

Second Phase of Pension Reform Unveiled by Finance Minister

On August 24, Minister Dwight Duncan outlined a broad package of proposals to be included in the second phase of reform of Ontario's pension system. The proposed legislation for this phase follows the first phase of reform contained in Bill 236, which received legislative approval on May 5, 2010.

The Government has now recognized two important positions that AMO's Municipal Employer Pension Centre of Ontario (MEPCO) have continuously advocated on behalf of municipal employers:

- 1) that funding requirements for Jointly Sponsored Pension Plans (JSPPs), like OMERS, require different criteria than other pension plans since employer and employee parties jointly sponsor and govern the plan, share risks and bargain collectively on benefits; and
- 2) that current JSPPs should be exempted from going concern solvency funding requirements because of the remote possibility of plan wind up.

Failure to exempt the OMERS Plan from the solvency funding requirement would have added an additional \$3 billion funding pressure to the OMERS Plan, which is already facing a significant funding deficit arising from investment losses of \$6.4 billion in the 2008/09 period. Without the need to capture solvency costs, employees can have more in the take home paycheck and additional financial burden on property taxpayers for this cost can be averted.

The second phase of reforms also proposes pension modernization directions related to pension funding rules, contribution holidays, funding of benefit improvements, surplus entitlement, the Ontario Pension Guarantee Fund (OPGF) and other changes requested by the business community. MEPCO's actuary will be evaluating all of these proposed changes to determine any specific negative impacts on the OMERS Plan and municipal employers and any concerns will be communicated to the Ministry of Finance for consideration as the Ministry moves forward in drafting the second pension reform bill. These proposed changes are to be introduced into the Legislature in mid-Fall with the hope that it can be passed in the same session.

AMO Contact: Bruce McLeod, bmcleod@amo.on.ca, (416) 971-9856 ext. 350

The Municipal Employers Pension Centre of Ontario (MEPCO)

MEPCO is a not-for-profit corporation, created by AMO, to ensure that its employer representatives on the OMERS Sponsors Corporation and Administrative Corporation are informed, well-resourced and supported by leading pension expertise. MEPCO can raise and manage funds, hire experts who will provide appropriate research and information, and share insights with others as needed.