



OFFICE OF THE PRESIDENT

January 16, 2006

To: All Heads of Council

Dear Municipal Colleague:

Re: Bill 206, Ontario Municipal Employees Retirement System Act

I am writing to you in response to a December 20, 2005 letter to all Heads of Council from Municipal Affairs and Housing Minister John Gerretsen.

The Minister's letter sets out the Government's position on Bill 206 and asserts that the Bill will not impose any new cost or pension benefit that would result in added costs for municipalities. This assertion by the Government is based on fact that access to the proposed OMERS supplemental plans will be subject to local bargaining and interest arbitration. At the same time, the Minister's letter goes on to state that the costs of supplemental plans provided as a result of Bill 206 would be "quite onerous" for both employers and employees under current solvency rules under the *Ontario Pension Benefits Act*.

The issue of costs resulting from Bill 206 supplemental plans provisions has been an important part of the debate over Bill 206. It is not surprising. Bill 206 is, first and foremost, a supplemental plan bill; packaged as a bill that would, if passed, devolve sponsorship responsibility to OMERS employee and employer members. If this Bill were about autonomy, it would not mandate supplemental plans, and arbitration, among other matters.

OMERS employers and employees are already managing an average 9% increase in their OMERS contributions resulting from the current financial performance of the OMERS basic plan. Does anyone doubt that there will be additional contribution rate increases within the basic plan in future years? Costs related to Bill 206 supplemental plans will be in addition to escalating costs for the OMERS basic plan.

When Bill 206 was introduced, it made it essentially inevitable (through arbitration) that OMERS would be required to offer a number of supplemental plans that would enhance the retirement benefits of police and fire service employees. Analysis undertaken by AMO and its members, using actuarial estimates developed by OMERS (at AMO's request) concluded that the potential cost impact for municipalities to be as much as \$380 million a year. During the Standing Committee review of the Bill, the Government introduced amendments that would increase those costs dramatically, including making the provision of supplemental plans mandatory within two years and adding paramedics to the list of emergency services workers for whom supplemental plans must be available. AMO's costing estimates did not include mandatory supplemental benefits for paramedics or civilian police services employees.

.../2

In December, the Finance Minister Dwight Duncan wrote to OMERS indicating that, if Bill 206 passes, and once OMERS supplemental plans are created, he would recommend to Cabinet that OMERS supplemental plans be exempted from solvency requirements under the *Ontario Pension Benefits Act*. While AMO does not question the sincerity of the Minister's commitment, the Minister has provided no guarantee that OMERS supplemental plans will be exempt.

Nothing in Bill 206 changes solvency requirements for OMERS supplemental plans. Consequently, it would be irresponsible for AMO or anyone to adopt reduced costs estimates tied to a potential solvency exemption. Bill 206 can only be considered within the current statutory and regulatory framework governing pension solvency provisions in Ontario. While the Government and others recognize that supplemental plans will be onerous and expensive under current rules, to our knowledge, only AMO has made a request to OMERS to produce and distribute costing information based on Bill 206 provisions. With the Government's amendments to the Bill during Standing Committee, those costs will increase, not decrease.

Even if a solvency exemption is provided at the time when the supplemental plans are created, the additional costs of supplemental plans will result in property tax increases without any additional investment local services, including public safety, and no benefit whatsoever to property tax payers in our communities.

Since the introduction of Bill 206 in June 2005, AMO has been asking the Government to demonstrate that it has done its due diligence in assessing the potential cost impacts of the Bill on municipalities. To date, the Government has not provided any information that would demonstrate that it has analyzed the potential cost implications for municipalities. Consequently, as was noted in AMO's Alert 05/092 of December 15, 2005, AMO has made a formal request for this information under the provisions of the *Freedom of Information and Protection of Privacy Act*. The information has not yet been provided.

The Minister's letter also notes that the Bill contains a provision to limit costs for OMERS employer and employee members; namely, the requirement for a stability reserve of 105 per cent before benefits could be increased and a cap of 0.5 per cent for both employees and employers on awards arbitrated for the Sponsors Corporation. These provisions will be important if Bill 206 passes but it is critically important to recognize that they do not apply to supplemental benefits.

If Bill 206 passes in its current form, municipalities will need to begin planning for significant cost increases and consequent property tax increases.

In closing his letter to Heads of Council, the Minister invites municipal governments in Ontario to provide "further recommendations and comments on this important matter". I urge you and your Council to consider responding to his request. Let the Government know that Ontario's communities and Ontario's property tax payers reject Bill 206 and are not prepared to accept a legacy of provincial legislation that drives up municipal property taxes and undermines our ability to provide local services and build Strong Communities.

Yours truly,

A handwritten signature in black ink, appearing to read "Roger Anderson", written in a cursive style.

Roger Anderson
President

cc Hon. Dalton McGuinty, Premier of Ontario
Hon. John Gerretsen, Minister of Municipal Affairs and Housing
Hon. Dwight Duncan, Minister of Finance
Members of the Provincial Parliament
David Kingston, Chair, OMERS Board