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

**Wednesday 23 November 2005**

## **Journal des débats (Hansard)**

**Mercredi 23 novembre 2005**

**Standing committee on  
general government**

Ontario Municipal Employees  
Retirement System Act, 2005

**Comité permanent des  
affaires gouvernementales**

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

Chair: Linda Jeffrey  
Clerk: Tonia Grannum

Présidente : Linda Jeffrey  
Greffière : Tonia Grannum

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON  
GENERAL GOVERNMENT**

**COMITÉ PERMANENT DES  
AFFAIRES GOUVERNEMENTALES**

Wednesday 23 November 2005

Mercredi 23 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.

**POLICE ASSOCIATION OF 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 witnesses, and tell you that you have 20 minutes for your presentations.

Welcome. It's the Police Association of Ontario, is that right?

**Mr. Bruce Miller:** That's correct.

**The Chair:** If you're all going to speak, if you could identify everybody at the table for Hansard. When you begin, you'll have 20 minutes. Should you leave time, there will be an opportunity for people to ask questions.

**Mr. Miller:** Thank you very much. With me today, to my left, is Lily Harmer, our associate with Paliare Roland, and to my right is Bob Baltin, the president of the Police Association of Ontario. My name is Bruce Miller, and I'm the chief administrative officer for the Police Association of Ontario. I was also a front-line police officer in the great city of London for over 20 years prior to taking on my current responsibilities. I'd also like to acknowledge that we have in the gallery today representatives of the leadership of the Hamilton, Halton, Ontario Provincial Police, Peel, York, Toronto, London, Durham and Ottawa police associations. Members of the Ontario Professional Fire Fighters Association are also here in support today.

The Police Association of Ontario, or PAO, is a professional organization representing 30,000 police and civilian members from every municipal police asso-

ciation and the Ontario Provincial Police Association. We've included further information on our organization in our brief. We appreciate the opportunity to provide input into this important process.

Both the OMERS board and its shareholders agree that greater autonomy over pension benefits should be provided to all municipal employers and employees. Discussions have been ongoing since 1995 on how best to achieve greater autonomy within the OMERS plan. Despite best efforts over this period, these talks have failed to achieve results. Members of this Legislature are to be congratulated for considering this important issue.

The PAO believes that Bill 206 provides an excellent framework for OMERS autonomy. Within that framework, we believe that a number of amendments to the bill are necessary in order to protect the interests of police personnel across the province. We have listed the specific amendments in our brief, but would like to highlight those that we believe are crucial.

First and foremost, the PAO believes that the legislation must be amended by the standing committee to provide explicit provisions and protections for police and firefighters to bring forward for negotiation the following specified supplemental plan benefits at the local level: the ability to negotiate the combination of age/service factors to either 75 or 80 for police officers; the ability to negotiate the combination of age/service factors to either 80 or 85 for civilian members; the ability to negotiate the 2.33% pension accrual rate for police officers consistent with federal legislation; and finally, the ability to negotiate the best three-year final average earnings as the basis for calculating benefits.

We understand that municipal governments will argue differing capacities to provide these supplemental benefits. It should be noted that the establishment of these supplemental plans would not mandate these benefits at the local level. Instead, local employees and their employer can consider these benefits, taking into consideration local needs and local circumstances. It will be necessary to establish in legislation the right of police and firefighter associations to bring forward and negotiate these supplemental plan benefits.

We have worked closely with the Ontario Professional Fire Fighters Association on the matter of OMERS autonomy. Both organizations are united and will carry forward the same message to the Ontario Legislature. We would, however, like to focus our attention on the

importance of these legislative changes to the police community.

The vast majority of police personnel in Canada and North America have pension provisions that allow for police personnel to retire earlier than is allowed in Ontario. These plans are in place to ensure that there will always be an opportunity for those who have worked this very difficult profession to retire with dignity. High stress and shift work contribute substantially to the need for an early exit option. Plans such as these also ensure that police services are continuously rejuvenated with front-line personnel who possess the youth and physical ability to perform their required duties.

The demographics of policing are changing. Ten years ago, the average entry age for a new officer was 21. The Ontario Police College reports that the average entry age is now 29 years of age. This is coupled with the reality that the process of civilianization in police forces has forced older officers to remain on the front lines.

I think everyone realizes the challenges to community safety that police are dealing with across Ontario. Last week we released an Innovative Research Group poll that included some of the following findings:

—Over half of Ontarians expect that they or a family member will have property stolen as a result of a break-in in the next five years.

—More Ontario residents than a year and a half ago feel they or a family member will be physically attacked in the next five years, and that's up six points to 32%.

—An overwhelming majority, 80%, say that gun violence has worsened in the past five years.

—Finally, 80% of respondents agree that the role of police officers in society is distinct from other public servants.

These results demonstrate that members of the public believe that public safety is a priority issue. Increasing crime, inadequate funding for police services and a lax court and parole system are all cited as key factors in people's growing sense of unease in their community. Ontarians believe that police personnel are vitally important in the effort to keep Ontario's communities safe.

Currently, Ontario's municipal police personnel must obtain an 85 factor or 30 years of service for police, or a 90 factor for civilians, in order to retire on an unreduced pension. This differs substantially from other areas in Canada, as shown by the following examples: RCMP, 24 years; Alberta and Winnipeg, 25 years; British Columbia, 80 factor; Saskatchewan, 25 years of service or a 75 factor.

Improving pension benefits would help to retain experienced police personnel in today's highly competitive job market and at the same time would also help attract qualified personnel to the profession. The PAO believes that police associations should have the ability to negotiate these supplemental plans at the local level, with their employers tailoring those benefits to meet local needs.

Police and fire are unique employer and employee groups in the OMERS pool. Many pension arrangements

in the United States and Canada recognize the unique needs of emergency service personnel through segregated pension arrangements. Police and fire personnel are traditionally career positions with different pension and benefit requirements than other government and public service workers. The unique nature of these positions is recognized under Canada's income tax statutes that provide distinct retirement provisions for the two groups.

The federal government recently recognized the unique needs of police and fire by amending the federal Income Tax Act to allow police and fire to receive an increased accrual rate of up to 2.33% from the current 2%. We believe that Ontario should amend its legislation to reflect similar provisions.

Ontario's police pension plan benefits are based on the best five-year final average earnings. Other provinces such as Quebec and Saskatchewan have moved to a best three. We believe that Ontario's police and fire personnel should not continue to lag behind other jurisdictions and urge Ontario's legislators to amend the bill accordingly.

We would also like to comment on the merits of OMERS remaining as a defined benefit plan. We strongly support the legislation with regard to this issue in Bill 206. The PAO believes that section 9 should remain as is so that the statute is absolutely clear that every OMERS pension plan, whether primary or supplemental, must be a defined benefit plan. Studies have consistently shown that defined contribution plans result in significantly lower benefits than defined benefit plans, that members in defined contribution plans cannot retire due to low benefits, and that administration costs associated with defined contribution plans are much higher.

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Finally, we'd like to raise the issue of solvency. Solvency provisions are in place to ensure that a pension plan has enough funds to pay off its liabilities within five years in the event of a plan windup. The PAO believes that this is an unnecessary provision for stable plans such as OMERS, as the possibility of a windup is highly unlikely. The PAO believes that Ontario's vibrant economy and performance will continue to set the stage for a stable OMERS plan. For this reason, we believe that solvency provisions are an unnecessary expenditure.

As you know, police association representatives from across the province met with you and your colleagues last week. Some members raised the issue of solvency in our discussions. To ease the concern related to these provisions, the PAO would recommend retaining solvency provisions for the main plan only and removing them from the supplemental plans.

I've given a very brief overview of our issues. I'd like to reinforce the need to amend Bill 206 to provide explicit provisions and protections for police and firefighters to bring forward for negotiation, upon proclamation, the specified supplemental plan benefits at the local level.

I'd just like to make a few comments that aren't included in the brief. I would like to comment on some of the submissions that have been made this week in regard

to huge cost estimates associated with some of these benefits. Frankly, we have no idea where these estimates came from.

We've costed out some of the benefits. I'd just like to draw your attention to one, which is an 80 factor within 10 years of retirement for NRA 60 members who are police members. The cost to the member and to the employer for that benefit would be \$364 for each side. In the scheme of things, it's certainly a relatively low item. I'd equate it to eyeglass plans. But when we hear the huge figures associated with these benefits that have been mentioned by some of the presenters, we just have no idea where they came from. Frankly, we feel it's misleading, because the figures are there for members to look at.

I also have to comment that we believe it's unfortunate that both AMO and the Ontario Association of Police Services Boards declined the opportunity to come to the table this summer when Minister Gerretsen called for meetings on this matter, because we believe that we could have reached some consensus on this issue.

As I said before, all of our specific recommendations are copied in this brief. I'd certainly like to thank the members of the standing committee for the opportunity to appear before you once again. I would be pleased to answer any questions that you may have.

**The Chair:** Thank you, Mr. Miller. You've left about two and a half minutes for each party to ask questions.

I would tell the people at the back of the room that we do have an overflow in committee room 1. So if you want to have a seat until your delegation, you have that opportunity. You'll be able to hear the hearings.

I'll begin with Mr. Dunlop. You have two and a half minutes.

**Mr. Garfield Dunlop (Simcoe North):** Thank you very much, Madam Chair. I've got a couple of minutes, so I just want to ask some quick questions.

To Mr. Miller: On page 10 of your submission, you actually have recommendations there. Are they the amendments you'd like to see put forward to amend the bill? Is that everything you want right there?

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

**Mr. Dunlop:** Has your legal counsel looked over those as well?

**Mr. Miller:** That's right. I should add that I believe they're consistent with the recommendations that the Ontario Professional Fire Fighters Association has put forward as well.

**Mr. Dunlop:** That was another question I had. So the OPFFA is supportive of those recommendations as well; that's what they'd prefer to see.

A question I also want to ask: In other jurisdictions—the RCMP, Alberta, Winnipeg, BC, Saskatchewan and other major centres and provinces across the country—are they all substantially less than what we are today—we're 30 or 85?

**Mr. Miller:** That's correct. Generally speaking, there are 24- or 25-years-and-out provisions. There are members who are retiring much earlier than we see in Ontario,

and that would be consistent through the United States as well. I think those jurisdictions have recognized the need for a constant influx of younger members into the profession.

**Mr. Dunlop:** Also on that, would the firefighters in those provinces be similar to these numbers?

**Mr. Miller:** I believe they are, but I'm not completely comfortable answering that. I've certainly done the research on the police side.

**Mr. Dunlop:** Very quickly, you mentioned earlier that in the last 10 years we've seen the age of someone entering the police service go up eight or nine years—I believe that's what you said. So we're saying that when these folks are getting closer to retirement, it will be even more important because they will be that much older; is that not the case?

**Mr. Miller:** That's correct. We're going to see a much older exit age than we're seeing now, probably by at least 10 years.

**Mr. Dunlop:** Is that because we're seeing more police officers taking more graduate studies—degrees and that?

**Mr. Miller:** For different reasons. I think the police services realize the value of education and life experience. But with an average entry age approaching 30, it's extremely important for community safety to be able to bring in younger officers.

**The Chair:** Ms. Horwath.

**Ms. Andrea Horwath (Hamilton East):** I just wanted to ask a couple of questions around where you see an issue with the language that allows for supplemental agreements to be negotiated, as opposed to what you want to see in terms of a firm description of the pieces that are to be enshrined in the legislation. Can you explain to me a little bit why the sponsors corporation may negotiate or put together supplemental plans, as opposed to what you were recommending—a little bit about what's behind that and why you think it's important to have that language in?

**Mr. Miller:** We think it may be something we may never be able to agree on, but other groups certainly have the opportunity to block these discussions. We weren't encouraged by the fact that some of the major employee groups wouldn't come to the table and discuss these issues, so we can't see that improving down the road. We just think it's vital to community safety that these issues move forward as quickly as possible.

**Ms. Horwath:** By describing particularly—I think on page 2—the ability to negotiate a combination of age, service factors etc.—by enshrining that kind of language in the legislation, do you feel you would have a better guarantee that you'll at least get it to the negotiating table with your individual employers?

**Mr. Miller:** It gives local associations and local employers a chance to tailor their specific needs to their communities. We think that at the end of the day it's a win-win situation in terms of community safety.

**Ms. Horwath:** I don't disagree with the principle of having the ability to negotiate supplemental agreements. I support that completely, and the NDP supports that

completely. I'm just trying to figure out how important it is to have that language prescribed as opposed to just having it as—

**Mr. Miller:** We believe it's absolutely crucial to the success of the bill. As you know, the sponsors corporation may not meet for three years. This could be a lengthy process.

**Ms. Horwath:** That's a very good point. Do I still have time?

**The Chair:** About 10 seconds.

**Ms. Horwath:** What about ambulance workers? What's your position on that, in terms of some of the other things you've brought forward? You say you're in line with firefighters.

**Mr. Miller:** We haven't had any specific discussions with the paramedics at this point, so it's difficult for us to comment on that.

**Ms. Horwath:** OK.

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**The Chair:** Mr. Duguid.

**Mr. Brad Duguid (Scarborough Centre):** I have three questions; I doubt I'll get to them all. The first is on some of what I think you termed over-exaggerated cost estimates that have been brought before us by some of the municipalities. I believe, in our analysis of their numbers, that they're assuming 100% take-up of these benefits. Do you think that's realistic, from your perspective as employees?

**Mr. Miller:** It's completely unrealistic. Our members are taxpayers, to start with, and have concerns in that area. Our members are also paying for half of these benefits. I think, when we make suggestions for change on the factors and on the 2.33%, those are very similar benefits. The whole principle is early retirement, so we wouldn't see a situation where associations or employers would see any need for all those benefits. It's important to have the range as well—the 75 factor and the 80 factor—because there are different cost levels. But as I mentioned, the cost on the 80 factor works out, I think, to \$364. When I hear figures such as \$380 million—and you've heard them here as well—I have no idea where those figures come from, and it's unfortunate that we couldn't sit and discuss these this summer.

**Mr. Duguid:** How critical is solvency relief to making these costs a little more affordable?

**Mr. Miller:** I think it's critical in terms of the supplemental plans, because it is a unique situation. If I could just look at the 80 factor again: With solvency, we're looking at roughly \$1,500 for each side; without solvency, we're looking at a very affordable \$364.

**Mr. Duguid:** Third, quickly, the question was asked and you skirted around it a little bit: Do you have any objections to EMS workers also being included in these kinds of benefits?

**Mr. Miller:** We have no objections at all. It's just unfortunate that we didn't have an opportunity to discuss the matter with them, so I'm somewhat reluctant to comment for them.

**Mr. Duguid:** That's fine. Thank you.

**The Chair:** Thank you very much for your delegation. We appreciate your being here today.

While our next delegate is getting settled, we have two additional documents based on questions that were asked at previous hearings: solvency funding requirement and governance model. Those are the two handouts.

**Mr. Ernie Hardeman (Oxford):** While the delegation is getting prepared, I just wanted to put forward a motion that would deal with extending the time for these hearings.

The Chair will be aware that the subcommittee agreed to four days of hearings and then do clause-by-clause and refer the bill back for second reading. At that time, of course, there was no indication of how many people would want to be heard. Obviously the number of people who have come forward has been considerably higher than anyone thought it was going to be.

The minister, in introducing the bill, suggested that it was kind of a compromise—that the negotiations had taken place and the public consultation had taken place—but he wanted to hear from all the people prior to introducing the bill for second reading so the appropriate changes could be made.

I find it hard to accept, then, that such a large portion of the people who wanted to be heard and had something to say to the bill will not be heard. I haven't actually counted the numbers, but I think we're likely going to hear considerably less than 20% of the people who actually put their names forward.

Madam Chair, you received a letter from one member of the Legislature who had a concern expressed on behalf of his community that no one north of Highway 7 in the province had been asked to present to this committee. Under this structure, the opinions of everyone north of Highway 7 would not be considered necessary for an appropriate hearing on this bill.

I would like to move a motion that we pass in this committee that we extend the hearings. The minister, recognizing that this bill is not allocated to be reported back to the House at a certain time, said he was prepared to hear all that was to be heard on the bill so he could get the best possible piece of legislation he could before the House. So I would like to move a motion:

I move that these hearings be extended for the period of time it takes to hear as many of the people who requested to be heard as possible.

The reason for this, of course, is that the member for Northumberland mentioned that this was in the Liberal platform: "The bill was introduced in June, no one can say they were caught by surprise," explains Lou Rinaldi, Northumberland member of provincial Parliament. "To say people got blindsided by this is not right. People were told this was one of the things we would bring forward if we were elected."

I haven't been able to find it in the red book, so I wondered, in this time while we're having more hearings, if the member could find that information for me, so I could tell my community how they should have been aware of this bill that was coming forward.

**Mr. Duguid:** Madam Chair—

**The Chair:** Mr. Duguid, in the interest of showing respect for the witnesses we've had today, I think we should debate this at the close of all the witnesses being here. You could debate it now, but people have spent lots of hours preparing to be here today and I think, with respect, we should debate this at the end of the meeting.

**Mr. Duguid:** I think the government side is in full agreement with that.

**The Chair:** I would be happy to put you first on the list when we get to that point in the debate.

Mr. Hardeman, would you be able to give the clerk the copy of the motion so members can look at it before we get to that point where we talk about it? Thank you.

#### WESTERN ONTARIO WARDENS' CAUCUS

#### EASTERN ONTARIO WARDENS' CAUCUS

**The Chair:** Our next delegation is the Eastern Ontario Wardens' Caucus and the Western Ontario Wardens' Caucus. I believe all of the people are different from what's on the list.

Welcome. Thank you for being here. If you could identify yourselves—we have the two packages. Are you going to be speaking separately?

**Interjection:** Yes

**The Chair:** So whoever is going to speak first, could you identify yourself—and then the next group—for Hansard. When you begin, you'll have 20 minutes total.

**Mr. Bill Rayburn:** Madam Chairman and members of the committee, thank you for the opportunity to speak with you today. My name is Bill Rayburn, and I am the CAO of Middlesex county and a past chair of the OMERS board. I am here today representing the Western Ontario Wardens' Caucus, along with the warden of Middlesex county, Tom McLaughlin. Also accompanying me today is Mr. Charles Mullett, warden of Hastings county and mayor of the town of Bancroft, and Mr. Jim Pine, CAO of Hastings County. At the conclusion of my remarks, Mr. Mullett will make a presentation on behalf of the Eastern Ontario Wardens' Caucus.

Collectively, the wardens of Ontario represent millions of taxpayers across Ontario. It is with the interests of these taxpayers in mind that we approach you today with our concerns with Bill 206. Our time is short, so let me start with our most serious concern: the cost of Bill 206 to our taxpayers. To be frank, the property taxpayers we represent cannot bear the financial burdens this bill will impose upon them.

AMO has estimated that Bill 206 will increase the cost to Ontario taxpayers by \$380 million. I know from previous questions from the committee and from other presenters that there is some concern that these numbers have been exaggerated. Unfortunately, this \$380-million figure is just the most obvious of increases. We have not included any estimates in regard to additional administration costs for each municipality. We have not

included any additional costs that the plan will have to cover to offer supplementals. We have also not added the costs of transition to a sponsors committee or the ongoing costs of supporting a sponsors committee that is estimated to be in the millions. So, if anything, our costs are underestimated.

It should be no surprise to any member of the standing committee that as property taxpayers learn about new costs, they are becoming increasingly vocal about how much more they can afford to pay. We hear it week in and week out at our council meetings.

One thing we can all agree on is that this bill will cost more than a dollar. I can assure you that any cost to taxpayers, whether it be \$380 million or \$1, for implementing a bill that municipalities and their taxpayers do not want is too high a price to pay. The fact that the cost of this bill comes with no additional service to our residents is even more disappointing. When we consider both the obvious and the hidden costs associated with Bill 206, the first question we ask ourselves is, why is this bill necessary?

Municipalities have heard and rejected the province's standard answers to this primary question. Let's review the standard answers from the province. We often hear that the province is simply providing OMERS with what other pension plans have. This answer, quite frankly, is clearly misleading, as the province knows full well that OMERS is different from other major plans in Ontario, as it is a multi-employer, multi-stakeholder plan. For this reason, cookie-cutter solutions to governance and administration cannot be applied to the OMERS example.

For example, the simple majority vote that is satisfactory for other non multi-employer plans does not set a high enough mark for OMERS. As AMO has pointed out, the model should be unanimous agreement to implement a fundamental change to the plan. We support AMO's view. The standard must be higher.

We have also heard from provincial representatives that they trust in municipalities' ability to bargain. While we appreciate this vote of confidence, municipalities clearly see that this bill is stacked against their ability to freely negotiate. All municipalities in Ontario have experience with the mediation/arbitration process, and the province is well aware of the profound impacts that allowing this process to guide the provision of supplemental benefits will have on our labour costs.

The mechanism for resolving disputes, namely binding arbitration, is a significant flaw in the bill. Putting the governance of such an important plan in the hands of arbitrators is wrong. Their decisions will have a direct effect on our property taxpayers, because experience shows us that arbitrated decisions quickly find their way into collective agreements.

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The province has also told us that the bill is simply about governance of the plan. If this bill is simply about governance, why has Bill 206 provided for the provision of certain supplemental benefits? Why is the province mandating what is clearly the role of the sponsors to decide?

The answers that we have received from the province to our questions lead us to believe that the municipal taxpayers of Ontario have been put in the backseat for this piece of legislation. Clearly, municipalities in Ontario are not asking for supplemental plans to be included in any OMERS initiative. Therefore, the only reasonable conclusion is that the province has included supplementals for their benefit or the benefit of employee organizations. Perhaps they are providing supplementals for the benefit of both the province and employee organizations. One thing is for sure, the province is not considering the interests of taxpayers with this legislation.

In fact, I'm not sure that the province is even considering the best interests of the plan members with this bill. One of the primary goals of OMERS in recent years has been to increase the portability of the pension plan between provinces and municipal jurisdictions. Has the province even considered what the impact of supplemental benefits will be on portability? I can assure you the implications are negative.

Finally, considering the impact of this legislation, we are very concerned with the manner in which the legislation is proceeding. The timetable and the manner in which this legislation is being brought forward is, to the best of my knowledge, unprecedented.

As you know, the OMERS pension plan is rapidly approaching \$40 billion. This pension plan has served Ontario's municipalities and their employees well for over 40 years. The government's rush to judgment on the future of this important plan is very concerning. Of concern are the limited hearing dates for the standing committee. I sincerely hope that the province takes the opportunity to hear from more of Ontario's municipalities in the second reading of the bill.

Our recommendations are as follows:

(1) Send the bill back for further analysis of the potential costs and financial implications for employers and employees and further consultation with the stakeholders.

(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.

(4) Eliminate the requirement that the sponsors corporation cannot consider defined contribution pension plans.

(5) Key decisions, such as significant plan design changes, should require unanimous agreement or at least a super-majority vote of the sponsors corporation.

(6) Eliminate or modify the proposed dispute resolution mechanism for significant changes to the design of the plan or creation of any supplemental plans.

(7) Provide start-up funding and support for the sponsors corporation through the transition period.

Thank you very much and I'll turn it over to Warden Mullett.

**The Chair:** Just so you know, you have 13 minutes. So you're doing fine.

**Mr. Charles Mullett:** Madam Chair and members of the committee, thank you for the opportunity to speak with you today. My name is Charles Mullett, warden of Hastings county and mayor of the town of Bancroft. I'm here today representing the chair of the Eastern Ontario Wardens' Caucus, Mr. Robert Sweet, warden of Renfrew county. With me is our CEO for the county of Hastings, Mr. Jim Pine.

Our time is short so let me be direct. The Eastern Ontario Wardens' Caucus has reviewed Bill 206 and we are concerned—very concerned. We do not support this bill in its current form, and let me tell you why.

First and foremost, the nearly one million property taxpayers we represent cannot bear the financial burdens this bill will impose on them. It should be no surprise to any member of the standing committee that our property taxpayers are increasingly voicing their concerns about how much more they can pay to support local services. We hear it week in and week out at our council meetings.

Our taxpayers understand that their contributions fund services like roads and bridges, garbage collection and recreational programs. They may understand less the significant amount of property taxes that are paid toward social services, ambulance and disability programs, but that is a topic for another day.

What I and my fellow wardens understand is that our taxpayers expect something in return for their taxes. They expect that when the tax bill arrives at their door and they open that envelope, there will be at least a connection to municipal services delivered by the municipality.

They will not be pleased to learn that the new costs associated with enhancing municipal employee pension plans will bring absolutely no benefit to them. There will be no additional affordable housing units constructed, no additional ambulances purchased, no more fire trucks added to the fleets and certainly no more roads repaired as a result of paying the higher pension premiums.

In short, property taxpayers will simply pay more. They will not be happy. In fact, we are already hearing on the street and in coffee shops their concerns as they become aware of this bill.

Our caucus has examined the costs of the possible supplemental pension plans identified by OMERS, and the costs are significant. Across the east, our members, the upper-tier governments, estimate that nearly \$11 million per year may have to go toward pension premiums. We understand that in the city of Ottawa their calculations indicate additional premium charges of over \$20 million annually.

The Eastern Ontario Wardens' Caucus had good reason to question the logic and the potentially huge new taxpayer burden this bill will create.

As some of you may know, the EOWC has spent considerable effort over the past four years documenting the many financial challenges we face in our part of the province. Let me mention just a few of the systemic problems:

In Eastern Ontario, it is the homeowner who bears the largest tax burden, at 94.7%. I repeat, 94.7% of all local



assessment is residential. Commercial assessment accounts for 4.9% of total assessment, while industrial counts for only 1.4%. When you superimpose the fact that family incomes across our region are on average 13% lower than in other parts of Ontario, you can quickly understand why we hear in our council chambers the people's concerns about increasing taxes. The assessment situation will continue to be a real concern for us. The trend is downwards rather than up for new, real growth. In 2003-04, it was less than 2%; in 2005, it was 1.3%.

The taxpayers are reaching their breaking point. Total county levies for our EOWC members has grown by 25% in the past three years, from \$185 million to \$235 million. Is there any wonder why we are concerned with new potential costs to the taxpayers in our communities?

As counties, we are extremely vulnerable to changes in programs like land ambulance, where the increasing costs of wages and equipment is not being matched by funding from the province. Almost all of the 13 members of the EOWC now finance 70% of the costs and the province has retreated to paying 30%, rather than the agreed upon 50-50 sharing. How can we justify or, more importantly, how can you justify, the new tax burden Bill 206 will impose on our ratepayers? Make no mistake that the bill as currently drafted will lead to new costs for pensions benefits.

If we've learned one thing over the last eight years, it's that the cost of radical change has been significant. We are still paying dearly for the downloading of social services, social housing and ambulance services on to the property tax bill.

According to AMO, these potential new supplemental plans mean a further hit of some \$380 million annually to the property taxpayer. One thing is clear: This money will not be used to fund existing services or repair our crumbling infrastructure.

We know from recent studies that there is an annual \$1.2-billion investment gap in water and sewer systems across Ontario. When you add the 9% premium increase for all municipalities next year, which means \$66 million, and the annual estimate for the cost of the new supplemental plans, which is \$380 million, that is approaching half a billion dollars that will be unavailable for these key services.

Beyond the financial crisis this bill will cause, the Eastern Ontario Wardens' Caucus asks, why are we here in the first place? Who asked for these changes? We certainly did not. Is it because of perceived recruitment problems? We don't think so, because none of us are having any problem recruiting new staff because of a bad pension plan. We have not had one potential employee tell us that they were not going to sign on with any of our counties because of a poor pension plan. Clearly, something else is at play.

In speaking directly to the bill as it is drafted, the EOWC has real concerns about the decision-making process written into it. The simple majority vote does not set a high enough mark. As AMO has pointed out, the model should be unanimous agreement to implement a

fundamental change in the plan. We support AMO's view. The standard must be higher.

The mechanism for resolving disputes, namely binding arbitration, is a significant flaw in the bill. Putting the governance of such an important plan in the hands of arbitrators is wrong. Their decisions will have a direct effect on our property taxpayers, because experience shows us that arbitrated decisions quickly find their way into collective agreements.

As I stated at the beginning, the Eastern Ontario Wardens' Caucus does not support this bill as it is currently drafted. If the government insists on pushing it through the Legislature, significant changes must be made to it. More specifically, we recommend the changes in appendix A, which is attached. They focus on the governance and arbitration components of the bill.

Let me end with a short illustration of the financial impact on my county. First, we already know that our regular annual OMERS premium is going up to \$125,000 in 2006. To some of you, \$125,000 might not sound like much money, but for Hastings county, it represents a 1.25% tax increase. Second, we have costed all of the 10 supplemental plans identified by OMERS that would be possible as a result of Bill 206. Those costs range from \$95,000 to \$1,054,000 annually and would have to be added to the county budget. That translates into \$17 per household at the top end. When you add in my town's cost of \$23.30, our taxpayers will be taking a hit of \$41.30 per household. That is unacceptable, especially when there is no return through improved municipal services.

#### 1640

All of the 13 members of the Eastern Ontario Wardens' Caucus face a similar scenario of rising property taxes to pay premiums for supplemental plans. We ask you to consider our situation and our concerns in your deliberations. We ask you to step back from the breach and rethink this matter. Our taxpayers cannot bear the cost that your government's bill would generate. I thank you for the time.

**The Chair:** We've got about a minute and a half left for each party. Ms. Horwath.

**Ms. Horwath:** I wanted to ask a question around pensions, particularly the concept that pensions are workers' deferred wages. Would you agree with that concept generally, that pensions are workers' deferred wages?

**Mr. Rayburn:** Yes.

**Ms. Horwath:** The reason I'm asking, and I've asked other presenters about this issue, is that when you're at the negotiating table with your various bargaining units, oftentimes when these issues come up, the employee groups or the unions are not necessarily asking for increases in everything. Often there are trade-offs, even in the bargaining position. They won't ask for as much of an increase in wages because they're going to take some of that perhaps in an increase to their pension plan instead. I'm thinking particularly about supplementals at this point.

I guess I'm trying to figure out if you see any of that in the future, if this bill is to go forward—allowing for supplementals. Would there be any give and take in, for example, police or fire, which we heard from earlier, or even CUPE, which we heard from earlier, in terms of their concerns with some of the caps that currently exist? Do you see an opportunity for negotiations of these kinds of things at the table, which would reduce pressure on wages because there would be resources being asked for in other areas?

**The Chair:** You have about 20 seconds to answer that.

**Mr. Rayburn:** All right. I'll be quick. Yes, I think that is an option. The problem with this bill, though, is not that it asks people to negotiate around a table, it's how it asks people to negotiate around a table. Employers will be walking to that table with handcuffs on and with the field slanted directly toward employees in this type of negotiation. Mediation-arbitration—all those types of rules around how the negotiations would take place—is not the appropriate bargaining table to negotiate the things you've described.

**Ms. Horwath:** Just for clarification, though, it seems to me that the arbitration issue in the bill is around when the sponsors corporation can't come to an agreement on what the supplemental plan will look like—

**The Chair:** Hopefully, someone else will ask that question for you. Mr. Rinaldi.

**Mr. Lou Rinaldi (Northumberland):** Thank you for being here, both Your Worships and staff. I know we have very little time, and I thank you for allowing me and a couple of members the opportunity to meet with you folks in Hastings county a couple of weeks ago to give us a little bit of a heads-up.

In light of the very short time, I wonder if you could give me some idea—we've heard a lot of numbers. You were here for a bit and you heard from one end to the other. Specifically for police and fire, being in many cases a lower-tier responsibility, can you give me some idea where you get the upper-tier cost when you talk about supplemental plans for police and fire? Can you give me something, maybe for Hastings county or for the whole of eastern Ontario?

**Mr. Jim Pine:** If I may, our costs are directly calculated by the employee base that we have currently—paramedics, people who do work in the social services. We haven't costed for Hastings county any policing costs. Those costs, if they're built into OPP contracts, for instance, are going to come at the local level because policing is a local issue. There will be new costs at the local level. Ultimately, there's only one taxpayer. It's the same pocket that the tax dollar comes out of, so whether it's an upper-tier or a lower-tier cost, they're still going to have to pay for it.

**Mr. Rinaldi:** Do I have any more time left, Madam Chair?

**The Chair:** Thirteen seconds.

**Mr. Rinaldi:** Thank you very much.

**The Chair:** Mr. Hardeman, are you the speaker?

**Mr. Hardeman:** Thank you very much for the rather rushed presentation. Obviously, if you work hard, you get twice as much done in the same length of time as we normally intended.

The comment I wanted to make was on the issue about the decreased portability of pensions. That's one of the things we've heard everywhere, including where we're sitting. If you're employed somewhere else prior to being here, how do you keep your pension benefits up to date so that when you're entitled to them, they would pay out? The portability of it—if you could just comment on that, I'd like to hear a little more about that.

**Mr. Rayburn:** Mr. Hardeman, as you know, for many years I was chairman of the appeals committee for OMERS. One of the most difficult situations to deal with is straightening it out when employees transfer from another province or from another plan into OMERS. Whenever you add layer upon layer of different options to that, it only increases the complexity. In many cases, it discourages employees from travelling to a new jurisdiction like Ontario, where the plans are so different from other jurisdictions. So that's interprovincially, within the country.

I would also mention that, intermunicipally, if you get to the point—someone mentioned the point that there may not be take-up of all 10 across each municipality in Ontario. To me, if it isn't across all of Ontario, that's even more troubling, because people are going to want to stay in the municipality where that benefit is. If you transfer to another municipality where that benefit isn't, how is that administration going to happen? These are questions I have, because the costs associated with administering hip-hop across the 400-some municipalities of Ontario, all with different supplemental plans—I have no clue how this committee thinks that is going to happen at a low cost. It will be very expensive indeed.

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

#### CANADIAN UNION OF PUBLIC EMPLOYEES, LOCAL 79

**The Chair:** Our next delegation is the Canadian Union of Public Employees, Local 79. Welcome. I believe we're getting a handout now. Are you both going to be speaking today?

**Ms. Ann Dembinski:** I'll primarily do the speaking.

**The Chair:** OK. If you both speak, before you speak, if you could identify yourselves. When you begin, you'll have 20 minutes.

**Ms. Dembinski:** Good afternoon. My name is Ann Dembinski, and I'm the president of CUPE Local 79. With me today is Tim Maguire, the second vice-president and chief steward of CUPE Local 79. On behalf of the executive and the members of Local 79, I wish to thank you for the opportunity to express our views on the proposed legislation referred to as Bill 206.

First off, I just wanted to tell you who we are. CUPE Local 79 is the largest municipal local in Canada. Our numbers vary anywhere from 18,000 upward. We represent the full-time and part-time members of the city of Toronto, Bridgepoint Hospital and the Toronto Community Housing Corp. Some of the areas we work in are public health, homes for the aged, social services, parks and recreation, housing and court services. We are child care workers, ambulance dispatchers, nurses, city planners, hospital workers, building inspectors, shelter and hostel staff, public health nurses, water and sewage treatment employees and cleaners who work in numerous locations across Toronto, including police stations. We ensure that you'll always have clean water, that a restaurant meal won't make you sick and that the building you occupy is safe. We work to provide shelter for those without homes. We are the individuals who together make Toronto a city that works.

Why are we here? We're here to go on record in support of the transfer/devolution of the governance of the Ontario Municipal Employees Retirement System, OMERS, to those who pay into and benefit from the plan. As the largest municipal local in Canada, we have a vested interest in making sure that the government gets it right. This is about democracy. We wanted the plan devolved to make sure that we could make improvements to the plan on behalf of our members.

As we all know, the proposed legislation will significantly alter the governance structure of OMERS. If passed, OMERS will be governed by a sponsors corporation with representatives from employee and employer groups. The investments will be managed by an administration corporation.

#### 1650

CUPE Local 79 has a responsibility to all our members to ensure that they are treated fairly and equitably with respect to the plan. That will not occur unless Bill 206 is amended.

What are our concerns? We're very concerned about a number of aspects of the proposed legislation. Bill 206 would create a new sponsors corporation that would have limited power to make benefits and contribution changes and would meet infrequently. The administration corporation proposed under the bill would not be accountable to sponsors, and we have a real problem with that.

CUPE Local 79 wants a structure that will give our representatives a meaningful say over how our retirement savings are managed. The two corporations must be governed in a democratic way. Membership must be based on the principle of representation by population. The proposed structure of the sponsors corporation under Bill 206 means that CUPE will be grossly under-represented. This must be corrected. CUPE is the largest contributor to the OMERS pension plan, with more than 102,000 members. CUPE represents more than 45% of the plan contributors. We are also 45% of the beneficiaries, and the proportion of retirees is likely to be 45% former CUPE members.

We are very unhappy that the proposed legislation will prevent members' representatives from improving

pensions. OMERS pensions compare poorly with other plans. A gap exists between OMERS and other major public sector plans and these proposals will prevent that gap from being closed.

The bill allows for amendments, but not significant ones. For example, it will allow a better accrual rate but only up to 1.4% versus the current 1.325%, when the allowable maximum is 2% under pension law. The government, while claiming to give OMERS autonomy from government, is limiting pension levels by special legislation rather than allowing OMERS to be regulated only by pension law.

This bill is unfair in many ways. The capping of pensions is unfair and will create inequities. There is serious, systemic gender discrimination inherent in this proposed legislation. Most of our members are women. Many of them have difficult, stressful jobs. Some of our members also have dangerous jobs. Many of our members work in the emergency services field. We represent workers at hospitals and home workers who have to deal with SARS epidemics and legionnaires' disease. We represent workers who consult and assist people with infectious diseases. Many of our members work with people in crisis and with the poor and the ill. The cap would apply to all these workers. It would not apply to the male-dominated occupations—police officers and firefighters. Bill 206 allows the maximum accrual rate for police officers and firefighters. Bill 206 does not allow the accrual rate for other jobs to be regulated by pension law, but instead imposes a cap of 1.4%.

We have a real problem with this. We support early retirement for police officers and firefighters. We support their right to negotiate good pensions. We do not, however, support one set of rules for the guys in uniform and another for women in nursing and other uniforms. It is blatant discrimination to limit these rights to the male-dominated occupations. If the cap is legislated, the gender gap will continue to grow over time, to the detriment of women.

It is no secret that women continue to earn lower wages than men. In Canadian society, the poorest people are elderly women. This proposed legislation will contribute to that. The government is trying to limit the pensions that our members, mostly women, can receive and it's the wrong way to go. We want the cap removed and we want equality with other employee groups when it comes to every aspect of the plan.

We are not asking you to build in special protections for women. We are asking for fairness and equality for everyone. Our members should be able to contribute at the same rate as their brothers in the male-dominated occupations.

We can't fix all of society's problems when it comes to wage disparities and other equity issues. This, however, is one area the government can fix. If it's not fixed, if the cap is not removed, you are letting down the women of this province. You're also letting down all the people—men and women—who believe in equality.

CUPE Local 79 also supports the city of Toronto's position that they be represented on the sponsors corporation. The city of Toronto is the largest municipal employer in Canada and the largest employer group in OMERS. Under the new governance structure proposed in Bill 206, the city of Toronto does not have a significant voice in the sponsors corporation, the administration corporation and the advisory committees to the sponsors corporation. To ensure appropriate representation in the pension plan for employees of the city of Toronto, this must be addressed in the proposed legislation.

We do not agree that improvements to the plan should be postponed, however. We need improvements now. We have waited long enough. OMERS is an inferior plan. It's time to stop the inequities.

To sum up, here is what we are asking for: The new sponsors corporation and the administration corporation must be governed in a democratic way. Membership must be based on the principle of representation by population. CUPE must be appropriately represented to reflect the large proportion of CUPE members in the OMERS pension plan. Bill 206 should include assurances that the sponsors corporation and the administration corporation be required to consist of an equal representation of employees and employers. The structure of the sponsors corporation and the administration corporation should at all times include two members chosen by the city of Toronto, and the advisory committees to the sponsors corporation should at all times include at least one member chosen by the city of Toronto. This is vital and must be clearly articulated in the proposed legislation. CUPE Local 79 considers it fundamental that the city of Toronto has significant representation in the OMERS governance structure.

Section 12 of the proposed bill freezes OMERS benefits at a rate well below public sector standards. Bill 206 should be a real autonomy bill and this section should be removed.

CUPE Local 79 has a responsibility to ensure that this plan will function properly and do what it was designed to do—provide financial stability by ensuring vital pension dollars are there for all our members when they retire.

CUPE Local 79 insists that the caps be removed on pensions and that any future surpluses be used to improve pensions for retirees. CUPE Local 79 is asking that our members have the best three final average years' earnings as a basis for calculating their benefits.

How do we achieve what we want? Significant amendments which would address our concerns need to be made to the bill before the proposed legislation goes forward to the next stage. These changes must be made to ensure that the people who pay into the plan are represented appropriately in the sponsors corporation and the administration corporation. Membership must be based on the principle of representation by population. Joint trusteeship means that we must have a meaningful say, along with our employers, in running our pension

plan. The new administration corporation must be accountable to the new sponsors corporation. Pensions must be protected to guarantee the best possible outcome for retirees. The proposed legislation must allow for significant pension improvements. The caps on pensions must be removed. Future surpluses must be used to improve pensions.

This committee, especially government members, must really listen to the people who will be notably affected by the proposed legislation—the workers who will receive the pensions. Amend the legislation to ensure that the workers, who are contributors to the plan, will always have meaningful input and that their financial interests will always be protected appropriately. This, and only this, will guarantee that the people for whom the plan was developed will truly benefit.

Thank you for your time.

1700

**The Chair:** Thank you. You've left about two minutes for each party to ask questions, beginning with Ms. Matthews.

**Ms. Deborah Matthews (London North Centre):** Thank you very much for your presentation. The issue of gender inequality is an issue that I haven't heard raised yet, so I want to pursue that one a little bit. I wonder if you can tell me how we could address that and which of your recommendations address that particular problem.

**Ms. Dembinski:** I would suggest that we be allowed the same as fire and police, that the 1.4% be amended to coincide with what the federal legislation says.

**Ms. Matthews:** So that all members receive the same consideration?

**Ms. Dembinski:** Yes.

**Ms. Matthews:** OK. Thank you very much.

**Ms. Dembinski:** And I will say that we support the rights of the police association and firefighters. We support them, but we also want that.

**Mr. Duguid:** I just want to thank the deputants—Ann I've known for many years; it's good to see you again—for being here.

**Ms. Dembinski:** You too.

**Mr. Duguid:** As you're probably aware, this is first reading and one of the reasons for that is to get input such as some of the input you've provided. I just want to assure you we'll be taking your recommendations very seriously. I don't know if they will all be included in amendments, but certainly we'll seriously be looking at them. You've made some good suggestions. Thank you.

**Mr. Tim Hudak (Erie-Lincoln):** Thank you, CUPE 79, for the presentation. Sid Ryan was with us last week and Mr. Ryan made a very passionate presentation. He actually spoke against the bill quite strongly and said that he would rather see this bill not pass unless substantially amended. Would you agree with Mr. Ryan's presentation?

**Ms. Dembinski:** Was I here?

**Mr. Hudak:** Would you agree?

**Ms. Dembinski:** I think amendments need to be made. I don't want to comment on what Sid said. I'm here on

behalf of Local 79 members. Our members certainly can support this if in fact amendments are made, such as allowing a level playing field for everyone.

**Mr. Hudak:** Right. Is that a deal-breaker if the cap is not taken off, as you suggest it should be? Would you say that the bill should then be voted down if they don't change the bill?

**Ms. Dembinski:** I think it needs to go back and have those amendments. I don't think you can have one set of rules for one group and another for others.

**Mr. Hudak:** My colleague Mr. Hardeman just brought forward a motion that we'll get to after the deputations. It's calling for more time for hearings. In fact, there were probably only 20% of those who wanted to come before this committee to talk about the bill, and every day we're getting more and more letters to this committee. Would you suggest the committee should extend the hearings so we can hear from more groups?

**Ms. Dembinski:** I'm not certain. I haven't been here to hear what the other individuals have said. You're hearing from the largest contributors of the plan, and I think you need to seriously listen to the largest contributors. I've looked at some of the deputations and certainly there seems to be merit to what's being said. I'm not certain if extending it is what I see.

I think the changes to our pension plan are long overdue. As I've said, our members can't wait. Many of them are elderly women who have recently joined the workforce. They don't have a great pension to begin with and by deferring it any longer, you're disadvantaging them even more.

**Ms. Horwath:** I wanted to talk about the 1.4% cap that's on there now. Where do you think the government came up with the idea that this was an appropriate way to treat a huge group of workers, particularly women workers? Where do you think this comes from?

**Ms. Dembinski:** I really have no idea who thought of this and what the rationale is behind this. I'll just say that you only have to come in and walk around the workplaces that our members work in to see many of our members are women; they're visible minorities. Again, I can only say the 1.4% is wrong. It needs to be removed. There has to be a level playing field for everyone.

**Ms. Horwath:** Did you do any numbers to illustrate what kind of financial impact the removal of that cap would have on workers? Sid raised it as well and you're following up in a very illustrative way, and I appreciate that. I know there are figures in his presentation, so I'm sure we could find them in Hansard. It's several hundred dollars a month in terms of the standard of living of people who are able to obtain the 2%, as in the federal Income Tax Act, as opposed to the 1.4% that it's capped at in this particular bill.

It seems to me that when we look at who is poor in our community, many of those people, as you say, are retirees. If we can find a way to attack poverty in all these other ways, then we'll have far fewer people living in poverty at the end of the day.

**The Chair:** You have 15 seconds left.

**Ms. Horwath:** I'll just say thank you very much for your presentation. I know there's a motion on the floor that's coming. I haven't decided quite how I'm going to deal with it, but I agree with you that the largest interests have been at the table. Most of the people who are speaking are saying similar things. Yours was a unique insight into the issue of the cap, and I appreciate that. Thank you.

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

**Mr. Duguid:** Given Mr. Hudak's success with his last question, I'm tempted to give him more time but I think I'll restrain myself.

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

#### ONTARIO MUNICIPAL ADMINISTRATORS' ASSOCIATION

**The Chair:** Our next delegation is the Ontario Municipal Administrators' Association. Welcome, gentlemen. If you're both speaking, could you, before you speak, identify yourselves for Hansard? After you've had a chance to introduce yourself, I'll be timing you. You have 20 minutes. If you leave time, there will be an opportunity for us to ask questions. Whenever you're ready, begin.

**Mr. Mike Trojan:** Thank you. I'll be speaking on behalf of the group. My name is Mike Trojan. I'm on the board of directors of the Ontario Municipal Administrators' Association. With me is Nigel Bellchamber and he is the general manager of the association. We want to thank you for giving us the opportunity to appear before the committee today.

Just a little bit about the Ontario Municipal Administrators' Association: We were founded in 1958 and our mission is "to promote professional municipal management." We represent about 175 of the largest municipalities across Ontario through our membership.

Our members provide professional municipal management in a couple of ways. One is that we are responsible as administrators for the day-to-day activities within our municipalities. We're also senior advisers to our councils on matters that affect servicing and on matters that affect the cost of services delivered to the inhabitants of our municipalities. It's in that latter advisory role that we're here to speak to you today on Bill 206.

I think you've already heard from some of the councils directly—and you've received an awful lot of written submissions—that the belief is that devolution as proposed in Bill 206 does not provide any additional benefit to taxpayers; all it does is increase costs. In fact, estimates provided by the municipal sector indicate that changes could result in new costs—and I know you've heard a couple of different figures—in excess of \$360 million a year. We don't believe that's a worst-case scenario. I think you heard earlier today that it doesn't necessarily include all the costs that might materialize as a result.

We're a little bit surprised and disappointed that there has been no attempt to project the impact of this bill in

terms of its costs prior to its introduction. As advisers to our councils, when changes to programs are recommended, we at the staff level are expected to provide, and routinely do, that advice along with the potential cost impacts to our taxpayers. In fact, it was from that type of process that the \$360-million estimate came about, because the impact figure was calculated by our colleagues in the Municipal Finance Officers' Association.

Municipal administrators and councils have been and are struggling with the whole property tax issue. As you know, we're facing a huge infrastructure deficit. We're also trying to meet our obligations in many of those cost-shared programs where we partner with the province to deliver health and social services. Adding any additional compensation costs as a result of the arbitration process, as is suggested in Bill 206, will just simply add to that problem and it will make it more difficult for us to meet the expectations of property taxpayers in our municipalities to keep a lid on property tax increases.

#### 1710

The bill, as it's proposed, is a devolution of responsibility, and it also has as one of its components a provision to encourage supplemental plans for fire and police service employees. We feel it's unfortunate that the devolution was not dealt with independently, which would allow for plan changes to be determined by the new sponsors corporation, which could attempt, over time, to build a working relationship between the parties before having to revert to the labour disputes arbitration model, which would impose change by external parties. There doesn't appear to be any urgency, either, in dealing with plan surpluses in the immediate future.

In fact, the opposite is the case. We understand that the increase in contribution rates, although it's only 0.6% on the salaries, represents a 9% increase in the cost of pension contributions to the employer and to the employees, and an increase is likely sooner as a result of additional increases due to a potential plan deficit. We know that the 0.6% increase is an immediate increase, and there could be increases beyond that as well.

We're also being told that we shouldn't worry too much about the impacts of the bill, that we should rely on our negotiation skills to avoid any taxpayer impacts, but we know it's not that simple. We know that benefits that are negotiated in one agreement make others susceptible. I think an example is the retention pay for police and fire, and the fact that it took three years for that to spread throughout the sector, with its costs.

Our individual municipal estimates, as a result of Bill 206, show impacts that could range from \$30 to \$40 to \$50, up to \$70 per household. One of the things we have to look at is that, rather than that kind of increase being dedicated to an increased cost of a pension plan, if that same money was used to support the infrastructure deficit and if it was used to service the debt to reduce that deficit in infrastructure, there's probably several billions of dollars of work that could be done to revitalize roads, bridges and sewers, for example. That would have a returned economic benefit for all the residents of Ontario.

As municipal administrators, we experience or observe the decision-making process that takes place and we're concerned that the simple majority rule that's proposed for the sponsors corporation isn't the best way to go. We believe that decisions regarding benefits or rates in pension plans shouldn't be taken lightly, and we support the suggestion that unanimous support is required among the sponsors, or at least a super-majority of the sponsors. For that reason, we're suggesting that at least a two-thirds majority should be required to effect any change before the arbitration process is used.

Some parties see devolution as yet another opportunity to negotiate improved compensation for their members, and they believe the sooner, the better. We believe it should instead be an opportunity for the parties involved to learn how, without the paternal gaze of the province as sponsor, to manage and develop a pension plan for the mutual benefit of taxpayers and employees alike. Instead, Bill 206 will likely have the effect of promoting conflict and hastening referral disputes and plan changes off to arbitration, only to serve the interests of a minority of the stakeholders.

We think there is more time required, a longer transition period for Bill 206. We don't see any economic urgency for its implementation at this time. But if it's not possible to extend the timeline, we think that at least amendments should be referred for public consultation because this is a very complex subject and everyone should be aware of its ramifications.

The members of OMAA, as senior municipal administrators, are not pension specialists. We come from different technical backgrounds but we have in common a general overview of the municipal government scene. This bill, as it's currently structured, appears to place substantial unproductive pressures on municipal finance, labour relations and taxpayer service at a time when Ontario property taxes are at Canadian and internationally extremely high levels. We also know that in relation to some of the services that are provided in Ontario, the costs of providing police and fire services are already higher than they are in the rest of Canada.

In conclusion, we encourage the committee to slow down the legislative process and take a careful look at how this bill might be revised to provide long-term benefits to a greater range of stakeholders, taxpayers and employees alike than in the form in which it's currently drafted.

We appreciate the opportunity to present to you today.

**The Chair:** You have left about three and a half minutes for each party to ask you questions, beginning with Mr. Hudak.

**Mr. Hudak:** Mr. Trojan, thank you very much, and the gentleman beside Mr. Trojan, the handsome fellow whose name I just forgot. I apologize.

I appreciate your point about extending time for consultations and, as a further point, if amendments are brought forward, to consult on those as well. So while I failed to get CUPE, I've got at least one-one, and with Lou Rinaldi's comments in the Northumberland News,

we might be ahead on this one. I'm pleased to see that my colleague Mr. Hardeman has brought that forward, because I do think we need more time for consideration.

We're hearing an increasing characterization of this bill as not truly devolution; that it's more downloading in sheep's clothing and that if it were truly a devolved model—

**Mr. Rinaldi:** You know all about downloading.

**Mr. Hudak:** See, we get heckling in here. But apparently they thought that wasn't enough—

**Mr. Rinaldi:** You know all about that.

**Mr. Hudak:** Apparently Lou thought that wasn't enough and wants to do a lot more.

**The Chair:** Mr. Rinaldi, please let him finish.

**Mr. Hudak:** Basically it's not permissive in any sense. It's actually very directive in terms of, when it is handed over to the sponsors corporation, there is a whole slew of things that must be followed, including, among other considerations, supplemental plans, and under the arbitration model it really means that it will probably come into effect.

So you like devolution, but you'd like to have true devolution where these terms are not directed to the new sponsors corporation?

**Mr. Trojan:** I think there's some acceptance of the fact that perhaps devolution needs to take place, but we believe there should be some autonomy with that devolution. The sponsors corporation should be able to determine what the changes to the plan should be, and they shouldn't be bound by certain directives that are contained in the legislation, directives that we believe will ultimately become a reality because of the arbitration process.

**Mr. Hudak:** I think the minister's characterization that this is devolution doesn't meet with the facts.

You also talked about a two-thirds majority on the sponsors committee for any significant changes. I think AMO's presentation indicated HOOPP, for example, a multi-member plan, requires unanimous agreement for any contribution changes. CAAT requires unanimous consent of the sponsors. Similarly, the BC plan is unanimous as well for contributions, and the contemplated model in Alberta was a majority of three quarters. Are you satisfied that two thirds would be enough as a majority, or do you think the other models are preferable?

**Mr. Trojan:** As municipal administrators, we're always willing to compromise. Given the significance of the plan, we don't have difficulty with the other recommendations that are looking for unanimous or a supermajority. We're saying two thirds as a minimum.

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

**The Chair:** You have a whole minute left. You're not going to use it? Mr. Hardeman, do you want to use it?

**Mr. Hardeman:** Thank you very much for the presentation. I just wanted to know, on the issue of the supermajority as it relates to the supplemental plans—and you said you weren't lawyers—the way it's written, does “shall consider” mean to you that the organization, the

sponsoring body, actually has an alternative? If you were reading that as a municipal document—“shall consider” supplementary plans—does that mean they could consider them and not have them?

**Mr. Trojan:** “Shall” is pretty strong.

**Mr. Nigel Bellchamber:** Usually, the word “may” is used when it's permissive.

**Mr. Hardeman:** I guess that was really the question. We've had “shall be consistent with” or “shall have regard to” brought up before in municipal circles. There seems to be a great difference in that. I was wondering about “shall consider,” whether in fact we haven't already got to the point where it is mandated to have those supplementary plans.

**The Chair:** I think you already got your answer initially, and your time is up, Mr. Hardeman. Ms. Horwath.

1720

**Ms. Horwath:** You might have been in the room when I asked a previous presenter about this: the extent to which in the process of collective bargaining—the increased pressure, for example, for a supplemental plan or an increase upward in the 1.4, to be more favourable to the workers—to what extent that would have an opposite and downward pressure on the asked-for wages at the negotiating table? Any comment on that?

1720

**Mr. Bellchamber:** I think, historically, that isn't something that we've seen. We don't see at the negotiating table, at least in my experience, that folks will come with, “We'll give this up if you give us this.” That's never the starting point.

**Ms. Horwath:** No, it's never the starting point, but that's the whole point of negotiations, right? You put a whole bunch of stuff on the table; at the end of the day, you don't expect to get everything. You negotiate the various employer requests and you end up somewhere in the middle, if you have a collective agreement. If you don't think that's what you've experienced, that simply was my question. So we'll leave it at that.

An issue came up earlier about the extent to which arbitration, for example, specifically interest arbitration with emergency workers—because that's what's required. They don't have the right to strike, so interest arbitration is what comes into play if you cannot get a collective agreement. One of my colleagues indicated that in a meeting earlier today there was the suggestion that arbitrators wouldn't consider improvements to pension as a part of the package when they're looking at an interest arbitration decision. Any comment on that? I don't understand how that can be the case. It seems to me that interest arbitration is interest arbitration: All the interests are on the table; all of the pieces of a package that would be wage-related, for example, would include pension.

**Mr. Trojan:** It would, yes. We believe it would. It's part of the compensation package.

**Ms. Horwath:** It is part of the compensation package.

**Mr. Trojan:** I don't see how it could be excluded.

**Ms. Horwath:** OK. That's my understanding as well; I also come from the municipal sector. I don't know where that came from, but my understanding is that that was suggested as one of the other fears some of the employer groups have, that at the interest arbitration table, arbitrators won't even take that into consideration as something that they deal with in the package.

**Mr. Trojan:** Some of the concerns that we're having, and what we've experienced, is that the arbitrators don't necessarily take ability to pay into consideration to the extent that they should, especially in those sections of the province where the average income levels are lower and the ability for the taxpayers to absorb additional impact doesn't necessarily factor well into arbitration decisions. In very few of the decisions have they taken that into account.

**Mr. Bellechamber:** I think if you're calculating or estimating a municipal budget, you're estimating what your pay equity plan might be, you're trying to calculate total compensation: pensions, benefits, wages. They all come into play. It's part of the package.

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

**The Chair:** Four seconds.

**Ms. Horwath:** Thank you very much. It was nice meeting you both.

**Ms. Matthews:** Thank you very much, and welcome. Nice to have you here. I want to get to an issue that we've been hearing about a lot, and that's the costing issue. We've heard very different estimates from different groups that have appeared before us.

I believe you, I believe AMO and I believe other municipalities that have come forth, but I also believe the firefighters and the police association. It seems to me the problem might be that different groups are using different assumptions to come up with their estimate of a cost.

I wonder if you could clarify what assumptions are in your cost estimate, firstly. Then, I want to ask you about solvency and whether you think we should reconsider the solvency requirements, and if so, if you have any thoughts on that and what impact that would have on the cost estimates.

**Mr. Bellechamber:** You've already had a presentation from the municipal finance officers. As Mr. Trojan said, we relied on their numbers for our calculations. Again, there was a template provided to municipalities so that we're calculating on a consistent basis.

Certainly, the numbers included a range of improvements or enhancements for all sectors of the employee workforce, but they didn't include everything. For instance, we heard a presentation just a few minutes ago that talked about three-year final average earnings. Those weren't in the calculations that were done behind the numbers that we presented today. There are other rebound costs that aren't in those numbers; there are other administration costs. I think I heard another presenter talk about that.

So they're not worst-case scenarios. They won't happen overnight, very clearly, because it takes several years for some of these things to work their way through the system, whether it's negotiations or arbitration. But

we're convinced that they surely will work themselves through in a period of five years, probably. That would be my estimate based on the current bill. As Mr. George has said, in five years there's \$300 million that you don't have to invest in the difficulties we face in infrastructure.

**Ms. Matthews:** But you are assuming full take-up of the options.

**Mr. Bellechamber:** We haven't seen too many emergency services departments suggest that they really didn't need retention pay when they saw others receive it.

**Ms. Matthews:** First of all, there's an equal cost to the members, and some of them—you wouldn't want both—are a bit redundant. Anyway, maybe I'll just leave it, then.

Any information on the assumptions would really help me understand what the variation is in these estimates, and then the solvency issue, if we have time, Chair.

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

**Ms. Matthews:** On the solvency issue, if you have any thoughts on that particular—

**Mr. Bellechamber:** Clearly, the rate that's used to calculate solvency is a concern, and the treatment just as if it were a private sector pension of a business that may or may not be a going concern is a challenge. That would be to the benefit of employees and taxpayers generally if the solvency rules were amended to take reflection of the fact that we're not going to close up shop and take off tomorrow.

**The Chair:** Thank you very much for coming today. We appreciate your being here.

#### CITY OF WINDSOR

**The Chair:** Our next delegation is the city of Windsor. I won't even attempt your name because I know I will fracture it. So, if you could help Hansard by pronouncing your name.

**Mr. John Skorobohacz:** John Skorobohacz. I'm the chief administrative officer with the city of Windsor.

**The Chair:** Welcome. We're getting your handout right now. When you begin, you'll have 20 minutes. If you leave some time, we'll be able to ask you some questions.

**Mr. Skorobohacz:** Thank you very much. Madam Chair and distinguished members of the committee, I appreciate the opportunity to be down here today to speak to the committee on Bill 206 and the potential implications of Bill 206 to the corporation of the City of Windsor.

First of all, following the excellent presentation by the AMO president, Roger Anderson, a few days ago on behalf of the more than 380 members of the Association of Municipalities of Ontario, and following the presentations by my other esteemed colleagues, I will not take up a great deal of your time repeating a lot of the same arguments that have been put forward so eloquently.

I'm here today to describe the potential impact on our municipality, the corporation of the City of Windsor, which will arise as a result of the proposed Bill 206.



As you might be aware, the Municipal Finance Officers' Association of Ontario created a simple yet effective template for municipalities to determine the local impact associated with increased OMERS pension costs arising from supplemental plans for the normal retirement age of 60 for police and fire and the normal retirement age of 65 for members. Our finance department at the city of Windsor used that template to calculate the cost to the taxpayers of Windsor of the potential supplemental plans. The finance department determined that the municipal contribution for the NRA 60 supplemental plans would be approximately \$4.8 million, equal to a 101% increase; for the NRA 65 supplemental plans, the increase would be approximately \$1.27 million, equal to a 20% increase, for a total of more than \$6 million to our taxpayers.

The city of Windsor is in the midst of dealing with the 2006 budget challenges. Our city council is determined to hold the line on those tax increases. In order to do so, we have instructed every one of our departments to make 9.3% budget cuts across the board. The 9.3% budget cuts do not take into account any increased costs due to the changes brought about by Bill 206. We can only achieve such significant cuts through the elimination of municipal services, as well as shrinking the municipal workforce.

#### 1730

Let me tell you what finding an additional \$6 million in existing program and service cuts from the city of Windsor budget might mean to our community. Six million dollars is what the city of Windsor budgeted to operate our 256-bed Huron Lodge home for seniors in 2005. Six million dollars is approximately equal to what we spent to run our entire recreation department and all of the programs and services. Six million dollars is twice what we granted to all of our important community agencies, including the Essex Region Conservation Authority, the Windsor-Essex County Health Unit, Handi-Transit, Centres for Seniors Windsor, the Windsor-Essex County Development Commission, the arts council of Windsor, the Art Gallery of Windsor, and the Windsor Symphony. It's more than we spent on our roadway rehabilitation program within the capital budget last year. These are just a few examples of the potential budget impacts that \$6 million in increased OMERS costs would mean to Windsor taxpayers.

I trust that you have an appreciation of the real impact that \$6 million has on us in Windsor, and finding that much each and every year in a municipality that's already stretched far too thin would be an onerous task. These potential additional costs would come on the heels of the currently proposed 0.6% increase in the contribution rate for employers and employees. As you heard previously, that amounts to a 9% increase in contributions.

My colleagues at the regional municipality of Halton have called for an actuarial analysis regarding the potential cost of the proposals within Bill 206. I urge you to heed this call so that any changes to the current governance of OMERS will be made on the basis of known and agreed-upon financial data. We need to get all of the

facts before we make decisions that will saddle local governments with greater financial challenges.

In addition to the potential financial burden to the taxpayers of Windsor, we are very concerned about the potential destabilization of OMERS that will occur due to the legislative changes. Both employers and employees have always taken comfort in having the provincial government act as the sponsor of the plan. Yes, at times this may have resulted in delays in making changes to the plan. Yet, on balance, stakeholders could know that due deliberation would be brought to bear when people's essential means of post-retirement support were at stake.

It's difficult to comprehend a worse time for introducing potential destabilizing changes to the plan's sponsorship than now, when OMERS is underfunded by \$2.4 billion as of June 2005 and facing a deficit that is projected to worsen over the coming years. The average employee is finding it very difficult to understand how a swing of such magnitude could have occurred over the space of a few short years.

Now, in addition, Bill 206 proposes to introduce further insecurity into the governance process. We must have effective governance to restore financial security to the plan. As an employer with more than 2,500 full time employees, stability of both the governance and financial position of OMERS is of utmost importance to the city of Windsor.

We are quite concerned about the 50-50 split with respect to employer-employee representation on the board. The 50-50 split of employee-employer representation on the sponsors board has been aggravated by the proposed change in procedure that would allow decision by simple majority rather than the consensus protocol currently in use, or at least a supermajority. Employers and employees would be vulnerable to decisions based on the need to sway one single vote, as opposed to the in-depth discussion and deliberation needed to achieve a consensus. The time taken to reach consensus is a small price to pay for peace of mind in knowing that all decisions that have been reached through a rigorous process of research, analysis, debate and discussion lead to a successful conclusion.

I urge you to protect the public interest by not allowing Bill 206 to proceed, as currently framed, on a simple majority provision, nor with a provision for mandated and binding arbitration. An arbitrator has no fiscal restraints when making an award. In the past, arbitration has had little regard for an employer's ability to pay or for a community's priorities. Arbitrators regularly increase awards but rarely reduce them. The taxpayer is not adequately represented or protected in the binding arbitration process.

Members of the committee, I am here on behalf of the corporation of the city of Windsor to encourage you to take the time needed to consider my submission and those of my other municipal colleagues. If you require more information from municipal stakeholders, we're here to assist you and we're willing to provide that information. I urge you to consider an actuarial analysis to determine the potential costs of the proposals within

Bill 206, particularly those in regard to supplemental benefits that could be imposed upon employers in the fire and police sectors through the labour arbitration process.

In conclusion, I would urge you to take the time to do the research to ensure that any changes are in the best interest of the taxpayers, municipalities, school boards, employees, OMERS and the Ontario economy. Please do not let a proposed proclamation date of January 1, 2006 rush you into decisions that our taxpayers, employees and future pensioners will pay dearly for if the current Bill 206 is proclaimed into law.

I thank you very much for taking the time to listen to my submission.

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

**Ms. Horwath:** I'm interested in the last page of your document, which talks about the process for the sponsors board to undertake. I'm wondering about that, because I come from the municipal sector as well. I was a city of Hamilton councillor for several years, when it was double-tier—regional and city—as opposed to what we have now, which is an amalgamated city. I can tell you that—well, let me ask you: How often is it that your council comes to consensus on decision-making?

**Mr. Skorobohacz:** I would suggest to you that certainly it operates on a simple majority basis; however, it's not without a significant amount of public deliberation and consultation. I would suggest to you that most councils, to my knowledge, will take the time to study the issues and ensure that they've engaged the public to understand the concerns of the public before they vote. But I do agree with you that it's not always the norm.

**Ms. Horwath:** The reason I ask it is because you'll know from the structure that the sponsors corporation actually has two advisory committees responsible to do the very work that you're describing, which happens at the council level, in terms of doing the research, consulting, finding the facts and figuring out exactly what it is they're recommending to the sponsors corporation for decision-making. That's a two-way street in terms of advice back and forth. Many others from the municipal sector have raised this same issue about representation. It just struck me that nowhere else do we suggest that people put in extremely serious positions of decision-making simply do that willy-nilly and it's just a matter of the last person that you spoke to, that's how you're going to vote. Certainly, that wasn't my experience at the municipal level.

There is no supermajority required at the municipal level, yet municipalities are coming forward expecting that the sponsors corporation to have this extremely difficult-to-achieve threshold before any decisions will come out of that sponsors corporation.

I raise that and I want to get some further understanding of why it is, notwithstanding the fact that there are advisory committees for police and fire and for other plan members in the sponsors corporation, with all of the experience from the various municipalities we've had before us, that we still think that a supermajority or

unanimity consensus is required by the sponsors corporation.

**Mr. Skorobohacz:** I would suggest to you that perhaps the single most important reason is the fact that we're entrusted with the taxpayers' dollars, and to ensure that the taxpayers' dollars are invested to the best of the ability of that sponsors group. Certainly, to allow it to have the fullness of the debate and discussion in an effort to reach a consensus position perhaps is a means of achieving the best decisions possible.

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

**The Chair:** Forty seconds.

**Ms. Horwath:** I wanted to ask you a question as well on your figure of—is it \$6 million?

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

**Ms. Horwath:** Can you remind me how you came up with that figure of \$6 million in terms of the budget pressure for Windsor?

**Mr. Skorobohacz:** Essentially, that figure represents the cost of the additional supplemental plans as calculated both for the NRA 60 supplemental plans as well as for the NRA 65 supplemental plans. The estimate that we've used has been based on the same logic and template that previous presenters have spoken about. The Municipal Finance Officers' Association developed that template and it amounts to about \$4.8 million for the NRA 60 and about \$1.27 million for the NRA 65.

**The Chair:** Thank you. Mr. Duguid.

1740

**Mr. Duguid:** I just want to continue on the line of questioning from Ms. Horwath. I'm looking at the numbers that you're using. It's clear to me that the template for municipalities used by the Municipal Finance Officers' Association assumed 100% take-up. Now, we've had the police association come before us; we've had the firefighter association come before us. We've had a number of experts tell us that that is absolutely, totally unrealistic, that 100% take-up would not happen. Even the very employees who are seeking some of these changes are suggesting that their employees couldn't afford 100% take-up. So it's a scenario that is certainly, at best, a worst-case scenario.

I recognize that there are other costs that may not be included in that, but when you look at those other costs—and I've seen the figures on them—they're a small fraction of the amount that's actually being talked about here. So those other costs are very small amounts compared to the overall costs that are being suggested. Can you confirm that those cost estimates are based on 100% take-up?

**Mr. Skorobohacz:** That's correct. Our assumption is that, based on the experience we've seen certainly across the province, the issue in terms of the arbitration process typically does lead toward the higher settlements, the higher standard, that it very seldom goes to a lower standard. Our concern from a municipal perspective is that managing those types of supplemental plans through an arbitration process is not the most appropriate means of achieving the kind of solutions that you're speaking of.

**Mr. Duguid:** So even though the cost estimates being brought forward may be out of whack, you're still anticipating that?

**Mr. Skorobohacz:** The potential is there. That's correct.

**Mr. Duguid:** The other question I had is, have you considered the area of solvency relief? We've had a number of individuals on all sides of this particular issue talk to us about solvency relief and how that will reduce costs for everybody concerned. We'd be interested to know if you have a position on that particular—

**Mr. Skorobohacz:** I haven't presented any position here.

**Mr. Duguid:** I guess the only thing I would say is, you're looking at 2006, and you're a little worried about your 2006 budget. Do you really think that by the time this has passed and by the time you get into your 2006 cycle, there would be a financial impact that early on something like this?

**Mr. Skorobohacz:** Potentially, there would. We are certainly looking at negotiations, both with our fire service as well as our police service. Certainly, those negotiations may be protracted, subject to the timing as to when this is proclaimed. There may be issues. We've agreed to exchange proposals in the new year, as opposed to 2005, so there's always a potential that we might see some of the implications that I speak of coming forward in 2006.

**Mr. Duguid:** How's my time?

**The Chair:** You have a minute left.

**Mr. Duguid:** Last question: You've indicated a concern about devolving the plan down to employees and employers. I guess I'm looking for justification as to why you would think that employees and employers would not be the best people to run their own plan. Why would you think the province should be running somebody else's plan for them?

**Mr. Skorobohacz:** I believe that at the present time, based on the way the bill is structured, the suggestion would be that until we have clarity with regard to all of the elements of the bill, it would be appropriate for the province to continue to be the sponsor till we can ensure that the taxpayers' interests are best protected.

**The Chair:** Mr. Hardeman.

**Mr. Hardeman:** Thank you very much for the presentation. Everyone who's presented, whether they were supportive or not supportive, has talked about the cost, and there seems to be quite a variance. We've heard the questions about what's causing the variance and so forth, and I guess I'm just personally disappointed—I say that to the rest of the members of the committee, as opposed to the presenters—that we don't have some documentation that government created when they prepared this bill for discussion that says, "In our opinion, this is what the impact will be in cost for this plan." This afternoon, we had your presentation that it's going to cost the city of Windsor \$6 million, and we had the police association saying that it's only \$300 per person. At \$6 million, it's a lot of people that would then be involved. I would hope that the government, before we get much

further in this bill, would actually come up with some numbers. If this is the worst-case scenario, I'd like to know what the likely scenario is and the process.

The other thing you mentioned—at this time, particularly if you're looking at the supplemental plans, why are we devolving the plan? Nobody's asking for it. You said that maybe it will make it a little easier to handle; things are taking too long with the government. How often does the municipal corporation collectively ask for changes that the OMERS plan considers to improve or to decrease the value of the plan? How often would that happen? You say it could take up to three years for them to make the change, but how often would that change be asked for?

**Mr. Skorobohacz:** I would suggest to you that it doesn't happen often. Those kinds of requests are not that frequent. Certainly, from a municipal perspective, I think we would be looking at wanting to do our due diligence. Just on the point you raised earlier in terms of ensuring that we understand the gravity and magnitude of the issue, I would refer to the position the regional municipality of Halton has suggested in terms of obtaining an actuarial analysis of the implications of the bill. I think that would support the arguments as to how often changes need to be made and what types of changes should be in place. Having that type of data and information would be very helpful to anyone considering legislative changes of this magnitude.

**Mr. Hardeman:** It's suggested that the issue of a two-thirds majority or a super-majority for making changes is somewhat out of the ordinary—at Queen's Park we work on a simple majority and the majority always rules, and I think we do that at the municipal level. But I would just point out that there are cases at the municipal level where we do have certain important decisions, like a reconsideration, that require a two-thirds vote. Is that not—

**Mr. Skorobohacz:** There's no question that procedural bylaws and procedural—

**Mr. Hardeman:** Putting that in there would not be onerous on this board any more than any other?

**Mr. Skorobohacz:** I wouldn't perceive it that way.

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

**Mr. Hardeman:** Madam Chair, before I forget, I wonder if we could get a report from the government side or from the researchers about solvency—

**The Chair:** I believe you got a document on solvency today.

**Mr. Hardeman:** We got it today?

**The Chair:** The ministry provided it. That's what I spoke about. There were two—

**Mr. Hardeman:** OK. I just wondered. I have a concern that I don't understand it, or it's not in fact going to save anybody any money one way or the other.

**The Chair:** There are actually two documents on your desk. One was governance and one was solvency. So you got it earlier today. Did you need additional information?

**Mr. Hardeman:** No. When we find it, that's all we need.

**The Chair:** Good.

CANADIAN UNION  
OF PUBLIC EMPLOYEES  
ONTARIO SCHOOL BOARD WORKERS  
COORDINATING COMMITTEE

**The Chair:** Our last delegation is the Canadian Union of Public Employees, Ontario school board workers committee.

Welcome. Thank you for coming today. I only have one name here, so if all of you are going to speak, could you identify yourselves for Hansard. After you've introduced yourselves, you'll have 20 minutes. Should you use all that time, we won't be able to ask questions, but should you leave time, I'll let you know how much time there is. Do you have a handout?

**Mr. Frank Ventresca:** Yes. It has been handed out.

My name is Frank Ventresca. I am the president of CUPE Local 4156, District School Board of Niagara. I am also the chair of CUPE's Ontario school board workers committee. I am joined by Judy Wilkings, legislative liaison, and Antoni Shelton, executive assistant, CUPE Ontario.

I represent 1,400 members. My members are educational assistants, child care workers, elementary and secondary school secretaries, general office staff, maintenance workers, grounds workers, caretaking staff and computer technicians. CUPE represents 45,000 school board workers in Ontario.

I'm here to talk about a group of CUPE workers who need to be heard at these hearings. These are workers, the vast majority women, who, due to their jobs at school boards, only work 10 months of the year. Bill 206 will have the impact of systemically discriminating against these women. This is an indirect form of discrimination. Discrimination, whether it is intentional or not intentional, still has the impact of creating adverse circumstances for a significant group of workers that I represent. I welcome the opportunity to make a submission on Bill 206.

**1750**

CUPE represents the majority of active OMERS plan members—over 100,000 members. OMERS is a workplace pension plan. Its only purpose is to provide a retirement wage for its members. The fact that OMERS happens to be a public sector workplace pension plan should not cause diversion from its purpose of being a pension scheme. Retirement wages that keep seniors out of poverty mean that municipalities, in every way, are better off. Financial dignity in retirement must be the only goal for any workplace pension plan, including OMERS.

It has long been our view that OMERS should not be an act of the provincial Legislature but rather a stand-alone pension plan regulated by only the Pension Benefits Act and the federal Income Tax Act. The provincial government has joint management of its pension plan with its workers. We are only asking for the same treatment the provincial government gives its own employees.

Having said this, like many other speakers before me I am here to tell you that Bill 206 is terribly flawed. Before I speak specifically about school board workers, I want to emphasize several overarching points that must be addressed through amendments.

**Selection:** Representation by population must be a key principle in making appointments to the sponsors and administration corporations. As far as the principal stakeholders—the significant trade union and employer groups—are concerned, representation has to be based on the membership size of each group. As things stand in Bill 206, the Canadian Union of Public Employees is grossly underrepresented. This has to be corrected. Otherwise, the proposed structure will be loaded against a particular group: the group with the largest number of active plan members. This outcome would be grossly unfair. I want to strenuously add my voice to those who recommend that representation by population be a key principle governing appointments to the sponsors and administration corporations.

**Oversight and accountability:** It is completely unacceptable that the sponsors corporation is given no duty or power to oversee the work of the administration corporation. Bill 206 must enable us to be the masters of our own pension house. My members are demanding accountability. My members have signed over 800 cards calling upon the government to make changes to Bill 206 that allow our members to truly be in charge of their own pension plan. It is our view that we can no longer afford to delegate responsibility for our pension plan to a government that doesn't pay a nickel into the plan, or to pension bureaucrats who comprise the administration corporation. My members look at what is going on with the Borealis fiasco over at OMERS and the current deficit in the plan, and the situation at Stelco, and they are very concerned about the future of their pension plan.

The administration corporation is not generally accountable to the sponsors corporation, nor does the sponsors corporation have any power to compel the administration corporation to account for its administration of the plan or its management of fund assets. We want to see the mandate of the sponsors corporation significantly enhanced to include oversight of the activities and decisions of the administration corporation, and that the sponsors corporation be given all necessary powers to ensure that such oversight is effective. However, the issue that most directly discriminates against my members is the unfair provisions in Bill 206 that restrict the ability of the sponsors corporation from negotiating significant pension improvements for the normal retirement at age 65 group.

**Funding and benefit improvements:** Bill 206 contains a number of highly restrictive rules regarding funding which serve to undercut the autonomy of the proposed governance model and to ensure that the province of Ontario, through its legislative power, maintains control over major aspects of OMERS governance. These provisions essentially undermine the autonomy of OMERS.

One significant limitation is the cap on employer contribution rates, contained in section 12 of Bill 206. That provision prohibits municipalities or local boards from making any contribution to fund a benefit that exceeds an accrual rate of 1.4%. The cap of a 1.4% accrual rate for a normal retirement age of 65, which is used to multiply an employee's average annual earnings over 60 consecutive months multiplied by the employee's years of pensionable service, will not only disadvantage CUPE workers and have them retire into poverty because of their average income of \$30,000, but will doubly disadvantage primarily women who work in my sector and earn an average of \$27,000 per annum, and even less in some regions of the province.

For teachers in Ontario, the least amount they can make is \$38,000, and for firefighters it is \$43,000. Of course, their average rate is going to be much more, yet on top of their higher wage, the teachers' plan offers an accrual rate of 1.55%. Bill 206 is proposing an accrual of up to 2.33% for firefighters—50% higher than the rate permitted for my members. There is no other group in OMERS that will be discriminated against like my 10-month workers. The 1.4% accrual rate cap has a compounding effect when you consider the dramatic differences in salaries among workers in the OMERS plan.

Why would Bill 206 provide the ability to negotiate a higher accrual rate for some of the best-paid workers, the normal retirement age 60, predominantly male, but take away the ability to negotiate a significant improvement for the worst-paid in the plan, predominantly female? This is systemic discrimination. Education assistants, child care workers, elementary and secondary school secretaries, general office staff and instructors are all 10-month employees. The majority of 10-month employees work between 6.5 to seven hours a day. Bill 206 is using the heavy hand of legislation to create within OMERS a pension ghetto for the 10-month employees.

Using the accrual formula of 1.325 multiplied by \$27,000 times 30 years of service equals \$10,732 per annum in retirement. Using the capped accrual formula of 1.4 times \$27,000 times 30 years of service equals \$11,340 per annum in retirement. This means the best improvement my 10-month employees could currently hope to get with the accrual rate at 1.4% under Bill 206 is \$608 more per annum. That's the maximum.

You're offering our employees, with Bill 206, retirement into poverty, retirement without dignity. This is unacceptable to us and should be unacceptable to you.

This situation in the school board sector is further compounded by the state of our health benefits. Up to 1999, in school boards across the province, if you retired before 65, they covered medical benefits up to age 65, so these expenses wouldn't come out of your small pension. We all know what happens to our health as we hit old age. If you use my situation as an example, in the year 2011, I would have 30 years of service, and under OMERS I could go with unreduced pension. However, with just the current medical needs in my family, it is not possible, given my expected income from OMERS,

because I no longer have employer-paid medical up to 65. This benefit was stripped away after amalgamations to save cost.

These are some of the realities that my workers will face when they retire. I am asking you to consider very carefully the impact that Bill 206 will have on some of the most vulnerable workers currently in the OMERS plan. This is why we recommend that section 12 of Bill 206 be eliminated and that OMERS stakeholders be permitted to design benefit and contribution levels autonomously, within the parameters that are generally applicable under the Income Tax Act.

Thank you.

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

**Mr. Duguid:** Thank you very much, Madam Chair. I don't even know if I'll need the full three minutes.

Thank you for being here, and thank you for a very in-depth presentation. The question I have is around your suggestion that representation by population is a key principle in making appointments to the sponsors and administration committees. Maybe you could get into a little more detail as to what you have in mind in terms of what you think the appropriate representation ratio should be. It wasn't specific in here, and I'd just like to know if you have a particular idea.

**Mr. Ventresca:** I'll refer this to Antoni Shelton.

**Mr. Antoni Shelton:** Mr. Duguid, we recommend that CUPE, at the very minimum, have an additional seat on both the sponsors and the admin corporation.

**Mr. Duguid:** One additional seat for CUPE.

**Mr. Shelton:** At a minimum.

**Mr. Duguid:** Minimum, OK.

The only other thing I'd say is, one of the reasons we've taken this to committee at first reading is to make sure that we have an opportunity to hear from all stakeholders. There will be amendments made as we move forward, and we'll certainly take into consideration some of the suggestions that you've brought forward here. I thank you for taking the time to put together a very in-depth presentation.

**1800**

**The Chair:** Does anybody else on the government side have any questions? No. OK.

**Mr. Hardeman:** Thank you very much for the presentation. We've had a number of presentations from different locals of CUPE. I find that they're very consistent on the issue of the 1.4%. I think anybody would see that if the other part of the pension plan is based on what is allowed by pension law on early retirement, it would seem hard to explain why the 1.4% is in there. Obviously, if we can go up to the pensionable amount, why could that not be negotiated the same as in other sections of the bill? I'm hoping the government is listening to that as to what needs to be done.

One question that I do have a bit of a concern with in your presentation is the issue of representation by population. When you look at the basis of both bodies, they're based on 50% workers and 50% management

organization, not necessarily from different representatives of the workers or different representatives of management. There's going to be a lot of municipalities that are not represented at all on the management board. If you start looking at rep by pop, would it not then be reasonable for every organization to want to have at least one representative representing them? If they were a very small portion, then proportionately, CUPE would have to have, instead of one representative, 45 representatives in order to have proper representation. I'm wondering whether the interests of workers are not consistent with all workers.

**Mr. Shelton:** Generally, we're looking at seats that have been provided for AMO. We believe that, on the employee side, CUPE is a similar type of body in terms of representation and coverage in terms of the OMERS plan—upwards of 45% on the employee side represented—and we believe that we should have, at least, the same kind of representation that AMO is afforded.

**Mr. Hardeman:** Thank you very much, and thank you for the presentation.

**Ms. Horwath:** I was asking Local 79 about the numbers and you had them in your brief, which was very good. I appreciate that.

I asked earlier, and I think Mr. Hardeman raised it as well, this issue of devolution of OMERS out from under the wing of government into a more independent plan has been around the table for quite some time. Is that not true? This is not new in terms of the concept. My understanding is there have been various tables, various discussions, various talks—mostly not very successful. Were you surprised to see the 1.4% cap brought forward in Bill 206?

**Mr. Shelton:** We were, to say the least, shocked. It was not something that we were consulted on or were alerted that it would even be part of any autonomy, legislation or paper by OMERS or the government.

**Ms. Horwath:** It seems to me that that's a significant issue, and it's one that I think you've described very aptly as systemic discrimination, when you look at how it would roll out, compared to some of the other pieces of the legislation. I find it disconcerting, at the very least, that it was put in here, yet nobody seems to know from where it came or from whom it came or how it ended up in this bill. I don't know if government has any response to that, but I certainly find it interesting.

I wanted to ask you a question about your reference to the need for the administration corporation to be accountable to the sponsors corporation. Can you talk about that a little bit?

**Mr. Shelton:** We've gone through at CUPE a very, very difficult relationship with the current OMERS administration. That difficult relationship stems from the nature of the current board and the way it is structured with regard to stakeholder relations. We've learned from that and we know that the sponsors corporation, representing the stakeholders, if it is to truly make informed decisions and to hold the administration corporation accountable, has to be allowed more resources than are

afforded under Bill 206. It has to be given the ability to meet more often than is afforded under Bill 206.

Something that's not been brought out in previous presentations is that there has to be more onus on the administration corporation to share information with the sponsors corporation. There needs to be a reporting relationship from the administration corporation to the sponsors corporation, which is not currently spelled out under the act.

**The Chair:** Thank you very much. We appreciate you being here today. Thank you for your time.

#### COMMITTEE BUSINESS

**The Chair:** Our next order of business is Mr. Hardeman's motion. I believe everybody has a copy of it.

**Mr. Rinaldi:** On a point of order, Madam Chair: Just for clarification, we were given two documents today. One was the governance model, and what was the other?

**The Chair:** It was on solvency. You should have both documents. They were on your desk at the beginning, and they were together.

**Mr. Rinaldi:** They were together?

**The Chair:** Yes. They should have been beside each other. They were there at the beginning because the clerk is so efficient.

So we have the motion on the floor. Did you want to speak to it, Mr. Hardeman?

**Mr. Hardeman:** I've pretty much spoken to it already. I believe that from what we've heard and what we've seen, the number of people who have put their names forward who wanted to speak on the bill and who haven't been heard is much larger than those who have.

I'm suggesting, rather than moving on to clause-by-clause and not hearing what the presenters have to present, that we hold a few more days of hearings. I'm not suggesting that we hold hearings until there is no one left in the province who wants to speak, but I do believe we should have an extra few days, recognizing that we have four days but only eight hours of hearings on the bill. When we're looking at the largest pension plan in the province and what's going to happen to it, I think it's important that we have extensive consultation on what should or shouldn't be done. That's why I moved this.

I realize that at the end of the day the bill, after clause-by-clause, will go back to the Legislature for second reading. I just wanted this on the record to be sure that the request to have more public hearings—if we're not holding them all before second reading, we will be looking for extensive consultation following second reading before it goes for third reading.

**The Chair:** Further debate?

**Mr. Duguid:** I won't be supporting this motion and I'll tell you why. I'll defer to comments made by Ann Dembinski, president of the Canadian Union of Public Employees, Local 79, in Toronto. She said—and I think it's a view that's held by many others—that by deferring it any longer, this legislation will be disadvantaging the members even more. They want to get on with it.

I think government members would like to move forward with this legislation. It's been out for a long time now. Many different organizations have appeared before us. I would suggest it would be hard to find any stakeholder who is not represented by at least one of the organizations that has appeared before us with very in-depth and detailed presentations. I think the voice of everybody involved in this certainly has been heard through these presentations.

It's unfortunate and it's a little ironic—and the Chair would know—that the government members wanted to move forward with these hearings much earlier, so we would have had more time. Had our colleague Mr. Hudak agreed to that, we may well have had some more time to hold some hearings. Unfortunately, they would not agree with holding these hearings earlier to give us more time to hear from deputants, and unfortunately right now we're at a point where we've got to move forward with these hearings so we can try to get this legislation into the Legislature and move forward with these initiatives. The parties and the stakeholders have waited long enough for these changes and, as a result, the government members—I think I speak for all of them here today—are not going to be willing to consider any further efforts to delay this.

1810

**Ms. Horwath:** Notwithstanding the parliamentary assistant's revisionist view on the history of what happened, and some of the major stakeholders not even being in the province—in the country—when the government wanted to hold the initial hearings, I do actually agree with Local 79 and others who I've been talking to about the fact that it is now time to start putting this into place and seeing whether the government can take the very thoughtful and very important suggestions from the stakeholders, particularly the plan member stakeholders—from my perspective anyway—and make this work. It's been far too long that OMERS has not been under the control of the plan members and the plan sponsors. It's time that we take that on.

Having said that, though, I look forward to the mitigation of some of the issues that have come before us. There's not consensus, unfortunately, and we need to make sure that we're doing the right thing by the plan members who will ultimately be affected by the way this bill and this effort to devolve OMERS turns out.

Thank you for that. I'm not going to be able to support the motion brought forward by Mr. Hardeman.

**Mr. Hardeman:** I can do the math. I realize that the committee and the government side has decided that we're not going to have more public hearings. The one individual from CUPE suggested that it was time to get on with getting this bill done, but I would point out to the committee that almost everyone said that it was more important to do it right than to do it now. When we talk about how we've waited a long time, we couldn't get anybody to suggest that anybody had asked for this bill to come forward, as it revolves around devolution of OMERS in the presentation. You can go and look at it.

The people who said that it was time to get on with it were talking not about the devolution, but the improvements to the pension regime that's presently in place.

I recognize that the resolution is not going to pass. I just wanted to make sure it was on the record that the government seems to think it's more important to get this through before Christmas than it is to hear from the people who are going to be directly impacted by the changes they're making.

**Mr. Rinaldi:** For the record, in the preamble when the resolution was first brought forward earlier on this afternoon, there was a comment that municipalities north of Highway 7 weren't being heard. Coming from this sector, I take some offence to that.

I want to congratulate the Chair and the clerk for choosing the delegations that came here, because I was really impressed when they—

**Ms. Horwath:** That was done by everybody.

**Mr. Rinaldi:** Everybody. Unfortunately, I wasn't here today. But all I'm saying is they choose the eastern and western Ontario wardens, which as the member opposite would know, represents most of rural Ontario. I know that from my portion of rural Ontario, when you look at the number of municipalities that are represented by the eastern Ontario wardens—and I don't want to comment on the west—a number of those folks are north of Highway 7. AMO did an excellent job, and they represent the majority of the municipalities of Ontario. To make the statement about municipalities north of Highway 7, I think is totally inappropriate.

**Mr. Hardeman:** We could go on till morning. If the member would ask Hansard for a report, my comment was not that nobody from north of Highway 7 had been asked to appear; my comment was on a letter that a representative in the Legislature had written to the Chair of the committee, complaining that no one north of Highway 7 had been asked to appear. I stand by the fact that that's a letter that the Chair got and the Chair replied to, explaining to the member how the delegations were chosen. Each party got to choose out of the list of the many people who appeared, most of whom will not be heard. We each got to pick seven people. They didn't get picked from some areas, and I think that's why this resolution is forward, to make sure that all the people who want to be heard can be heard.

**The Chair:** Are you ready to vote yet, committee? Any more debate?

**Mr. Hardeman:** Recorded vote.

**Ayes**

Hardeman.

**Nays**

Dhillon, Duguid, Horwath, Hoy, Matthews, Rinaldi.

**The Chair:** That vote is lost.

I'd like to remind staff that there will be an interim summary available tomorrow based on the first three days of hearings. You should have it in your office after noon tomorrow. That's the tentative schedule; it's being edited today.

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

I'd just like to remind all members that amendments to Bill 206 should be filed with the clerk of the committee by 2:00 p.m. on Friday, November 25.

This committee now stands adjourned until 4:00 p.m. on Monday, November 28 for clause-by-clause consideration of the bill.

*The committee adjourned at 1815.*









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