unparalleled commitment to promote and protect the best interests of all plan members on the part of OMERS, which has acted as the administrator of the OMERS pension plan since its inception. There should be no question that they have the knowledge, expertise and talents necessary to ensure the continued growth and prosperity of the plan in the 21st century.

The IBEW agrees that amendments are necessary to Bill 206 in order for OMERS to effectively fulfill their duties as administrator. Our review of the bill has been conducted with this in mind. However, rather than looking at the technical aspects of the legislation, we have chosen to examine the bill from a more human perspective. As a result, we have identified those areas that we believe will most directly affect the lives of our members and their families. Accordingly, our commentary and recommendations will focus on the governance model, supplemental plans, making the transition,

solvency funding, plan flexibility and employer participation.

The objective of the IBEW in offering these recommendations is to put OMERS on a level playing field with other major public sector pension plans in Ontario, clarify the terms and conditions of the plan, minimize disruptions during the transition, clearly define the unique roles and responsibilities of the administration corporation versus the sponsors corporation, provide sponsors with flexibility for future growth, and ensure that the plan remains strong, viable and affordable.

While sitting as the leader of the official opposition, Premier McGuinty and the Liberal caucus endorsed a proposal for OMERS to become autonomous. We now call upon your majority government to remain true to your commitment and adopt the legislative amendments necessary for the full devolution of the plan in a way that best serves all interested stakeholders. It has now been more than three years since OMERS released a report that included a governance model which once received the support of your government, and it is attached. This model was the preferred choice of the IBEW.

In principle, we support the structure proposed in the bill which establishes a sponsors corporation that includes both fire and police representatives, an administration corporation and two advisory committees, each with equal representation from employees and employers, but we believe that amendments are necessary in order to uphold the underlying tenets of the legislation.

While broadly defined, the distinct roles, rights and responsibilities of the sponsors corporation and the administration corporation respectively must be more clearly delineated by the legislation to avoid any potential for conflict between these two independent governing bodies. More specifically, it should be made unequivocally clear in the legislation that the sponsors corporation is primarily responsible for plan design and/or changes and defining contribution rates to ensure that pension benefits are secure, and that the principal responsibilities of the administration corporation are administering the plan, overseeing all investments and at all times acting in the best interests of plan members.

The bill contemplates that, in addition to the major stakeholders identified for the sponsors corporation, there are seats for some 31 other organizations that will be appointed through a rotational process in descending order of plan members. The IBEW supports the OSSTF submission that unions and/or associations representing more than 1% of the active members in OMERS have permanent seats on that sponsors corporation.

However, further clarity is needed regarding the term of such appointments, and safeguards should be included in the legislation to avoid disruptions to the continuity of the plan that may result from major gaps as such terms expire.

It should be expected that disputes might arise, either within a corporation or across jurisdictions. Accordingly, a dispute resolution mechanism similar to that afforded the teachers' superannuation fund must be enshrined in the legislation.

One of the key features of this legislation includes establishing a framework to permit the establishment of supplemental benefit plans, which can be negotiated at the local level. This is an issue that has long been near and dear to the hearts of IBEW members, and we heartily endorse a recommendation that would allow the sponsors corporation to establish supplemental plans for others apart from police and fire. We believe this would provide OMERS with the flexibility necessary to meet the changing needs of all plan members.

Our members have, for some time, sought benefits similar to those available to police and fire members, and would no doubt welcome the chance to negotiate enhancements to the benefits offered by the basic plan. We recognize and agree that such plans would require additional contributions by both the member and the employer. Therefore, the legislation must make it clear that there will be no cross-subsidization between the basic plan and any supplemental plans that may be established.

We support the submission of OPFFA that the establishment of two independent supplemental plans, one for police and fire and one for all other members, respectively; that each guarantee a minimum threshold of negotiable improvements, as per the attachment, with each governed by a sponsor-advisory committee that meets at least once a year, must be identified in this legislation.

Upon receiving royal assent, the benefits available to be locally negotiated in the supplemental plans—the best three years; early retirement factors; accrual rate—must likewise be enshrined as part of the legislation at the time autonomy is granted.

Within our organization, demographic shifts have resulted in dramatic changes to our membership. Many now identify retirement benefits as the number one priority on their collective bargaining agenda. Unfortunately, under the present governance structure we are unable to even discuss improving their OMERS pension benefits with the employers.

In a free and democratic society, the right to self-determination through collective bargaining should be just that. By empowering all plan members through this legislation with the ability to negotiate supplemental plans, there will be no question as to the government's support of this fundamental principle.

Despite any differences that may exist between the proponents of this bill and those advocating against it, there can be no dispute that the transfer of responsibilities from the Ontario government to a sponsors corporation will fundamentally alter the way OMERS is governed.

In order to guarantee the success of this initiative, it is essential that the transition be well-executed and accomplished with minimal disruption. Every effort must be made to ensure that the transition is seamless and does not disrupt the payment of benefits or compromise OMERS investment programs.

To this end, the IBEW supports the bill as it contemplates current members of the OMERS board to continue

as appointees to the administration corporation. This includes a seat presently held by the IBEW. Their knowledge, expertise and understanding of the plan will be especially critical as OMERS prepares for the supplemental plans following proclamation of the bill.

Another integral part of a successful transition strategy is the assurance that current definitions will be carried forward or updated when the bill is proclaimed, since a number that are presently in the OMERS act do not appear in the bill but are critical to the administration of the plan.

On the legislative front, upon proclamation, OMERS should be excluded from the Municipal Act, with the Ontario Pension Benefits Act and the federal Income Tax Act becoming the governing statutes.

An undertaking of the scope and magnitude anticipated following passage of this legislation will inevitably result in significant start-up costs. Legislative restrictions presently prevent any sponsor costs from being charged to the plan. This begs the question as to who will bear the financial burden associated with the implementation of Bill 206. When the OPSEU pension plan was established and the teachers' pension plan was devolved from the government, funding was provided.

With that in mind, the IBEW believes that resources should now be made available to ensure that the costs incurred during the transition need not be paid by member contributions.

#### 1700

Since its inception more than 40 years ago, OMERS has been a defined benefit plan and this remains the cornerstone of its success. Any hint that the legislation may allow OMERS to consider offering defined contribution plans causes us grave concerns. We remain steadfastly opposed to any attempt to undermine or compromise the integrity of the plan in such a manner.

Early in the new millennium, the perfect storm hit markets around the globe and resulted in the first funding deficit in OMERS history. In response, OMERS has taken steps to address the deficit in a way that minimizes the detrimental impact on plan members, adopting a tough but effective strategy that is designed to offset the potential for similar shortfalls in the future.

Nevertheless, plan members deserve, and rightly expect that, in the years following proclamation of the bill, the plan will continue to be affordable as well as fully funded, and that the pension benefits will remain secure. However, without legislated solvency relief, undue financial pressures may be placed on the plan and thus on the employers and employees who fund it. This issue is particularly relevant with respect to supplemental plans, which are funded separately from the main plan, since they could face extraordinary costs to meet solvency requirements, while no risk of bankruptcy or insolvency even exists.

The generic solvency funding rules defined by the Pension Benefits Act are designed to protect employees from private sector bankruptcies where such pension plans are too often underfunded. In contrast, public

pension plans, while not guaranteed, are funded either directly or indirectly by governments and therefore will not go bankrupt.

Forcing OMERS to fund solvency valuations using hypothetical windup provisions, may forces it to increase contributions to an unreasonable level. This is not acceptable. To our surprise and disappointment, we have learned that Ontario is the only Canadian jurisdiction that requires public sector pension plans to fund solvency deficits. The time has come to exempt public pension plans from the Pension Benefits Act requirements, beginning with OMERS.

Affordability in the form of stable, competitive contribution rates is an essential feature of the plan. Securing solvency relief will contribute significantly to the achievement of the OMERS goal of maintaining this feature as part of their fiscal framework.

In Ontario, the workplace profile continues to evolve, with shifts in the labour force expected to continue over the next 10 years as more baby boomers enter their retirement years. The combination of demographic pressures and market forces, such as increasing immigration, worker mobility and a greater emphasis on part-time and contract employment, will result in new and different expectations from plan members.

In addition, retirement patterns have changed, with more people taking advantage of early retirement options but continuing to work. This trend will likely gain popularity now that the government has announced an end to early retirement. Naturally, this will cause the pension payroll to grow.

To meet the evolving needs of OMERS members, employers and retirees, Bill 206 should give the sponsors corporation the same degree of flexibility to respond to such changes as the Ontario government currently has as sponsor, and ensure that such changes are in compliance with the appropriate legislation. Following proclamation of the legislation, the sponsors corporation should have the authority to make any additional amendments to the plan.

No other pension plan in Ontario, either public or private, incorporates a cap on the pension entitlement, and yet Bill 206 imposes such limits on OMERS. If the province is sincere in its desire to divest itself of all interest in OMERS, the IBEW agrees with the submission by OPSEU that the legislation cannot include a cap. Otherwise, the alignment of ownership and control will not truly be conferred upon the sponsors corporation.

In a world where few employers continue to offer post-retirement benefits and such plans are often cost-prohibitive to those who need them most, legal authority must be entrenched in Bill 206 that would allow OMERS to provide related new, non-pension products or services that benefit plan members should the sponsors corporation wish to explore such opportunities. Such entitlement is already common in other jurisdictions across Canada.

Finally, the sponsors corporation should be authorized to designate associated employers in order to allow for

future growth and ensure continuity of enrolment for Ontario-based employers whose employees may be affected by deregulation and/or privatization, such as those in the electrical utility industry that we represent.

OMERS has provided families with income security and peace of mind through guaranteed pension benefits for retired members, best-in-class survivor benefits and solid protection for disabled workers that ensure financial security in times when things can often be at their most uncertain. It is incumbent upon this government to ensure that the legacy entrusted to you can now be passed on.

The IBEW believes that pension plan independence should not be a privilege but a right. OMERS, its members, employers and retirees have earned that right and deserve the same freedom as presently afforded other public and private sector pension plans. Those with a vested interest in the plan should be given the authority to determine how to build on past successes in order to provide pension security for themselves and future generations. Through Bill 206, this government has been given the opportunity to do just that.

We further believe that a properly crafted autonomous governance model will create a clear separation of responsibility for those overseeing it, help to expedite the implementation of plan changes, and allow greater flexibility for OMERS to introduce such changes and/or improvements.

The IBEW has put forward recommendations on the key features of Bill 206 that we are confident will ensure that the integrity of the system is maintained; good governance practices are well defined and sustained; the plan can continue to affordably provide superior pension benefits that meet the needs of both current and future generations; the plan can continue to be managed and administered effectively; and there is an orderly transition to the new governance model.

It was once said by Theodore Roosevelt that, “In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing and the worst thing you can do is nothing.”

As you now take pen in hand to write what may very well be your page in history, we ask you to put people first and make your decision regarding Bill 206 based on the principles of fairness, justice and equality. It’s just the right thing to do.

I thank you for your time.

**The Chair:** You’ve left about 30 seconds for each party, so I’m going to start with Ms. Horwath.

**Ms. Horwath:** I followed along in the presentation quite a bit, and there are a couple of notes I jotted down. On page 7, you refer to the end of mandatory retirement and the effect that’s going to have on pension costs. Can you expand on that a little bit?

**Mr. Vlanich:** At the end of mandatory retirement there may be an increase in pensioners who are retired and continue to work, or others may choose to not retire. But I don’t know if, under the current OMERS plan, they’ll be required to continue paying into that plan. I apologize for not having exact information on that.

**Ms. Horwath:** It’s my understanding that, under the mandatory retirement legislation—and I’m not sure about it either—employers won’t be required to pay into pension plans on behalf of employees who are working over the age of 65.

**Mr. Vlanich:** Again, I can’t answer that. I’m sorry.

**Mr. Duguid:** You indicated at the beginning of your statement that you were going to be “sincere, brief and seated.” You were sincere and you were definitely seated. I’m not so sure you were brief. But you were very thorough, so I want to thank you for that. I’ll thank you for your deputation, and we’ll certainly take it under consideration.

**Mr. Vlanich:** Thank you.

**Mr. Hardeman:** Thank you very much for the presentation. It’s very thoroughly done; objective, almost like an outsider looking in. It’s not necessarily that all your members are in the OMERS plan, and so I appreciate that.

I just wanted to ask in broad terms, at the end you talk about Theodore Roosevelt and what’s the best thing, the second best, and the worst thing is to do nothing. Why do you believe that doing nothing with this plan is bad, when it’s considered one of the better plans in the province?

**Mr. Vlanich:** I believe that in its present form it is one of the best plans in the province and probably in the country, but there are some nuances that need to be addressed. I heard earlier on that you had commented about the lack of ability to put implementation quickly. I think that’s a big hurdle.

We heard from a lot of our members during the premium holiday that they would have liked an alternative to that. I believe there is a slow process with respect to implementation of changes. I believe that some of the other questions that have been raised in this document likewise point to the weaknesses of the current governance model. I don’t think it’s a perfect model, and likewise I don’t suggest that the change will be perfect, but I think the fact that the people who control the plan right now don’t have a vested interest in it is a real problem for those who do.

**The Chair:** Thank you very much. We appreciate your deputation. It was thorough.

1710

#### CITY OF TORONTO

**The Chair:** Our next deputation is the city of Toronto. Welcome. If you’re all going to speak, could you identify yourselves for Hansard. If only a couple of you are, could you just identify who the speakers will be. After you get yourselves settled and you’ve introduced yourselves, you’ll have 20 minutes. Should you leave any time, there will be an opportunity for us to ask you about your deputation.

**Mr. David Soknacki:** My name is David Soknacki. I’m chair of the budget committee at the city of Toronto. I have on my left Ivana Zanardo. She is director of

pension, payroll and employee benefits. On my right is Joseph Pennachetti, who is the chief financial officer and deputy city manager. They've given me the delight of going through the notes and making a speech, but if it comes to the hard questions, both of these folks will be happy to support.

Chair and honourable members, I'd like to thank you all for providing this opportunity to present our comments and concerns with respect to Bill 206. We especially appreciate the opportunity to speak after first reading. I know that's early and we appreciate that it's done in the formative stage.

The city of Toronto has long supported greater autonomy for OMERS. However, it's vitally important that these reforms ensure continued financial stability and long-term viability, fair and equitable treatment for all members, and a reasonable cost for members, employers and ultimately for all the taxpayers.

We will focus in our presentation on four areas: first of all, prudent and effective decision-making by the sponsors corporation; secondly, the sponsors corporation costs; third, equitable treatment for all members regarding the supplemental plans; and fourth, balanced and representative membership on the proposed governance bodies.

Bill 206 proposes creating a sponsors corporation to undertake important powers currently vested with the Ontario government. We are concerned that the bill prescribes access to binding arbitration/dispute resolution process simply if the corporation can't decide on the matter by a majority vote. The scope of arbitration proposed is broad, with no constraints when awarding supplemental plans.

After the transition year, the sponsors corporation could adopt whatever procedures it wishes to support effective decision-making and resolve conflicts.

In our view, it's important to foster and encourage a climate of consensus and collective responsibility. The transition needs to be a period of stability where no single sector or sponsor group has an effective veto or is rewarded should compromise fail.

We would request requiring a super-majority, if not unanimous agreement, as with some public pension plans, to ensure that fundamental changes had broad support and signalled prudence and stability.

We recommend amending the bill to require that all decisions of the sponsors corporation require a two-thirds vote. We also recommend allowing a truly autonomous sponsors corporation to devise its own dispute resolution mechanism by bylaw rather than having one prescribed in legislation.

We further recommend that the sponsors corporation may not, subject to some exceptions, such as utilizing surplus funds, implement changes in benefits for members or in contribution rates, by bylaw or otherwise for the first three years and thereafter no more frequently than triennially.

With respect to the sponsors corporation costs, we expect that the sponsors corporation will have a very

steep learning curve at the outset and crucial ongoing responsibilities. Members will need guidance and advice from a wide range of professionals. That's why we recommend that the government provide sufficient transitional funding to the sponsors corporation to cover start-up implementation costs. We understand that this was done when Ontario devolved the Ontario teachers' pension plan and the OPSEU pension trust.

We further recommend clear and appropriate authority for the administration corporation to pay certain sponsors corporation expenses as part of the pension plan's expenses, as well as part of any supplemental plan's expenses.

We next wish to speak to the possible stand-alone supplemental plans that can be specific to any particular employer or employers or to certain classes of employees.

There is conflicting opinion regarding the number of supplemental plans that may be established by the sponsors corporation or allowed by the Canada revenue agency regulation. As written, we understand that each of the 900 employers could have several different plans under different collective agreements with various employee groups. The administrative complexity and corresponding costs are potentially very high for supplemental plans and for the basic plan itself.

We understand that certain sectors such as police and fire would request additional benefits prescribed within Bill 206 itself, rather than by the sponsors corporation. These could include early retirement, increased accrual rates or higher average earnings.

While we haven't had the opportunity to fully understand the potential impact of possible pension enrichments, just the use of fire and police as sectors indicates that a change from 2% per annum accrual to 2.33% would cost Toronto \$12 million annually; a change from the final five years' to the final three years' average earnings could cost \$13 million annually; and a change in the early retirement factor from 85 to either 75 or 80 would cost between \$12 million and \$30 million annually. What we've prepared is a preliminary set of figures that we'd be prepared to share with you, providing a number of scenarios in terms of reductions, age factors and assumptions, with solvency funding or not. We would be happy to share them with you. Suffice it to say that all of these impacts are in the millions of dollars for the city of Toronto and its taxpayers. As Bill 206 doesn't provide additional funding to employers, municipalities would need to raise taxes, cut municipal services or look to the province for relief to cover these added costs.

OMERS serves a highly diverse range of employers, with employees in even more diverse occupations and professions. One of OMERS' key strengths is requiring all employers and employees to contribute exclusively to the plan, sharing equitably in the benefits and costs. OMERS' current arrangement has demonstrated considerable flexibility by accommodating the special needs of certain occupation groups, such as an NRA 60 for police and firefighters, within the one basic plan. The

result is a plan that's highly regarded, easily understood and efficiently administered, with balanced consideration for all stakeholders. A truly autonomous sponsors corporation should be allowed to continue this approach.

We recommend that Bill 206 be amended to eliminate specific references to members employed in the police and fire sectors. We also recommend that Bill 206 not be further amended to prescribe supplemental plans or optional benefits under the legislation or to require the sponsors corporation to consider specific issues regarding any one stakeholder group.

With respect to balanced and representative governance, OMERS is currently managed by a 13-member board, balanced between plan members and employers. Under Bill 206, the new sponsors corporation's first panel would have 16 voting and two non-voting members, all appointed. We don't know how the province intends to consult with sponsors regarding these appointments. We trust they will maintain equal employee-employer representation. Nevertheless, after the first year, the bill stipulates a default regime for the composition and manner of choosing sponsors corporation membership. This regime stays in effect until the sponsors corporation adopts a bylaw change.

The bill currently provides no restrictions on composition, such as requiring employee-employer equity, or that any specific employee or employer group be represented. Particularly with decisions under the bill requiring only a simple majority, we are very concerned about the ongoing fairness and stability of the new structure. We recommend that the bill be amended to require the sponsors corporation and administration corporation to have equal employee and employer representation at all times.

With more than 24,000 member employees, the city of Toronto is by far the largest employer in OMERS. The default governance regime explicitly identifies the Association of Municipalities of Ontario as the municipal employers' representative on the two corporations and advisory committees. As Toronto is not a member of AMO, Toronto cannot be represented by members chosen by AMO, and despite being the largest employer, Toronto would only appoint members to the new corporations on a rotating basis with all other employers, no matter how small. Given Toronto's size and capacity to contribute to the new structure, we recommend that Bill 206 be amended to provide explicitly for the city of Toronto to choose two members on each of the sponsors corporation and the administration corporation and one member on each advisory committee.

In conclusion, OMERS has grown to play a vital role in the lives of hundreds of thousands of Ontarians and in the province's prosperity. We must ensure that changes in governance or the plan itself build on the success prudently, equitably and effectively. Taken together, the amendments we recommend will go a long way to ensure the financial stability of the plan, fair and equitable treatment of all members and the containment of costs. Simply put, OMERS is just too big and too important not to take the time and careful consideration to get it right.

Thank you, Madam Chair, and members of the committee.

**1720**

**The Chair:** You've left about three minutes for each party, beginning with Mr. Duguid.

**Mr. Duguid:** Thank you, Madam Chair, and thank you, Mr. Pennachetti and Councillor Soknacki, for taking the time to join us today and make a very thorough presentation to us.

Councillor Soknacki, I start by thanking you for the good work you do as chair of the budget committee in this city. I know how challenging that task is, and many of us are very grateful that you're the one at the helm, showing the leadership in that area, because I think our budget, as challenging as it is, is in good hands. So I thank you for that.

I guess I'll go back to one of the issues that you raised. There are two points that I want to make. One is the cost estimates that you've come forward with, and a 3% tax increase suggestion. My understanding is, and correct me if I'm wrong, that that estimate is really based on a worst-case scenario where there's a 100% take-up of all the benefits. We've had the fire association appear before us, and I think the police association would probably say the same thing, that there's no intention in their area—they know that their employees couldn't afford to take up all those benefits. So it's a totally worst-case scenario and it's something that's completely unrealistic. I just want to point that out to you, and maybe you could tell me if you're basing your cost estimates on 100% take-up.

**Mr. Joseph Pennachetti:** This is those three items that we highlighted: the accrual for \$12 million, the five years to three years for \$13 million, and either going 75 or 80 in terms of early retirement factor—that is from \$12 million to \$30 million. These costs were only for police and fire; I want to emphasize that. They did not include if it went beyond that. I know that some others are quoting for all employees. If we went to all employees, you can look at way more than doubling that number.

**Mr. Duguid:** The other question I have is—

**Mr. Soknacki:** If I could add, if you don't mind, Mr. Duguid—I was going to call you Councillor Duguid—Ms. Zanardo has done a number of options with various costings, and we'd be happy to share that information with you, just to make sure that our assumptions are on the table.

**Mr. Duguid:** I appreciate that.

**The Chair:** Thirty seconds.

**Mr. Duguid:** Thirty seconds—I'm just judging by what you've commented on. The city of Toronto is not in opposition to devolution of OMERS. They support that, from what I can see here.

**Mr. Soknacki:** In principle, yes.

**Mr. Duguid:** It's a question of things like representation on the sponsors committee and admin committee and things like that that—

**Mr. Soknacki:** I think that in terms of broad-brush we have significant concerns on the issue of the binding

arbitration and giving the sponsors corporation actually the devolution, the decision to go ahead. We feel that that's absolutely critical.

**The Chair:** Thank you, Mr. Hudak.

**Mr. Tim Hudak (Erie-Lincoln):** Thank you, Councillor and folks from the city of Toronto, for your presentation today. I just want to run through some quick questions in the time given. You will share the data, too, that I think you said that you had handy, with committee members. I don't really think that the OMERS projections are a worst-case scenario. I think, from what we've heard from various committees, they're actually a pretty realistic expectation of the 3% property increase.

You talked about the importance of having a two-thirds majority vote minimum for changes in the plan. The Toronto police board was here earlier on, and they gave an indication that similar plans, whether they be in BC or Alberta, or even within the province of Ontario, require unanimity or three quarters, I think, in the Alberta model. Can you tell us why you think it's important to have that kind of super-majority? Is it a deal-breaker? If that doesn't change, should the Legislature reject the legislation as currently written?

**Mr. Soknacki:** We think that is a deal-breaker. We feel very strongly that if you balance the board on the sponsors corporation 50-50, you will need a super-majority in order to make these decisions. I guess we're going to be facing the decisions from the sponsors corporation when it comes to the city in terms of costs. We're very concerned about that. That's why we need to have a super-majority on it.

**Mr. Hudak:** As AMO said, it's a \$36-billion pension with 900 employers and 335,000 members of the plan. It's not something that you should tinker with. You had mentioned earlier some concern about the arbitration/mediation model that has been set up. You did, in your comments, though, Councillor, talk about the importance of developing a consensus early on. Why do you think the arbitration model will work against having consensus on the sponsors corp?

**Mr. Soknacki:** The reality of arbitration, certainly in our experience, has been that it is a very, very costly exercise, and it's not a path that the city of Toronto wants to go down unless it is absolutely the last, last option. Simply to have a decision, if the sponsors corporation can't come to a consensus, to automatically go to arbitration, in our view, moves it to arbitration too quickly. It would be our preference—that's why we would favour a super-majority; that's why the police services board would favour three quarters or unanimity; that's why that's absolutely very important to us.

**Mr. Hudak:** As a bottom line, then, Councillor, if the bill is not substantially changed along the lines that the city of Toronto recommends, do you suggest members should vote it down?

**Mr. Soknacki:** That would be our recommendation, yes.

**Mr. Hudak:** Any more time, Chair?

**The Chair:** I can't believe you've left 20 seconds.

**Mr. Hudak:** I'll share that with my colleague Ms. Horwath.

**Ms. Horwath:** We talked a little bit about your assumptions, but I'm wondering, is it your experience in negotiations and bargaining for collective agreement improvements that oftentimes there will be a give-and-take between demands for wages and demands for pension improvements, for example? Is that your experience?

**Mr. Soknacki:** That's correct, yes. It's part of the overall package.

**Ms. Horwath:** Absolutely. I come from the municipal sector as well, so I recall that. That's what I'm getting at, though. So your assumptions here—did they take that into consideration when you did your figures and your analysis indicating the drivers that would end up in the kinds of tax increases at the municipal level that you're bringing forward here?

**Mr. Soknacki:** The numbers that we quoted are simply for this issue, not for anything—

**Ms. Horwath:** OK, so the assumption is that 100% on year one is what these drivers would be, so they would get up not from 2% to 2.1% or 2.15% or 2.25% over a time frame; that immediately, in your first set of negotiations, you'd go from 2% to 2.33%; similarly, you would go immediately for a set of negotiations, same year, from 5% to 3%, and so on and so on.

**Mr. Soknacki:** That's correct.

**Ms. Horwath:** Is that realistic, that your fire or police would be able to achieve those kinds of improvements in one year of negotiations?

**Mr. Soknacki:** I think that is something that would be negotiated. You're correct that it may not be all in one year. Again, the issue to us is also the potential for impacting the rest of the bargaining units as well, which we're also concerned about.

**Mr. Pennachetti:** We've brought as well, Ms. Horwath, just to make sure that we have a full range of things before you, tables showing various assumptions. We just had the chance in the presentation to highlight a couple, but we have the full range of figures. It's up to your committee to decide whether it's realistic or not.

**Ms. Horwath:** Can I just ask, then, on your list of actual recommendations—can I get you to flesh out recommendation 5 a little bit? It says to "provide clear and appropriate authority for the administration corporation to pay certain sponsors corporation expenses." Could you identify for me if there are certain ones that you think are appropriate and certain ones that, more importantly, you don't think are appropriate—and similarly in terms of the supplemental plan expenses?

**The Chair:** You have 30 seconds to answer that, just so you know.

**Mr. Soknacki:** What we did in the speech was mention things like actuaries, lawyers, consultants and the like. If it's not picked up in the administration corporation, then it falls to the employers to pick it up, and that would be our concern.

**Ms. Horwath:** OK. Thank you, Madam Chair.



**The Chair:** Thank you very much for being here today.

**Mr. Hudak:** Madam Chair, if I could—I know Mayor McCallion is on hand. I did want to put a question on the table, if I could.

**The Chair:** Can you save it till the end of the meeting, so the whole committee can deal with it then? I really don't want to delay any of our witnesses.

**Mr. Hudak:** I will be very brief, Chair.

My colleague Mr. Duguid just said that the projection that the city of Toronto and AMO brought forward was a worst-case scenario. We were provided today, through OMERS, their calculations of some expected benefits as part of supplemental agreements that came to the \$380 million, the 3% property tax increase that AMO and other municipalities were talking about. I do want to note for the record that there are a number of things that aren't recognized in that submission—for example, past service by fire or police officers, increased contribution for future years, potential increase in post-employment benefits etc.—it's on the document. So it's hardly a worst-case scenario. There are a lot of other benefits that could be included to drive rates up more.

1730

**Mr. Duguid:** On a point of order, Madam Chair: Is this a speech or is this some kind of point of order?

**The Chair:** Excuse me. I think you were going to get to a question, were you?

**Mr. Hudak:** Exactly.

**The Chair:** OK, can you get to the question?

**Mr. Hudak:** Don't delay me any more. I'm getting to my question.

The parliamentary assistant who described the OMERS report as a worst-case scenario—does the ministry have its own set of numbers, and if so, could you present them to the committee, that give the true scenario?

**Mr. Duguid:** I think we've made it clear, and members probably heard me in questioning witnesses, that in fact when we're looking at 100% take-up, that's a worst-case scenario. Now, there may be other costs as well in terms of administration costs, and that's why we're here today: to hear the deputations from various parties, to find out what other impacts or implications may exist with regard to this legislation.

In terms of our own numbers, our own numbers are the numbers that are in front of you. The OMERS board—we're going by their numbers as well. They're the professionals in this. We're certainly taking a look at their numbers. The thing is, we're not assuming 100% take-up, because that would be a totally unrealistic assumption.

**The Chair:** Mr. Hudak, just so you know, these are AMO numbers, not OMERS, I think.

**Mr. Hudak:** I appreciate that, but I think OMERS did a survey of the municipalities.

**The Chair:** Are you getting to the question?

**Mr. Hudak:** I simply asked the parliamentary assistant if they had their own numbers at the ministry. It sounds like no, they don't.

**The Chair:** I think he gave you an answer. We will have our next delegation—

**Mr. Hardeman:** Just on a point of clarification on the point of order, Chair: I think the parliamentary assistant ended his presentation saying that the numbers that they were using were in fact not the worst-case scenario. I wondered if I had those numbers, when he said the numbers they were using. I see nothing in my documentation here that gives me any numbers.

**Mr. Duguid:** The numbers I'm referring to are the numbers in the OMERS presentation—whatever numbers they brought in when they were here.

**Mr. Hardeman:** OK. I thought he was referring to ministry numbers, and I don't have any.

**Mr. Duguid:** No, there's no other set of numbers anywhere other than the ones that are in front of us. But certainly I'll ask our staff if there are any other numbers floating around out there and I'd let you know, but I've never seen any.

**The Chair:** Committee, you have another handout, just recently, another supplementary, that Toronto gave us following their presentation.

#### CITY OF MISSISSAUGA

**The Chair:** Our next delegation is the city of Mississauga.

**Ms. Hazel McCallion:** Thank you, Madam Chairman, for giving us the opportunity.

**The Chair:** Thank you. Before you begin, are you going to be the only speaker?

**Ms. McCallion:** No.

**The Chair:** OK, perhaps you could introduce the group you have with you, and when you begin you have 20 minutes.

**Ms. McCallion:** To my left is our city manager, Janice Baker, and to my right is our director of human resources, Eric Draycott. I will make the presentation, but they're the experts in answering questions.

Thank you for this opportunity to present to the standing committee on general government the position of the city of Mississauga regarding the Ontario Municipal Employees Retirement System Act, 2005, Bill 206. The city of Mississauga does not support the proposed amendments to the Ontario Municipal Employees Retirement System Act. In fact, we believe Bill 206 fails on matters of cost impact and on governance. In our opinion, hasty implementation of this legislation by the government would be reckless and irresponsible.

I think at the AMO convention in August, just to ad-lib, I advised the cabinet who sat there that it would be a good idea if they did their homework so that we could then be able to deal with the issue.

We believe any legislative changes to OMERS must be carefully considered, due to the potential financial impact on municipalities. It could result in the most

major downloading that has occurred to date. Given the many fiscal challenges Mississauga is facing today, even though we are in a very sound financial position, this additional pressure will hinder our ability to maintain existing services, replace infrastructure and provide any new services.

The city of Mississauga fully supports the position of the Association of Municipalities of Ontario in its opposition to the amendments proposed in Bill 206. AMO has been very straightforward for the last two years in advising the government, "You'd better be careful on this and you'd better do your homework." Further, we believe this legislation requires far more in-depth study and open dialogue to ensure due diligence has been met.

What are Mississauga's specific concerns with the bill? The city's position on this bill is that it contains several provisions which are inappropriate and go much further than the originally understood purpose, which was to deal solely with the matter of a transfer of governance from the province to plan members. Therefore, we believe the bill should be substantially amended to deal solely with the sponsors corporation, and all reference to supplemental benefit improvements, the establishment of a mediation/arbitration process and so on should be removed.

In particular, the following areas need to be addressed: With respect to plan governance, we strongly feel that all decisions of the sponsors corporation should require unanimous agreement or total consensus of all members in order to attain approval. I might add, if it isn't unanimous, it had better be two thirds. This will protect the interests of both employees and employers.

We strongly recommend that all reference to the mandatory mediation/arbitration of disputes be removed from the bill on the basis that it is adversarial in nature and not an appropriate process for determining plan changes, will add additional costs for plan members, and could potentially devolve governance of the OMERS plan into the hands of an arbitrator. We have not had much success with arbitrators, and to turn the governance of a complex pension plan like OMERS over to an arbitrator process is completely unacceptable to us—unaccountable and not elected.

With respect to supplemental benefits, we recommend that reference to supplemental plans be removed from the bill, as these are not, in our view, related to governance and are an area that a properly constituted and functioning sponsors corporation can address if the corporation deems it appropriate to do so. Such plans clearly have the potential of adding significant costs for members and employers alike. We also recommend that reference to supplemental plans for police and fire, including a 2.33% accrual rate, be removed from the bill, in view of the fact that they are not related to governance, will be extremely costly, and that the determination of whether or not such supplemental plans are to exist should be the responsibility of the sponsors corporation.

Beyond the foregoing, in view of past experience, we are very concerned that supplemental plans for groups

like firefighters will find their way to the interest arbitration process, where decisions have historically been made that do not consider a municipality's ability to pay. The process hasn't worked and doesn't work.

I would like to make a few brief comments about our city. During the last 30 years, Mississauga has seen tremendous change, growing into the sixth-largest city in Canada. Since its incorporation in 1974, Mississauga has become a distinct major Canadian city with a population of 680,000. It is considered a municipal leader in fiscal responsibility, technology and urban development.

However, during recent years Mississauga, like all other municipalities across Ontario, has experienced significant pressure to maintain existing services, provide new services and deal with large infrastructure deficits without placing undue burden on taxpayers. The city is also facing slower assessment growth and declining provincial grants, not that too many exist. Just as critical, increasing demands to fund growing health and social services expenditures are being felt on the property tax base, including the \$44 million that we send to Toronto every year for their social costs. These costs should not be on our property tax, but should be uploaded to the province. We need more uploading, not more downloading.

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From 1961 to 2002, municipalities' share of total infrastructure in Canada grew from 31% to 52%, while both the federal and provincial shares declined. As the city of Mississauga matures, the cost to repair, replace and rehabilitate the city's infrastructure must be assumed by the taxpayer. In Mississauga, we have identified, through our asset management study and related financing strategy, over \$500 million in additional unfunded capital needs over the next 10 years.

Recently, we have been forced to dip into hydro reserves which had been set aside to deal with future unseen or unavoidable rainy day situations. We have now concluded that those rainy days are here and that the reserves will have to be spent in our capital and operating areas just to keep pace with day-to-day expenditures and maintain taxes at reasonable levies.

While the SuperBuild program, the Strategic Investment Financing Authority and the sharing of gas tax revenues has assisted municipalities in the short term, the proposed changes to the government structure of OMERS causes significant concern for the municipalities regarding the future administration of the OMERS pension plan and its costs. It is expected that higher costs for municipalities, employees and, more importantly, the taxpayers will surely result from this new legislation.

Our total OMERS contributions for 2006 are estimated at \$16.9 million and represent 7% of Mississauga's tax levy. This includes an OMERS contribution increase in 2006 of \$2.3 million, a tax increase of 1.05%. Additional increases are expected in future years. At \$4.7 million, fire services represent 27.6% of the city's total OMERS budget. We estimate that a 2.33% supplemental benefit plan for firefighters alone would cost an extra

\$1 million annually and would certainly affect our tax increases.

OMERS employers can expect to experience pressure from employees, particularly the police, fire and paramedics—negotiations which are just down the road—to agree to provide supplemental benefits if Bill 206 is enacted. This will undoubtedly have future impacts on all seven union groups as well as the non-union group within our municipality.

The city of Mississauga believes that any legislative changes to OMERS must be carefully considered due to the potential financial impacts on the municipality. Given the many fiscal challenges we are facing today, this additional pressure will hinder our ability in the future to maintain existing services, replace infrastructure and provide new services.

In more general terms, and in the interests of time, we seriously question why any change in governance is necessary at all; whether or not the province understands how the diverse nature of OMERS makes it different from any other pension plan; why the ability to establish defined contribution plans as possible supplemental plans will not be allowed; and why the sponsors corporation dispute resolution process contained in the bill is being proposed.

The effects on municipal services: The increased costs of benefits such as for supplementary plans and operation of the sponsors corporation which plan members and employees alike will have to shoulder, estimated at \$5 million to \$10 million for start-up, will ultimately affect the ability of municipalities to afford to do many things, including the hiring of new municipal staff or delivering new or improved services. Staff pension cost pressures will drain funding away from key municipal priorities, such as infrastructure maintenance and investment, two priorities identified by this provincial government.

By increasing municipal costs without providing a corresponding increase in municipal revenue, Bill 206 complicates efforts to ensure that Ontario's communities are served by municipal governments that have the resources needed to fulfill all their responsibilities.

In closing, I want to say that Mississauga is concerned that the province is rushing to reform one of Canada's most important pension plans without a reasonable understanding of the potential repercussions and without sufficient regard to the best interests of employees, retirees, employers, communities, taxpayers or Ontario's economy.

In fact, this government is very concerned about tax increases. Well, what you may do with OMERS and changes to OMERS is you've increased the taxes at the lower level, and that's increasing taxes.

By the way, I might mention—it's not in our presentation—that I believe OMERS is in a \$2.5-billion deficit. This year they are asking us for a 9% increase in employer costs and of course a 9% increase in employment costs. So the plan is not in good shape, I would think, with a \$2.5-billion deficit. I think that should be looked at.

While the devolution proposal would eliminate the province's governance role in OMERS—I know that in the past the province—not this government but others—used to finance many of their projects by borrowing from OMERS at a lower rate than they should have gotten in the market, and I remember that well; I've been around too long—I believe it should retain a strong interest in ensuring that the fund is strong and viable.

OMERS is one of Canada's largest pension plans. With \$36 billion in net investment assets, it is roughly equal to 8% of Ontario's GDP. In addition to protecting the future well-being of its employee members, thousands of retired Ontario public servants depend on it as their primary source of income. It is also a prominent investor which contributes to the economic fortunes of the province and Ontario's future prosperity.

Given the magnitude and implications of this legislation, I believe due diligence is required to ensure that the plan remains viable, that benefits are affordable and that taxpayers' best interests are protected. As it is written, Bill 206 could cost employers, employees and taxpayers dearly in the years and decades to come.

I urge you to think about the fact that much has changed about the environment since the matter of OMERS devolution surfaced in 2002. AMO has been very up front in saying on so many occasions: "Do your homework. Give us the cost factors." Has the province done their homework in providing us with the impact of the changes they have proposed in Bill 206? Nothing has come forward.

Compared to most private sector plans, OMERS in its current form is seen by many as a Cadillac plan, comparatively speaking. Municipalities frankly do not see the need for the changes being proposed, so I ask you, why proceed?

On behalf of the council of the city of Mississauga, our employees and retirees, and with the full support of our municipal peers across Ontario, I ask that you ensure that the government has done its homework before proceeding with the devolution of OMERS. Specifically, we ask that you request actuarial analysis regarding the potential cost of the proposals within Bill 206—I think that's a reasonable request—that you call for adequate due diligence to protect the long-term financial stability of the OMERS pension plan, and that you ask the Minister of Municipal Affairs and Housing how the public interest will be protected in the future if the bill continues to rest on simple majority and mandated and binding arbitration.

Before the province withdraws from OMERS, the legislation and the transition must be right, given the importance of OMERS to employees and the provincial economy.

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In summary, all we ask is, please do the homework before the bill proceeds any further. The impact on the municipalities of the many things that have happened, especially in fire and police, is that finally you will bankrupt the municipalities with the downloading. In my

opinion, this is the most major downloading on the taxpayers and the municipalities that has ever occurred, if the supplemental plans and the plans that you intend go into operation. If you're going to devolve it, then leave it to us to decide how it should be operated and don't set all the guidelines.

It's like when you did MPAC. The Harris government decided they were going to take over assessment. The only change that was made was that they used to pay for assessment and now we pay for it. They set all the policy and we have no control over it, except that we pick up the tab—another downloading that has had another major impact on the property tax of Ontario. This is going to do the same. How much more we can take, I don't know—I really don't. For a city as financially sound as we are, this could be the straw that breaks the camel's back.

**The Chair:** You have left about two minutes, so about 30 seconds for everybody, beginning with Mr. Hardeman.

**Mr. Hardeman:** Thank you very much, Mayor McCallion, for your presentation. One of the things I wanted to touch on, and I've been trying to bring it forward, is the reason for the bill appearing before us. You mentioned in your presentation the financial condition of the OMERS plan today. It would appear that, after much discussion a couple of years ago about the devolution, we've picked now to do it, more to answer the problems of the finances of OMERS than to deal with the request two years ago for devolution. I just wanted to reiterate that, and maybe you could make a comment about it, that there's a concern about the cost of the OMERS plan after the devolution. I'm using the word "downloading." I'm now on this side of the House; I can use it a lot.

**Ms. McCallion:** Well, you folks, as Conservatives, did a pretty good job on us.

**Mr. Hardeman:** Exactly. It's nice to be able to pin it the other way.

**Ms. McCallion:** Quite honestly, we'll never recover from the downloading that occurred: social housing, the elimination of all transit subsidies, you name it. We won't recover, and it concerns me.

It's interesting how we had a vacation on OMERS contributions—how many years ago?

**Ms. Janice Baker:** For four years.

**Ms. McCallion:** For four years, and now we're getting a big increase. That doesn't sound like good management to me, but I don't know.

**Ms. Horwath:** I just wanted to ask a question related to the concerns about the cost increasing. When we had the fire people here, they indicated that they felt that because the plan is jointly paid into, that would be one of the checks and balances that would prevent quickly skyrocketing increases in the supplemental plans, for example. The members would have to pay, as well as the municipalities, so that would keep a cap on, or it would at least keep a natural check and balance, because the members themselves aren't going to want to have huge

deductions off their pay to pay into the OMERS plan. Can you comment on that at all?

**Ms. McCallion:** Well, I can't speak for the members; I can only speak for the employer.

**Ms. Horwath:** But I mean in terms of the principle of there being a natural kind of check and balance in that system.

**Ms. McCallion:** I think the way it's set up, a 50-50 representation, all it needs is for one person to arrange to stay home that day or be sick and the supplemental plan could go into being. It's very dangerous to be administering a \$36-billion plan and have a simple majority vote. It's unacceptable. In fact, it would be dreadful if it ever went through that way. We're with AMO in saying it should be unanimous, but I'll tell you, if it's not two thirds of the vote, then kiss the municipalities goodbye. That would have a major impact.

**Mr. Duguid:** I want to thank Her Worship for taking the time to be here with us today. I've had an opportunity to speak to her on this issue. She has bent my ear on this one a few times over the last little while, and I appreciate her input.

I appreciate the discussion, although I would take issue on a few points. Referring to this as downloading is totally inaccurate. The province isn't saving any money by doing this. Downloading of costs is downloading of costs. We're not downloading any costs; we're just providing autonomy here. That doesn't mean that there may not be costs to the municipalities—

**The Chair:** Mr. Duguid, your time is 30 seconds.

**Ms. McCallion:** I didn't say "downloading of costs"; I said "downloading." You're making the decision; that's downloading something on us without our approval.

**Mr. Duguid:** I think our time is pretty much up, anyway. My apologies.

**The Chair:** Your time has expired. Thank you, Your Worship. We appreciate you being here today.

## CANADIAN AUTO WORKERS

**The Chair:** Our last delegation for today is the Canadian Auto Workers. Welcome. Are you Cara MacDonald?

**Ms. Cara MacDonald:** Yes.

**The Chair:** We have your handout. When you begin, you have 20 minutes. Should you use all the time, there won't be an opportunity for us to ask questions. You are welcome to start when you want.

**Ms. MacDonald:** My name is Cara MacDonald. I'm the national representative in the pension and benefit department in the Canadian Auto Workers union. We appreciate the opportunity to comment on Bill 206. We represent a quarter of a million people in various sectors of the economy across Canada. About 3,300 members that we represent are in municipally regulated workplaces in Ontario: transit, hydro, homes for the aged and paramedic services. That's roughly about 1.46% of the OMERS total membership.

We have some concerns with Bill 206. While we're encouraged that the government recognizes the need for autonomy, we feel that Bill 206 is the wrong way to achieve this. We feel that the bill is deeply flawed, that it will have a detrimental impact on our members' pensions and that the model is unsustainable for the future.

I'm going to be very brief. We have a number of concerns that are detailed in our submission. I'm just going to touch upon three main concerns: (1) with regard to the benefit limitations in the bill; (2) with regard to representation; and (3) with regard to the inability of stakeholders to take ownership of the plan.

With regard to the benefit limitations, as you know, Bill 206 imposes a 1.4% benefit cap. OMERS is currently at 1.325%. This is well below the Income Tax Act maximum, which is 2% over the best three years, and it's also well below the standards that we've seen in other public sector pension plans, such as the teachers', where their benefit level is at 1.55%, and HOOPP, which is the hospitals, at 1.5%. We're also concerned with regard to benefit limitations, the strict funding guidelines that are in the bill which limit when benefits can be improved. There's a requirement of a 5% contingency reserve. These kinds of limits are not imposed on any other public sector plans that we're aware of.

One of our key recommendations with regard to this bill is that sections 12 and 15 be eliminated. In our view, to achieve real autonomy, the OMERS stakeholders must be enabled to determine the terms and conditions of the plan within the guidelines set out by the Ontario Pension Benefits Act and the Income Tax Act.

Our second main concern with regard to Bill 206 deals with representation. As you know, there are certain members who are proposed for representation for employee and employer groups on both the sponsors corporation and the administration corporation. We feel that those numbers don't reflect the size or the composition of the plan membership, and we also feel that Bill 206 limits representation to too few unions and employer groups.

I think one way to address this would be adopting something like a 1% threshold limit, where employee groups and unions with 1% or more of the membership would have some form of representation on both the sponsors corporation and the administration corporation.

**1800**

We also have concerns with regard to the method of appointing representatives from the so-called other unions or small union groups. We feel that the method is unfair and overly cumbersome. That's whereby each employee group and union has an opportunity, regardless of their size, to appoint somebody to the sponsors corporation or the administration corporation. We propose, instead, a system whereby the smaller unions and the smaller employee groups could come together in a coalition to select who they want their representatives to be on those corporations.

Finally, our third main concern has to do with ownership. I think the key problem with Bill 206 is that it imposes a model on stakeholders which no one seems to be

happy with. Many of the concerns that we've expressed in our submission, when you have an opportunity to review it, are also concerns that have been expressed by many other unions and employee groups, and also some employer groups as well.

If we look at where we were before, before the bill was introduced, for some time now the stakeholders have been requesting a forum where the employee groups and the employer groups could come together and discuss what kind of model would best be suitable for them, a structure that they could live with and where the OMERS board would provide some sort of technical support as opposed to leading the discussions. For some reason, this request has been overlooked and ignored. I guess our concern is that if this bill is imposed, there's going to be very little incentive to make this model work.

In conclusion, if the CAW-Canada had a choice between the status quo or Bill 206, we would choose the status quo, even though there are problems currently with the status quo. But we would much prefer, ideally, that the government bring the parties together to discuss the development of a new model using Bill 206 as the foundation for discussion. Thank you very much.

**The Chair:** You've left about four minutes for each party to ask questions, beginning with Ms. Horwath.

**Ms. Horwath:** Good afternoon. Were you here for any of the employer-side presentations that have occurred over the last couple of sessions?

**Ms. MacDonald:** Have I read them?

**Ms. Horwath:** Are you aware of them?

**Ms. MacDonald:** Yes, I am.

**Ms. Horwath:** What would be your opinion on the assertion that the costing out of improvements to the pension plans, as has been asked for by most of the union presentations, would bankrupt municipalities and immobilize them financially?

**Ms. MacDonald:** I haven't seen any of the cost estimates and the CAW-Canada hasn't calculated any projected estimates. However, I think that any potential cost would also have to be borne by the plan membership given that plan members pay 50% of the contributions. So that definitely would result in some sort of a balance.

**Ms. Horwath:** You talk about the preference to not go forward if this process doesn't result in something that's appropriate from the perspective of the brief that you've provided. Would you say, then, that if we can't come to something that would be agreeable to most stakeholders, then the best thing to do is to vote it down and then continue on with some other process to come to a resolution that meets the needs of most plan members? Is that your position?

**Ms. MacDonald:** The CAW-Canada position is that Bill 206 is highly flawed. It could, however, provide the basis for discussions if the government were to pull the parties together and allow us to be able to discuss the terms and conditions of the plan. I understand that this has been done in other jurisdictions.

**Ms. Horwath:** Interestingly enough, the minister in his opening remarks claims that that process took place at

some point in 2002. Are you aware of what process did take place at that time and whether or not it was satisfactory?

**Ms. MacDonald:** The process was highly flawed, and we submitted our objections about the process to the government. Basically, what transpired was that the OMERS board solicited submissions from the various stakeholders in terms of how they would like to see the model developed, and rather than pull the employer and employee groups into the same room as we had requested, they actually kept us separate. At the end of the day, after looking at all of our submissions and not being able to have a table for negotiations, the OMERS board submitted to the government its proposed governance model structure, which none of the stakeholders had agreed to. This was submitted to the government as if there was a consensus on this.

**Ms. Horwath:** So the initial discussions don't reflect at all an appropriate process for parties getting together and coming up with a common table for discussion.

**Ms. MacDonald:** No. Also, if I can add to that, in this flawed process that I'm describing, the OMERS board basically led the discussions. They didn't sit back and allow the stakeholders to discuss what forms and models would be appropriate for them. This discussion was led by the OMERS board rather than them taking a more passive role and sitting back and providing some sort of technical support.

**Ms. Horwath:** So then in controlling the process, they controlled the results.

**The Chair:** Thank you. You've exhausted the time. Mr. Duguid.

**Mr. Duguid:** In light of the time, I won't be asking any major questions. I want to thank you for being here today, and I want to thank you for what is a very thorough presentation.

One of the reasons we came forward at this time, after first reading, is that it's a complex piece of legislation, and we wanted to make sure that we'd get detailed input from each and every stakeholder. The input you've provided here will be very helpful to us. We'll certainly assure you that we'll give it full consideration as we move forward.

**The Chair:** Mr. Hardeman.

**Mr. Hardeman:** Thank you very much for the presentation. We had a presentation earlier today—and I see it here, Theodore Roosevelt's quote that the best thing we could do would be the right thing, the second best would be to do the wrong thing, but the worst thing would be to do nothing. Yet in your presentation you're suggesting you disagree with Theodore Roosevelt. I gather from your presentation that you think the answer in this case is that it would be better to do nothing.

If the government said, "Tell us the two most important things. What could we do to make passing the bill better than doing nothing at all? What part of it is really causing the problem?"—we had another representation earlier, and it was the 1.5% cap on it that would actually be the worst of all things, in the opinion of that presenter. What would it be in your opinion?

**Ms. MacDonald:** In our opinion, it would be the 1.4% benefit cap and the various benefit limitations and the restrictions on an arbitrator's ability to award what's fair. The big deal-breaker for us would be the benefit limitation, sections 12 and 15 of the proposed bill.

Going back to Theodore's quote, I did say that ideally we would prefer to do something and use Bill 206 as a basis for discussion. But if we were forced between Bill 206 and the status quo, we would pick the status quo.

**Mr. Hardeman:** Obviously, we've heard a lot of presentations on representation and how the boards are going to be structured. In your presentation, you suggested that representation on the board should be based more on proportional representation. Do you envision that because of the magnitude of the employer sector and the magnitude of the employee sector—would that not create an unmanageable structure to run the corporation, that if you had 1%, you get at least one representative? Theoretically, it's possible that if it evolved enough, you could have 200 people on the structure because each 1% would have a representative. Do you have any suggestions on how you would keep the structure manageable if you went the route of your suggestion?

**Ms. MacDonald:** If I can recall, in the member affiliation data that the OMERS board compiled and sent out to the various stakeholders in preparation for this meeting, there was only a handful of employee groups and unions that actually had 1%-plus representation. So what I would envision wouldn't necessarily be—well, there certainly wouldn't be 200 people, and I don't think that form of representation, if you had a 1% threshold, would be unruly. That's an example of how it could be done in a way that would be more suitable than what's proposed in Bill 206, even representation by population or having the employee groups and unions take turns appointing representatives among those groups that have 1%-plus of the membership.

**The Chair:** Thank you, Ms. MacDonald. We appreciate your being here today.

I'd like to thank all the witnesses, the members, the committee and ministry staff for their participation in the hearing.

The standing committee on general government now stands adjourned until 4 p.m. on Wednesday, November 23, 2005.

*The committee adjourned at 1811.*



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