OMERS Governance Changes & Bill 68
Municipal Toolkit

Contents

What Municipalities Need to Know

- OMERS governance changes in Bill 68 mean that municipalities will have less of a voice in the pension plan that we pay for
- The province will be able to make decisions about the plan through regulation, and municipalities (through taxpayers) and employees would have to cover any new costs
- An interest-based approach to benefits and contributions decisions creates greater financial risks for municipalities (e.g. decisions that could lead to higher contribution rates or lower benefits)
- Less sponsor control over the Administration Corporation makes it harder to hold administrators responsible for plan performance
- AMO believes that the current structure of OMERS, with two corporate Boards, is the model that would best deliver on the long-term interests of municipalities, taxpayers, and employees

What can municipalities do?

Tell government and local MPPs that pension governance matters, and that municipalities should have control over their own plan by:

- Passing a resolution
- Sending a letter
- Meeting with your local MPP
- Raising this issue in delegations at ROMA

What Happened?

The province passed legislation through Bill 68 that would allow the Minister of Municipal Affairs & Housing to dissolve the Sponsors Corporation and replace it with a Sponsors Council that lacks corporate status, independent resources, and fiduciary protections.

The legislation is based on observations made in a Special Advisor's report ("Poirier Report") on OMERS governance that the Sponsors Corporation decision-making is ineffective and disconnected from the needs of members, employers, and sponsors. <u>AMO did not express these views to the Special Advisor.</u>

Poirier Report recommendations and Bill 68 mean significant changes to OMERS governance:

- Shifts from a stewardship model focused on long-term sustainability and

affordability to one focused more on advocacy and interest-based bargaining
- Weakens sponsor and municipal employer oversight by shifting power to the administrator (Administration Corporation) with respect to appointments and resources
- Enables the Minister to make regulations related to Sponsors Council business, which risk interference in the plan design and new costs without the say of sponsors, employers, or employees

This is another example of provincial overreach into areas of municipal responsibility without a clear rationale or a full understanding of impacts. Other recent examples include: banning municipal speed cameras and reducing local representation on Conservation Authority boards.

What AMO is Asking For
AMO believes that the current OMERS structure with two corporate boards is the model that would best deliver on the long-term sustainability of the plan. AMO is ready to work with the Minister of Municipal Affairs and Housing on a path forward that protects the independence and long-term stability of OMERS.

Key Messages for Meetings with Ministers and MPPs

- The OMERS pension plan is important to municipalities: it is a recruitment and retention tool and a valuable benefit for our employees.
- We are concerned about the OMERS governance changes because:
    - Municipalities have less of a voice in the pension plan that we fund and rely on
    - These changes could lead to higher costs for municipalities. We cannot afford new costs without increasing taxes or cutting services.
    - This is another example of provincial overreach into areas of municipal responsibility without a clear rationale or a full understanding of impacts.
- We believe that the current OMERS structure with two corporate boards is working; it provides predictability and stability. The current structure balances independence, accountability, and fairness across the many different employers and employees.
- Pensions need to stay independent and accountable. They cannot be politicized.
- We are asking you to work with AMO and the other plan sponsors to chart a path forward that limits major changes and protects the long-term interests of municipalities, taxpayers, and employees.

Questions and Answers

What is the main issue with the province's proposed governance changes to OMERS?

Dissolving the Sponsors Corporation and giving the Minister authority in plan design violates the "pay for say" principle: municipal governments and taxpayers will pay the contributions bill without a full say on sustainability and affordability.

Why is removing the Sponsors Corporation a problem?

The current Sponsors Corporation reconciles employer and employee interests through a corporate body, with expert advice and a mandate to protect long-term sustainability. This model shields sponsors from lobbying, pressure campaigns, and short-term decisions.

How does the proposed Sponsors Council enable interest-based bargaining?

The Poirier Report expressly contemplates employer and employee sponsor caucusing, thus bargaining. Without the corporate structure, the new Sponsors Council would be made up of 14 organizations with different priorities, advisors, and resources. This creates the conditions for horse-trading between sponsors and short-term wins for one sponsor at the expense of others.

Will this really cost municipalities and taxpayers money? What's the worst-case?

Employers and employees pay contributions to the plan and bear the risk if there is not enough money in the plan to pay out the benefits. The current governance model provides cost predictability; removing the Sponsors Corporation risks the opposite.

Prior to 2006, OMERS was fully controlled by the provincial government. From 1998-2003, the province imposed a contribution holiday (no contributions from employees or employers) due to a surplus. This decision along with the 2008 financial crisis led to a significant deficit in the pension plan. Contribution rates have still not returned to pre-1998 levels.

Are you saying the province is trying to interfere politically?

We're saying the structure must make interference impossible regardless of which government is in power. A good governance model protects pensions from political winds of any kind.