



ISSN 1180-5218

Legislative Assembly
of Ontario
Second Session, 38th Parliament

Assemblée législative
de l'Ontario
Deuxième session, 38^e législature

Official Report of Debates (Hansard)

Wednesday 25 January 2006

Journal des débats (Hansard)

Mercredi 25 janvier 2006

**Standing committee on
general government**

Ontario Municipal Employees
Retirement System Act, 2006

**Comité permanent des
affaires gouvernementales**

Loi de 2006 sur le régime
de retraite des employés
municipaux de l'Ontario

Chair: Linda Jeffrey
Clerk: Tonia Grannum

Présidente : Linda Jeffrey
Greffière : Tonia Grannum

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Copies of Hansard can be purchased from Publications Ontario: 880 Bay Street, Toronto, Ontario, M7A 1N8.
e-mail: webpubont@gov.on.ca

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Des exemplaires du Journal sont en vente à Publications Ontario : 880, rue Bay Toronto (Ontario), M7A 1N8
courriel : webpubont@gov.on.ca

Hansard Reporting and Interpretation Services
Room 500, West Wing, Legislative Building
111 Wellesley Street West, Queen's Park
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
Salle 500, aile ouest, Édifice du Parlement
111, rue Wellesley ouest, Queen's Park
Toronto ON M7A 1A2
Téléphone, 416-325-7400; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
GENERAL GOVERNMENT**

**COMITÉ PERMANENT DES
AFFAIRES GOUVERNEMENTALES**

Wednesday 25 January 2006

Mercredi 25 janvier 2006

The committee met at 1017 in room 151.

**ONTARIO MUNICIPAL EMPLOYEES
RETIREMENT SYSTEM ACT, 2006**

**LOI DE 2006
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.

CITY OF OWEN SOUND

The Chair (Mrs. Linda Jeffrey): Good morning. The standing committee on general government is called to order. We're here today to commence public hearings on the second reading version of Bill 206, An Act to revise the Ontario Municipal Employees Retirement System Act. I'd like to welcome all of our witnesses and tell you that you have 15 minutes to make your presentation. When you come to the table at the front, could you identify yourselves and the group you speak for. You will have 15 minutes.

Our first delegation this morning is from the city of Owen Sound. Good morning. If you're all going to be speaking, could you provide your names for Hansard. When you begin, you'll have 15 minutes, and should you leave time at the end, we'll be able to ask you questions.

Ms. Ruth Lovell: I am Ruth Lovell, the mayor of Owen Sound.

Committee members, I want to take a brief opportunity to thank all of you so much for giving us the opportunity to speak. I compare us to the middle child in a family. We're a small urban municipality. We don't have the glamour of the larger cities and we're not quite as enchanting as the rural municipalities, but we do have a niche in this world, somewhere. We often feel overlooked, so we are very, very grateful to have the opportunity today to come and speak with you.

We have Arlene Wright, who is the chair of the financial advisory committee in Owen Sound as well as the vice-chair of the police services board, and Dail Levesque, who is our human resources director. He will

be making the presentation, but I did want to have an opportunity to say thank you.

Mr. Dail Levesque: Good morning, and thank you very much for the opportunity to appear before you.

The first thing I'd like to do is assist you in putting a face on the city of Owen Sound. We're an award-winning municipality, and we would like you to know a little bit about us. Some of you may know that we're about two hours north of here, right at the south end of Georgian Bay. Driving fast, and as long as the snow is not blinding, you can get there in about two hours. We are the regional centre for Grey and Bruce counties. We have a population of about 21,000 people. Compared to other municipalities our size, our average earnings are about 11% behind. We have 8,900 dwellings, and of those, 4,000 are rentals.

We supply all the normal services of a municipality, including a full-time police force—section 31—and fire department. We employ 336 employees; 234 of them are full-time and 102 are part-time. One hundred and seventy-nine of those are NRA 65 under the OMERS act, and 70 are NRA 60: 40 police and 30 fire.

Our city budget is approximately \$40 million. We get \$16 million from taxes. Our current OMERS costs are about \$875,000 a year. The cost to the city as a result of these proposed changes will rise from \$875,000 to about \$1 million or \$1.2 million. That's a conservative estimate: \$325,000 to \$400,000.

We have lost \$2 million in the old CRF funding and the new OMPF funding grants. This loss is not uncommon among municipalities our size due to the failure of the province to consider small urban municipalities and our being sandwiched between the rural needs and the large urban areas.

To reiterate, Owen Sound is the largest municipality in our area. We are the regional centre, meeting the needs of Grey and Bruce counties. Our population is small and stagnant. The residents earn less on average than those residents in comparable cities. We have been hit hard with downloading. The latest rounds of provincial cuts have left our city, as I said, some \$2 million short, and that's not uncommon to other smaller municipalities in our province. When you consider the hard cap the province has placed on municipal taxes, all of the OMERS-related increase will fall to a relatively small group of residential taxpayers who are least able to pay. We need your help.

Our major concerns about this legislation are: First and foremost, we've studied the submissions from AMO, the association of human resource professionals and the association of police services boards. We support their findings in total. The province is rushing to reform one of Canada's most important pension funds without a reasonable understanding of the potential repercussions and without sufficient regard to the best interests of employees, retirees, employers, communities and, most importantly, taxpayers, because that's where all of this OMERS money comes from.

Analysis has confirmed that the proposed changes will significantly increase labour costs, resulting in increased property taxes in our city. Both the federal and Ontario provincial governments tell us that we don't have the required workforces to meet our needs in the future. Bill 206, if passed, will enshrine the ability of the workers that we do not have to exit even earlier, further exacerbating the employment picture. The anticipated increased cost estimates for the basic plan and supplemental plans represent \$125,000, or a 1% tax increase, just for the basic OMERS plan, and a further \$200,000, or a 1.5% tax increase, for the supplemental plans for fire and police.

Bill 206's simple majority scheme essentially devolves governance of the \$36-billion OMERS plan into the hands of an arbitrator. In an arbitration-based process, history has shown us that the concerns of small urban municipalities take a back seat to the big players, yet our pressures are just as dire. In other words, once the arbitration process starts awarding these supplemental plans, which will happen, supplemental plans will be imposed on Owen Sound regardless of the employer's concerns or the taxpayers' ability to pay. We've seen this time and time again in small urban municipalities: Once the arbitration process starts, it just washes over you.

The sad and unfortunate truth is that Bill 206's revised simple majority scheme and its improbable super-majority component practically devolve the governance and responsibility of this \$36-billion plan into the hands of one single individual: an unaccountable arbitrator. Are you even aware of anyone qualified to take on such a task? Is there a reason you can share with us that justifies so significant a departure from governance best practices, that justifies an arbitrator instead of this board rolling up its shirt sleeves and working at developing a consensus?

In your role as plan sponsor now, you have to reach consensus around the cabinet table. You wouldn't think of possibly handing over your sponsorship responsibilities to an arbitrator, yet you are prepared to undermine this new corporation with such a mechanism before it even begins the process of consensus building.

An arbitrator would have a significant say on the municipal tax rate without any regard to tax increases or cost-cutting in terms of human resources or services to accommodate an arbitration decision. We can't just pick the money out of the air or off a tree. If we get these big arbitration awards, which has happened in the past, we

have to make cuts in other areas of our tax-supported municipal services.

Supplemental plans which would provide for additional pension plans, such as enhanced early retirement or an increased benefit accrual rate higher than the current maximum: Historically, there were supplemental plans as part of the OMERS plan. We had one with our police association, and it went into our collective agreement as a result of an arbitrator putting it there.

You may be interested in knowing that history does repeat itself, and in the five to seven years following the introduction of those supplemental plans, arbitrators had spread it across the province and those supplemental plans became the basic OMERS plan.

Given the proposed structure of the sponsor group and their access to arbitration, it won't be long before every police, fire and paramedic group in the province has these supplemental plans and other OMERS members want and get the same.

Each employer could conceivably provide access to different supplemental plans under a number of collective agreements. This could be made even more complicated if an employee changes careers with the same employer or employers over the course of their career. With respect to our police service, there is a major concern as we have a lineup of constables from the large urban police forces who want to work and live in Owen Sound. The introduction of these officers into our force creates expectations that we cannot afford to meet.

At odds with any notion of autonomy, Bill 206 specifically directs the sponsors corporation to consider providing supplemental plan benefits to the police and fire sectors. The choice of cities similar to Owen Sound disappears under this bill. Given the no-strike restrictions in the police and fire sectors, interest arbitrators would have the ability to award access to such plans if it were raised in local collective bargaining.

Municipalities are working hard to hold the line on property taxes; they do not have the budget flexibility to accommodate supplemental plans. In the past, arbitrated settlements have not reflected the ability to pay within the terms of a binding settlement.

We respectfully request that the government scrap Bill 206 and go back to what the original OMERS devolution discussions in 2002 entailed; that is, increasing efficiencies in decision-making and streamlining OMERS board appointments. Failing this, we would ask that the Ontario government remain as the plan sponsor; the proposed binding arbitration features be eliminated; any supplemental plan that may be allowed be negotiated at the local level and these negotiations not be subject to any binding arbitration process; and that the financial concerns of provincial and local taxpayers and provincial and local economic conditions be mandated to be considered in any plan changes.

Thank you for your consideration of our written submission, and we look forward to your response.

The Chair: You've left about two minutes for each party to ask a question. Mr. Hardeman.

Mr. Ernie Hardeman (Oxford): Thank you very much for the presentation. I just wanted to quickly go back. On page 2 you talked about the cost of the plan. I just want to point out, first of all, that I share your concern that there may be a cost to the plan, but we've been hearing all kinds of numbers as to what that will be. So far we've been unable to get the government to come up with a suggestion of what they believe the numbers will be. I think it's very important that it appears they have not done any work as to what the impact will be on the property tax base and on municipal budgets for the cost.

In your presentation you point out that the cost will be \$125,000 just for the basic OMERS plan and a further \$200,000, or a 1.5% tax increase, for the supplemental plans for police and fire. Could you tell me where the increase is without the supplemental plans?

Mr. Levesque: If there are no supplemental plans, our increases will still be 1%, just because of the increases to the basic plan. If we do wind up with supplemental plans, then we're looking at a further \$200,000 at a minimum.

1030

The Chair: Thank you. Ms. Horwath.

Ms. Andrea Horwath (Hamilton East): Thank you very much for coming out to make your presentation. I wanted to ask you a little bit about your concerns around the arbitration process, and particularly whether or not your experience in previous arbitrations has been one where the arbitrator looks at all of the various factors and makes decisions in that vein. I know that others have come saying they are concerned that arbitrators will make decisions that will not take into consideration the situation of the particular municipality or employer, for example. Could you just expand on your concerns in that regard?

Mr. Levesque: I've been in this business for 33 years this year, and access to arbitration has been a feature throughout those 33 years. I've got to tell you, once an arbitration process starts—for example, in the police world, we're seeing that the big push now is 3%, 6%, 9%.

Just ask yourself, do you think the concerns of a little place like Owen Sound, two and a half hours outside of Toronto, mean a hill of beans to an arbitrator? They start with the big guys. They start with the Peels, the Torontos and the Durhams, and just roll over us. By the time we get to make a presentation, half the time they're yawning through our presentation, not listening to us, and they award it. That's how we get stuck with a lot of things.

What does that mean to a place like Owen Sound, when you've got a stagnant population, a stagnant tax base, and the ability to move with the tax caps that we have now is extremely limited? How are we supposed to come up with the money to pay for things like 3%, 6%, 9% and like supplemental plans when they come, if they come? That's what happens to us. We get left in the dust. Little old Owen Sound, the Stratfords of the world, the Orillias of the world, the Brockvilles of the world—we're all in that 20,000 population. Our concerns are really left

on the side. Our experience is that once the wave starts, it just washes over the little guys.

The Chair: Thank you. Mr. Duguid.

Mr. Brad Duguid (Scarborough Centre): I've got in your submission here that you've estimated that the cost to your city as a result of the proposed changes will be \$1 million to \$1.2 million. I'm trying to figure out where that would possibly come from. Are you using AMO's numbers, which, in our previous committee, were seen as worst-case scenario, full take-up, totally unrealistic?

Mr. Levesque: No. These numbers come from our treasurer. Start at the \$875,000, which is our current OMERS cost. Then, with the supplementals and the basics, our numbers go to \$1 million or \$1.2 million, and those are conservative numbers. Those are based upon all our current employees, all the current rates that they pay based on OMERS, and the calculations applied to them.

Mr. Duguid: Are they including the reintroduction of the contribution rates in that?

Mr. Levesque: The 2.3%?

Mr. Duguid: In your \$1 million to \$1.2 million.

Mr. Levesque: The increases that are being applied to the basic plan are one thing; the costs that the supplemental plans are going to generate are another. So when you add them both together, we're looking at about \$1.2 million.

Mr. Duguid: I guess what I'm trying to figure out is, what are you assuming is going to be implemented in the supplemental plans? Are they assuming that everything that the police and fire are asking for will be accepted or agreed to by your municipality, or are they assuming that—

Mr. Levesque: We do have to make some assumptions, because, of course, nobody has told us what's going to be there. Nobody has given us any costing; nobody has given us any ideas. So we're left to sit back and make some assumptions—you're right—because that's all we have to go on, and we have to make a wild guess as to what's going on out there and where things are going to settle in.

Mr. Duguid: You've thrown out \$1 million and \$1.2 million in your submission here. I'm trying to figure out where that's coming from. Are you assuming full take-up of the benefits for your firefighters and police, or are you assuming partial take-up?

The Chair: You have about 30 seconds to answer that question.

Mr. Levesque: We're looking at our fire and police departments, the fire associations and police associations, asking for the benefits that will provide them with 50 and out, 25 years and out, 30 years and out: those kinds of enhanced benefits that are being talked about in the OMERS plan, what we've seen today so far in writing. We're looking at those things being implemented, and those are the costs that we've been able to attach through our finance department.

Mr. Duguid: It sounds to me like a worst-case scenario, but okay. Thank you.

The Chair: Thank you very much for being here today. We really appreciate your being here and making the drive.

Mr. Levesque: Thank you very much.

The Chair: The city of St. Catharines is next.

Mr. John O'Toole (Durham): Chair, I'd like to ask a question. On that \$1.2 million, what would be the impact on their tax base, given there are only 8,000 residents and 4,000 rental units.

Mr. Levesque: A per cent and a half on our tax base.

Mr. O'Toole: Seven and a half per cent?

Interjection: One and a half per cent.

Mr. O'Toole: One and a half.

The Chair: Can we ask research to provide that information? Thank you.

CITY OF ST. CATHARINES

The Chair: Thank you very much for being here. We appreciate you coming to speak before us this morning. Could you identify yourself and the city you speak for before you begin? After you begin speaking, you'll have 15 minutes. If you leave time, we'll get an opportunity to ask you questions.

Mr. Kenneth Todd: Thank you, Madam Chair, and thank you for allowing us the opportunity. My name's Ken Todd. I'm the director of corporate services with the city of St. Catharines, and part of that role includes my responsibility for the human resources function of the city. I'm here today representing Mayor Tim Rigby and members of city council.

The city of St. Catharines did present a formal brief, a written submission, to the standing committee back in November 2005. I'm just here to further elaborate on that submission. I do not have any further written submission for you today. But I would like to provide some feedback on five specific issues that are important to the city of St. Catharines in terms of this proposed legislation. They relate to governance, representation, supplemental plans and the dispute mechanisms and, finally, the financial impacts.

The first issue of governance or autonomy certainly was something that was not unwelcome by many employers in the municipal sector, with the feeling that the province truly does not need to be in the business of municipal pension benefits. As such, in terms of moving over to the sponsorship committee as proposed by the legislation, it is not something that the city of St. Catharines is concerned about. But our concern is that in the proposed legislation, as the province walks away from being the sponsor now, it is getting involved in some of the plan design and benefits that are included. In particular, what is probably our major concern out of this is the move toward supplemental plans. I'll get back to that in a few minutes.

With respect to the governance issue, in terms of the city of St. Catharines, we are not concerned about a movement away from the province's control over the plan to a sponsorship committee, but we don't feel that

it's appropriate for the province, as it lets go of that responsibility, to place additional restrictions or conditions on that sponsorship committee before it even gets started.

In terms of representation under the plan, in the proposed legislation, the sponsorship committee calls for an eight-member representation of employers and employees. In looking at that—and I'm sure you're going to hear this from other groups—we feel that the representation is dramatically skewed toward certain groups in the plan. For example, CUPE, which has about 45% of the members in the plan, gets one member. Fire has 4.75% of the members, and they get one member. They have about one tenth of the representation that CUPE has, yet they have one full member at the table. In addition, the police have about 10% of the members in the plan and they get one representative as well. The non-union groups, which many small municipalities across the province have, represent about 20% of members in the plan, yet they get no representation other than the possibility of somebody representing them through the three at-large members.

We truly feel that the representation as proposed in the plan is skewed. In our mind, it is skewed heavily toward fire and police. I think that tends to be the tone throughout the legislation, not only in terms of representation but also of supplemental plans. There's a fair number of other employees who work for both the municipalities and other municipal sectors beyond just the fire and police group. Our municipality, for example, has approximately 800 full-time employees and, of that, about 155 would fall under the fire realm.

In terms of supplemental plans—and I think this is probably the single most important issue by far that you are hearing and are going to continue to hear from municipalities—it's our opinion that the province should simply stay out of the business of directing where and when these supplemental plans should take place. It's our feeling that this should be the role of the sponsorship committee. You are turning over the responsibility of this plan to that committee, and our feeling is that you should let them do their job.

1040

In terms of our concern over it—I'm just going to read part of a letter that came to us from the honourable Minister of Municipal Affairs back in December. In that letter he indicates that, "If Bill 206 is passed, it will not"—and that is highlighted, the word "not"—"impose any new cost or pension benefits on any employer or employee. It will require that the proposed new sponsors committee set up, within 24 months, the supplemental benefit plan that will include the optional pension benefits outlined in the bill." In terms of reality—and I think you've already heard from Mr. Levesque—that is probably the furthest thing from reality in terms of what happens out there in the arbitration process.

You saw recently the city of Toronto going through a very complex issue with bargaining that evolved around what they called "retention pay." That's one small example of where an issue gets started in one municipality and

then really just spreads like wildfire throughout the province. Municipalities all across the province now are facing a 3%, 6% and 9% increase in firefighter and police wages, where there was an issue that started in the city of Toronto relating to retention. Once it catches hold in several municipalities the arbitrators take a very different view, going away from an issue like retention, and all of a sudden it gets reformed into: This becomes a benefit, this becomes part of wages and it becomes part of the normal compensation package. In our mind, once it goes out of the realm of the sponsorship committee and back to local bargaining—we would not have this problem with CUPE. CUPE has the right to strike; they do not have binding arbitration. Where you have a binding arbitration situation like fire and police, that control will be turned over to that arbitrator. I can tell you, municipalities will not be able to afford this, and I'll get to that a little bit further. In our mind, with all due respect to the minister, it's a very naive and unrealistic view of what will happen in the arbitration process.

I've been involved with negotiating fire agreements for approximately the last 25 years. In terms of how those settlements take place, just to give you a brief example: Arbitrators are supposed to effect a settlement that could have reasonably been expected to be negotiated by the parties in a free and open system. In our last two trips, the firefighters received 11% over two years; the rest of the employees got 6% over those same two years. In our last arbitration award, firefighters got 10% over three years, and our CUPE and management employees were getting approximately 6%. So over that 15 years in those firefighter settlements, the firefighters have gained wage advantages of about 10% over what was freely negotiated in a situation where the other employees had the ability to strike, and that's just the reality in this province with respect to the arbitration process. I could probably spend a lot more time on that, but I think it makes our point.

The arbitration process simply takes the control out of the municipalities' hands, and again, it's not the same kind of benefit that would be afforded to other employees. Here we are, setting up a supplemental plan for two specific sectors—three, if you look at the paramedics—which would not be available to other employees, who do very meaningful work for us as well.

I know you were interested in Owen Sound's costs, and I'd like to give you some indication of what our costs are and to answer the question that was answered earlier. We have done our estimates based on what we think the potential impact will be if supplemental benefits are awarded through an arbitration process. There are two main points. One is the accrual rate of 2.33%. Currently, the accrual rate for our pension plan is 2%, so it's 2% times your years of service. You can max out at 70% of your best five years' salary. That is the pension plan as it exists now. This proposal would take that accrual rate up to 2.33%, which would add additional benefit to those employees.

There are other provisions there that have been talked about, in terms of 25 and out with full benefits. We have

costed that. These costs have come from our municipal treasury people. In terms of St. Catharines, if those supplemental benefits that I just outlined are awarded by an arbitrator, it would increase our pension costs for fire by 101.5%. That would represent \$1.37 million for the city of St. Catharines. It would be an increase, bottom line, of 2.5% on every taxpayer in the municipality and represent a \$22-per-household increase for every household in St. Catharines.

Our concern is, we do not have a lot of new supplemental growth in St. Catharines. We are caught by new provincial legislation in terms of the new greenbelt plan coming out, which our council is supportive of, in trying to focus and concentrate growth. Our municipality is at its borders. We cannot expand further. We do not have the opportunity, like some of the high-growth areas around Toronto, to have supplemental growth that offsets some of our additional costs in any given budget year. If we're forced by an arbitrator to add \$22 per household on every household in the city, that takes away from other services that we are going to be able to provide to our constituents, whether that be recreational services, whether it be sewer and water improvements, road improvements or any other service that we provide. We are going to be having to look at reduced funding in those areas in order—because if we're arbitrated to award this, we do not have a choice. It's something that we will not have the flexibility to say, "No, we're not going to fund that."

I find it's very ironic, I guess, in a way that, after all the years that the province has controlled the pension plan—supplemental plans were something up to this point that the province indicated it would not get into, simply because it had too much potential impact on the taxpayers. But here we are, on the eve of the plan being transferred over to a sponsorship group, and the province is allowing the mechanisms for that exact thing to happen.

This will have far-reaching impacts beyond the municipal sector. You can be assured that as soon as these awards are given municipally, the OPP is going to be there, standing in line. You're going to have your nurses standing in line, and the trend will just continue. This will not stop, in our opinion, at impacting just the municipal sector. Our feeling is that these proposed amendments have far-reaching impact and far-reaching financial impacts across the province.

I thank you for your time, and I'd be happy to answer any questions.

The Chair: You've left about a minute for each party to ask a question. Ms. Horwath.

Ms. Horwath: I just wanted to ask a question around the arbitration issue. What percentage of your collective agreements with firefighters or police—maybe both—end up in arbitration, and how many are negotiated, historically?

Mr. Todd: Historically, I would say probably about one in three. We're actually going to arbitration right now. We're going to arbitration over a trend that started in the province with respect to retention pay, where our

firefighters' expectation right now is probably around 14%. That is significantly beyond what any other employee group has negotiated. Our success at arbitration has not traditionally been good.

Ms. Horwath: So one in three go to arbitration?

Mr. Todd: About one in three go to arbitration.

The Chair: Mr. Duguid.

Mr. Duguid: Thank you for taking the time to join us today and make your submission. We did listen very carefully to your comments. I guess the one thing that I would point out—and I'd ask you to stick around, if you could, to at least hear the Police Association of Ontario's deputation, because if I have time to ask a question there, I'll be asking them a question to try to give you some comfort. I'll ask you to review some of the previous testimony from both the police association and the fire association, who all have indicated that the idea of full take-up of these benefits is completely unrealistic. In fact, it would be cost-prohibitive to their own members, especially at a time when the basic plan costs are increasing. So I understand your concern. You're looking ahead, trying to see what kinds of costs may be anticipated. But I ask you as well, when you're talking about the impact on tax increases, to be realistic and not use the full worst-case scenario, which has been proven totally unrealistic. I ask you to take that into consideration too.

1050

Mr. Todd: If I could just give a brief response, our position is that the pension plan as it exists now for all employees, regardless of what take-up there would be under Bill 206, is a very, very good plan that provides very good pension benefits for all our employees. We do not feel at this time that there needs to be any notion of supplemental benefits awarded. When you look at most of our taxpayers, I don't think the majority of them have the same level or types of benefits that employees in the municipal sector currently have under the OMERS plan.

The Chair: Mr. Ouellette.

Mr. Jerry J. Ouellette (Oshawa): You mentioned the fact that firemen represented 4.5%, the police represented 10% and CUPE represented 45%, and each had a single member.

Mr. Todd: Yes.

Mr. Ouellette: What do you think the representation should be?

Mr. Todd: Our feeling is that what I'll call the non-union group, the group that is not represented by any association or bargaining unit, should certainly have some representation at the table. They have 20% of the plan members and do not have any representation in the present proposal.

Mr. Ouellette: What do you think the makeup should be, then?

Mr. Todd: In terms of the makeup, I certainly think they should be given a seat. I'm not sure that fire and police, simply in terms of their proportion in the plan, should have two members when those two members only represent about 14% to 15% of the plan membership.

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

ONTARIO ASSOCIATION OF POLICE SERVICES BOARDS

The Chair: The next group before us is the Ontario Association of Police Services Boards. Mr. Mukherjee, good morning and welcome. After you've introduced yourself and the group you speak for, you know the drill. If you leave us time at the end of 15 minutes, we'll be able to ask you questions.

Dr. Alok Mukherjee: Madam Chair and members of the committee, my name is Alok Mukherjee. I'm a director of the Ontario Association of Police Services Boards and chair of the Toronto Police Services Board. I have with me Barbara Hume-Wright, who is the executive director of the OAPSB.

I'm here today to speak on behalf of the 56 police services boards, whose employees make up about 10% of the membership of OMERS, about our profound concerns about the impact of Bill 206 and its very real potential to result in significant costs to municipal taxpayers, and to ask that you proceed very cautiously with the bill.

Established over 43 years ago, the OAPSB is an organization of civilian police governance boards across Ontario. Well over 85% of all police services boards in Ontario are members of the OAPSB, ranging from every large urban municipal board to the majority of the smaller section 10 boards. We represent the vast majority of police employers in the province.

The OAPSB recognizes that the province has goals that it wants to achieve through Bill 206. We would respectfully argue for the need to proceed with care in order to avoid any mistakes with a \$36-billion pension plan affecting over 355,000 employees and 900 employers. When devolution was originally proposed in 2002, the OAPSB supported it, recognizing that there were some legislative matters that needed to be addressed; for example, aligning control and ownership of the plan, and improvements to the appointments process.

But in 2002, OMERS was in a very different financial situation. The OMERS plan had a surplus and a contribution holiday. Today it has a \$2.5-billion deficit, which has necessitated a 9% increase in contribution rates, or \$137 million in new municipal expenditures this year, with similar increases projected for future years. This is a new \$137-million burden on property taxpayers, not one cent of which will go toward addressing any of the many challenges the police services boards face in keeping our communities safe.

The OAPSB is concerned about the undue rush to reform one of Canada's most important pension funds. The wholesale restructuring of something as complex and as important as OMERS ought to be thoroughly considered and carefully carried out. Since the release of Bill 206, the OAPSB has worked with other employers to try to prepare a credible analysis of this bill, and our review of the latest version of the bill continues to cause us great concern. Bill 206, as it is now amended, is in some ways even more flawed than the first draft because it fails to achieve the goals that we assume the

government set out to achieve; namely, an autonomous pension plan built on sound governance principles that will not unduly burden property taxpayers or members of the plan. Unless they are thoroughly addressed, these failures will have significant repercussions on this government, on the property taxpayer and on the people who depend on this pension plan.

At a minimum, the OAPSB position is that Bill 206 must be further amended to (1) eliminate the reference to police, fire and ambulance employees in sections 4 and 10, permitting the establishment of supplemental plans and legislating supplemental benefits; (2) make it clear that the sponsors corporation may not, subject to appropriate exceptions, implement changes in benefits for members or in contribution rates, by bylaw or otherwise, more frequently than triennially; and (3) totally eliminate the dispute resolution clauses in the bill.

I would like to acknowledge that some important changes have been proposed that would benefit employers, employees and property taxpayers. Of particular importance to the OAPSB is the amendment in section 9 that properly reflects a greater degree of autonomy. I would like to thank the standing committee for removing the requirement that all benefit plans be defined benefit plans. We appreciate the fact that the standing committee is looking to the future and the need to provide for flexibility to help ensure the long-term viability of the pension plan for its current and future members. I would also like to acknowledge the standing committee's responsiveness to amendments with regard to role clarity and distinction between the administration corporation and the sponsors corporation, proposed by OMERS and supported by us.

It does appear that the standing committee has listened to OMERS and has adopted many of its recommended amendments. Any continued perceived ambiguity and overlap vis-à-vis the roles of the sponsors corporation and the administration corporation is a very serious matter that will severely hamper the operation of OMERS. The OAPSB encourages the standing committee to carry out one last review of the bill to absolutely ensure role distinction and clarity.

The standing committee also heard our concerns with regard to the need to change the voting protocol and require a two-thirds majority vote of the sponsors corporation board for specified changes to the benefits plan. We acknowledge this progress and would encourage the standing committee to go further to ensure the long-term viability and affordability of the OMERS pension plan.

OMERS is not like other pension plans that the province has devolved. It has an extremely diverse range of employees and employers, including police services, whose employees make up about 10% of the OMERS plan. The government has characterized Bill 206 as an autonomy bill, yet the bill is not offering autonomy. It dictates detailed requirements, such as supplemental plans, and has the province naming the first appointees to the sponsors corporation and administration corporation

boards. Where is the autonomy when it is the province that will make direct appointments to the initial boards of these two corporations?

If devolution proceeds, the government must, at a minimum, give sponsors lead time of 12 to 18 months following royal assent to prepare to take on new sponsorship responsibilities. Furthermore, funding to enable stakeholders to adequately prepare for devolution needs to be addressed, with start-up costs alone estimated at somewhere between \$5 million and \$10 million. The government paid for transition costs in the devolution of the Ontario teachers' pension plan and the OPSEU pension trust, and it must do the same for OMERS.

1100

Bill 206 provides for supplemental plans, and with its amendments, the standing committee has extended those benefits to paramedics. It has gone further, to prescribe specific benefits that will have to be created within 24 months. The specific benefits set out in section 10.1 include 2.33% accrual on a go-forward basis, factor 85/80, and final averaged earnings of three or four years. The only accommodation that has been made to the employers is to limit one new benefit per local decision, but all that will result in is a series of one-year contracts until all benefits are built into the collective agreements of every police, fire and paramedic contract across Ontario. It is even conceivable that an employee who changes employers over the course of his career would have access to several different supplemental plans under a number of collective agreements.

The logistical challenges of supplemental plans are considerable and complex. All local supplemental plans—and they will be considerable in number when one considers the number of local collective agreements between fire, police and paramedic unions—would have to be managed and administered by OMERS on behalf of approximately 900 employer groups, not to mention the anticipated significant increase in actuarial and technology costs. The endless retirement benefits contemplated in this bill through supplemental plans will impact the base plan and will whipsaw across the entire public sector, including provincial services such as the Ontario Provincial Police. The standing committee is in a position to address this costly and unnecessary domino effect before it starts.

Minister Gerretsen has expressed confidence that municipal sector employers will negotiate fair and reasonable contracts. However, the employee associations have already made it clear that they will hold up this legislation to arbitrators as a promise for these enhanced retirement benefits. If Bill 206 is truly about OMERS autonomy, it must not impose any requirement on the sponsors corporation to consider supplemental plans. In a true autonomy model, these decisions would be left up to a sponsors corporation, not imposed by the province through legislation.

If Bill 206 is truly about OMERS autonomy, then section 45.1, which provides for transitional provincial regulation-making authority for establishing supplementen-

tal plans for a period of up to 36 months following proclamation, would not be a part of this amended bill.

It is difficult to understand why the province is proposing to apply a collective bargaining model to the management of a \$36-billion pension fund. Negotiating a \$36-billion pension fund in a binding arbitration environment will not work and essentially puts governance into the hands of an arbitrator. The OAPSB cannot support such a dispute resolution model. This approach is definitely not in the public interest and will prove disastrous for property taxpayers. It could also very well make the pension benefit unaffordable to its members.

Under Bill 206, an arbitrator would have a significant impact on the police services budget and the board's ability to deliver front-line policing in an affordable, efficient and effective manner. Our experience strongly suggests that the arbitrator will not have any regard for tax increases or the reduction of staffing and services required to accommodate his decision. The arbitrator will certainly not be accountable to the public, the taxpayers or the employees. If an arbitration decision on supplemental benefits is rendered at the sponsors level, then arbitration at the local level will happen with great ease. It is our experience that arbitration decisions are replicated across the province.

The standing committee has amended the bill to legislate the specific benefits that must be provided for by the sponsors corporation and has set out a timeline for such benefits provisions to be available, so why, with this requirement, are the arbitration provisions still in Bill 206? In fact, with the supplemental plan provisions in the bill, one has to question the need for the fire, police and ambulance advisory committee as well.

We asked our members to do their own costing analysis based on the potential impact of supplemental plans. In most communities, it is estimated that such costs will result in property tax increases of at least 3%. On a province-wide basis, that would amount to about \$380 million a year, without a single penny going toward addressing any public service needs and without factoring in the addition of paramedics to the calculations. Property tax dollars directed to pay for the province's decision to force supplemental plans will take municipal funds away from infrastructure and service requirements in every part of Ontario.

The Chair: Mr. Mukherjee, you have one minute left.

Dr. Mukherjee: I'll try and speed up. Thanks.

How can the province explain its decision to take an additional \$380 million a year from Ontario's property taxpayers and give them nothing in return but the promise of a further escalation in costs? This money will not fund any new policing initiatives, nor will it enhance community safety. It will in fact take officers off the street. It is \$380 million a year in unnecessary costs for municipal property taxpayers, legislated by the province to enrich retirement benefits in a system that is already the envy of public and private sector employees everywhere.

Labour costs associated with emergency services are already increasing much more rapidly than other labour costs for municipalities across Ontario. Emergency services are consuming an increasing proportion of municipal budgets, constraining the ability of municipalities to fund other programs. Minister Gerretsen has indicated that supplemental plans are necessary to recognize the important and dangerous work of our emergency workers, but emergency workers are already being compensated well above that which other municipal workers receive. I have some figures in the written presentation that you have.

The Chair: Mr. Mukherjee, are you wrapping up?

Dr. Mukherjee: I'm wrapping up.

The Chair: Good. You've exhausted your time, so if you could just do your final statement, please.

Dr. Mukherjee: I just want you to know that of the \$380 million that would be the extra cost on us, the share of it for Toronto police would be sufficient to hire 374 extra officers. We find it ironic that, on the one hand, the government has funded the hiring of extra officers—250 in our case—but on the other, the cost of this will prevent us from hiring more officers.

In conclusion, OMERS is a key player in the health and growth of Ontario's economy. We don't know why there is a need to interfere with this pension plan in this manner at this time. We would urge you to take the time to get this bill right, considering the best interests of the hundreds of thousands of Ontarians who depend or will depend on OMERS for their retirement.

Thank you.

The Chair: You've exhausted your time. There isn't an opportunity to ask questions. We appreciate you being here today. Thank you very much.

1110

COUNTY OF HASTINGS

The Chair: Our next delegation is the county of Hastings. Good morning, and welcome. If you'll all be speaking, could you identify who is with you this morning and, after you have identified yourselves and the community that you speak for, you'll have 15 minutes. If you leave us some time at the end, we'll be able to ask you questions.

Mr. Clarence Zieman: Good morning, Madam Chair and members of the committee. My name is Clarence Zieman. I'm the warden of Hastings county and mayor of the town of Deseronto. With me today is Charles Mullett, past warden of the county of Hastings and mayor of the town of Bancroft. Charles and I will be sharing our presentation to you today. We are also accompanied by Susan Horwood, our county treasurer and director of finance.

We appreciate the opportunity to appear before you today to discuss our concerns with Bill 206. Our time is short, so let me be direct. My colleagues and I of Hastings county continue to have a very serious concern about this bill. We also share the view that the Eastern

Ontario Wardens' Caucus and AMO hold on Bill 206. Let me be clear: We do not support this bill. Let me tell you why.

First and foremost, the property taxpayers we represent in Hastings county cannot and should not bear the financial burdens this bill will impose upon them. There is nothing in it for them except new costs to be borne. It should be no surprise to any members 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. I believe they are also beginning to understand the significant amounts of property taxes that are subsidizing provincial programs like social services, ambulance and disability programs. That subsidy now stands at \$3.2 billion annually, according to AMO.

Charles and I, along with our colleagues at county council, also know that our taxpayers expect something in return for their taxes. We are reminded of that every day. They expect services. They will not be happy 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 pleased. In fact, we are already hearing on the streets and in the coffee shops their concerns as they become aware of this bill.

Our county has examined the costs of the possible supplemental pension plans identified by OMERS. As we understand it, the province has not released any financial data that might have helped our analysis. I understand that AMO continues to seek your data in order to assess it, but to no avail at this time. The costs are significant. Our staff have determined that the county of Hastings could face annual new costs of more than \$1 million when all our employee groups are factored in. That represents a 5% property tax increase. Across eastern Ontario, the wardens' caucus estimates that nearly \$11 million per year may have to go toward pension premiums at the upper tier alone. We understand that in the city of Ottawa, their calculations indicate additional premium charges of over \$23 million annually.

Mr. Charles Mullett: The county of Hastings and the Eastern Ontario Wardens' Caucus, in which we are active members, have good reason to question the logic and the potential huge new taxpayer burden this bill will create. As some of you know, we have spent considerable effort over the past four years to document 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: 94.7% of all local assessment is residential. In Hastings county, residential taxpayers pay

93.5% of all property taxes. Across the east, commercial assessment accounts for 4.9% of total assessment, while industrial accounts for only 1.4%. In our county, it's 1.5% industrial and 5% commercial. When you superimpose the fact that family incomes across our region are on average 19% 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%, and in 2005 it was 1.3%.

The taxpayer is reaching the breaking point. The total county levy for our Eastern Ontario Wardens' Caucus members has grown by 25% in the past three years, from \$185 million to \$235 million. Is there any wonder why we are concerned about 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 are not being matched by funding from the province. Almost all of the 13 members of the Eastern Ontario Wardens' Caucus now finance 60% of the costs. The province has retreated to paying 40% rather than the agreed 50-50 sharing.

In our case specifically, the province is paying only 40% of our ambulance costs. In 2001, the total ambulance budget was \$4.76 million. The province paid \$2.4 million, as we did. Last year, our total costs had risen to \$8.95 million as we struggled to meet legislated response times and salary increases. We paid \$5.73 million while the province retreated to \$3.5 million.

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 pension benefits.

If we learned one thing from the last eight years, 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, not to mention the 1,300 kilometres of former provincial highways.

According to AMO, the potential new supplemental plans contained in the first reading version of Bill 206 meant a further hit of some \$380 million annually on the property taxpayer. That estimate now approaches some \$500 million annually as a result of the changes at second reading. One thing is clear: The 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 is \$66 million, and the annual estimate for the cost of the new supplemental plans—\$500 million—that is in excess of half a billion dollars that will be unavailable for these key services.

Beyond the financial crisis this bill will cause, I and my county council colleagues ask, 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 is 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 has been amended, we continue to have real concerns about the decision-making process written into it. Employing mediation and arbitration where a two-thirds majority on benefit improvements is not reached is an unusual model for decision-making. This labour relations approach does not appear anywhere else in devolved public pension administration, as far as those more knowledgeable than us know. The typical model is for 100% approval by a sponsors corporation for benefit changes. 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.

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.

1120

Mr. Zieman: As I stated at the beginning, the county of Hastings 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 included in the appendix attached, which are directed toward the governance and arbitration components.

Let me end with a short illustration of the financial impacts on my county. First, we already know that our regular annual OMERS premium is going up by \$125,000 in 2006. To some of you, \$125,000 might not sound like much, but in 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 well over \$1 million annually, and would have to be added to the county's budget. That translates into \$17 per household at the top end, and when you add in my town's costs 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.

The county, along with all 13 members of the Eastern Ontario Wardens' Caucus, faces a similar scenario of rising property taxes to pay premiums for supplemental plans. We ask you to consider our situation. With a shortfall of \$19.5 million for services downloaded by the last government and the looming loss of \$17 million in provincial transfers by 2008 under this government's

OMPF program, eastern Ontario counties are in a financial crisis.

Having the new costs of this ill-advised bill and the ongoing costs of subsidizing social programs is like being tackled and then being piled on. Our taxpayers cannot and should not bear this new burden that Bill 206 will create. You would be well advised to listen to municipalities before you move any further forward.

Thank you. We're open for questions.

The Chair: You've left about a minute for each party. Mr. Rinaldi.

Mr. Lou Rinaldi (Northumberland): Thank you very much, Warden. It's good to see you here. It seems we were together just a couple of days ago.

Mr. Zieman: Right on. It's nice to see you here.

Mr. Rinaldi: Mr. Mullett, just a clarification; I stand to be corrected. In your submission when you presented last time under the Eastern Ontario Wardens' Conference, your recommendation was to scrap the simple majority and go to a minimum two-thirds majority. I believe that's what was in your submission; I know I read it fairly intensively, being close to you. Yet, in this submission today from Hastings, you're saying, "That's no good. We need an absolute majority, unanimity." Can you explain why the change?

Mr. Mullett: I would suggest, Mr. Rinaldi, that looking at two thirds and looking at the unanimity of the whole thing, the consensus of all parties should be there.

Mr. Rinaldi: Okay. All I was questioning was that it's changed from the eastern Ontario wardens' presentation to today's. What caused that change?

Mr. Mullett: I would say that Hastings county has a little bit of a different opinion. That's basically all. We would like to have closer control of it.

The Chair: Mr. Hardeman.

Mr. Hardeman: Thank you very much for presenting on behalf of the eastern wardens.

This morning I heard someone suggest that the eastern wardens had had a presentation on this bill from the minister, who was introducing it, or at least he had spoken to representatives of the eastern wardens, and that there had been unanimous consent on second reading of the bill, on behalf of everyone, the way the bill was written. I just wanted to make sure for the record that that wasn't the case. In fact, we've expressed a lot of concerns about the bill and, as the opposition, we have never supported the bill unanimously, to get it here or anywhere else. I just wanted to point that out.

Again, on the total process: Could you tell me in just a few words what you see as the reason for this bill being before us at all? Do you see a need for this to happen?

Mr. Mullett: If you're asking me, Mr. Hardeman, I don't see a need for it at all. I think it should stay the way it's presently operated.

The Chair: Ms. Horwath.

Ms. Horwath: I wanted to ask you about your perspective when you talk about the final, all-in costs if all of the supplemental plans were taken advantage of to their fullest extent. Two questions around that: One is, do

you really believe that that would happen almost immediately within the first year or two? The second question is, do you think that there's any counter-pressure in terms of a member's ability to pay their portion of any supplementals?

Mr. Zieman: I would only guess on that part of it. I think that our wages in the eastern portion of Ontario are much lower than they are here. I would suspect that some of the members would have a problem with paying that extra cost. I would like to ask our treasurer and director of finance, Mrs. Horwood, if she has any comments on that.

Mrs. Susan Horwood: The costs we provided, that ranged from roughly \$100,000 to \$1 million, were individual. Each of the 10 supplemental plans were costed separately. Under the best-case scenario, where solvency was removed, we would be paying over \$100,000 a year for any of those benefits, and the piggybacking would increase the costs.

So over time, yes, I do believe that they would come in. We would be into the one-year contracts where they get one supplemental plan followed by a further supplemental plan the next year.

Ms. Horwath: And you don't think those increases would be in any way counterbalanced by the fact that plan members would also be paying in, and so that would then perhaps be a deterrent for them to be asking for the moon?

Mrs. Horwood: I would suggest that when the first group that wants it goes to arbitration and gets it, it will fall into all the contracts.

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

CITY OF BRAMPTON

The Chair: Our next delegation is the city of Brampton. Welcome. If you can identify the speakers today for Hansard. When you do begin, after you have introduced yourself and the organization you speak for, you'll have 15 minutes. If you leave time, we'll be able to ask questions.

Ms. Sandra Hames: Thank you. Good morning, Madam Chair and members of committee. My name is Sandra Hames, and I'm a councillor in the city of Brampton. With me today to my right is Marilyn Lembke; she's the manager of compensation and benefits at the city of Brampton. To my left is Deborah Reader, assistant to the city manager.

I've lived in Brampton for over 30 years, and I've been very proud to represent its taxpayers as a city councillor, since 1991. I also represent Brampton on the board of directors for the Association of Municipalities of Ontario, and I currently serve as chair of the Large Urban Caucus on that association.

On behalf of Mayor Fennell, who couldn't be here today, and Brampton council, I want to thank you for giving me this opportunity to bring our concerns and recommendations to you for Bill 206. My purpose today is to inform you of the position that Brampton council

has taken on Bill 206 and to let you know that, as an employer member of OMERS, the city of Brampton supports AMO's position on Bill 206.

I will outline Brampton's concerns on the bill, and in particular, the impact on the business and residential taxpayers of Brampton should this bill be implemented as it has been amended at second reading. Finally, I'll provide you with our recommendations on the bill.

1130

Brampton council has reviewed the financial impacts of Bill 206 and agree that it could not responsibly support the proposed changes to OMERS for the costs that will be passed on to Brampton taxpayers. As an employer member of OMERS, we agree with the issues that have been raised by AMO. Therefore, Brampton council passed a resolution at its meeting on November 14, which you would have received in our earlier submission, requesting the provincial government to reconsider proceeding with Bill 206 in its current form. The city of Brampton did in fact provide comment to that first standing committee, which you all should have received.

Once Bill 206 was amended at second reading and our review of these amendments was completed, Brampton council passed a further resolution on January 16 to continue to support AMO's position.

Brampton's review of Bill 206, as amended at second reading, recognizes three concerns:

(1) That supplementary plans shall be established within 24 months from when the act comes into force for police, fire and paramedics;

(2) That the bill continues to provide binding mediation or arbitration to resolve disputes at the sponsor corporation level; and

(3) The overall cost impact to the municipality from this legislation that will be passed on to Brampton taxpayers.

I will outline our concern with each of these issues in the next few pages.

The amendments to Bill 206 that were made at second reading now require that supplemental plans be established within 24 months from when the act comes into force for police, fire and paramedics. Also, the newly amended bill limits one supplemental plan per negotiated collective agreement that has the potential to diminish long-term collective agreements. It continues to provide for binding mediation-arbitration at the sponsor's corporation level.

The decisions for contribution rates and supplemental plans are now out of the board's control and become the award of an arbitrator. This award will have a direct impact on the municipal tax rate, where the cost is borne by the taxpayer, without consideration of the municipality's affordability or budgeting process.

Costs associated with the establishment of a sponsors corporation are estimated by OMERS to be between \$5 million and \$15 million, funded through OMERS. Employers and employees will be responsible for increased administration costs, resulting in contribution increases and raising municipal tax rates.

Supplemental plans for fire employees alone, based on Brampton's 2005 complement, represent a total increase of \$2.5 million, or a 101% increase to the corporation's contributions to OMERS, and this doesn't include the regional levy for police and ambulance costs.

Other potential costs to a municipality that are passed on to the taxpayer include increased administration costs for OMERS, potential costs of acquiring the necessary pension/actuarial expertise and potential higher wage increases that may be negotiated to offset the extra costs to the employees of supplemental plans.

After Brampton reviewed these financial impacts and the costs that will be passed on to Brampton taxpayers, it was agreed that council could not responsibly support the proposed changes to OMERS.

Before the bill proceeds to royal assent, the city of Brampton recommends that the province undertake a financial and logistical impact study of the proposed changes to the structure of OMERS. We ask the province to consider in this review the original intent of the devolution of OMERS for autonomy in the composition and decision-making processes for the sponsors corporation. The simple majority vote and its implication for binding arbitration should be eliminated for the sponsors corporation to operate efficiently.

Lastly, we ask that you remove supplemental plans, due to the potential cost impacts that these will have on the city of Brampton and our citizens.

Finally, I did present to you in the package a letter from Michael Luchenski, the president of the Brampton Board of Trade. I would just like to highlight a couple of paragraphs in that letter. In the first paragraph: "In particular, we are concerned about the serious financial implications that this proposed legislation will have for municipalities and ultimately for businesses and residential taxpayers."

In the last paragraph: "In recent years, our municipality and many others throughout Ontario have experienced significant tax increases that impose an increasingly heavy burden on business and residential taxpayers. The proposed Bill 206 to reform OMERS legislation will exacerbate these increases, with no additional benefit or value in programs, services or infrastructure to taxpayers. Bill 206 will have the effect of removing the related costs from the general budgetary process and thereby impose an unnecessary tax increase. This is unacceptable and detrimental to the competitiveness of our economy."

I would suggest that you read the rest of this letter from the board of trade.

I would like to thank you for your attention. We'd be happy to answer any questions that you may have.

The Chair: You've left two minutes for everybody to ask questions, beginning with Mr. O'Toole.

Mr. O'Toole: Thank you very much for your presentation. We've heard many of the same concerns. I hope that Mr. Dhillon and Mrs. Jeffrey—I see they're copied on this memo—represent their actual constituents, as opposed to the rough handling by the McGuinty

government of downloading this responsibility to the municipality.

I just want to ask one question, primarily to the staff: What per cent of your operating budget today is wages and benefits? That's a pretty standard question. It's about 75% to 80%, probably?

Ms. Marilyn Lembke: At this point, I think it's about 79%.

Mr. O'Toole: So this implication for enhancement, implicit in all municipalities, is really, ultimately, a payroll issue. Can you tell me why you believe the government is doing this? I don't see how it's affecting the vast majority of these entitlements which have been negotiated by municipalities. You've got the arbitration factor in here as well, where it takes a big part of your future costs. As I see, it's a 101% increase. These are pretty considerable. You're elected as well.

Ms. Hames: I believe they were doing this initially for autonomy on the OMERS board. We believe that this will not be an autonomous board. We'll be negotiating at the local level.

Mr. O'Toole: Do you recommend that the government completely remove and reconsider this bill?

Ms. Hames: We're asking that the province undertake a financial and logistical study before they proceed with the bill. We're asking them to review the original intent of the OMERS devolution bill.

Mr. O'Toole: I appreciate that. Thank you.

The Chair: Ms. Horwath.

Ms. Horwath: I'm wondering about your assertions on page 7, where you speak to the supplemental plans for fire employees alone creating an increase of \$2.5 million, a 101% increase in the contribution to OMERS. Can you explain where you get those figures from and what your assumptions are behind some of those calculations?

Ms. Lembke: We participated in a costing analysis that AMO had asked of municipalities. It was prepared by municipal finance officers. We took our current payroll, as of 2005, and we then costed out the supplemental plans of 2.33% and the 25 and out, and that came to a total of \$2.5 million, which represents a 1.67% tax increase to our taxpayers at this point. It does not take into account salary increases that have been negotiated. It was strictly based on 2005 figures. The firefighters negotiated, I think, an increase of 3.5% in 2006, and that will of course enhance or increase any of those if it goes forward.

1140

Ms. Horwath: Can I ask two things, then, in your experience with negotiations with the fire association, since we're on that as an example? First of all, to what extent do your negotiations tend to be successful in terms of gaining collective agreement, or to what extent do they end up in arbitration? Secondly, do you expect, in your experience, that the requests for supplementals may be offset by perhaps reduced requests for wages, for example, so that when you're looking at your negotiations, you're looking at a compensation package that

might—the pressure for additional supplementals might therefore be reducing the requests for wage increases?

Ms. Lembke: In response to your first question, of the last five collective agreements that we have negotiated with fire, four have gone to arbitration. In regard to off-setting wages, the general conversations or notes to collective agreements right now—we do not have one with our fire association, but there have been fire associations throughout the province that have requested that municipalities or the employer put in a letter that in the event that the accrual of the 2.33% goes in, the municipality or the employer will consider paying the difference. So now they're saying, "Yes, we want the 2.33%, but we also want the employer to pay the difference, what that would cost the employee."

These are areas that aren't out there a lot. We know it's been talked about in compensation groups that I've been involved in. That's another major impact to the corporation or to any employer.

The Chair: Mr. Duguid.

Mr. Duguid: I notice on page 5 of your report, and this is what you've said as well, that you're concerned that "the newly amended bill limits one supplemental plan per negotiated collective agreement." You indicated that "that has the potential to diminish long-term collective agreements." I'm assuming that you've looked at it from the employees' side as well, because we've heard a lot from the employees' side at this committee, and there is a tolerance as to how much the employees can afford. You seem to be forgetting that anything that costs the employer is also going to cost the employee. Have you taken that into consideration at all? It seems, when you make a statement like that, that you're totally ignoring the fact that employees are not going to be able to afford to ask for all the benefits that may be available, certainly—probably ever.

Ms. Hames: We haven't disregarded that at all. In fact, we did say that it's an additional cost to our employees also. But the employees, especially those in a union that can negotiate an increase, will then tend to negotiate that increase to include that cost. That is our fear in the negotiated increase. Then we have on the other side the employees who are not in any union, and we have to deal with their increases as well. In the end, once one employee group negotiates an increase to deal with that supplemental, to deal with that additional cost, it reverberates to everybody in the organization to do that.

The Chair: Thank you.

Mr. Duguid: Madam—

The Chair: It had better be a really quick question.

Mr. Duguid: Just going back to page 7, where you're indicating, "Potential higher wage increases that may be negotiated to offset the ... employees of the supplemental plans," I agree with Ms. Horwath. I think it's the other way around. You're given a package that a group would come in to collective-bargain with, and in all likelihood, even an arbitrator—it's not carte blanche. Employees don't get everything they ask for in arbitration. You seem to be suggesting that everything employees ask for in

arbitration, they get. If that were the case, firefighters and police would be making \$200,000 and \$300,000 or more each year. Maybe they already do, but I don't think they do.

Interjections.

Mr. Duguid: Some people are nodding their heads.

The Chair: Ms. Hames, I'm going to let you have the last word.

Ms. Hames: I don't have the figures right in front of me, but four out of our last five negotiations went to arbitration, and there were substantial increases to the firefighters in that, over and above what everybody else in the corporation was receiving, in four out of the last five.

The Chair: Thank you very much for your delegation.

Ms. Hames: Thank you very much, committee, for your time.

POLICE ASSOCIATION OF ONTARIO

The Chair: Our next delegation will be the Police Association of Ontario. Good morning, and welcome. As you settle yourselves, I'm sure you've heard this a number of times, but could you introduce the individuals who will be speaking and the organization that you speak for. When you do begin, you will have 15 minutes. If you leave time, we'll be able to ask questions or make comments.

Mr. Bruce Miller: Thank you. Good morning. My name is Bruce Miller. I'm the chief administrative officer for the Police Association of Ontario. To my right is Bob Baltin, our president, and to my left is Dave Wilson, president of the Toronto Police Association.

The Police Association of Ontario, or PAO, is a professional organization representing 30,000 police and civilian members from every municipal police association and the Ontario Provincial Police Association. We've included further information in our brief on our organization.

We're also pleased to advise that a number of our members are in attendance today to lend their voices to this important discussion. Unfortunately, they couldn't get into the room today, but we have members here from across the province, including Brantford, Barrie, Chatham, Durham, Halton, Hamilton, London, North Bay, Niagara, Ottawa, Peel, Peterborough, south Simcoe, Sudbury, Toronto, Waterloo, York and Windsor. I apologize to those members that I've missed. We're also joined by members of the Ontario Professional Fire Fighters Association, who are here in support today.

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 employees and employers. Our association has worked co-operatively with all stakeholders on the matter of OMERS autonomy. While some groups have been resistant to the government's proposals, we have worked closely with the Ontario Professional Fire Fighters Association to

forge a common position for emergency first responders. We are pleased to report that our two 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. As you know, we appeared before this committee on this important issue on November 23, and we have copied our previous brief for your information. We would like to use our appearance today to clarify certain issues and to answer any questions that you may have.

We would like to start by commenting on some of the unfounded claims made by some that the legislation does not have the support of all employee groups. We strongly disagree with this and are here today on behalf of our entire membership, which was united in support of this legislation.

Some employee groups would tell this committee that the proposed changes to the municipal pension plan are being done in haste and without due consideration or regard for all policy impacts. To the contrary, comprehensive consultations and discussions on OMERS autonomy have been ongoing since 1995. Despite best efforts over this period, these talks have failed to achieve results until now.

This government made a clear commitment to move this issue forward. It is indeed unfortunate that certain groups refused to participate fully in the process. Members of this Legislature are to be congratulated for considering this important legislation. It is time that corrective steps are taken to ensure that Ontario's emergency service workers do not lag behind their colleagues in other provinces and jurisdictions throughout North America.

There has been a great deal of controversy and, frankly, misinformation over the cost implications of the supplemental plans for police personnel, and we would like to set the record straight. We would also like to point out that these plans are not mandatory and must be negotiated locally to meet local needs.

We have used figures from the city of London as an example. London has 551 police officers and 176 civilian members. London is facing the same challenges with regard to violent crime as other communities across the province. Last year, London was hit with a record number of homicides. The crime rate increased; assaults on police officers rose by 98%. Two of their police officers were shot in the midst of a triple homicide, and several others were shot at in another incident. The London situation is representative of the need to ensure that police services are continually rejuvenated with front-line personnel who possess the youth and physical ability to perform their required duties.

1150

We have costed out the various benefits available under the supplemental plans that could be paid by both employees and employers when solvency relief is incorporated. We have also included the costs for London's fire personnel. There is a table included with our brief that lays out all the costs in a transparent manner. Frankly,

some individuals and organizations have exaggerated the cost predictions. An 80 factor for police officers works out to only \$364 per member per year. That figure is equivalent to an eyeglass coverage benefit. An 85 factor for civilians is even more affordable.

The London police service has a budget of over \$66 million. The total cost to the employer and employees of incorporating the lower retirement factors would be \$229,000 for each group. To put things further into perspective, a 2% pay raise for London police personnel equates to over \$1.2 million.

We note that AMO in their previous presentation to this standing committee estimated the cost to London for police and fire benefits to be approximately \$8.3 million. We ask you to note that these benefits are not mandated and must be negotiated locally to meet local needs. Our members pay equal contributions to that of employers and are also very conscious of increased costs. There are legislative restrictions on negotiating more than one benefit at a time. The 2.33% accrual rate and the 80 factor both promote early retirement, so there would be no need to negotiate both benefits. Finally, a four-year average's earning is also available at a lower cost.

The most costly scenario would see the following benefits available to London's police and fire: a 2.33% accrual rate for NRA 60 personnel, an 85 factor for NRA 65 personnel and the best three final average earnings for all personnel. In the highly unlikely event that all the benefits were available, the cost would come in at a little over \$2 million and is a far cry from AMO's estimate of \$8 million.

We have done similar comparisons in other locations: Aylmer, \$29,000 versus AMO's estimate of \$119,000; Brockville, \$178,000 versus AMO's estimate of \$654,000; Hamilton, \$2.8 million versus AMO's estimate of \$11.4 million; and St. Thomas, \$251,000 versus AMO's estimate of \$912,050.

As members of our community who pay taxes and raise our families, we want to ensure an affordable pension program. This bill includes reasonable safeguards to ensure an affordable program. We assert that the government's proposed changes are within reason and can be tailored to meet the needs of employers, employees and local communities.

We would also like to comment on the merits of OMERS remaining as a defined benefit plan. The PAO believes that section 9 as originally introduced should be reinstated so the statute is absolutely clear that every OMERS pension plan remains a defined benefit plan. Studies have consistently shown that defined benefit 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 also much higher.

The other specific area we'd like to comment on is the CPP offset. The legislation puts a cap on the CPP offset. Our retired members have correctly pointed out that this would effectively prevent the CPP offset from ever being

brought in line with our other plans. We believe that this is an area that should be left to the sponsors corporation and would urge that the legislation be amended. We have also made some other specific recommendations for change which are included in our brief.

Police and other emergency workers are unique employer and employee groups in the OMERS pool. 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 to attract qualified personnel to the profession. High-stress shift work contributes substantially to the need for an early exit option. Plans such as these also ensure that police services are continually rejuvenated with the 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. This is coupled with the reality that the process of civilianization in police services has forced older officers to remain on the front lines.

Ontarians realize the challenges to community safety that police are dealing with across Ontario. We believe that Bill 206 will enhance policing and community safety, and would urge its speedy passage.

We would like to thank the members of the standing committee for the opportunity to appear before you once again and would be pleased to answer any questions you may have.

The Chair: You've left about a minute and a half, generally, beginning with Ms. Horwath.

Ms. Horwath: I'm really pleased that you put together a comparison in terms of calculations that you undertook versus calculations that we've seen from other municipalities. I'm wondering if you could give me a quick understanding of why the numbers are so different from your calculations versus the ones that were previously before the committee.

Mr. Miller: Other groups have costed benefits that are not on the table. I've heard groups speak of 25 and out and things of that nature that aren't being proposed. Certainly, the Minister of Finance has promised solvency relief on these supplemental plans, which is going to make things affordable not only for employees but employers as well.

Ms. Horwath: I have one last question. When you indicate at the beginning of your brief that all employee groups support the legislation, I don't think that that's quite true. Perhaps all employee groups that you represent across the province support the legislation.

Mr. Miller: Sorry. Just to clarify, if I misspoke, my point was to say that some are claiming that all employee groups don't support the legislation. But certainly in the policing community, our support for it is universal.

Ms. Horwath: Right, and that was the clarification: within the policing community, within the fire community. But I think we'll hear later on today that there are

some concerns from other employee groups that haven't been considered by the government.

Mr. Miller: That's right. Certainly.

Ms. Horwath: Thank you very much. I appreciate it.

The Chair: Mr. Duguid.

Mr. Duguid: I guess in comments I've heard from the opposition party today, I was a little surprised to hear Mr. O'Toole, for instance, suggest that he would support a delay of this legislation to further study it. I would ask for your comments on that. Would you support further delay, or do you think it's time the government finally moved forward with doing something that I thought the previous government was planning on moving forward with as well, some time ago?

Mr. Miller: Certainly talks were first introduced in 1995. I think I am the most unfortunate person in the room, because I've been the only one at the table consistently since that time.

In any event, it was moved forward under the government of the day in 1995. It was moved forward again under Mr. Eves's government, and certainly the Premier made a clear commitment going into the election that this issue was going to be moving forward. Frankly, we have had ongoing discussions since 1995. Some of the misinformation, I think, is unfortunate, because certain stakeholder groups did not come to the table. But that was their choice.

Mr. Duguid: Mr. Rinaldi has a quick question, Madam Chair, if there's time.

Mr. Rinaldi: Just a quick question. I guess the misunderstanding, or the not being clear—including me, I must say. When we talk about the calculation of the costs—the exercise that you took when you were doing your costing using London as an example—are you comparing apples to apples with the scenarios they've used? There's a huge discrepancy. I guess I've got to get it clear, following Ms. Horwath's question. Are we costing the same things?

Mr. Miller: That's where I go back to—the costing formula is transparent and clear. I just invite the members of the committee to look at how these are being costed out. I think you will find that these figures are accurate and way below some of the unaffordable costs that our members wouldn't support.

The Chair: Mr. Hardeman.

Mr. Hardeman: Thank you for the presentation. I appreciate the clarification of "all groups supporting it." I noticed, by the newspaper ads, that CUPE is not totally enamoured with the legislation.

I just want to go to the numbers, and I think this is so important. There is a great discrepancy between what the municipalities—the employers—and the employees are saying the cost of this plan will be. I've been putting forward that I believe that the impartial third party should be the government that is introducing the legislation. They should come forward with the accurate numbers, what they project it will cost to do this, rather than asking the committee to make the decision of one or the other.

1200

In your explanation, Bruce, you mentioned the fact that the municipalities are using some things in the supplementary plan that are not available. But under this bill, is it not possible for the sponsoring body, the board, to in fact include more things in the supplementary plans in the future? Some of the items that you mentioned, which you say are not there today, could be there two years after the devolution of this plan, could they not? Would that not bring forward concerns about what will happen if that can all be done through arbitration?

Mr. Miller: In terms of any argument, anything is possible, but it's certainly something that our group would have great concerns about because there are huge cost implications here. I think, when the Minister of Finance comes out and makes a clear statement that solvency relief is forthcoming, it's going to have a huge impact on these costs, and it's not realistic to cost these benefits without including solvency relief. Let's look at the realistic situation: We're talking about \$364 of benefits. Those are the ones that are affordable to employees and employers, not the pie-in-the-sky benefit costs that will never appear and, frankly, wouldn't be acceptable to both employees and employee groups.

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

Mr. Miller: Thank you.

Mr. O'Toole: On a point of order, Madam Chair: On the question that Mr. Hardeman raised, and the discrepancy that Ms. Horwath raised as well, I would ask legislative research or someone to come up with numbers that compare AMO and the presentation we just had. At the end of the day, it's a reasonable question to ask—the parliamentary assistant is here and there are ministry staff here as well—to clarify what this shift of responsibility is going to cost.

The Chair: Okay. That's been recorded.

CANADIAN UNION OF PUBLIC EMPLOYEES, LOCAL 4400

The Chair: Our next delegation is the Canadian Union of Public Employees, Local 4400, Toronto. Good afternoon, and welcome. Thank you for being here today. Before you begin, if you could identify yourselves and the group that you speak for. When you do begin, you'll have 15 minutes. Should you leave time at the end, we'll be able to ask questions or make comments.

Mr. Jim McQueen: Thank you. My name is Jim McQueen. I'm representing CUPE 4400.

Ms. Colleen Costa: Hi. I'm Colleen Costa. I'm also representing CUPE 4400.

Mr. McQueen: I'd like to thank the committee for the opportunity to speak to you today.

CUPE 4400 represents some 15,000 educational employees in the city of Toronto. It also represents the second-largest employee group enrolled in the OMERS pension plan. At the outset, we would point out that

CUPE 4400 is a member of CUPE Ontario and endorses their submission to this committee.

We would begin by congratulating the government for initiating a review of the OMERS pension plan with the intention of creating a partnership between the employer and employee groups that fund the plan. That said, we would point out that meaningful partnerships are created by thoughtful negotiations between the parties, as opposed to a legislated arrangement imposed on groups. We acknowledge that the proposed legislation is a good beginning and recommend that the government postpone passage of the act to allow the two interested parties to meet in face-to-face discussions. The purpose of these discussions would be to recommend to the government legislative changes supported by all parties which would design an appropriate model for OMERS. This would result in a pension organization best suited to the partners, providing long-term stability and guaranteeing the creation of an amended pension plan that would act in the best interests of the members of OMERS.

CUPE 4400 has significant concerns about the proposed amended legislation. Most of our concerns are administrative, which we'll itemize later in this brief. However, as an overview, we believe that the legislation as presently written is unworkable and designed to create impotency and chaos, with most power resting with an unaccountable administrative corporation. The effect of the legislation is to create a sponsors corporation made up of multiple organizations, none of which have unity of purpose and many of which may want to play out a political agenda that has nothing to do with the welfare of the participants of the pension plan.

Moreover, the decision-making process requires a two-thirds majority to make decisions on matters of importance to the welfare of the members. This requirement is unconscionable. Our political system, our social beliefs and our society create a reasonable standard of a majority vote as the means of determining approval for day-to-day decisions. Only in those cases where profound decisions are required is that standard raised. Time-to-time decisions made for the benefactors of a pension fund can hardly be defined as profound. CUPE 4400 believes that the requirement of a two-thirds majority, combined with the above-referred-to lack of unity and possible diverse political agendas, will result in a stalemate which will degenerate into bickering, with few or no decisions. While there is an arbitration system established, this process should not be the usual course for decisions. Experiences in other pension plans show that only in the most extreme cases should partners seek recourse to these provisions.

In relationship to specific concerns, CUPE 4400 believes that the composition of the sponsors corporation is too large and unwieldy. There is no necessity to have 22 individuals appointed to the corporation. This problem is compounded when the individuals come from diverse organizations driven by agendas particular to their organizations and without a commitment to the welfare of OMERS or its members. The number of members of the

sponsors corporation should be reduced to a smaller number agreed upon by the partners, with their method of selection determined by the partners.

In relationship to the administration corporation, we have similar concerns about the size of the corporation. Additionally, the powers of the administration corporation are too broad and result in the control of OMERS by the administration corporation. These powers should rest with the sponsors corporation. Administrators' powers should be just that: They should be limited to the day-to-day administration of fund and investment recommendations.

In relationship to the advisory committees: These committees are surplus and perform functions best left to the partners corporation. The existence of these committees enhances the possibility of dispute through competing groups demanding different benefits.

In relationship to voting: For the reasons outlined in this overview, the number of votes necessary to make decisions should be a simple majority. In addition, the referral of issues for mediation should occur when a sponsor requests it, as opposed to the requirement that there be a majority vote on the partners corporation before an issue is referred.

The provisions made for police and firemen only are discriminatory, especially as they relate to women, and create unequal benefits for the members of OMERS. The ability of all members of OMERS to negotiate supplemental plans should be clearly stated. Additionally, the caps specified in the bill should be removed. These issues are presently controlled by pension law. Any changes should be determined by the sponsors corporation and existing legislation.

Member organizations should vote based on the concept of representation by population in whatever the structures the sponsors corporation or participating organizations determine to be essential to meeting the goals of a true partnership.

The responsibility of the government for OMERS should not conclude with the passage of the act. The design of a pension partnership, a partners' agreement, rules and procedures governing the partners and administration corporation and the myriad of necessary procedures are complex. The government should undertake to provide the guidance, forum and mediation necessary to ensure that these complexities are properly dealt with and resolved.

In conclusion, CUPE 4400 would reiterate its compliment to the government for its attempt at changing the relationship at OMERS. We would now ask that the committee take into account the contents of this paper and follow the directions set out, which we believe would create an OMERS pension dedicated to good management, with the interests of the members paramount in its operation.

1210

CUPE 4400 believes that the present version of Bill 206 is badly flawed because it does not deal with the present difficulties of OMERS. In fact, the bill com-

pounds the problem through a complex structure and voting requirements which have the potential to render the OMERS pension moribund and stagnant.

I would just make one final comment, if I may, and I'm referring to the introduction; I know I've got it back to front. The underlying rationale for our presentation today is the need to establish a co-operative of employees and employers dedicated to a single purpose: proper management of OMERS to create the best possible pensions for its members.

Chair, I would ask if you would recognize Colleen briefly.

Ms. Costa: I'm an office administrator with the Toronto District School Board and also a 10-month, one-week employee. I also represent over 8,000 members of CUPE Local 4400, Toronto education workers. I wanted to speak to you to give you some idea of the problems our members deal with, to give some reality of the issues that you are discussing today and to underscore the complexities of pension discussions.

Many of our members are special-needs assistants, educational assistants, office admins and clerical staff, music instructors, and safety/hall monitors, to name a few. These are staff who take care of our children. Many of these employees are 10-month employees. The effect of this is that, after a 20-year career, a woman at age 65 is 20 months short of a full pension because of the nature of her employment. The imposition of an additional two years of employment to reach full pension is unfair.

Mr. Duguid is quoted in the paper today praising firemen and police for their service and bravery as they carry out their duty and indicating that they deserve consideration at the time of retirement. I endorse these comments, but I question whether a 60-year-old woman working in a special-education class, subject to struggle with an out-of-control youngster, is at any less danger and not deserving of consideration at the time of her retirement as the result of her contributions to society and the welfare of its citizens.

We wish to have a voice to negotiate pension improvements for our members. We need reasonable people to sit down and make reasonable solutions. Thank you for listening. I'm positive we can work together. This issue is too important not to take the time to get it right.

The Chair: Thank you. We have about a minute and a half for each party, beginning with Ms. Sandals.

Mrs. Liz Sandals (Guelph-Wellington): You've made some rather dramatic statements, Jim, about the composition of the sponsors corporation. You're talking about the fact that you think the current composition has members who do not have a commitment to the welfare of OMERS; essentially, by implication, that is what you're saying. I'm wondering which members you're suggesting should be removed from the current sponsors corporation.

Mr. McQueen: Well—by the way, how are you?

Mrs. Sandals: Fine, thanks. Jim and I know each other.

Mr. McQueen: We're not suggesting removal. What we are suggesting is that the number is too large. We believe that if the employee groups get together and the employer groups get together, they can hammer out and find the best way to find delegates that they can send, then, to the partners corporation. They also can develop the structures necessary to make OMERS function.

I would use the analogy, and I'm sure you won't be surprised, of the teachers' pension fund, where it has a limited board of directors, and their only job is to represent the groups, the teachers or the employer—in this case, the Ontario government—but at the same time to operate the funds in the best possible way.

The problem you have now, especially in the legislation, is that you have all of these groups come together. There's no suggestion or process as to how they're going to work out the transition here or the bylaws or anything else, and right at the moment, as has been evidenced by the evidence you've received, they have conflicting positions. What we would like to see is a co-operative model created whereby everybody is on the same page, attempting to do the same thing.

Mrs. Sandals: But surely, together, if you remove players, you are in fact going to create more issues rather than less issues, because you're going to have more people feeling disenfranchised. One of the issues that I've certainly heard about in my constituency office is the concern about non-unionized employees and their representatives.

The Chair: Thank you, Ms. Sandals.

You can respond to that.

Mr. McQueen: What we are suggesting is that, outside of the OMERS structure, these groups can come together, make their decisions and decide who they want to represent them. Those people can then have their marching orders and can go to the meetings with instructions on how they will act. I don't think anyone loses any representation by virtue of reducing the size.

The Chair: Mr. Ouellette.

Mr. Ouellette: Thank you very much for your presentation. Mr. McQueen, you mentioned during your presentation—it was very specific—that you felt there were certain discriminatory acts toward women, particularly with the fire and police. What part of the bill are you referring to specifically?

Mr. McQueen: It's in relationship to the supplemental plans.

Mr. Ouellette: So it's just as relates to the supplemental plans?

Mr. McQueen: That's right.

The Chair: Mr. Hardeman.

Mr. Hardeman: I too want to go to the supplemental plan. First of all, I want to say, on 25 years in the fire service, that I appreciate Mr. Duguid's comments about requiring an adequate pension plan when they've served their community so well. My question really is to Mr. Duguid. If we work on the premise that they will all be negotiated, that it will be mutual agreement by employer and employee, why is a supplemental pension plan not

good for all employees? If at the end of the day the decision on supplementary plans and what type of pension we're going to have has to be supported by everybody involved, I can't understand why this bill would then not allow supplementary plans to whichever employee groups and employers felt it appropriate to negotiate one.

The Chair: So your question is to Mr. Duguid and not to the delegation?

Mr. Hardeman: Yes. The question is to the parliamentary assistant.

Mr. McQueen: I support his question.

Mr. Duguid: The simple answer is that the bill doesn't prohibit supplementary plans to be negotiated by other parties.

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

Ms. Horwath: Madam Chair?

The Chair: Sorry. I forgot Ms. Horwath.

Ms. Horwath: I wanted to explore the same issue. It seems to me that the history of this bill—not the past history, but this bill particularly—saw many of the employee groups working together to hammer out where everybody stood in terms of what they'd like to see happening with the devolution of OMERS. I'm putting this out to you as a question, because this is how I see it in my mind. Everything was rolling around fine until the actual legislation was tabled by the government and the government decided to treat different employee groups differently in this legislation. As a result, you now have employee groups that are very much invested in this issue but, unfortunately, there is no longer any consensus at all. The issue is around the caps and around the extent to which supplemental agreements are supported by the bill. Can you comment on that in terms of the perspective that I see and whether or not you think the government did the right thing by dividing employee groups in the tabling of this bill?

Mr. McQueen: The simple answer is that I would concur with your description of the issue, but I also would extend it to the point that at some stage you've got to pull all of the employee groups together, all of the employer groups together, synthesize their approach and then come up with a single plan that everyone can support. I would use the Ontario teachers' pension plan as evidence of the possibility of this. So it can be accomplished. That's why we say the bill is fatally flawed, because that co-operative environment is not established.

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

Mr. O'Toole: I have another question of the legislative researcher or legislative counsel.

The Chair: Can I address this group so we can get the next group going, and then you can ask your question?

Thank you very much. We appreciate your being here today.

Mr. McQueen: Thank you.

The Chair: Mr. O'Toole.

Mr. O'Toole: I was looking at section 4 of the bill under "Supplemental plans." It does specify police and

fire, and I gather it also now includes ambulance. I'd ask research to determine if in fact it does discriminate—as Mr. Hardeman has suggested in his question to the parliamentary assistant—which is eminently unfair and impractical.

The Chair: Thank you, Mr. O'Toole.

1220

MAYORS AND REGIONAL CHAIRS OF ONTARIO

The Chair: The next delegation on my list is the Mayors and Regional Chairs of Ontario: Mr. Garrett. Welcome. We're glad you're here today.

Mr. Michael Garrett: Thank you, Madam Chair.

The Chair: If you could identify yourself and the group that you speak for, and when you have introduced yourself for Hansard, you will have 15 minutes. If you leave time, there will be an opportunity to ask questions.

Mr. Garrett: All right. Good afternoon, Madam Chair and members of the standing committee. My name is Michael Garrett. I'm the chief administrative officer for the regional municipality of York. I'm here to speak to you today on behalf of the mayors and chairs of Ontario to express our concerns about Bill 206 and to urge the committee to recommend further consultation and assessment of the full financial implications of the proposed legislation.

MARCO—the mayors and chairs group—is comprised of 15 single-tier and regional municipalities across Ontario, including the cities of Windsor, London, Hamilton, Toronto and Ottawa and the regions of Durham, Halton, Niagara, Peel and York. Our member municipalities comprise 70% of the population of Ontario. We employ over 62,000 unionized and non-union employees in a broad range of municipal services, including public health, social housing, long-term care and the construction and delivery of important infrastructure. MARCO's members are also responsible for police, fire and ambulance services. As such, MARCO represents a significant portion of OMERS stakeholders.

MARCO and its members have many concerns about Bill 206. You will hear from several of our members during these hearings on issues including governance, dispute resolution and plan design. I'm here today to speak to you about the significant cost implications of this legislation and the burden those costs will impose on municipalities and on Ontario taxpayers.

MARCO is definitely not convinced that the OMERS plan needs to be autonomous from provincial sponsorship. However, if the decision is made for OMERS to be autonomous, then the change in governance must ensure continued financial stability of the plan. This would include fair and equitable treatment of all members and the containment of costs to all stakeholders.

Bill 206 is not just about autonomy. By combining the issue of autonomy with the introduction of supplemental plans into one piece of legislation, Bill 206 threatens to

undermine the viability of the OMERS plan before devolution has even taken place.

In a letter to the heads of municipal councils in December 2005, Minister Gerretsen stated that Bill 206 would not impose any new cost or pension benefit on any employer or employee. It is his belief that municipalities have overestimated the potential cost of supplemental plans by assuming total take-up by municipalities and ignoring the fact that Bill 206 calls on local parties to negotiate supplemental plans through collective bargaining.

With all due respect to the minister, MARCO stands firmly behind the cost estimates produced by its members. These cost estimates are based on reasonable assumptions and represent an accurate assessment of the financial implications of Bill 206 for municipalities and taxpayers.

Minister Gerretsen is correct when he states that municipalities have assumed total take-up when estimating the cost implications of supplemental plans. How can we avoid such an assumption when employee organizations who have fought so hard for supplemental benefits for years clearly intend to see these benefits enjoyed by all of their members?

In a newsletter to its members in November 2005, the Police Association of Ontario stated that it “has been pushing for improved benefits for all police and civilian members for years.... We have been working with the Ontario Professional Fire Fighters Association on the issue and have been a strong, united front.”

The reality of patterned bargaining and interest arbitration in the emergency services sectors means that once supplemental benefits are introduced into any emergency service, benefits will quickly be replicated across all three emergency sectors, either through bargaining or through arbitration, with little regard for the actual cost implications on taxpayers.

Minister Gerretsen is confident that employers will be able to negotiate fair and reasonable contracts and that employees and employers will make trade-offs with other salary or benefit items through the collective bargaining process in order to introduce supplemental benefits. However, with many years of experience in collective bargaining with police, fire and ambulance, the members of MARCO do not share the minister's optimism. The associations representing these workers believe their members have earned the right to enhanced pension benefits, and they will not readily offer any trade-offs in exchange for such benefits.

While MARCO's members recognize the unique nature of the work performed by our emergency services, we also note that salary increases and benefits within these sectors have consistently exceeded those enjoyed by other public sector workers. Minister Gerretsen also believes that we have been overestimating the costs of supplemental plans by ignoring the fact that under Bill 206 local parties can only agree to include one new supplemental benefit at a time. However, these benefits would clearly be cumulative. It is therefore very realistic for employers to include the costs of all the benefits

referred to in section 10.1 of the bill when assessing the potential costs of supplemental benefits.

If supplemental plans are expressly included in legislation, as proposed in Bill 206, employers' hands will be virtually tied at the bargaining table, and legislation will no doubt influence the decisions of interest arbitrators. If the provincial government truly intends to create autonomy in OMERS and believes that the introduction of supplemental benefits should be a matter of local negotiation, it must not impose any requirements or conditions in the legislation which may hinder the ability of employers to freely negotiate future collective agreements.

Each of our members has assessed the cost implications of Bill 206 for their own municipality. In my municipality, we've used the model developed by the Municipal Finance Officers Association. If supplemental benefits were implemented for our police and ambulance services based on 2006 salaries—that's not including fire, by the way—we would see an increase in the municipal share of OMERS costs of \$11 million in one year. This would result in a property tax increase of 1.9% or \$33 for the average home in York region. Such increases would be required solely to cover the cost of enhanced pensions and would not result in any increase in police or ambulance services. The cost projection for York region is based on all of the foregoing assumptions, including total take-up and all of the benefits set out in section 10.1 of the bill. We maintain that this represents a true and accurate assessment of the total potential costs of Bill 206 if it is adopted in its present form. These costs would be imposed on municipalities already struggling with escalating labour costs in the emergency services sectors. Once again, it is the taxpayers who will pay the brunt.

We have not included any estimates of the cost of providing supplemental benefits to other groups of employees, but we believe that if such benefits are awarded to civilian employees in emergency services, we will face enormous pressure to extend them to other employee groups.

In assessing the potential costs of supplemental plans, MARCO's members, including York region, have assumed that current solvency funding requirements contained in the Pension Benefits Act will be amended, as indicated by the Minister of Finance in a recent letter to our chair. However, we have yet to see any of the proposed amendments which would be required in order to implement this change. If solvency requirements are not amended, the projected costs for my region would increase by another \$1 million.

In conclusion, MARCO and its members are significant stakeholders in the OMERS pension plan. We urge the committee to heed our dire warning about the significant cost implications of its decision to introduce supplemental plans. If the intent of Bill 206 is truly one of autonomy for OMERS, then we urge the committee to amend the bill so that its sole purpose is the achievement of autonomy. The sponsors corporation should then be given the authority to make the changes to the plan and to

engage in a full financial analysis of any changes for all stakeholders.

In 2004, the provincial government signed a memorandum of understanding with AMO in which it recognized municipalities as responsible and accountable governments, and committed to consult with municipalities prior to enacting legislation which will have a significant financial impact on them. AMO and the provincial government established technical committees—I'm on one of those—to review the impact of proposed legislation. However, Bill 206 has not been brought to our committee for discussion.

MARCO now calls on the provincial government to honour its commitment and to heed the warning of municipalities regarding the potential cost implications of Bill 206. We ask that Bill 206 be referred to technical review so that its full financial impact on the municipalities can be addressed. This is indeed a serious issue, and one that has long-term ramifications. We trust that you'll take our comments into consideration. Thank you.

The Chair: You've left a minute for each party, beginning with Mr. Hardeman.

Mr. Hardeman: Thank you very much, Mr. Garrett, for the presentation. It was very thorough and, obviously, I would assume, accurate, based on the information that you have at the region. Again, we get different numbers from everyone who presents. It would seem appropriate to me that the government would have done some analysis so they could actually say, "This is what we're proposing, and this is how much it's going to cost."

One of the things that caught my eye here—it was from the previous presenter and now it's in yours too—was an estimate on other supplemental plans beyond the police, fire and ambulance that are presently in it. The parliamentary assistant suggested it's possible that anyone under the OMERS pension could negotiate a supplementary plan under this new structure. Was that your position, or was that what you understood, too, from this legislation?

Mr. Garrett: It wasn't what we understood, but I would have to defer to the experts. It certainly wasn't something that we thought was included in this legislation. The point I was making in my comments was that if this supplemental pension benefit is applied to police civilians—accountants and human resources workers who are working cheek by jowl with municipal staff—do we think that the pressure won't come for increased costs for the same supplemental benefits to apply to them? It will surely come.

1230

The Chair: Ms. Horwath.

Ms. Horwath: I had one question about your model for costing and it's two-pronged. First off, did your model include the removal of the solvency funding requirements; and second, did you model in any way take into consideration the fact that wage demands might be decreased as a result of increased demands around supplementals?

Mr. Garrett: The first question: The solvency funding was a separate issue and was modelled separately, and we estimated that in our case that would be \$1 million as an extra cost. So it was not included in the first figures that I gave you, the assumption being that it was going to happen even though we haven't seen the details.

With respect to planning for less wage increase in order to offset it: No, that hasn't been modelled because we don't believe it will happen.

The Chair: Mr. Duguid.

Mr. Duguid: Mr. Garrett, welcome. It's good to see you again.

One of the lines in your presentation says, "Bill 206 threatens to undermine the viability of the OMERS plan before devolution has even taken place." I've known you through the years, and I know you to be very reasonable and measured in your comments, and this one jumps out at me as being a bit of an overstatement. Do you really believe that the OMERS plan viability is threatened by the supplementary benefits, and if so, how?

Mr. Garrett: Municipally, I think it's fair to say that the sector is greatly concerned about the ongoing OMERS program and the costs we're going to be facing. Already this year in our budget we've had to include a close to 10% increase for the employer's share just for the basic benefits. Our concern is—the right actuarial work is so crucial—why were we giving relief for so many years in the pension plan without taking a long-term view of the pension plan? Isn't it important, before embarking on an undertaking such as these supplemental benefits, to make sure that we've got the all-in costs for the long term, that we're not making a decision today that might seem reasonable in year one but in the fully developed case is quite expensive to maintain? That's essentially what we're asking: Let's do the math carefully and understand what we're getting into, the fiscal implications of the policy decision, before it's made.

The Chair: Thank you, Mr. Garrett, for being here.

Mr. Garrett: Thank you very much.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

The Chair: Our next delegation is the Ontario Municipal Employees Retirement System. We are running a little late, for the other presenters who are waiting to be heard; we are about 15 minutes behind.

Good afternoon. Welcome. It's nice to see you again. We appreciate your being here. If you could identify yourselves and your organization for Hansard, and when you begin, you'll have 15 minutes. Should you leave time at the end, we'll be able to ask questions or make comments about your presentation.

Mr. David Kingston: I'm David Kingston, chair of the OMERS board. With me are the vice-chair, Marianne Love, and our president and CEO, Mr. Paul Haggis.

Madam Chair and members of the committee, good afternoon. Thank you for allowing us the opportunity to come before you again to speak about Bill 206. We

appreciate the time and attention the committee members have given to this bill and to OMERS's comments. We thank the committee for adopting some of the amendments proposed by OMERS at second reading. In particular, we're extremely pleased that the bill now allows the administration corporation to revise the plan text within the first 12 months of the bill taking effect. This will ensure that after the transition, the sponsors corporation and the administration corporation are working under a current and accurate plan text.

For the record, the OMERS board supports an independent governance model for the plan. OMERS is the only public sector plan in Ontario that is not governed by the employers and employees who pay for the plan. Throughout the transition and beyond, OMERS will remain secure. We are backed by over \$40 billion in assets and a professional investment team with a track record of success. We're proud of the fact that our returns in 2004 were 12.1%, and we will publish even stronger investment returns for the year 2005.

Our principal objective in considering the impact of Bill 206 is to ensure that the best possible governance model is put into place to minimize disruption during the plan's devolution process. We will be ready for the transition. We look forward to working co-operatively with the sponsors corporation.

We believe that our remaining suggestions are in the best interests of all plan members. The five amendments we are proposing serve as a solid foundation for an effective governance model:

- (1) To clarify the roles and responsibilities of the sponsors corporation and the administration corporation;
- (2) We need flexibility for future growth of the plan;
- (3) To ensure that there are start-up costs for the sponsors corporation;
- (4) Solvency requirements; and
- (5) The significant technical changes that we requested.

I'll start off with the clarity of roles.

As we've consistently stated since Bill 206 was introduced, both the sponsors corporation and the administration corporation will be essential to the future governance of this plan, but the spheres they each operate in must be very clear and distinct. Although a number of our recommended changes were adopted at second reading, the bill still does not entirely achieve this goal, and there remain some ambiguity and overlap between the two corporations.

We are concerned that some of the language used to describe the roles and responsibilities in the draft bill could result in duplication and conflict between the sponsors corp and the administration corporation, which would lead to ineffective administration of the plan. By amending the language in the bill—and we specify the relevant sections in our written submissions—the government can clarify that the sponsors corporation is responsible for plan design and setting contribution rates, whereas the administration corporation is responsible for directing and managing the investment assets and paying pensions.

Now that we've looked at clarity roles, I'll address flexibility and growth. We believe that Bill 206 should be amended so that the plan can respond to new and emerging needs in the broader public sector. Every day it seems there are new kinds of employers, such as devolved crown agencies and not-for-profit corporations. These employers and employees could benefit from access to an established, successful and affordable pension plan like OMERS.

To make this a reality, we recommend that the authority be transferred from the government to the sponsors corporation to allow that body to define and admit additional classes of Ontario-based employers related to local government or the broader public sector. Other stakeholder groups have supported this during the first round of legislative hearings. This simply allows the sponsors corporation to assume the current role that the government has in this regard. If the sponsors corporation is not given this authority, the current employer base would effectively be capped and the OMERS plan would not be able to grow to its full potential.

I've just outlined the need for flexibility and growth. Now I'd like to address start-up costs. There will be start-up costs associated with the establishment of the sponsors corporation and the development of a supplemental plan model. While the sponsors corporation has the ability to raise funds through the collection of a fee, it's likely to incur immediate costs. There are going to be legal fees, actuarial fees and administrative costs. The issue of start-up costs has not been addressed in the bill.

When the Ontario teachers' pension plan and the OPSEU pension trust devolved, the Ontario government committed the needed resources to ensure the successful transition of these plans. We suggest that the government find the appropriate means to ensure transitional funding to support the sponsors corporation as it assumes its new role.

Having looked at start-up costs, I now want to deal with solvency rules. With Bill 206, the government has an opportunity to address a long-standing concern that directly affects the affordability of pensions. OMERS is subject to generic solvency funding rules under the Pension Benefits Act. These rules are designed to protect employees from private sector bankruptcies where pension plans are not adequately funded.

However, there's a fundamental difference between private and public sector pension plans. Public sector pension plans, while not guaranteed, are funded either directly or indirectly by governments. It is difficult to imagine the circumstances where every police service, every fire service, every municipal electrical utility and every municipality went bankrupt all at the same time. We simply suggest that this will never happen.

1240

The Minister of Finance has committed to recommending an amendment to the Pension Benefits Act that would exempt any supplemental plans under Bill 206 from solvency funding rules. OMERS is pleased with this first step. However, we continue to seek a full exemption

from the funding requirement for the primary plan. We do not believe that OMERS members and employers should be burdened with possible contribution increases to fund a hypothetical deficit. I'd like to point out to you that every other Canadian province has pension legislation that exempts public sector plans from funding solvency valuations.

Having looked at the solvency rules, now let me outline the technical issues.

In our previous submission, we suggested a number of amendments that we characterized as technical issues. These are issues that, if not addressed, will interfere with the day-to-day operation of the plan.

For example, the bill currently imposes a cap on contributions that can be paid into the primary plan. The cap is fairly restrictive, and it states that the current final average earnings cannot be improved, nor can the CPP offset be reduced beyond 0.6%. OMERS recommends that this cap be removed to provide the sponsors corporation with maximum flexibility for plan design. This is a restriction that does not apply to any other public sector pension plan in Ontario.

We acknowledge that the committee has already addressed a number of the technical changes we proposed, and we ask you to consider the remaining issues. These issues are detailed in the attachments to our written submission, and in each instance we have recommended specific drafting language to address our concerns. We have also detailed what the consequences would be if the issues were not addressed.

To recap, we've presented five recommendations for amendment: clarity with the roles and responsibilities, flexibility for future growth, access to start-up costs, solvency requirements and technical issues. We believe these amendments are in the best interests of all our members and employers and will strengthen Bill 206. We look forward to the passage of an amended Bill 206, and we are committed to working with the sponsors corporation to continue to deliver a superior pension.

On behalf of OMERS, thank you, Madam Chair and committee members, for your time today. We'd be pleased to answer any questions you may have.

The Chair: You've left about two minutes, beginning with Ms. Horwath.

Ms. Horwath: Thank you for your presentation. I'm wondering about the issue you raised around adding associated employers. Have you had any discussions with anybody about that particular idea, any consultations with any other interest group or stakeholder on that issue?

Mr. Kingston: No, we haven't, but the whole concept behind it is flexibility within the plan, to allow the plan to grow to its full potential.

Ms. Horwath: I don't know if you've sat through some of the other presentations, but considering your unique position in terms of the existing OMERS plan, how is it that we get such divergent costings of the likelihood of the supplemental plans being brought forward as they sit currently in the bill? How would you describe why that's happening?

Mr. Kingston: How I would address that is that the sponsors came to us and asked us for the numbers, so we went to the actuaries and they gave us generic numbers for everybody in the plan. Those numbers were given back to all our stakeholder groups, and they've done as they choose with them.

Ms. Horwath: That's the thing about figures. Thank you.

The Chair: Mr. Rinaldi.

Mr. Rinaldi: Just a quick question. In part of your submission, one of the recommendations was to remove the solvency funding right across the board, not just for others. Do you have any idea what that would mean as far as costs?

Mr. Kingston: I couldn't give you the technical numbers for that, but it will affect all the pension plans in Ontario.

The Chair: Any other questions?

Mr. Duguid: I'd just thank the deputants for their input and for the contribution they have made in the past to this fund as well. We'll certainly take into consideration the suggestions they've put before us.

Mr. Kingston: Thank you, Mr. Duguid, and thank you, Madam Chair.

The Chair: We're not quite done. One more. Mr. Hardeman.

Mr. Hardeman: Thank you very much for the presentation.

One of the things you didn't touch on in the presentation was section 9, the change in the nature of the plan from a defined benefit plan to a defined contribution plan. After first reading, it was changed from the defined benefit plan to the defined contribution plan. If that stays that way, does it change anything for the present employees, and, looking at the two-thirds vote that would be required to make any changes to the plan by the sponsors corporation, would the two not be the same? Would there be any need to change it back to a defined benefit plan to achieve the same thing?

Mr. Kingston: No, sir. Under section 9, the defined benefit is entrenched in law. As this plan moves forward, that will always remain for all the plan members in existence. When we put together our submissions, we included a DC to make it flexible, to allow the sponsors corporation to move in whatever direction they chose to.

Mr. Hardeman: The reason I ask it is, with the other parts of the plan—the two-thirds vote and so forth—that actually does give the same protection for the plan, because it's very unlikely that you could get two-thirds support for anything that would change it away from its present structure, which is the defined benefit plan, isn't it?

Mr. Kingston: Really, sir, that would be a sponsors question; we won't deal with that.

Mr. Hardeman: But you wouldn't be supportive of changing it back?

Mr. Kingston: We've given our position, that we were open to flexibility, and what has come out of that we're not contesting whatsoever.

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

POLICE PENSIONERS ASSOCIATION OF ONTARIO

The Chair: Our next delegation is the Police Pensioners Association of Ontario. Is Mr. Bailey here? Good afternoon and welcome. We appreciate your being here today.

Mr. Paul Bailey: Thank you for the opportunity, Madam Chair.

The Chair: When you get yourself settled, if you could introduce the individuals at the table and whom you speak for, and when you do begin, you will have 15 minutes. Should you leave time at the end, there will be an opportunity for us to ask questions.

Mr. Bailey: On my right is Bruce Priestman. Bruce is a member of the Metro Toronto Police Pensioners Association. On my left is Tom Sinkovich, with the Halton police retiree group. In the audience we have Harry DeJong from the Windsor retiree group, Joan Morrison from the Peel retiree group, Dave Garlick, who is also a member of the Halton group, and Bernie Kapalka, who is with the Toronto retirees.

Thank you, Madam Chair, for the invitation to come today. We appreciate it. I'll get right into my presentation.

The Chair: Could you remind us whom you are speaking for?

Mr. Bailey: The Police Pensioners Association of Ontario.

The Chair: Thank you very much.

Mr. Bailey: Good afternoon, ladies and gentlemen. My name is Paul Bailey and I'm president of the Police Pensioners Association of Ontario. By way of background, I'm a retired police officer, having spent most of my career with York Regional Police. During my tenure with York, I was the president of the local police association for approximately 14 years. In 1999, I left York to become administrator of the Police Association of Ontario. During that time, I was also a member of the board of directors for OMERS. I retired a couple of years later and was retained to be the chief administrative officer for the Peel Regional Police Association on a one-year contract. I left there and am now in the private consulting business for benefits, and most of the major police and fire associations have been clients or are currently clients.

The Police Pensioners Association of Ontario represents approximately 5,000 retired police personnel from all areas within the province: from Ottawa to the east; Halton, Peel, York, Toronto and Durham in the south; Niagara, London, Windsor and Sarnia to the west; and Sudbury in the north. We also have individual member groups.

In many cases, our members worked over 30 years in support of public safety, to make Ontario one of the safest places to live in the world. I would also point out that many of our members continue to be active participants within their respective communities, volunteering

and working with young people and the disabled. They also continue to support the sacrifices of front-line police personnel, who continue to make the lives of all Ontario people safe. We will continue to ensure our involvement within the community is both professional and meaningful; that is our commitment. Even though our members are retired and receiving an OMERS pension, they still request the right to continue to be active participants in the overall welfare of the OMERS family. In reality, OMERS retirees represent approximately 30% of the plan. I think the actual number is 27%.

Our members attend all OMERS meetings, locally educate and assist their respective memberships on pension matters, and maintain a vigilant watch on the investment and governance issues affecting both the short- and long-term goals of OMERS. Our members have never at any time in their association with OMERS agreed to relinquish or lessen their commitment to maintaining and improving the OMERS plan.

1250

Members of the standing committee, the Police Association of Ontario supports OMERS autonomy that will be achieved through Bill 206. We believe OMERS autonomy will be good for policing, good for all stakeholders and good for the long-term growth of the plan. We are very encouraged that you have started this very long and difficult process and stand ready to assist you in any way we can to ensure that OMERS autonomy occurs.

We do, however, encourage the committee to give consideration to some of the changes within the legislation that we hope will make OMERS stronger and more resilient in regard to investment and governance issues in the future and ensure that retirees within the plan are treated in a fair and equitable manner. In this short presentation we will clearly outline our suggestions and recommendations, which we hope will help you understand our concerns and hopes for the future, and the future of OMERS. I'll get right into my presentation, Madam Chair.

Members of the standing committee, I would like to spend a brief moment on the issue of "former member." Our members recognize this issue. "Former member" has been discussed previously at other stakeholder meetings, but many of our members are still troubled with the use of this phrase. When you look at the definition of "former member" in the Pension Benefits Act, it defines a former member as "a person who has terminated employment or membership in the pension plan." We also note that in the Pension Benefits Act there is no definition of "retired member." However, the definition of "member" is "a member of the pension plan," and, in quotes, "participant." We want to make it clear that the members of the Police Pensioners Association of Ontario are proud of their long and professional careers and are equally proud to be part of the OMERS pension plan, but we feel that the phrase "former member" detracts from this. We urge the standing committee to revisit this issue and give serious consideration to include a definition of "retiree" in Bill 206. Our members respectfully require this amendment

to ensure that they are and will continue to be full and complete members of the OMERS pension plan. We would be pleased to assist you in understanding our views and implementing those changes.

I'm going to touch on the representation on the administration and the sponsors boards. In our original position paper at the commencement of the consultation process, we put forward a position regarding voting rights on both corporations. We recommended at the time an amendment to section 39 that would provide for two retired members on each corporation. One member would represent the NRA 60 members, which are the police and firefighters, and the other member would represent NRA 65 members—civilian personnel. It was our request that both these members have full voting privileges. We made this request because, in the original draft of Bill 206, a retiree could be on the sponsors corporation but would have no vote. This was a very difficult pill for our members to swallow, especially given the lifelong commitment that they had given as police personnel and the important role they played in the history of OMERS.

Committee members, the issue of voting privileges on the sponsors and admin corporations has been a very difficult and extremely sensitive issue to our 5,000 members. Frustration and anger have often resulted. On the one hand, we recognize the importance of all stakeholders having a say in the overall operation and performance of the plan. On the other hand, we recognize that if everyone who requested multiple voting rights got their wish, the plan would be cumbersome and inefficient, which in our view would lead to disaster.

We also noted that during your deliberations at committee you struggled to find some common ground with stakeholders. You made comments on December 7 that reflected the depth of your commitment. I quote:

"The rationale for the increased numbers is to better reflect the range of groups which have significant representation among the members and employer groups of the plan, and to better ensure that their representation on the sponsors group is more representative of their representation among members."

You might ask us why we feel so strongly about this. As I mentioned earlier, we represent almost 30% of the plan. We have consistently demonstrated over the years that our experience and common sense approach to pension issues has benefited all plan members. One example is the ongoing review of the investment practices in Borealis. Like many of the stakeholders, we chose to monitor the review process, not litigate the decision of the OMERS board. We communicated the facts of the process to our members. We had Mr. Haggis come to one of our meetings, and he gave us an explanation of what was going on. We continue to monitor the Borealis issue to ensure full and frank dissemination to all our stakeholders. Our group understands that in a large and complex organization like OMERS, problems will arise. We have tailored our approach in the Borealis review to achieve a more balanced and accountable explanation

that will be acceptable to our members and hopefully to the other stakeholders within the plan.

Since the inception of OMERS, our members have contributed hundreds of millions of dollars from their salaries. This enormous contribution, along with good investment practices by the OMERS board, has led, over the years, to plan enhancements. I set them out; they're fairly common knowledge. We had indexing, and we had some death benefit increases. The indexing, of course, as you know, is at 6%—the CPI. I won't spend too much time on that, given the time constraints we have, but it is in my brief.

Members, based upon the comments I have just made, the Police Pensioners Association supports your earlier decision to provide one retiree with voting privileges on the sponsors and administration corporations, and hopes you will continue this balanced approach to fairness for all the stakeholders in OMERS. We would like to affirm our position of having one NRA 60 on one corporation and one NRA 65 on the other to ensure this balanced approach.

With regard to the offset, the PPAO supports the removal of the CPP offset language currently used in Bill 206. It is our position that lowering the CPP offset should be the responsibility of the sponsors corporation. We believe that a truly autonomous OMERS will determine the CPP offset—when it's going to be reduced, what it's going to be. That will be based upon the effective governance of the plan and successful long-range investment returns.

We believe that legislation shouldn't be the criterion to make plan design changes. By enshrining the cap in legislation, you are effectively taking away any hope of pension improvements for OMERS retirees. Given that OMERS expects the number of retirees over the next 10 years to be approximately 30,000 NRA 65 and 5,000 NRA 60, this becomes an extremely important issue now and in the future. We trust you will give this serious consideration, as our members and all other retirees within OMERS wish to participate in future improvements should the plan continue its successful investment strategies.

On the advisory committee, we know you made amendments to allow the paramedics on that committee, and we applaud that effort. We would also ask you to give some consideration to having a retired member on that, getting in on the ground floor to understand what these groups are talking about. It doesn't mean we have a vote; it just means we understand what process is evolving, and we would appreciate that consideration.

Some general comments: The Police Pensioners Association of Ontario supports your position for OMERS to remain a corporate model. OMERS's success over the years has been the result of key investment strategies and effective management. Although we respect the views of some of the stakeholders who want to change OMERS into a jointly trusted plan, we feel that that would be detrimental to the ongoing continued success of OMERS. We respectfully submit that there is considerable merit in

the phrase "size matters." As you have heard in other presentations and during your deliberations, OMERS plays a significant role in the world's largest stock markets. To change from a corporate model or split the plan into sections would, in our view, have a profoundly negative effect on investment strategies and the overall financial health of the plan. We urge you to maintain your current position and keep it a corporate model.

The PPAO also supports the position of establishing supplementary plans within the new autonomous OMERS. The PPAO and the Ontario Professional Fire Fighters Association have worked diligently over the years to enhance benefits for front-line emergency workers. We offer them our sincere appreciation for that most worthy initiative.

We also support the increase of the accrual rate from 2% to 2.33%. This is another issue that took many, many years of hard work to get into the plan.

Our last comment concerns OMERS's recommendation that section 9 of the bill be amended to indicate that the primary plan must be a defined benefit plan but allow the sponsors corporation to provide additional benefits that are not restricted to the defined benefits; in other words, defined contribution plans. The PPAO does not support this initiative. Defined contribution plans specify the contributions paid by and on behalf of each member, rather than a formula for the amount of pension. The contributions are placed to the credit of each individual and accumulated with interest or earnings. The pension is whatever amount these contributions will provide or purchase. We believe this could place our future members at risk, especially during prolonged depressions of world markets. We urge you not to approve this change.

In closing, we would like to extend our sincere thanks and appreciation to the standing committee for allowing us to appear before you today.

The Chair: Thank you. We have about a minute for each party to ask questions, beginning with Mr. Duguid.

Mr. Duguid: The last comment you made was regarding the defined contribution. Perhaps you could just elaborate a little bit more as to your concerns there. We did try to reopen that section. We went over it. We tried to reopen it at the last committee. While we haven't put forward any amendments yet, we'll be doing that when we get to clause-by-clause.

Mr. Bailey: Yes, Mr. Duguid. As you know and as we all know, defined benefit plans in the public sector are taking a hammering. A lot of these pension plans are underfunded. They haven't kept up in their investment processes. We think that could happen very clearly to defined contribution plans as well. They're too much at risk of short-term market fluctuations. It certainly would impact our members right now.

I guess we're being a little bit selfish in saying that 10 or 15 years down the road, as people start joining police, fire and other organizations and are switched to or offered these defined contribution plans, the appetite for quick money might be a little hard to overcome. Although

we have great confidence in support of OMERS, we don't follow their view on that particular issue.

1300

The Chair: Mr. O'Toole.

Mr. O'Toole: I appreciate your input. I have the greatest respect in most cases, if not in all cases, for retirees, being one myself, and for the fact that they actually built the plan. They created the nest egg, so to speak. I want to pay respect to that and also to the patience over years of exposure to difficulties on the job.

I'm very interested, in your response, in the change from defined benefit to defined contribution. I'm very interested in the issue of pensions, generally and broadly. I've just finished reading the OSFI report, which says there's a great movement of plans from defined benefit to defined contribution. Would you say that there should be some ability for OMERS to be flexible while at the same time finding a transition plan to those kinds of exposures? That's what this is about. Technically, if you look at most plans in the sector, almost all plans are in a deficit or the actuarial assumption is being failed. Could you just generally respond about a transition plan?

Mr. Bailey: Right. My concern is that, as Mr. Duguid mentioned, if defined benefit plans are failing now in the corporate world, the public sector is doing fairly well. We have our blips, and of course there are funds there to smooth those blips out and things. I just find that defined contribution has too many risks: It's too closely connected to the assumptions and interests and those other assumptions that big pension plans, like defined benefit plans, have. If OMERS or this board agrees to allow that to happen, certainly there's nothing we can do about it, but we just wanted to raise a flag to you to say that we're watching from the outside. When you see some places like IBM that all of a sudden just froze it—no advance warning. Bang; they froze their pension plan. Air Canada—

Mr. O'Toole: Stelco, Ford, General Motors; that's what it's all about.

The Chair: I'm sorry, Mr. O'Toole, you've exhausted the time.

Ms. Horwath.

Ms. Horwath: Thanks, Madam Chair. I'm glad you raised the issue of a defined benefit. In fact, when the government tabled the idea that they were going to get rid of the defined benefit as the underpinning of the OMERS plan, I raised that as a big red flag and was quite concerned about that. Hopefully, that will be taken off the table in the amendments that are coming in this reading of the bill.

I wanted to ask you, though, about your comments around changing your definition of "retiree" in Bill 206. I know that was raised in the first set of comments that you made to this bill. Have you heard anything from the government about their willingness to consider changing that language and having that kind of respect, more or less—

Mr. Bailey: In fairness to the government, we have had some communication, and if you read the deliberations and amendments to the various acts, I guess

what we're really looking for is a clarification. We want to be able to be very comfortable with our retired members to say, "Yes, you are a member. This 'former member' applies to this, but the bill clearly sets out in this section or in this part of the bill that you are full and honoured members of the OMERS family." If that came across, then, hey, we're quiet and we'll go away.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION

The Chair: The last delegation before we have a break for lunch will be the Ontario Secondary School Teachers' Federation provincial office. Welcome. If you could identify yourself, the other individual with you and anybody else who's going to speak. When you do begin, after you've introduced yourself and the organization you speak for, you'll have 15 minutes. Hopefully, if you leave some time, we'll get a chance to ask you questions.

Ms. Rhonda Kimberley-Young: Thank you very much. My name is Rhonda Kimberley-Young. I am president of the Ontario Secondary School Teachers' Federation. With me is Gerald Armstrong, who is an employee of OSSTF and our pensions officer. Gerald is also the chair of the Ontario Teachers' Federation pension committee and has an extensive background with pension plans, and the teachers' pension plan in particular.

I want to say good afternoon and thank you for this opportunity. I'm sorry to be standing between you and lunch. I'm sure it's been a long morning. In fact, it is our second opportunity to present on Bill 206. Those of you who saw our first presentation may remember that it was rather lengthy, and I ran just shy of finishing it. I don't think that's going to be a problem today because, really, I think the detail and the length in our earlier presentation reflected a real optimism on the part of OSSTF about the changes that we saw coming in terms of OMERS joint governance.

We strongly believe in joint trusteeship for OMERS and believe it's long overdue. Although the legislation, in our opinion, had some areas that we believed needed to be addressed, we did see it as a strong foundation to negotiate a true pension partnership that would serve OMERS members in good stead and put the responsibility for the plan into the hands of employers and employees.

We pointed very clearly to the model of the teachers' pension plan, a successful plan by any measure in terms of performance and governance, and we believe we offered some solutions to representation challenges that we know are faced with a plan like this, which is a multi-employer plan with diverse groups of plan members. But today, I think our message will really be much simpler.

Some of the optimism that we felt is gone. The amendments that have been made to this bill do nothing to address the concerns we brought forward with the details of joint trusteeship. In fact, amendments have, we believe, absolutely undermined the concept of shared ownership and decision-making on the plan's benefits

and contributions. Employee plan members will not have an equal say in determining their pension plan with the proposed two-thirds majority vote.

I will turn to a few points in our presentation, starting on page 2. We know that our teacher members have been very well served by a jointly sponsored pension plan since the early 1990s. Amendments to section 43 of Bill 206 requiring a two-thirds majority vote to improve benefits or adjust contribution rates cannot be part of a pension partnership that equally shares risks and rewards. This form of dispute settlement mechanism will only exacerbate a sort of fractious nature among OMERS contributors and employers.

What this amendment does is tip the balance of the sponsors corporation decision-making power. It gives employers veto power. The enhanced majority requirement creates a relationship between unequals. Voting deadlocks will paralyze the sponsors corporation unless representatives from one side or the other break ranks, and ultimately the enhanced majority will prevent disputes from ever going to binding arbitration. For OSSTF, a pension partnership that lacks a fair dispute settling mechanism for our OMERS members is a real deal breaker. We are concerned about that amendment in particular.

We believe that the government can't wash its hands of OMERS governance by handing the partners a governance model that's flawed, putting in place an operating structure that we believe is not given what it needs to succeed, and by the kinds of restrictions that have been put in those amendments on the partners' decision-making power.

We believe that section 43 should be amended to provide for a simple majority voting requirement for the sponsors and administrative corporations. Both corporations should have easy access to dispute settling mechanisms, including mediation and arbitration, without a majority voting requirement.

Subsection 23(2) and section 39 should be amended to reflect the size and composition of the plan's membership. As OSSTF people often think of us as teachers, we have about 15,000 members who are OMERS members. The Ontario Professional Fire Fighters Association represents 4.75% of active OMERS members. The fire-fighters have a permanent seat on both the sponsors and administrative corporations. OSSTF represents 4.38% of the plan's members. A difference of 834 people places OSSTF in a rotation pool with 30 other unions and associations, waiting for our turn to represent our members' pension interests in the two corporations, where each group appoints a representative to each corporation and each representative serves the full three years, we'll appoint one every 45 years.

1310

We believe there is a much fairer and more democratic solution. Of the 35 unions and associations representing OMERS contributors, only 10 of them represent more than 1% of the plan's total active membership. Those representing 1% or more should have permanent seats on

the sponsors corporation. Sponsor decisions would be made on a representation-by-population basis. If CUPE, which represents 45.3% of the plan's membership, has the ability of representation by population in terms of votes, then those distinctions are dealt with in terms of representation.

Section 33 should be amended to empower each sponsor to appoint five members to the administration corporation. Employee sponsors representing more than 1% of plan members would make the appointments on a rep-by-pop basis. That selection method would ensure democratic participation and would allow both sponsors to appoint representatives with the skill and experience needed to administer a \$39-billion pension fund.

We take this responsibility very seriously. Within the teacher federations, we have an umbrella structure, we have a process for appointing directors, and we have a history of appointing people with very solid backgrounds and strong expertise.

Section 25 should be amended to codify the full scope of the partners' authority. You can see there that we have listed things we believe fall within the responsibility of the partners. That, we believe, should be spelled out very clearly in section 25. This would allow the partners to have the full scope and authority that they need to make the decisions for which they should be responsible.

Subsection 15(1) legislates a 5% contingency reserve. We believe that should be the responsibility of the partners, to determine a funding management policy to stabilize contribution rates.

Section 10 should be amended to establish parameters for supplemental plans. The partners should be responsible for developing the necessary safeguards to ensure that any liabilities incurred by supplemental benefits are allocated to the parties who negotiated the benefit improvements.

Section 12 should be amended to remove the partners' restrictions on improving benefits. At second reading, section 12 prohibits municipalities and local school boards from contributing to OMERS an amount that would result in a lifetime benefit exceeding 1.4%. The Ontario government has not restricted other public sector pension plans from negotiating lifetime accruals less than the 2% limits set by the Income Tax Act.

In conclusion, I guess we would say that we are disheartened with the two-thirds majority amendment which we have seen. We believe we have put forward some constructive advice in terms of our views of the pension plan and how it could operate very effectively as a jointly sponsored plan. We would conclude that perhaps the best end result of all this is that the government itself take over the employer side of the partnership and deal directly with the employee representatives. If the government is going to put forward what we believe is a flawed governance model, then frankly, we believe it would be better for the government to take more direct responsibility.

I know that we are going to go to questions, but I wonder if there is any way that we could be provided with some information on whether the two-thirds amend-

ment is intended to stand, as it certainly impacts other comments we might make in terms of details. Thank you.

The Chair: Thank you. You've left about two minutes for each party to ask a question, beginning with Mr. Hardeman.

Mr. Hardeman: Thank you very much for the presentation. On your last comments regarding the two-thirds vote and the government maintaining the authority over the plan, the way it's written now, and recognizing that the two-thirds vote was an amendment that the government put in the bill, I guess at this point we have to make the assumption that the intention was to leave it there.

After hearing the consultation on the first reading of the bill, is it your association's position, then, that we would be better off not devolving the authority of the plan to the corporation and leaving it with the government, as opposed to doing it this way?

Mr. Gerald Armstrong: I think you've made it much more complex than it needs to be. The government already has the infrastructure to manage a plan. They have all the staff they need. They have a tremendous amount of experience with the teachers' pension plan. We do not have within the teachers' pension plan a two-thirds majority or any majority necessary to go to either mediation or binding arbitration. It seems to me that what's good for teachers is good for the rest of the public service.

Mr. Hardeman: Thank you.

The Chair: Ms. Horwath.

Ms. Horwath: I wanted to ask if you could, from your own experience, obviously, describe for us why you think a jointly trustee model is better than a corporate model.

Mr. Armstrong: Again, I think we only have to look at the teachers' pension plan model, the returns that the teachers' pension plan has had in the last three years. This is a partnership that has worked. We just find no reason to go looking for another way of fixing something that works perfectly well, which is another reason to consider the government as a partner. There are 900 employers. How can any plan function, from the employers' side, with such diversity? It's a different matter from the employees' side. From the employers' side, pension plans are liabilities; from the employees' side, pension plans provide lifelong benefits. It is quite a dichotomy.

Ms. Kimberley-Young: If I may add, if we look at teachers as an example, the partners agreed to develop and negotiated a funding management policy, because they saw some issues on the horizon. I think they showed some foresight in developing a funding management policy that both partners agreed with and that provided a corridor over which benefits and contributions would not change.

Every pension plan faces challenges. One that is jointly sponsored puts the rewards and risks on both parties and, I think, does help establish those kinds of problem-solving efforts that are needed. In fact, we are seeing increasing liabilities in the teachers' pension plan, and we're looking at co-operative ways to address those.

The Chair: Mr. Duguid.

Mr. Duguid: Thank you again for your presentation and your assistance in this.

You indicated on page 3 of your presentation that "voting deadlocks will paralyze the sponsor corporation" and that "the enhanced majority will prevent disputes from ever going to binding arbitration." We heard earlier in the day from other groups that expressed concern that all decisions will end up going to binding arbitration, sort of the polar opposite of what you're anticipating will happen. I'm just trying to get an idea as to where you draw your expectations from and to perhaps try to determine which group is right.

Mr. Armstrong: Clearly, what it says in section 43 is that if a motion comes forward under "Specified change," which are increases in contributions or changes in benefits, what happens then is that you need a two-thirds majority decision by the sponsors corporation to pass that. So it fails. Now, in order to go to mediation, you need more than 50%, an enhanced majority. That means somebody has to cross the floor. This may happen in politics, but in negotiations between employers and employees, it rarely happens, so you're deadlocked.

Let's just say it was in the best interests of one group—an employer group, we'll say—to cross the floor and, "Yes, we'll allow this to go to mediation." It goes to mediation, and we'll say that the arbitrator makes a recommendation. Under these circumstances it has been our experience that this would probably happen. So now it comes again toward the sponsors corporation. Now what happens is a two-thirds majority required to pass it. No. Well, now you need more than 50% to go to binding arbitration. I think those who crossed the floor the first time would have experienced a good deal of pressure to keep on the right side of the table, and therefore it fails. That's as simple as it works. It's a veto power.

In 1990, the Peterson government offered the teachers a pension partnership that included veto power, where they had the right to veto any amendments that we suggested for benefit improvements. We said no, and we're saying no to this veto power too. It's no different.

Mr. Duguid: Thank you.

The Chair: Thank you very much for being here again. We appreciate it.

Committee, we now stand recessed until 2 o'clock this afternoon.

The committee recessed from 1319 to 1404.

REGIONAL MUNICIPALITY OF HALTON

The Chair: Good afternoon. We're back from our recess. This is the standing committee on general government and we're called to order. We're here today to continue public hearings on the second reading version of Bill 206, An Act to revise the Ontario Municipal Employees Retirement System Act.

For those in the audience who are witnesses, when you come forward if you could identify yourselves and the

groups you speak for; you'll have 15 minutes to chat with us.

Our first representative is from the regional municipality of Halton. Make yourself comfortable and identify who is going to be with you this afternoon and the group that you speak for.

Ms. Joyce Savoline: I will do that.

The Chair: After you've done all that, I'll give you 15 minutes, okay?

Ms. Savoline: Thank you for that.

My name is Joyce Savoline, and I am chairman of Halton region. With me here today are Tom Clark, the director of human resources at Halton region, and Bob Gray, a solicitor with Halton region who handles all our labour relations. So I've brought the big guns to answer all the tough questions.

With that, I really want to thank all of you for taking the time to go this second round of public hearings, because this is an extremely important issue to municipalities and other stakeholders in OMERS. We need to get our point across. It's extremely important to us, the OMERS stakeholders, but especially when it trickles down to the property taxpayers.

The region of Halton includes the city of Burlington and the towns of Oakville, Milton and Halton Hills. We have a combined population of over 220,000 residents. Excluding the police, we have approximately 1,400 OMERS employees, half of whom are represented by ONA, OPSEU and CUPE. We provide services in public health, including ambulance services, planning and public works and, of course, community and social services.

We know that you will listen and weigh carefully what we and other stakeholders have to say, particularly since Bill 206 will set out the OMERS plan and its stakeholders on a new and potentially irreversible course.

The associated risks are simply too great to proceed without uniform support from both employers and employee groups on fundamental features of this bill. The region does not support the bill in its current form. Fundamental features of this bill appear to have been based on inconsistent governance principles which best suit the interests of emergency service employee groups, not any other employee groups, and certainly not the interests of the general public.

The region believes and is deeply concerned that the governance structure and the dispute resolution model deviate from best governance practices without sufficient support from the groups and individuals who will be impacted by this bill. Don't get us wrong; we are not opposed to devolution or possible future changes to OMERS's plan design, but changes to the governance structure should only be made with complete and detailed input from all stakeholders and only if the changes are fully supported by the vast majority of the groups.

On the issue of governance, the second reading of Bill 206 proposes that the sponsors corporation make changes to benefits and contribution rates through a two-thirds majority vote of sponsors and members. Truly, this change from a simple majority threshold is a step in the

right direction and would bring the governance structure closer to, but still not consistent with, the unanimous decision-making models in place in most other devolved public plans. These plans include the hospitals of Ontario pension plan, the Ontario colleges of applied arts and technology pension plan and the British Columbia municipal plan.

The unanimous consent of all sponsors is vitally important to the responsible governance and safeguarding of this plan. It would mean that the parties around the sponsors corporation board table would have to work very hard at building agreement among themselves, requiring establishment of trusting relationships. A unanimous decision-making model would require a commitment to the plan's long-term viability above the interests of one particular group. Why break from the practices that have been adopted and successfully relied upon by other devolved public plans, particularly if the intention of this bill is about the best possible means of promoting good governance?

A governance model that requires a high level of consensus of sponsors is beneficial to OMERS and all OMERS stakeholders. It helps to ensure that any proposed change to benefits or contributions, whether they be positive or negative, is supported by both the employee and employer stakeholders and has rigorous protection. We believe and agree that the sponsors must have the ability to modify the plan design to ensure that OMERS remains viable and affordable for employees, employers and taxpayers.

The region, therefore, fully supports the removal from the bill of the requirement that all OMERS pension plans be defined benefit plans. This was a critically important change, and it recognizes the potential future needs of OMERS stakeholders and is one of a few changes that is consistent with the premise of autonomy. Anything less than the deletion of this provision would have posed a severe threat to the long-term sustainability of OMERS and would have demonstrated a reluctance to fully devolve the governance of the plan to the sponsors.

1410

Our second concern is with respect to the dispute resolution process. Halton believes that the arbitration provisions of Bill 206, first of all, place too much power in the hands of a non-sponsor; secondly, undermine the opportunity for consensus-building amongst sponsors; and finally, significantly increase the possibility that local interest arbitrators will impose supplemental benefits through interest arbitration.

Bill 206 would grant an arbitrator the power to make significant changes to OMERS. For example, an arbitrator could establish supplemental plans, change benefits or change contribution rates. Here again, Bill 206 deviates from the norm. In most other devolved pension plans that have an arbitration provision to break a deadlock, the arbitrator is not authorized to issue an award of any kind if it increases contribution rates. Bill 206 leaves it open for an arbitrator to award changes to plan benefits and contribution rates. A more balanced and pragmatic

approach would be to limit the scope of the dispute resolution mechanism along the lines of the majority of other devolved public plans. So, changes that affect contribution rates should not be the subject of an arbitration award. These fundamental changes should be left to the sponsors to negotiate.

We previously mentioned the need for uniform consensus amongst the members of the sponsors corporation for any significant change to OMERS. The sponsors corporation, in a governance model that allows access to the arbitration, will have little reason to moderate their positions and work toward creating reasonable compromise, and will drive them to litigation rather than collective decision-making; it's just human nature. At stake at the sponsors corporation is the issue of benefit and contribution rate changes. Halton appreciates that organized labour has an interest in mimicking the collective bargaining process at the sponsors corporation, as that process has served their interests well historically. However, this legislation should stand above interests of any one group, and should enable the parties to reach decisions through the hard work of consensus-building.

What is also at stake at the sponsors corporation is the establishment of the very bylaws and rules that will guide the future of governance of OMERS. This bill will drive the parties into their respective corners for a fight at arbitration from the very outset of devolution, rather than challenging them to find common ground and direction for the sake of the plan's governance, operability and financial welfare. This is not a model for governance that Halton can support.

Of equal concern is the fact that an interest arbitrator at the local level would have no continuing responsibility to account for their award and its fiscal implications. Also, the costs of defending these arbitration requests would be significant and would have to be borne by the sponsors corporation and, ultimately, by Halton and other employers. Given the region's responsibility for the delivery of land ambulance and our financial support of the Halton Regional Police Service, we are very concerned that Bill 206 specifically directs the sponsors corporation to establish a number of supplemental plan benefits for police, fire and paramedics, including those who are employed as civilians in those places. It means that the region will soon be faced with collective bargaining requests for these prescribed supplemental benefits from our paramedics. Even if the region refuses to offer access to supplemental benefits, it would remain open for the bargaining agent to refer the issue to binding arbitration. An arbitrator appointed under our collective agreement would be hard pressed to refuse access to a benefit that has already been prescribed in legislation by the government as suitable for the land ambulance sector at large.

In addition, the new benefit may be granted by other municipalities or awarded elsewhere through a local interest arbitration. In either case, as history clearly suggests, an arbitrator confronted with such a development in the sector would be very likely to follow the

crowd, as arbitrators have often been likely to do. Therefore, with the no-strike interest arbitration provisions of the region's land ambulance collective agreement, there's a significant risk to Halton that we will have new benefits imposed upon us.

We would be remiss if we didn't identify the significant cost impacts that supplemental benefits would have on our operating budget. Based on a costing formula established by the municipal finance officers' association which in turn was derived from an OMERS report that was made to the stakeholders, the region estimates a potential 20.7% increase in costs associated with supplemental plans for our NRA 65 region of Halton employees and an estimated potential 101.5% increase in costs associated with supplemental plans for our NRA 60. That's the Halton regional police. This estimate of increased contributions represents a whopping \$5.3 million and could result in an estimated increase in the residential tax rate of over 2%.

This costing was done before we knew that the paramedics were rolled in and given access to the 2.3% actuarial rate and other mandated supplemental benefits. That would add another 0.5% to the tax base.

I want to finish by saying that OMERS should not be devolved from the government at this time, and not without the proper due diligence and broad-based support from OMERS stakeholders. Any devolution model contemplated must allow the sponsors of OMERS the unrestricted ability to determine the future of the plan, and that the establishment of or any change to a primary or supplemental benefit or any other significant change to OMERS must have the unanimous support of all the members of the sponsors corporation. Thirdly, there must not be any recourse to arbitration on fundamental changes.

These requests are not uncommon from other devolved pension plans, and I leave you with some appendices that highlight the relevant aspects of all those plans.

In summary, I ask that you give our submission careful consideration. You have only one opportunity to get such a significant piece of legislation right. When you do it now, it'll be this way for a very long time. Care and proper due diligence are warranted given the stakes that are involved. Haste will not only jeopardize the possibility to improve the flawed governance model anticipated by the bill but will also jeopardize the long-term viability of this plan. There is no pressing need here. There is no crisis to forge ahead with this bill's passage. We would strongly encourage the government to take a step backward and get Bill 206 right.

The Chair: You've left about three minutes in total, so each party would have one question, beginning with Ms. Horwath.

Ms. Horwath: One of the things that I found interesting is the assertion in your brief that indicates your expectation that, with a different type of governance model, achieving consensus would be something that is quite likely. Can you describe what kind of model you expect would be able to work in terms of consensus?

How do you juxtapose that against your support for the two-thirds majority requirement?

Ms. Savoline: I said the two-thirds majority was a move in the right direction, but I support the unanimous model. It's the unanimous model that puts everybody in the frame of mind that says, "We have to come out of here with a decision we can all agree upon," whereas in a two-thirds majority—it's only human nature. I've been in meetings where this has happened. There's an ability to say, "Okay, only two thirds of us need to support this in order to move forward." I'm saying that two thirds is moving in the right direction, but unanimous agreement is the model that we support.

Ms. Horwath: Just following in that same vein, considering the divergent groups at the table—employer and employee—how reasonable is it that you would expect consensus to be able to be obtained with any decision at all?

The Chair: It needs to be a really short answer.

Ms. Savoline: Given the right rules, I think it is achievable because people buckle down in environments like that. They know that it is incumbent on them to come up with a solution, and I think it works well.

The Chair: Mr. Duguid.

Mr. Duguid: Thank you, Madam Regional Chair, for being here to join us and for your input on this legislation. I was looking at your cost estimates for your municipality. My question to you is, what are you basing those estimates on in terms of the benefit take-up of the employees? We've heard from employee groups. Most analysts would suggest that full-out acceptance of all of these benefits by employees would be unaffordable to the employees themselves. That's highly unlikely, but are you assuming full take-up of those benefits in your cost estimates?

1420

Ms. Savoline: I'm going to ask our director of human services, Tom Clark, to respond, Brad.

Mr. Tom Clark: Yes. We thought it was only prudent to make that assumption because we are talking about long-term costs here and long-term sustainability to the taxpayers. It was only fiscally prudent to cost it based on the 2.33% accrual rate: 25 and out and 30 and out. Now, bear in mind that those costs did not include the average of the best three years or best four years, did not include our paramedics and also did not include any administration costs in the devolution of the plan. So those are lowball costs as far as we're concerned.

The Chair: Mr. O'Toole.

Mr. O'Toole: Thank you. We've heard many of the same concerns—

The Chair: Mr. O'Toole, could you move a little closer to the mic? I think they're having trouble hearing you.

Mr. O'Toole: I respect that we've heard many of those concerns, but I want to be very clear here in making sure, on the record, that your position on having the option to move toward a defined contribution plan—and they've allowed that in the more recent amendment. Do

you believe that whether they move backward on that flexibility from the sponsors or whomever is important to you in your position today?

Mr. Clark: Certainly, we believe it is. There are a lot of articles on the sustainability of defined benefit plans, particularly if you look at what's happening in the United States. They're a luxury now, and a lot of employers are moving to defined contribution plans. If you want to have the long-term sustainability, you have to have that flexibility.

Mr. O'Toole: I completely agree. I'm referring you to the OSFI annual report this year that says there's a huge move in that direction for most of the defined benefit plans. Fifty-five per cent of them are actually in deficit. The shifting and the liability are very important because there's only one payer at the end.

The other concern you had was this, which we've heard: It's the two-thirds, it's the governance model and it's the arbitration decision. Having served, as you do, in regional council—

The Chair: Can you wrap up your question?

Mr. O'Toole: The question is: What you've said—the unanimous consent, arbitration—is that another break point for you, the arbitration, the decision-making autonomy on this particular bill?

Mr. Clark: Yes.

Mr. O'Toole: Very clear. Thank you for the answers.

The Chair: I love concise answers. Thank you so much.

Ms. Savoline: You're welcome.

Mr. O'Toole: You just like concise questions, that's all.

The Chair: I do like concise questions, but I like their—

Ms. Savoline: Thank you for your time.

The Chair: Thank you for being here. We appreciate it.

ONTARIO MUNICIPAL HUMAN RESOURCES ASSOCIATION

The Chair: Our next delegation is the Ontario Municipal Human Resources Association. Welcome. Thank you for being here. If you could identify yourselves and the organization you speak for. After you've done that, you'll have 15 minutes. Should you leave time, we'll be able to ask questions.

Ms. Christine Ball: Thank you, Madam Chair. My name is Christine Ball. I'm director, employee services, for Durham region. My colleague is Nancy Paterson, who is my counterpart at York region. I am past president of the Ontario Municipal Human Resources Association, and Nancy is the chair of our pension committee.

On behalf of OMHRA, we appreciate the opportunity to address the standing committee with regard to Bill 206. OMHRA is an association of human resource professionals working in municipalities, regions and other local government organizations throughout Ontario. We have approximately 300 individual members, representing 150 municipalities and municipal agencies.

OMHRA provides for and promotes the exchange of information as well as a sharing of applied knowledge

amongst our members. We also take a leadership role in responding to initiatives of government bodies and other organizations that will or might have an impact on our members and their respective workplaces.

While we support the principles of OMERS's autonomy, we hope that the standing committee will give serious consideration to our comments and recommendations to enable a smooth transition to the proposed governance model and to ensure that the OMERS pension plan remains stable, secure and affordable for its members and municipal employers.

With regard to supplementary benefits, Bill 206 should be restricted to dealing only with issues pertaining to governance and autonomy of the OMERS pension plan. We do not believe that the provision of enhanced benefits for one relatively small segment of the OMERS population in the form of supplemental plans should be enshrined in this bill. Governance and autonomy of the OMERS pension plan is too important and complex an issue to have it overshadowed by this ancillary focus. Given the cost impact to the taxpayer, the inequity created for other plan members and the move away from OMERS's fundamental promise of fairness for all, we strenuously advocate that the supplemental plans be dropped in their entirety from the bill.

With regard to the cost effects of the supplemental plans, in Minister Gerretsen's letter of December 20, 2005, to all heads of municipal council, he asserted that Bill 206 would not impose any new cost or pension benefit that would result in added costs for municipalities. We beg to differ. The cost to municipal governments, and subsequently their taxpayers, to provide the suggested supplemental plans is exceedingly steep.

OMERS already has a significant impact on local property taxes of over \$440 million, which translates to between 1% and 3% on average municipal budgets. Thus, the cost of supplementary plans would result in significant additional property tax levies. An analysis undertaken by the Association of Municipalities, using actuarial estimates developed by OMERS, concluded that the potential cost impact for municipalities would be as much as \$380 million per year. The amendments to Bill 206 will increase these costs dramatically, including the addition of paramedics to the list of emergency service workers for whom supplementary plans must be available.

The amended Bill 206 continues to provide recourse to binding mediation and arbitration to resolve disputes where a two-thirds majority of the sponsors corporation has not given support for a proposed benefit change. Section 28 of the bill gives the sponsors corporation the ability to pass a bylaw to require employers and members to pay a fee to fund any costs that are not related to pension administration. This would include the costs of mediation and arbitration.

Given the size and composition of the sponsors corporation, it is conceivable that the need to resort to supplementary decision-making mechanisms could occur frequently. The transfer of these expenses to the employers and members will result in additional expenses over

and above the already high pension contributions for the basic plan and the potential costs of the supplemental plans. How and when these expenses can be passed along should be more fully addressed and not be left up to the sponsors corporation, where special assessments can be levied in a sporadic or random fashion. Pension contributions are already a very significant cost to both the members of the plan and the municipal employers. Thus the assignment of ad hoc fees to pay for the job of running the pension plan is not acceptable.

Because of the huge cost impact to the taxpayer, the immense inequity created for other plan members and the move away from OMERS's fundamental promise of fairness for all, once again we strenuously advocate that the supplemental plans be dropped in their entirety from the bill. From an administrative standpoint, the logistical challenges of supplemental plans are considerable and complex. All the local supplemental plans—and they would be considerable in number when one considers the number of local collective agreements—between fire, police and paramedic unions would have to be managed and administered by OMERS on behalf of approximately 900 employer groups, not to mention the anticipated significant increase in actuarial and technology costs.

Local bargaining: We fundamentally disagree with local bargaining for pension improvements and the likelihood of a settlement through interest arbitration. Municipal employers already face escalating labour costs in the emergency services sector. The reality of pattern bargaining for police, firefighters and, more recently, emergency medical services makes the opportunity to bargain at the local level for supplemental pension benefits unrealistic. As we have seen frequently in the past, when one police or fire service is successful in bargaining a specific enhancement to the collective agreement, other services are awarded the same benefit at arbitration.

1430

A case in point is retention pay, which is pay for long service, ranging from 3% to 9%. Toronto police was awarded retention pay, then Toronto fire was awarded the same benefit, and from there it became entrenched in other areas of the province through arbitration. Almost 90% of the police in Ontario now have the benefit, many due to the arbitration process and despite the fact that in many instances retention is not considered to be a local issue. This example illustrates the domino effect of pattern bargaining. There is little doubt that the proposed supplemental plans will follow the same course and be awarded by arbitrators simply because they have been achieved in other jurisdictions, with little regard given to cost and local conditions.

Another significant impact on local bargaining will be the situation where some members of a bargaining unit—for instance, emergency medical personnel in CUPE—will be eligible for supplemental plans while the remainder of the bargaining unit would not. OMERS has always enshrined the fundamental premise of fairness for all of its members; however, the proposed requirement in Bill

206 that supplemental plans be established to provide police, fire and paramedics with the opportunity to negotiate the enhanced benefits will increase inequity not only within the pension plans but within local bargaining units as well.

Currently, employers and members of the plan pay almost 10% of their wages to the basic plan. We are already managing a 9% average increase in basic plan contributions, which was introduced in 2006, and there is no doubt that there will be additional rate increases in future years if current solvency rules under the Pension Benefits Act continue to apply.

In addition to employer fiscal restraints, we must consider how much the average municipal worker can afford. On a typical wage of \$40,000 per annum, will workers be able to afford to contribute 15% of their wages to basic and supplemental plans? Not only that, but some members will contribute to a supplemental plan, only to find that the value of their pension has not been enhanced.

With regard to transition costs, significant costs will result when the province ends its sponsorship of the OMERS plan. When the province devolved the teachers' superannuation plan and the OPSEU pension trust, it committed resources to ensure the successful transition of these plans. It is prudent and just that the province provide similar financial support for OMERS devolution to ensure adequate funding to enable stakeholders to prepare for devolution and its encompassing responsibilities.

It's not sufficient for Minister Gerretsen to state that the proposed supplemental plans will be exempt from the current solvency criteria. Provincial legislators are currently amending the Pension Benefits Act of Ontario. It is vital that OMERS and other public pension funds be excluded from the stringent solvency funding rules, not only for supplemental plans, but for the fund entirely. The safeguards created by the solvency funding rules are not appropriate for public pension plans, since the possibility of bankruptcy or windup is virtually non-existent.

We fully support any submission made by OMERS and their recommendations for technical changes or amendments to Bill 206, and strongly urge the minister to ensure that the recommendations of the experts be included in the new legislation. It is imperative that there be no ambiguity within the new act and regulation and that the terms and conditions be explicit in their meaning. Following proclamation of the new legislation, we trust that the sponsors committee will be given the authority to amend the plan text as necessary.

Once again, we thank you, Madam Chairwoman, for this opportunity to address these hearings, and respectfully urge you to consider our recommendations and redraft this most important piece of legislation before proceeding further.

The Chair: You've left about a minute and a half for each party, beginning with Mr. Duguid.

Mr. Duguid: Just more of a general question. I'm trying to figure out who you represent. You represent human resource professionals?

Ms. Ball: Yes. We are representatives of the Ontario human resource employees within municipalities throughout the province.

Mr. Duguid: Are those employees represented by CUPE? Do they have union representation, or are you their collective bargaining—

Ms. Ball: We generally tend to be non-union.

Mr. Duguid: Would they be management employees?

Ms. Ball: Management or exempt.

Mr. Duguid: You say that members of the plan pay almost 10% of their wages to the basic plan. They're already managing a 9% average increase in basic plan contributions in 2006. You anticipate that there are going to be further increases as well. That plays into the argument, which I think a number of our employee representatives have put before the committee, that supplemental benefits are going to be something that will be regulated by the ability of employees to afford them. Would you agree with that?

Ms. Ball: I would have to see how that was written within the legislation. I would find that difficult to imagine and administer. It would have to be explained how that would be written into the legislation.

The Chair: Mr. Hardeman.

Mr. Hardeman: Thank you very much. First of all, I just wanted to point out that since we've had the hearings on this bill, we've been continually stonewalled on getting the government's figures on how much the plan could cost when it's implemented. We've asked for it many, many times. We have figures from all over, but we have no figures from the government as to what they project. Now I find out why that is. The minister believes that there will be no new cost or pension benefits in this plan. Obviously, he was unable to come up with any numbers, because there's going to be no increases.

Interjections.

The Chair: Could we stop the cross-chatter, please.

Mr. Hardeman: One of the things I wanted to ask—and I thank you for bringing that forward, as many others have; I think it's important that the government hears that. The other thing we heard this morning in some of the presentations was the issue of the supplemental plans not applying to everyone. We were told that in fact the bill allows the new structure to provide supplemental plans for all members of the plan, so in fact we could be looking at a supplemental plan for all the CUPE workers. Have you done any analysis of what would happen to the "no cost" to this plan if everyone was allowed to have a supplemental plan?

Ms. Nancy Paterson: We haven't actually costed it for all of our membership, CUPE and police, but in our situation at the regional municipality of York, our land ambulance or emergency medical personnel are in the same CUPE bargaining group as the rest of our employees. We just have one large group. It just seems logical that if the emergency service personnel get these supplemental benefits, there is provision for the others to have it, although there's not a directive that they should be

established. It only makes sense that naturally they are going to want them as well. No, we haven't costed it.

The Chair: Ms. Horwath.

Ms. Horwath: You are HR specialists in your municipalities, but you're also members of this plan. Is that correct?

Ms. Ball: Yes.

Ms. Horwath: Can I ask you your position or your opinion on the switch or the move over from a defined benefit plan to a defined contribution plan, whether you think that's the appropriate way to go?

Ms. Paterson: It was my understanding that the defined contribution plans were only to be for the supplemental plans, that the main, basic plan would not change from a defined benefit plan to a defined contribution plan. As a vested member of the OMERS pension plan, it would certainly give me pause if that happened.

Ms. Horwath: So you would prefer for it to be maintained as a defined benefit plan?

Ms. Paterson: As a member, yes, I would.

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

POLICE RETIREES OF ONTARIO INC.

The Chair: Our next delegation is the Police Retirees of Ontario Inc. Welcome.

Mr. Syd Brown: Madam Chairman, honourable members, I thank you for the opportunity to—

The Chair: Can I just give you the preamble?

Mr. Brown: Preamble? Who we are?

The Chair: If you would let me do my preamble, please, just as you get yourself settled. If you could introduce everybody and your organization, and after you do begin, you will have 15 minutes. Okay?

Mr. Brown: We are the Police Retirees of Ontario Inc. We're a non-profit corporation without share capital, and we've been so registered with the Ontario government since 1992. Our organization is administered by—

The Chair: Could you introduce everybody at the table first, please, and then begin?

Mr. Brown: Sorry. On my right is Joseph Lederman. He's the past president and co-founder of our organization. On my left is Gerry Armstrong, who is the pension officer for the Ontario Secondary School Teachers' Federation. He's here for technical support. We initially put in our brief hoping to get in front of the committee in November, but we weren't allowed to. This time we're allowed, so we sent in a similar brief. But since then, having thought about this whole process, we wonder if we're going in the right direction. So our submission today is entirely different from what we said before.

1440

Some of the background: I've been dealing with the OMERS pension board since 1961, and I don't know how many other people here have been around that long. But fortunately the government is now going to do away with compulsory retirement, so we can go on forever.

This is to the honourable members of the committee.

Having had the time and opportunity to fully review the provisions contained within government Bill 206 and the submissions presented to the standing committee by the various OMERS stakeholder representatives, our corporation has come to the conclusion, with all due respect to the government and the honourable members of the standing committee, that Bill 206 is cumbersome and unworkable and will create more problems than it is intended to resolve.

We call on the standing committee to urge the government to enter into a partnership with the OMERS plan members and to play a role identical to the one it now plays with the Ontario teachers' pension plan. This partnership would involve the government of Ontario and the members of the OMERS plan represented by their respective unions, associations and corporations.

With 900 OMERS employer stakeholder representatives and hundreds of thousands of active and retired members represented by a multitude of unions, associations and corporations all vying for positions on the corporation boards which will be created, if and when Bill 206 is enacted and implemented, there will be resentment, confusion and dissatisfaction for everyone involved.

We propose that the following steps be taken by the government:

—Enter into a partnership with the OMERS plan members.

—Both partners should appoint experts in the field of pensions and finance to administer and manage the OMERS plan, with five such pension and finance experts being appointed by each partner. The administration of this new government and OMERS members partnership should be limited to no more than 10 persons.

—Adopt, wherever possible, the administrative and management skills currently utilized by the Ontario teachers' pension plan together with the financial support available within the Ministry of Finance.

—Adopt the mechanism which will provide the partners with the ability to negotiate pension improvements. If any pension issues cannot be agreed to or resolved by the partners, those issues would be referred to a third party decision-maker.

—Such a structure, coupled with the responsibilities of the partners in the new OMERS plan, would mirror or reflect the government's current partnership with the Ontario teachers' pension plan.

—Active employee members of OMERS have no alternative but to contribute the necessary funds required to maintain pension stability. Employer members of OMERS are experiencing difficulty in honouring their financial obligations to the plan without government transfer payments or grants. You've heard from three of those municipal governments here this afternoon. Such being the case, government involvement in the plan is imperative.

—The partners should immediately begin to negotiate a partnership agreement which should reflect the partner-

ship currently in effect between the government and Ontario's teachers.

—All members of the plan, both active and retired, must share any pension surplus funds which occur from time to time in the OMERS plan.

—The act should be amended to provide for a procedure or protocol which would provide the partners with the ability and responsibility to manage future pension surplus funds so that equality for all members of the plan—employers, employees and retirees—would be paramount.

—Had the combined and united voices of the employee, employer and retiree stakeholder representatives been listened to and followed during the OMERS board consultation sessions in October and November 1998, the amount of the contribution holiday would have been decreased, and every OMERS stakeholder member would have benefited equally prior to the 9/11 tragedy and the subsequent market fluctuations, which resulted in OMERS pension surpluses being reduced from billions of dollars to a deficit position, wherein contributions must be increased beyond the level required prior to the contribution holiday's being imposed in 1999.

—The retirees represented by our corporation spent their entire working lives serving and protecting the Ontario citizens working and residing within their respective communities and jurisdictions. Our members resent the implication by the terminology “former members,” as prescribed by the provisions of Bill 206. We urge the members of the committee to remove such terminology from Bill 206 and call retirees precisely what they are: retired OMERS plan members.

The Chair: Thank you. You've left about three minutes for each party to ask a question, beginning with Mr. O'Toole.

Mr. O'Toole: I just want to acknowledge that you, as retirees, really were the group that established the nest egg. You worked through conditions and local collective agreements. We see pattern bargaining now, where the stage is set here, and pretty soon down in Belleville they're asking for the same thing, which is where they're headed: to provincial negotiations. It's the same as teachers, really. That's kind of how it's done. You'd have to acknowledge that.

We've got two parts here: the policing association and the fire. This whole bill is about supplementary plans. Ultimately, that's it. They've been after it for 20 years, and the time has arrived. Do you believe in the trying to drive toward a supplementary plan?

Mr. Brown: I think it's necessary for emergency workers, yes, or anybody involved in emergency work.

Mr. O'Toole: How would that fit into devolving it, sort of, into the teachers' pension plan, which is a very well administered plan? Have you got any supplemental plans in the teachers' plan?

Mr. Gerald Armstrong: There are no supplemental plans.

Mr. O'Toole: Are there two classes of employees? We all pick hazardous professions, like ours, for instance.

Every four years we have a serious job appraisal and there's no pension.

Mr. Brown: That's true.

Mr. O'Toole: There are hazards in every occupation—actors, writers, artists—that don't have what I call lifetime employment. That's not really a question; it's a statement. I understand that.

One thing I want to be clear on is the contribution holiday deal. I fully agree with you, on the holiday, that it was a bad decision, by anyone. My position on pensions—and you're the expert from the teachers—is that there's no such thing as a surplus in any pension unless it's a partial wrap-up as decided by the Monsanto case or the complete closure of a facility and company. Would you agree with that? Actuarial assumptions are wrong on two accounts: the return on investment or equity as well as the life expectancy tables. They're wrong. CPP said it and admitted it five years ago. OSFI has reported it in their annual report. What's your position? Do you think the pensions are in good shape in Canada?

Mr. Armstrong: I don't know about pensions in Canada. I can only speak about the two pensions that I'm involved with: the OMERS plan and the teachers' plan. I don't want to sit here and talk about the teachers' plan, but basically what happened in that plan was that we set up a contribution corridor, which you heard Rhonda Kimberley-Young talking about earlier, where you go from 90% of full funding to 107.5%, and you don't touch the contributions if the funding results turn somewhere in between that. That is a commonsensical approach.

Under this act, what is happening is that they want a 5% contingency fund. Well, that's not a bad idea. It stops the kind of yo-yoing that you're talking about. On the other hand, why is it that the members and the municipalities are going to have to reach into their pockets and pay more when the funding drops below 100%? It should have a corridor that would allow for those fluctuations.

The Chair: Ms. Horwath.

Ms. Horwath: I'm going to ask about some general issues as well because the brief is not related specifically to the clauses of the bill. I want to ask about your position on the move to remove the defined benefit requirements of the future pension plan.

Mr. Brown: We're opposed to defined benefits, absolutely.

Ms. Horwath: You're opposed to defined contribution or—

Mr. Brown: Contribution.

Ms. Horwath: Okay. Had you been in a situation of having a defined contribution plan all these years, do you think you'd be with the secure pension that you have now?

Mr. Brown: No, I don't think so.

Ms. Horwath: Notwithstanding some of the comments made by previous speakers, I think I'm going down the same path as you. I believe that defined benefit plans are the thing that we need to protect in this country, regardless of where other plans are going in other countries. In Canada, we think we need to take care of our workers

after they retire, and I think defined benefit plans are really the only way to do that.

I wanted to ask really briefly, if I can, whether you have any suggestions or recommendations around the quagmire we seem to be in with the current bill, in regard to representation on the sponsors corporation particularly.

Mr. Brown: Our only position is that we don't want a position on any of those corporations or advisory committees. We believe that the members of OMERS should have the right to appoint experts to sit there. We don't need retirees sitting there. We need pension and financial experts put on those committees.

Ms. Horwath: So again, a trustee model, as opposed to a corporate model; is that what you're saying?

Mr. Brown: Yes.

1450

The Chair: Mr. Duguid.

Mr. Duguid: Thank you very much for your submission today and for your previous submissions. I know you've been in touch with our ministry on a number of different issues. We appreciate your input and your suggestions.

I'm trying to get an idea as to who the Police Retirees of Ontario represent. Do you have a membership right now?

Mr. Brown: Our membership currently is about 3,000. We've got about 6,000 more who don't pay dues, and we don't ask them for dues because they're widows or whatever.

Mr. Duguid: Do you work with the Police Pensioners Association of Ontario, which we heard from earlier today, or are you a separate organization?

Mr. Brown: No, they were started a few years after us for some reason or other because they said that we weren't representing retirees properly, so we don't work with that group at all.

Mr. Duguid: So you have two groups that represent retirees at this point in time. Okay. That's really it for now. Thank you.

The Chair: Thank you very much, gentlemen. We appreciate your being here.

PATRICK MARUM

The Chair: Our next delegation is Patrick Marum.

Welcome. Thank you for coming. After you've introduced yourself for Hansard, so we have it on the record, you'll have 15 minutes. If you leave time, there'll be an opportunity for us to ask questions.

Mr. Patrick Marum: Madam Chair, members of the committee, ladies and gentlemen, my name is Patrick Marum, and most people call me Pat. I am the recipient of a pension funded through OMERS, so you will understand my interest in this bill.

I believe that you're attempting to place the administration of the pension in the hands of the members. Some may say that you are handing over the asylum to the inmates, but I would not say anything like that. I will try to be more fair to the proposers of the change.

I suppose you will have figured out by now that I was not born in Ontario or even in Canada. I'm a Canadian and proud to be a Canadian by choice and not by accident of birth, so I hope you will understand why I feel strongly about the pursuit of issues that present an unfair or unjust twist that gives advantage to one side while the victim looks helplessly on.

Perhaps I should tell you that I was actually born in Ireland and I have been unable to shake this accent during the past 33 years here in Toronto. But in the years leading up to my leaving that country, I observed a pattern taking place. I should define what I see as a pattern. If something happens once, it's probably an accident. If it happens twice, it could be a coincidence. However, if it happens a third time, we're probably looking at a pattern. If it looks like a fish, smells like a fish and wiggles like a fish, there's a good chance it is a fish—that kind of stuff.

In Ireland, what we had were industries that were well established and slowly becoming unionized, factories providing the employment that helped many families step out of the shadow of the small farms that their past generations had depended on in order to survive. Largely, these manufacturers had been attracted to targeted areas by government subsidies and by tax incentives of various levels. By the way, these were name-brand industries operated by local Irish corporations. As time passed, the elasticity of economic reality began to show on the balance sheet, and these companies began to develop an exit strategy that would minimize the damage to the corporate image. Somewhere someone decided to promote a local man to the highest position possible—locally, that is—and now, with that popular local in place, the factory closed, for all the right economic reasons, of course. All this had to be explained to the shocked communities by that popular local man, who, after all, would suffer equally with the soon-to-be-displaced workers.

If we are all hurting equally, there is nobody to really blame, not even the host corporation that has bled the factory to death in the name of a better bottom line. I remember one story in the paper where the corporate talking head questioned the management of the factory and hinted that perhaps local control had been a mistake.

Had the incident I have described been isolated, I would have no business bringing it to your attention today. However, like any good con job in the criminal community, the word spreads and others quickly learn from their friends. The hardship I have described for those workers was felt in many communities throughout the country.

A con job, you are thinking—what has a con job got to do with government? Government doesn't need to deceive. It doesn't need to use sleight of hand to fool the residents. Government has all the power it needs to do as it pleases, and therefore I am out of line for making such a suggestion. You know, you could be right. But tell me, then, why Elinor Caplan, while a minister at Queen's Park, signed an order in council placing into general

revenues all the money in a trust fund that was to help communities throughout this province. Most of you will know that an order in council requires two signatures. Ms. Caplan simply concurred with her own first signature while presenting herself in another capacity. Think of all those billions of dollars grabbed from lotteries and gambling then and since then by that single move. Now, do you blame me for looking under the rocks for snakes?

I could review similar matters that show others in the same kind of light, but I want to deal with the matter before us today. Deceit and deception are not the exclusive domain of government these days. Take a look at our corporate leaders. Take a look at some of the accusations being levelled against them. Take a look at some of their past behaviour. Wasn't it A&P/Dominion that got taken over and then soon after there was a report indicating how the workers' pension was overfunded? Heck, those workers were so over-funded for their pension that the corporation should be able to take some cash from the pension fund. Don't you remember? The raider would only take that part that would never be needed by the workers. Their security was a sure thing.

Well, government stepped in and put a stop to that, and we all cheered and applauded the leaders of our day. But could it be that some little bureaucrat who was required to research the blocking of that corporate raider may have seen a way to move this scheme past the legal hurdle that foiled the raider? Could it be that someone read an old report and became inspired? Could it be that someone simply had a new thought about an old scheme to grab money they felt they had title to?

Whatever it was that provided the inspiration, funds from the OMERS pension were used to subsidize every city and municipality in the province. They were all given a 10-year holiday from making a contribution to their workers' pension, a scheme that was funded totally and completely by the OMERS pension fund.

Let's look at how it took place. A report was generated by some expert declaring that the pension was overfunded and could support a reduction which would bring it in line with the national averages or some such gobbledygook. The bottom line is that the pension fund took a serious hit, and for 10 years various levels of local government basked in a reduced pressure on their tax base. You may say that the workers got a break too for 10 years, and of course you are right, but even new members who had never paid one cent into the fund were subsidized for 10 years. But that's not the issue here today.

I believe that the report that justified the feast of financial forgiveness for the municipalities is as solid as a rock. I have that kind of faith in numbers and statistics, but then, I have a couple of shares in Enron—marvellous financial reports it had, just marvellous.

1500

Now I see that you want to grant control of my pension to the locals as well. I hope it is not a repeat of the Irish scheme coming to haunt us Canadians.

I hear what you are thinking: "What does he want? Why doesn't he shut up and tell us what he wants?"

Well, I'll tell you. I give you a way to show that everything I have said is off-line, that everything being said about this new bill of yours is true and will cause all the old pensioners whose false teeth and walkers are rattling with fear to relax: Simply guarantee that if this pension plan ever has an economic crisis, you will fund it up to the amount that was used to fund the municipalities and cities, and also add the interest that the money could have earned if it was left in its rightful place in the first place. If all the economic reports are fair and true, if no one has spoken with a forked tongue, if the future is as bright as OMERS has painted it, what have you got to lose by guaranteeing this money?

Ladies and gentlemen, please reflect on the proposal I have outlined. A lot of voters in this province depend, and more will soon depend, on the security of this pension plan in order that they and I may survive. Thank you.

The Chair: You've left about six minutes, two minutes per party, beginning with Ms. Horwath.

Ms. Horwath: I very much enjoyed your very thoughtful presentation. One of the things this bill is contemplating is in fact what some would say is the removal of the guarantee of funding of the plan, which is the solvency funding, the reason being that there's an assumption that solvency funding isn't required to the same level because these are public organizations and, theoretically, the public funds are not going to become bankrupt and unable to pay the pension obligations. Can you comment on that?

Mr. Marum: As long as the pensioners who have earned their way into the pension are guaranteed the pension they are given, with all the provisos and equity they have paid into it, and are looked after, how it is managed I have no argument with, and I leave that to people like Syd Brown, who did a marvellous job for me when I joined the police force back in the early 1970s. I trust that these people know what they're doing when it gets down to the detail, because that's where the devil is.

That's fine, but for the broad strokes, for items like the principle of taking the money out of the pension and now all of a sudden if you want an extra supplement on your pension, you have to pay more money for it, the extra money that was there in the first place could have assisted toward this. So there's a degree of unfairness here, and I'd like to see the playing field levelled just a little bit more.

The Chair: Mr. Duguid.

Mr. Duguid: Thank you, Mr. Marum, for taking the time to join us today. I know Mr. O'Toole enjoyed hearing your stories about Ireland and, as somebody who also has Irish heritage, I did as well.

My question to you is more based on the holiday that you talked about, the five-year holiday that municipalities had with regard to the pension. You seemed to express some concern about that. It was done under the Income Tax Act. What do you think happened to the money that was saved during that period of time?

Mr. Marum: That was saved by whom?

Mr. Duguid: Municipalities.

Mr. Marum: Oh, the municipalities. It just eased the pressure on their tax base. They didn't have to go to the property owners to ask for more money. Of course, that's a substantial saving for property owners because, after all, those dollars are paid in tax-paid dollars. So if you ease off that—and these are not tax-paid dollars—it's probably a little bit easier for everybody, except those who fought hard through negotiation with the cities to get the benefits that went into the fund. If there was a surplus, there's a natural expectation that the benefits would increase a little bit. But instead of the benefits increasing, of course, the money was used to ease the burden on the cities. You can argue both ways for that. I happen to think it's a little unfair.

The Chair: Mr. Hardeman.

Mr. Hardeman: Thank you very much for your presentation. I share your concern with the analogy. I think it really speaks to this bill, partly on the basis that as we looked at the devolution on, I think, the first day we held hearings, we found that a number of the presenters talked about how, if you looked at the future of this plan, there would not be enough dollars to fund it. The province was, in fact, unloading this liability to the local operator, who was going to take the blame for it, which of course are the municipal employers who wouldn't be blamed for anything because they're hurting as much as the others. I think that was a very good analogy.

The other thing I would just like to ask—and obviously you're very informed about the bill—is we've also had some discussion about the defined benefit and the defined contribution plan and the switch that the government has made by taking it from a defined benefit to a defined contribution plan. Of course, that means that after the devolution, the organization would no longer be obligated to pay that which they had agreed to pay the pensioners, who no longer have any control over it. They would have to take a reduced pension because there were no longer funds to do it.

After all that, I'd just like to ask you if it had been properly done with the contributions, if it's a defined benefit plan and the holiday had been assessed properly so that it ended when they were running into the position where they required the contributions to keep the fund high enough, would that still be filling your pockets with somebody else's money? Isn't there some need to say that the money going in and the money coming out stays in balance?

Mr. Marum: It would be kind of nice if the money going in and the money coming out stayed in balance, but as long as you leave the money that was there in the first place where it is, then if you run out of money or you need some extra, you can go to the beneficiaries and say, "Listen, we need a few extra dollars here to make this work."

Mr. Hardeman: But not doing it at all, though, in fact removes the definition of the defined benefit plan. In fact, if you are guaranteed a certain pension, there is no benefit to you in having a fund growing that is beyond the pension you're going to get.

Mr. Marum: The teachers' fund had a similar situation to that, and for a small contribution they allowed extended benefits—a very small contribution. I haven't seen that same thing occur with OMERS. I'm referring to the beneficiary. If I die, my wife gets 60% of what I get. The teachers, for a small contribution, can get 100%. Small things like that.

The Chair: Thank you for being here today. We appreciate it.

Mr. Marum: Thank you.

CANADIAN AUTO WORKERS

The Chair: Our next delegation is the Canadian Auto Workers, CAW. Welcome. Once you get yourself settled, if you could identify yourself and the group that you speak for. When you do begin, you will have 15 minutes. Should you leave time at the end, there'll be an opportunity for us to ask questions.

Ms. Cara MacDonald: My name is Cara MacDonald. I'm in the pension and benefits research department at the Canadian Auto Workers union, and I want to thank you for allowing us to speak on the bill again today. CAW Canada represents about 1.5% of the total OMERS membership.

I'm not going to read our submission. I just want to highlight a couple of main points. We're very concerned, of course, with Bill 206 and the revisions that were made to it. We believe that this revised bill is actually worse than the first one, and we also believe that our members are worse off under this bill than compared to the status quo arrangement.

We're dismayed to see that the 1.4% benefit cap remains in place with the revised legislation. At the same time, the revised bill seemed to address many of the concerns raised by the employers, such as the two-thirds majority vote, which as far as we're concerned is completely unacceptable to our members. Even worse, the revised legislation contemplates the placement of a management association on the employee side of the administration corporation.

Without repeating the issues we raised in the last consultation, we have some serious concerns about representation. As we mentioned in our last presentation, we do support the principle of representation by population, and for determining representation for the other employee groups, we believe that a more effective and fair method could be adopted. For instance, in order to sit on the corporations, employee groups with 1% or more of the total membership could either rotate among themselves or have all of the representatives sitting on an expanded board.

1510

The main concern we share with other employee and union groups is that the government is going to ram this legislation through, and that you're going to walk away and we're going to be left with an unworkable solution with no tools in place to address and resolve any differences.

So we're here today to urge you to reconsider introducing this bill, to go back to the drawing board. We'd like to see the government establish a process whereby the employee groups, the unions and the employers could be brought together so that we can negotiate and determine the structure on our own, using Bill 206 as a starting point.

The Chair: You've left a considerable amount of time for our groups to ask you questions, beginning with Mr. Duguid: about four minutes each.

Mr. Duguid: I may not need the full four minutes, but I thank you for your deputation.

I guess I'm a little surprised to hear you say that the bill hasn't been improved from your perspective, because I look at some of the measures we've taken, things like where we propose stronger language to ensure that rebound costs from the supplemental benefits will not impact other employees besides those directly impacted by the supplemental benefits. We have moved forward with amendments in the last committee session with regard to greater representation by population, which a number of groups have been calling for. You've got better representation in terms of the advisory committees. We've removed the requirement for OMERS's CEO to play a role in the mediation process, which was a concern raised by stakeholders such as yourselves. We've looked at a number of different changes that we've made to the bill to accommodate some of the requests made by groups such as yourself and CUPE and others.

So when you say it hasn't been improved—I understand your concern in terms of the cap on the benefits, and we're looking at that. We've heard a number of deputations on that. But in terms of the representation-by-population aspect, it has more or less been addressed in the committee structure. The door is still open. We're still looking at the committees and the representation. We're still looking at the size of the committees, which has been raised by a number of groups as a concern.

I'd just like to know exactly where you're coming from with some of this stuff.

Ms. MacDonald: Thank you for the question. Certainly, we're pleased to see that the paramedics were included for the supplementary plans. We're also pleased to see that there is stronger language on the rebound costs.

In terms of some of the other issues that we raised, we did raise the 1.4% benefit cap as an absolute dealbreaker. The two-thirds majority is new, and that's an absolute dealbreaker. And we still have some concerns about the representation.

CUPE now has representation by population. It's not quite representative of the population, but it's certainly better than the first crack at the bill. But there's also less representation now under this revised legislation for other employee groups, and adding a management association on to the employee side of the administration corporation is a deal-breaker. So it went from one or two deal-breakers to a whole handful of dealbreakers this time around.

The Chair: Mr. Ouellette.

Mr. Ouellette: On the representation, you mentioned the potential rotating membership. As opposed to that, you mentioned too—there was a rotating and a fixed number, where everybody has representation. What should the number be there? What do you feel it should be?

Ms. MacDonald: I think there are only 10 employee groups with representation of 1% or more of the total membership. I don't think that expanding the sponsors corporation is going to be too unruly, to have representation from all of those groups on the board. However, I understand that some people do have some concern about that, so as an alternative, as a second step in terms of what we would like to see, even a method for rotating among the groups with 1%-plus membership—so our preference is for everyone, all the employee groups with 1% plus, to be able to have representation.

The Chair: Mr. O'Toole.

Mr. O'Toole: I appreciate your presentation and I'm just repeating a few of the words here: "A majority of plan ... do not support this bill"—you're representing the CAW; I'm very familiar with them—"may be forced on...." You used the words "ram through." It's pretty harsh language. I hope Mr. Duguid is listening, because we are hearing that consistently from all the leadership. I see Hazel McCallion here. All of the municipalities, AMO, are basically—these are the employer-type groups, and the employee groups are now speaking up. See CUPE and Sid Ryan's report.

I can't understand why they're actually doing this. If there's a break point, you've said here—a deal breaker was the majority issue, as well as the governance majority issue, going into the mandatory arbitration. We've seen those decisions more frequently in police and fire, where they say, "irrespective of the municipality to pay." That's what the decision usually says. We heard that from the eastern Ontario wardens this morning. Why do you think they're doing this? Are they offloading potential liabilities into the future? If you look at the whole pension profile, public and private, they're all tanking: Ford, General Motors, Chrysler; Stelco is all about pensions. The list goes on. You should read the new report. You probably have, because you work on this full-time. The OSFI report is quite shaking. In fact, I'm old enough; I'm well over 60. Why are they doing this? I think they're shifting responsibility or future liability. They don't care if it's supplementary plans. Dalton will be saying—he promised not to raise your taxes. I think he's going to have the municipalities raise the taxes. That's what he's doing. What's your response to that?

Ms. MacDonald: I'm not privileged to know exactly what the thought process is behind the legislation. But, having been involved in a number of consultation processes with regard to governance and seeing this issue ongoing, I would say there is an element of truth to the argument of offloading responsibility, shifting the potential financial burden in the event of a shortfall. There's certainly some of that. But I also think that some groups have effectively lobbied the Liberal government.

Mr. O'Toole: Which groups would they be?

Ms. MacDonald: Certainly the police and the firefighters would like to have the supplementaries, and that's fine. We're not opposed to supplementary plans as long as they're available to all other parties.

Mr. O'Toole: Yes. That's discriminatory under the current framework. Ms Horwath has raised that. It's discriminatory. It's going to be allowed to a group. It's a negotiated element. Leave it as such and let them negotiate it. But these arbitrated solutions will be a charter challenge.

The Chair: Thank you, Mr. O'Toole. I don't think there was a question then.

Ms. Horwath.

Ms. Horwath: I'm not surprised by what you've raised as the issues, and certainly the other employee groups we've heard from, police and fire aside, have a lot of concerns, particularly around the inequities of the bill. It's interesting: If there's one consensus that has been reached through this process, and again, police and fire aside, I think the consensus from employee and employer groups is that this bill shouldn't go further in its current state. Certainly on the employee side, there had been a lot of groundwork done initially to make sure that the interests of the different worker groups, if you want to call them that—police, fire, CUPE, CAW, OPSEU and others—were all kind of going along in the same direction. It's unfortunate that a bill of this import to all of those stakeholders ended up dividing all the groups and causing such a rift. It's really irresponsible, in my opinion, that we've ended up in this position particularly.

I'd ask you to speak very briefly in regard to the change you saw when the two-thirds majority got added in and how you understand that. Did you understand, through the process, that we were going to end up going in that direction? How did you react when you saw that change, the two-thirds requirement?

Ms. MacDonald: It was my understanding that that was one of the key issues raised by the municipalities and by AMO. I was actually quite surprised to see it in the bill. We were outraged; we were absolutely infuriated. We had a meeting with the other employee groups—we call ourselves the Coalition for OMERS Pension Fairness—and all of us said that this was an absolute deal breaker and that if there had been any sort of momentum building or any basis for agreement with the legislation, with Bill 206, this revised bill just completely wiped away any possibility of consensus. We just need to scrap this and start from the drawing board, get back to basics and try to start discussing the structure again, as opposed to having it imposed on us.

1520

Ms. Horwath: Not dissimilarly then from others who have spoken today, that would be your advice to the government at this point. The bill has become so mired in problems now. In an attempt to amend it, it's gotten worse, so now the solution should be to get rid of the whole thing and start from scratch.

Ms. MacDonald: Absolutely.

Ms. Horwath: Do I have more time?

The Chair: You have lots of time; another two minutes.

Ms. Horwath: Great. One of the things that was a shock to me during the first clause-by-clause process was that the government put an amendment to change from a defined benefit plan to a defined contribution plan. I know you're very experienced in pension issues and very well read on the difference between those two. Can you describe to me how you felt when the defined contribution issue was raised by the government?

Ms. MacDonald: It's my sense that the whole issue of defined contribution is being raised in the context of the supplementary plans and that, on termination or a partial windup, the benefits could be reduced if there wasn't enough funding available in the plan. That's somewhat of a defined contribution, but not quite; it's how the multi-employer pension plans work under the Pension Benefits Act, where you can actually have a defined benefit, but in a closure or windup situation, the benefits are reduced. So in windup situations, it kind of acts as defined contribution, but if the plan is ongoing, as a defined benefit. That's how the legislation has contemplated the supplementary agreements would work. In order to ensure that there's the defined benefit, the actual benefit guarantee, on a possible windup, there definitely would need to be the solvency funding.

Ms. Horwath: That's the way to deal with the concern or the problem around whether or not there'd be enough funds available to ensure the benefit was there: through solvency funding.

Ms. MacDonald: Yes.

Ms. Horwath: If I could just follow up on that, because that's an issue that has come up throughout the hearings now: whether or not solvency funding is required. Can you speak to that briefly?

Ms. MacDonald: I don't think solvency funding is required on the basic plan, but then of course there's the concern tied to that of the devolution of power and responsibility, the shifting of burden. It is a concern, but I think that right now we could support the elimination of solvency funding on the basic plan.

The Chair: Thank you for being here today. We appreciate it.

COUNTY OF GREY

The Chair: Our next delegation is the county of Grey. Welcome, gentlemen. As you get yourselves settled, if you could identify yourselves for Hansard and the organization or area that you speak for. When you do begin, after the introductions, you'll have 15 minutes. Should you leave any time at the end, there'll be an opportunity for us to ask questions.

Mr. Gary Wood: Thank you, Madam Chair. Good afternoon, ladies and gentlemen. My name is Gary Wood. I am the CAO for the county of Grey. With me today representing Grey county are Warden Bob Pringle; Councillor David Fawcett, chair of our finance and

personnel committee; and our director of human resources, Grant McLevy. On behalf of the corporation of the county of Grey, we appreciate the opportunity to present our comments on Bill 206.

The corporation of the county of Grey is an upper-tier municipality, with nine local municipalities, having a combined population of 91,000. The county of Grey and its member municipalities have in excess of 1,000 employees, and collectively we are affected by the provisions of Bill 206.

We will use our few minutes of presentation time to comment on five major issues we have with Bill 206.

The first is due diligence. Our recommendation is that the government defeat Bill 206 in its current form and undertake due diligence in order to consider the potential fiscal implications of Bill 206 to ensure that the proposed changes protect the interests of employers, employees and taxpayers. Our elected municipal representatives believe that the existing OMERS pension plan is a very good plan. The current state of OMERS is healthy, and the overall benefits provided by this plan are the result of years of fair negotiations between labour and management, with the province acting as sponsor of the plan. The outcome has been the creation of a pension plan that provides very well for the members and is the envy of the vast majority of our ratepayers.

We believe it is of the utmost importance for every member of the provincial Legislature to become well informed of the contents of this bill. We ask that no member vote to support Bill 206 without a thorough understanding of the financial implications or impact on their constituents. This understanding is important so that each member may explain why additional employee pension costs needed to be loaded on to the property tax bill without benefit to the taxpayer.

The government has committed to a dialogue with municipalities on key provincial initiatives affecting municipalities through the Association of Municipalities of Ontario. AMO has requested that the government provide its cost projections to support the government's contention that municipal cost impact estimates of this bill are too high or that they have used a worst-case scenario. In spite of this commitment for dialogue and in spite of AMO's request for the government's cost projections, we have not seen evidence that the cost impact to municipal employers has yet been considered by the government.

The Ontario Secondary School Teachers' Federation has said that it does not see OMERS governance as a matter for public or legislative debate. We disagree with that point of view. We believe that if the province withdraws as sponsor of the OMERS plan, they must outline to the public how their interest will be protected. In its current form, municipalities, and ultimately the taxpayers, will need to pay for significant cost increases through property tax.

We believe that the government is moving this bill far too fast. In its current form, it raises significant technical, public policy and economic issues, and as such it should

not be rushed through the House. Further study and changes to the bill are required. We believe that, as a minimum, a government-sponsored actuarial analysis should be undertaken to show the potential cost impact of Bill 206.

Assuming that the government defeats Bill 206, as we recommend, we would also like to provide comment on four other issues in the event that Bill 206 is brought back in a less harmful fashion. The first of these points is on the sponsors corporation. Our recommendation regarding the decision-making structure of the sponsors corporation is that the proposed structure is unnecessarily complicated and favours a mediation-arbitration approach based on a simple majority vote. The bill should indicate that decisions for specific changes be subject to the two-thirds majority vote across the board and eliminate a decision-making model that includes arbitration.

The sponsors corporation has authority to make changes to benefits or contribution rates with an affirmative vote of two thirds of its members. In the case of a proposed change that is neither accepted nor rejected, the sponsors corporation may, by an affirmative simple majority vote, refer the proposal to mediation and arbitration. Hence, this decision-making structure allows that a simple majority decision of its members may make changes that have potentially huge ongoing financial consequences to municipalities and, ultimately, local taxpayers.

The decision-making authority imposed on the sponsors corporation within Bill 206 flies in the face of autonomy. It does little to protect property taxpayers from excessive increased costs. It is clearly designed to meet the expectations of the emergency services sector to have access to an arbitration model in order to secure a number of supplemental plans that would enhance their respective retirement benefits. The creation of a sponsors corporation as well as an administration corporation to oversee and operate the OMERS pension will result in additional administrative costs for employers and, presumably, employees. The province should fund the start-up cost of the sponsors corporation, as was done for the Ontario teachers' pension plan.

1530

Our third point deals with supplemental plans. Our recommendation is to remove from Bill 206 provisions allowing for supplemental plans for emergency sector workers, and that all members in OMERS, excepting retirement age 60 for police and firefighters, be treated equally. Bill 206 should only include issues regarding governance and autonomy.

Bill 206 mandates the creation of supplemental plans for employees in the police and fire sectors, and now paramedics. This combined group, although large in number, still represents a small number of the total employees who are members of OMERS. We are concerned with the future costs associated with providing supplemental plans for this select group. This privileged group has now been expanded to include civilian police employees and eliminates the traditional police and fire-

fighters group previously used in establishing OMERS pension entitlement.

We are also greatly concerned with the prospect of now having to provide identical benefits to all employee members of OMERS. As recently as yesterday, we were asked by one of our six labour unions when these benefits would be on the table for them as well.

We have considered the financial impact the current provisions of Bill 206 would have on the county of Grey. At a minimum, the cost impact for paramedics alone would be \$400,000 annually. Extending similar benefits to all county employees would increase our costs in excess of \$1.1 million annually and represent a property tax increase of 1% to 4%. These are estimates only. To be more precise, an actuarial analysis of our employee group would need to be done. We believe the government should have done this before now for the entire members' plan.

Whatever the cost, these dollars could be used to provide enhanced protection for persons and properties or to rebuild roads for our ratepayers. Instead, these dollars will be directed toward increased pension benefits and reduced protection as emergency workers, through these new supplemental plans, are encouraged to retire earlier.

The question we ask on behalf of our taxpayers is, why did this government see it necessary to add this expense to municipal property tax while providing absolutely no improvement in municipal services or benefit to property taxpayers? As a municipal employer, we do not support the notion that the current OMERS pension plan creates issues in retention of our staff, nor do we have difficulty attracting new employees in the emergency services sector as a result of the OMERS pension being viewed as inadequate.

Initial OMERS devolution discussions were focused on improving efficiencies in board decision-making and streamlining board appointments, yet Bill 206 shifts the focus to one of enhancing retirement benefits for a select OMERS employee group. We ask the standing committee to consider the financial implications of this shift away from the initial focus on autonomy and devolution. We believe that, through the provisions outlined in Bill 206, the province is ignoring the best interests of communities, small business groups, seniors and property taxpayers in general.

Our fourth item is defined benefit or defined contribution. Our recommendation is for Bill 206 to maintain the flexibility to provide benefits funded on either a defined benefit or a defined contribution, as decided by the sponsors corporation. We support the government's removal of section 9 of Bill 206, which necessitates that all benefit plans be defined benefit plans. If the intent of devolution is to permit the members of the sponsors corporation to take more responsibility for their plan and the financial consequences for their decisions, we agree that they should have the flexibility to make their own decisions on this matter. Employers are under significant financial pressure today in maintaining employee bene-

fits when the benefit is defined, as opposed to the employer making a contribution toward the overall cost.

Our fifth and final point has to do with solvency funding and supplemental plans. There's nothing in Bill 206 that changes the solvency requirements for OMERS supplemental plans, and it would be irresponsible to adopt a reduced cost estimate to administer such plans based on a potential solvency exemption. With the governments' current amendments to Bill 206, projected municipal cost estimates will actually increase, not decrease, resulting in property tax increases without any additional benefit to the property taxpayers in our county.

We welcome questions members of the standing committee may have for us, and we thank you for receiving and listening to our presentation.

The Chair: We have slightly over a minute for each party, beginning with Mr. O'Toole.

Mr. O'Toole: Thank you very much. We had a very similar presentation this morning. The very first presentation was from Grey-Bruce, and had a similar interpretation. We are hearing many of the same comments by the municipal leadership, both elected and civil servants, as I would call them.

You seem to be a very sophisticated person—not to be artificial—and I'm sure you're involved in negotiations, and payroll and benefits are about 80% of your budget anyway. Have you looked at working with the agreements? There are supplemental plans in some parts of Ontario today for emergency workers.

My question is this: There's nothing preventing, in negotiations—

The Chair: Mr. O'Toole, could you ask a shorter question? We're never going to get to the answer—

Mr. O'Toole: Well, okay. Yes, I will. Thanks very much, Chair.

The Chair: And speak right into the microphone, please.

Mr. O'Toole: I would have asked it by now.

The Chair: No, I don't think so.

Mr. O'Toole: The provincial police, fire and ambulance associations establishing a supplementary plan without Bill 206: Do you think that's possible? A group RSP—this would be a group plan as a supplementary retirement benefit.

Mr. Wood: Outside of OMERS, quite possibly; no doubt about that.

Mr. O'Toole: I'm sure they can; absolutely. I wonder why they don't do it.

Mr. Wood: Well, I can tell you what happens when they do it. When they do it, then everyone says, "Me too," and that's not acceptable.

The Chair: Ms. Horwath.

Ms. Horwath: I just wanted to ask about your assertions around asking the government to maintain the removal of the requirement for defined benefit plans. You talked about the flexibility that this will allow. Can you expand on that flexibility, please?

Mr. Wood: The entire intent of the devolution was to try to get the government out of the awkward position it's

in and to try to put the control back into the parties that are in fact negotiating the plan all the time, and that's the employers and the employees. We're suggesting that the decision for that be placed back into their hands and not be mandated by the government. We see no reason for that to be mandated by the government; that's what negotiations are all about.

Ms. Horwath: You say that referring to the entire plan, not just supplementals.

Mr. Wood: This bill only deals with supplementals, as far as I know. The basic plan is defined, and I'm not sure that can be undone at this point. But certainly I would see that the entire plan and the supplementals should be a decision that the parties involved with the negotiations make, not one that is mandated by government.

The Chair: Mr. Duguid.

Mr. Duguid: Thank you for being here today and joining us to make the presentation that you've made. My question is around your cost estimates. We've had testimony here today and in previous committee hearings that has indicated that any suggestion that all the benefits will be taken up fully is totally unrealistic given the cost to employees themselves, that even the employees wouldn't be in a position to be able to take up all of the benefits fully. It looks like your cost estimates—I'm just glancing at them; I haven't seen them. Could you tell me if they are inclusive of a full take-up of the benefits? Is that what you're estimating as a worst-case scenario?

Mr. Wood: The \$400,000, the minimum for EMS, no. That's a figure based with their moving to the suggested new group and benefiting with the earlier retirement and also the additional accrued service at 2.33%, I believe.

Mr. Duguid: So it's a full take-up of all of the benefits.

Mr. Wood: No, there are many other things that were possible to negotiate; I think there are up to nine different ones. So when we talk about the minimum, no. We're looking at our basic minimum. But we still include in our costing the solvency funding because that hasn't been eliminated. But even if it were, each of these groups differ from municipality to municipality. It depends on their age and many factors. We are asking you as the government to undertake an actuarial study so that this question will not be argued back and forth between you and me, but in fact will be definitively answered through that study.

The Chair: Thank you and your delegation for being here. We appreciate it.

1540

CITY OF MISSISSAUGA

The Chair: Our next delegation is the city of Mississauga. Welcome. Once you get yourself settled, if you could introduce the people with you and the city that you represent so Hansard has a record of it. After you've done your introductions, you'll have 15 minutes. If you leave time, there will be an opportunity to ask you questions.

Ms. Hazel McCallion: Thank you very much. I'd like to introduce our city manager, Janice Baker, and Eric Draycott, our human resources commissioner.

I'm not sure I'm pleased to be here today. I thought maybe the last time we were here we might have done some good, but when I read the changes that were made, it went from bad from worse, so it forced me to come back because of the grave concern.

We don't support many of the amendments that were made by the standing committee. We don't really believe the standing committee listened to the municipalities, AMO etc. You will know that there is a consistency in the submissions made by the municipalities. It's the tax increase that's going to occur, and the downloading that the public doesn't even know about. It's very difficult for us to get our message across to the public that this is a downloading. I would think that it will make the downloading of the previous government look like chicken feed when this is put in. To think that it's going to stop at fire, police and paramedics is a joke, quite honestly. It will spread.

I think CUPE has already made—by the way, I want to thank CUPE for the ad. I've had more requests from the public now, since CUPE put the ad in the newspapers, so I want to thank them; not that I agree with their entire presentation, because we strongly support the two-thirds vote. I just can imagine sitting around the table and deciding on the supplemental plan and somebody is home ill that day. A simple majority: That would be easy. Or arrange for somebody to be home ill. That has not been unusual in some decision-making situations. So the two-thirds vote, in my opinion, is absolutely essential.

Arbitration doesn't work. It hasn't worked for the municipalities for years. The Large Urban Mayors' Caucus right now is asking the minister to come before us to discuss arbitration. It doesn't take into account the financial capability of the municipality to pay or take into account the financial capability of the taxpayers to pay, and could have a major impact on seniors, etc., who are struggling now to keep their heads above water.

I'm not going to read our presentation because, quite honestly, it repeats a lot that's been said to you by different groups and by AMO. I just say to you that this bill has got to go back.

I notice that questions have been raised on our estimates of cost. I would love to have the provincial government's estimates of cost. I really would like to see them, to have an opportunity to comment on them. They're challenging ours, and that's right; that's okay. But I would like to challenge their estimates. I can assure you that I've been told—I don't know how accurate it is—that if the OPP and OPSEU ask for it, which will be a natural, the cost to the province for the OPP would be something like \$77 million.

I don't believe the province has done its homework. That's my position, very clearly. The public is not in the picture on this at all. This government promised not to increase taxes. I think they will increase their own taxes,

if it goes to the OPP and OPSEU. But I'll tell you that they're going to increase our taxes. In my opinion, that's a tax increase, no doubt about it.

Therefore, I say to the government, please go back and do your homework. The bill is flawed, and the standing committee hasn't made it any better.

There's going to be a major cost to the stakeholders in setting up the situation that they have recommended. I hope the province is going to fund that cost of the set-up.

Members of the committee, please, have you done your homework on the cost, the impact? If you have, would you share it with us? We would love to have it in order to comment on it. So I ask you, I plead with you today, to go back to square one, and I speak not only for the city of Mississauga; I want you to know I speak for the Large Urban Mayors' Caucus of Ontario. We dealt with it at our last meeting, and, as chairman of that group, I can assure you that they are greatly concerned with the financial impact.

We're struggling now with property tax increases in this province. Our taxes are going up 5.9% in the city of Mississauga, and the people are not happy with it, I can assure you. This downloading, which it really is, will just make that situation worse. It means that we'll have to cut out services to our people. It's as simple as that, because you can only tax so much. I believe the taxpayers of Canada are overtaxed, and the property tax, the most regressive tax, has nothing to do with the income of people, the ability to pay, but is based on assessment of their property. It's not a growth tax. It's not based on the growth of the economy, like income tax, sales tax, etc. I would ask the government to take this into account.

If you are opposed to a tax increase, then we will have to demonstrate this and portray this to the public as a major tax increase in the province on the municipalities. So I would ask the committee to please scrap the bill the way it is and go back and get more input on it. I think you have the input from the many presentations that were made at the first hearing. You've heard them today. There's not even agreement—it's true that among the groups that are presenting, like CUPE and the municipalities, they're all saying the same thing: It's flawed; it needs major surgery. Therefore, I plead with you, as a government and members around the table who represent the government, to do your homework. Give us the impact that you think is going to be on us. We have not seen any figures as to the impact. We've tried to estimate. As the press just asked me, what is the impact in regard to police, fire and paramedics? We can estimate that. We have no idea if it spreads to all our unions. The homework has not been done. I plead with you that we go back to square one and get the homework done.

Also, I would ask the government to explain the whole process to the citizens of Ontario. I think communication with the citizens is extremely important. I think the province has a responsibility to communicate with the citizens of Ontario on this. Until CUPE ads appeared, in my opinion, the public was in the dark.

Thank you, Madam Chair.

The Chair: Thank you. You've given everybody about two minutes to ask questions, beginning with Ms. Horwath.

Ms. Horwath: Welcome. I think it's kind of funny. You were talking about the fact that this bill needs major surgery. From the sounds of many of the stakeholders today, it needs to be euthanized. I think you would agree with that.

I wanted to ask you a little bit about your cost estimates because, again, everybody's frustrated with the lack of government numbers in regard to costing. We heard from the Police Association of Ontario today, and their cost estimates, based on the same figures that were provided to municipalities from the OMERS board, came out far different and, of course, far less than the ones that you're putting forward.

So I have two questions. How would you explain that divergence in figures, and also, what's the time frame over which your model, your analysis of final figures, is looked at? Are you assuming that with the figures you're providing, immediately all benefits possible under the supplementary plans will be provided, and that's where they come from? Could you describe that, please?

1550

Ms. McCallion: I'll ask our CAO to deal with that.

Ms. Janice Baker: First of all, I haven't seen the police association numbers, so it's a bit difficult for me to speak to them, but I understand that they were prepared without the solvency assumptions in them, which I think makes a huge difference. We did it on the basis of what the legislation provides for. We used models that were provided to us by OMERS, and we took a couple of examples. For instance, in the first submission we made to the standing committee, we gave you the example of just one of those benefits, which would be the enhancement to a 2.33% supplemental benefit plan, and for our firefighters group alone—because police is regional, as you know, in Mississauga. We haven't bundled anything together, and we haven't tried to overstate the case. We've said that if you look at that one benefit alone, based on the way the legislation was written at the time and the models that we were given by OMERS, it's \$1 million. To put that in context, in Mississauga, that's a half per cent tax increase just to pay for an enhanced benefit that buys our citizens no additional service.

Ms. McCallion: The region will be glad to give it to you on the police and paramedics, which will be much larger.

The Chair: Mr. Duguid.

Mr. Duguid: Your Worship, thank you again for joining us today and for your input. We have received correspondence from you on this matter, and we appreciate that as well.

I guess your main concern is the costs. From what I've seen of the estimates put together so far by municipalities, there's an assumption that there's going to be full take-up of all the benefits. That assumption has been refuted time and time again, here at committee today and in previous meetings as well. There's a certain capacity that employees themselves cannot afford to go over in

terms of their own contributions. Their contributions are increasing already. When you look at the future of the fund, there's anticipation, according to some of the deputations we've heard, that they're going to continue to increase. The feeling is that it's unrealistic to think that there will be full take-up of these benefits, and even if there is some take-up of them, there will be solvency relief. Those are all things that will have to be negotiated with the various municipalities and their stakeholders.

I understand your concerns, and you've raised them a number of times with us, but I guess my question to you is, do you recognize the steps that we've taken in terms of solvency relief to try to reduce any potential costs that may exist?

Ms. McCallion: What have you done to estimate the costs, whether it's full or part? I'd like to see some figures come from the government. You have the staff, you have the capability to do it, so why don't you come up with some figures instead of challenging ours?

Mr. Duguid: The figures that have been—

Ms. McCallion: You talk about, "Have you calculated this and have you calculated that?" I could come back and ask, "What have you calculated?" If you are so assured that what you're doing is right, then you should have done some calculations to know that if we came up with a calculation, you could say, "Sorry, Madam Mayor, your calculation is wrong," for this and this reason. We don't have that. You haven't come up with any figures that I know of.

Mr. Duguid: The difficulty is, though, that it's impossible to entirely predict whether municipalities will in fact bargain for these particular—

Ms. McCallion: Predict the worst.

Mr. Duguid: The numbers that we've seen are worst-case scenarios.

The Chair: Mr. Duguid, you've exhausted your time.

Ms. McCallion: I'll tell you, the worst will occur.

Mr. Duguid: We've been told that the worst is totally unrealistic and unlikely to occur.

The Chair: Thank you, Mr. Duguid. You've exhausted your time. Mr. Hardeman.

Mr. Hardeman: Thank you very much, Madam Mayor, for your presentation. I want to say that I was most impressed with your first request, that the government come up with some numbers. We've been asking them over and over again. If we disagree with the municipalities' numbers and we disagree with the employees' numbers, there must have been something in there when the government proposed the bill that would put some cost—even if they can't do the whole thing, worst-case scenario, how much does it cost to change one part of the plan in the individual municipalities, so we can find the problem?

We just found out this morning why they haven't done it. I'm sure, Madam Mayor, you got the letter. On December 20, the minister wrote to the municipalities about your concern about the cost, and said that Bill 206 would not impose any new cost or pension benefits that would result in added costs to municipalities. So the

minister has decided that this bill will not cost anyone anything. That's why they don't have any numbers: They didn't have to go any further than that.

I was just thinking of that as you made your presentation. I remember hearing you speak at the mic at the AMO conference quite a number of years ago when it was a different government, and you were also concerned about a bill. You mentioned, as you did today, that radical surgery was required. At that time, you told us that radical surgery was likely impossible; it was time for a funeral. I gather that's what you're suggesting with this bill.

Ms. McCallion: Well, I wouldn't mind a funeral for this bill.

Mr. Hardeman: The other thing that's also very important—

The Chair: Mr. Hardeman, are you getting to a question? You have about 30 seconds.

Mr. Hardeman: Yes. The other thing that's very important to mention, and you mentioned it in your presentation, Madam Mayor, is the fact that we have almost everyone having great concerns about this bill, even though it may be on totally different aspects of the bill. I would agree with you. Thank you for your presentation, because I agree that much more work needs to be done before any bill gets into the Legislature that has this big an impact on our population.

Ms. McCallion: Well, we're going into negotiations with our firefighters. They've already got it on the table.

I say to you, do your homework. I don't mind you challenging our figures and saying, "You know, you looked at the full case, etc." The point is, what did you do to provide us with the information for us to challenge? It's a two-way street, not a one-way street. I don't mind our figures being challenged. You have that right. But at least provide us with something that we can also challenge. That has not been done. And by the way, I'd be glad to attend the funeral.

The Chair: Thank you, Madam Mayor.

Ms. McCallion: Thank you.

CANADIAN UNION OF PUBLIC EMPLOYEES

The Chair: Our next delegation is the Canadian Union of Public Employees, CUPE Ontario. Welcome and thank you for coming today. If you could introduce yourself and the organization you speak for for Hansard. After you have introduced yourself, you'll have 15 minutes. Should you leave time at the end, there will be an opportunity for us to ask questions.

Mr. Sid Ryan: My name is Sid Ryan. I'm the president of CUPE Ontario. To my left is Judy Wilkins, our legislative liaison. Brian O'Keefe, to my right, is the secretary-treasurer of CUPE Ontario, and Frank Ventresca, from the Niagara area, is the chair of our school board workers' committee.

Let me begin my remarks by saying that I guess it's only the Liberals in Ontario who could put Hazel McCallion

and Sid Ryan on the same page when it comes to the radical surgery that's required with this legislation. Clearly, you've strayed far away from the indications that at least the Premier gave to me when he first got elected, that he wanted to get both parties to sit down and negotiate what a pension plan governance model would look like.

We requested of this government to do one thing and one thing only: Provide us with a table with the employers of this province who are members of this plan and the employee groups. That's all we asked. We didn't ask you to come in with your own prescription; we didn't ask you to sign a sweetheart deal with the police and the firefighters of this province. We asked for a fair and open process, and we wanted the government to participate in a way that would bring the two sides together. That's all we asked.

Instead, we got this Bill 206, which essentially is a bill that was rejected by all the stakeholders, that came from the OMERS organization. Those same individuals that FSCO, the Financial Services Commission of Ontario, are investigating—they come forward with their own plan, and you accept it holus-bolus and then you try to stick it to the rest of us in the province.

Consequently, you now have a mess on your hands, and you have to try to somehow get yourselves out of this mess created by political expediency, signing a document with police and firefighters before an election to curry favour with those two organizations when they represent only 15% of the plan members at the expense of 85% of the plan members, most of whom are women, most of whom earn less than \$30,000 a year. So I hope you're proud of the work that you've done in terms of sticking it to the women of this province and sticking it to low-paid workers so that you can curry favour with police and firefighters, who already have a gold-plated pension plan. You want to turn it into a platinum-plated pension plan at the expense of the majority of the plan members. I can assure you we had a meeting with 450 of our leaders from across this province only a few hours back, and we have taken a strike mandate from those 450 leaders. On February 10, we're going to be announcing a province-wide strike, where we'll have 120,000 men and women from all the trades, all the jobs and all the different occupations in the school boards and in municipalities. I'll be asking the Ontario Federation of Labour to help us organize even broader, beyond the 120,000 members of CUPE, because we will not stand by. I didn't allow Mike Harris to stick it to low-paid workers, and I certainly will not allow Dalton McGuinty to stick it to these low-paid workers either. You need to understand that.

1600

You've got an opportunity here to go back and do what we asked you to do in the very beginning: Scrap this legislation, go back to the drawing board and allow the parties to sit down and do what we do for a living; in other words, negotiate what a planned governance model will look like. We've got lots of experience and lots of examples of where this has been done in the past, with

Liberals actually working with schoolteachers to make it happen and the Conservatives working with the OPSEU organization to make it happen. Pension plans all across this country have allowed the stakeholders to sit down without interference from the government to basically make sure that we come up with a governance model we can all agree on.

Briefly, as we go to our brief today: The recommendations made in the original submission have not changed. However, you've made 46 changes in lightning speed, trying to sneak this through by stealth, and I tell you it won't work; ramming this through the House is not going to work. Following the clause-by-clause debates and the second reading of the bill in December, we made a decision to focus on a number of core issues and to re-evaluate our overall decision on the bill in light of disturbing government amendments introduced at second reading, including a supermajority voting requirement on the sponsors corporation. Under Bill 206, some 40 trustees and directors will have a say in what OMERS does and how it gets governed. They will split into two boards. This means that on crucial issues the boards will be tied up in knots and unable to make effective decisions about anything.

OMERS is currently under investigation by the Financial Services Commission of Ontario with respect to its decisions to outsource the management of investments to outside entities heavily influenced by former employees, and then to repatriate the same investments a few years later at an undisclosed total cost of tens of millions of dollars. Bill 206 will do nothing to alleviate the weaknesses underlying this crisis. Indeed, by increasing the size of the board and failing to provide for any effective checks and balances, Bill 206 will entrench and deepen OMERS's existing weaknesses.

We believe what you've set up here is a two-tier pension plan. Instead of leaving the development of supplemental plans for police and fire officers to the discretion of the sponsors corporation, Bill 206 has been amended to override the sponsors corporation's discretion on this issue and to require the implementation of supplemental plans for police and firefighters within two years. In other words, you're basically saying to the police and the firefighters, "You don't have to worry about this legislation. You don't even have to go in and get the support of the other unions in the pension plan. We're going to give you special rights. You just have to go in and use your political clout to get what you want from Sudbury, Mississauga, Toronto or anywhere you like in this province," and automatically this plan will have to be approved, without anybody else whatsoever having a say in it, even if there are costs which we believe will be borne by some of our members. In other words, asking women earning less than \$30,000 a year to pay for the platinum pension plan for firefighters and for police officers is simply unacceptable. They don't even have to come and ask for our approval; they just get it because they used their political clout to be able to get what they need inside of their own communities.

We all know—make no mistake about it, because I'm fairly familiar with collective bargaining—when the police and the firefighters go up against the city of Sudbury, or go up against any one of those cities, that those local politicians don't have what it takes to stand up to the organization. We know that our members are going to end up paying the cost to pay for those supplementals. Meanwhile, the predominantly female majority of the OMERS members—for the most part, the less-well-off in the plan—are left to fend for themselves and to rely on a cumbersome and unwieldy sponsors corporation with a 22-member board to formulate pension arrangements that make sense for them. Clearly, this will create a two-tier system.

You can't trust the women of the province to go in and make these arrangements for supplementals; oh, no. We have to be forced into a 22-member board, where we don't even have proportional representation, where you actually stack the board, believe this or not. In some Orwellian move by McGuinty, you decided that Hazel McCallion's CEO, for example, is a union member, and they get a representative on our side of the house. What kind of convoluted logic is that? How can you in good conscience sit down and say that the CEOs that we negotiate with every day of the week in our municipalities and our school boards somehow have now been magically transformed into union members? They sit on the union side of the house when it comes to negotiations around supplemental plans.

How in God's name are we expected to try and get women negotiated out of the poverty traps they're in, finding themselves retiring into poverty with this pension plan? How are we supposed to do that with a CEO of any one of our municipalities or school boards sitting on our side of the table, purportedly as a union member? Only in Liberal logic could that actually work. What sort of convoluted—what can I say? It blows the mind just to even think that you would sit down and pretend that somehow you're working with unions in this province and say, "We're going to ask a CEO to sit on your side of the table," and we have to pretend that that's a good union member, a good solid CUPE member who's been putting their members out on strike for a number of years—and they'll be sitting on our side of the table. Only Liberal logic works that way.

Furthermore, under section 12 of the bill, the lower-paid members of the plan will be stuck with an effective accrual rate of 1.4% because of a 0.6% cap on potential improvements to the CPP offset. Contrast that, of course, to the sweetheart deal you've given to the police and the firefighters. We're stuck with 1.4% of an accrual rate, but you've got no problem whatsoever saying to police and fire, "You can have yours for 2.33%."

I know Mr. Duguid likes to think that police officers and firefighters are running into buildings while the rest of us are running out. Maybe he ought to take a look at what happened in 9/11: An awful lot of citizens and public sector workers went down in that building too, Mr. Duguid, and they didn't all run out.

By the way, there are not two-tier systems in here when it comes to workers. The workers of CUPE are every bit as important to the system in this province as the police and the firefighters. I don't accept your logic for one second that somehow there are two tiers here, that there's a second class of worker: one who wears a uniform and one who doesn't. I reject that kind of logic. Our members should be entitled to negotiate as good a pension plan as anybody else who's a public sector worker in this province, regardless of whether they wear a uniform or don't wear a uniform.

The two-thirds voting requirement, in our opinion, is anti-democratic and gives a minority of the sponsors corporation a veto over the wishes of the majority. In the circumstances proposed by Bill 206, such a veto will guarantee that the predominantly female members of the OMERS workforce will remain strictly second-class members of the OMERS pension plan in perpetuity.

For whatever reason, the government made a limited move toward the principle of representation by population at the sponsors corporation but not at the admin corporation. Moreover, purportedly seeking to balance employer and employee reps on both boards, a government amendment provides an employee seat on each board to the Association of Municipal Managers, Clerks and Treasurers of Ontario. These are the CEO guys I talked about. This group, which represents senior management in the municipal sector and constitutes less than 1% of the active plan members, has traditionally sat on the employer side of the table. In Liberal logic, they now sit on the union side of the table.

Here was CUPE, with 45% of the membership, at this last meeting around this table begging the Liberals to give us proportional representation based on our 45% of the members we represent. Again, in classic Liberal logic, you turn around and deny CUPE that proportional representation, and to add insult to injury, you turn around and take an organization with less than 1% of the membership in this province, who normally sit on the employer side of the table, and plop them onto the union side of the table. What was that about, Brad? Is that to stick it to us again? Is that to say, "Hey, you guys take us on on a regular basis. This is the Liberal way of sticking it to workers"? Less than 1%: How could you justify doing something like that to our plan members?

This is their pension plan. The last thing a person does before they leave the workplace—their pension plan is what they pick up. I've been knocking on doors, as the folks around the table know, in the last little while, and I've seen these people having retired into poverty.

Let me just finish up with one example. We've used a typical worker named Sally, who works for 35 years earning \$30,000 a year. She retires at age 65. She retires, under the accrual rate you've got entrenched in here, with \$11,900. There's not a city in this province where you can live on \$11,900; you'd be below the poverty level.

1610

Now, if that woman was a firefighter or a police officer earning \$30,000 a year, under the plan that they've got,

she'd be retiring with \$18,000 a year. Do you think that's fair? I don't. My members don't. That's why we're going to fight you on this bill. We're going to fight you every step of the way. We've got the strike mandates, and we're going to demonstrate to you what grey power is all about and what workers who stand together and fight for their rights is all about.

I reject the notions why Hazel and others came here before you to say, "Scrap this bill." I agree with the idea of scrapping it, but for different reasons. I don't believe it's going to be those huge, humongous costs that AMO are running around telling people. It didn't happen with the school teachers, it didn't happen with the OPSEU pension plan and I don't believe it'll happen with this pension plan either. Your logic is completely wrong, and our organization is going to take you on on this issue.

You've got until February 10, which is the deadline that we're setting, and we're asking you by February 10 to come to your senses and make the changes that we're asking so that we can have the ability to negotiate our members out of poverty and not get them ghettoized in these low-paying jobs, with no ability to improve their standard of living down the road. I'm asking you to do that before we get into a massive strike in this province, because we are not backing down from this one, I can assure you. It's too important to our members to sit back and allow the Liberals to stick it to these people, to low-paid workers, both men and women, in this province. It won't happen.

Thank you.

The Chair: Thank you, Mr. Ryan. Unfortunately, you've left insufficient time for anybody to ask any questions. We appreciate your being here today. Thank you very much.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair: Our next delegation is the Ontario Public Service Employees Union.

Interruption.

The Chair: Could I ask for a little order? If you need to chat, you could step outside so we can get on with our last two delegations, please.

Is it Ms. McVittie?

Ms. Shirley McVittie: Yes.

The Chair: Great. Thank you.

Could everybody take a seat or leave so that we can give this delegation our full attention, please?

Thank you, and welcome. Thank you for coming. You're very welcome here. If you haven't heard before, after you've introduced yourself and the group that you speak for, you will have 15 minutes, and should you leave time at the end, there'll be an opportunity for us to ask questions.

Ms. McVittie: Thank you. My name is Shirley McVittie, and I'm with the Ontario Public Service Employees Union. I'm a senior benefits counsellor there.

I want to thank you for giving us the opportunity to come again to make a presentation to you on this bill. We are pleased with the amendment in particular that includes paramedics in the supplemental agreements, because we have a number of paramedic members, and the recognition that there will be a committee that will include a representative from either OPSEU or CUPE.

However, we do have several matters that we believe must be addressed if this bill is to go through that would make it acceptable to our memberships, and these deal with the issue of governance, benefits for plan members and dispute resolution.

OPSEU has been a party to several negotiations in the last 10 years with respect to new pension arrangements for plan members, including the OPSEU pension trust and the CAAT pension plan. We've come to agreement on issues that we see are going to be problematic in Bill 206. So the first thing we would do is urge the government to provide an opportunity for the employee and employer groups to work together to establish a framework for the future governance of OMERS.

With respect to the sponsors corporation and the administration corporation, our members need assurance that their voices will be heard when the new legislation is passed. They're very concerned about the composition of the new sponsors corporation going forward.

We noticed in the new bill that the positions for the other member representatives, which is us, have been decreased from three to two, and that these two seats must be rotated through a list of at least 30 employee groups. As a union with approximately 8,000 members in OMERS, we believe we should have a permanent seat on the sponsors corporation.

OPSEU recommends that unions with an OMERS membership of 1% or more be given positions on the sponsors corporation and the administration corporation or, at a minimum, that only groups that have 1% or more be put in the rotational pool.

Although we understand the government's goal of fairness to all groups, we do not believe it fair or just to be included with groups as small as 22 members. OPSEU does not currently have a seat on the present OMERS board despite the size of its membership in comparison to other groups, and we do not believe this should continue.

A basic tenet of democracy is that the group or groups with the largest amount of support have a seat, but that they would represent all constituents or members. Our experience in other multi-employer, multi-union pension plans in Ontario is that the larger unions have permanent seats, and once there, they represent the interests of all employee groups.

I've heard other people today mention the amended two-thirds majority for a specified change. This is without precedent in pension plans in Ontario. I don't know of any other that has such a position. With a large board of 22 members, it will be difficult enough to achieve consensus on issues. With the addition of the new position for municipal managers, clerks and treasurers on the employee side of the two boards, it will be more

difficult for plan members to achieve a majority vote, and a two-thirds vote will be even more problematic. Currently, the treasurer of the city of Toronto—I don't mean to pick on this person; it's just that that person is sitting as an employer representative on the present OMERS board, and the amendment to place this position on the employee side upsets the normal employer/employee balance. We see these two proposals as serving to undermine plan member confidence and support, and OPSEU is opposed to them.

As well, access to mediation and arbitration must be expanded, not limited as presently in Bill 206. We believe that it should be available if there is a tie vote on issues and not require a majority vote. This again speaks to the issue of having a representative of the employer allocated to one of the employee seats. This may in fact put this person in a difficult position if, for example, the issue is one of a contribution increase and a municipal treasurer is sitting as an employee representative.

OPSEU members need assurance that moving plan responsibility from the government to a sponsors corporation will mean that their issues will have a fair chance to be debated and considered. Our experience in other plans where matters may be referred to arbitration on a tie vote that cannot be resolved at subsequent meetings is that the provision encourages compromise and consensus building. In fact, we haven't had to use it. In the initial phase of the new structure, interpretation issues are likely to arise, and the sponsors corporation will need a workable process to resolve them.

We note that paramedics have been added to the revised definition of "police and fire sectors." However, in order to be placed in the same position, paramedics need language in the bill that allows access to a normal retirement age of 60, in recognition of the work they perform similar to police and firefighters.

OPSEU continues to urge that the restrictions on benefit accruals for non-police and fire sectors be removed. There is no compelling reason to deny these workers future pension increases in the pension formula above 1.4% of their best five-year average earnings, while at the same time other plan members could achieve the maximum allowed under the Income Tax Act of 2.33% of their best three years' average earnings. The basic plan should not be frozen from the outset at an artificially low limit. There are already checks and balances in the funding arrangements—for example, the 105% reserve requirement.

Supplemental plans: The sponsors corporation must be required under the bill to create supplemental plans for all OMERS members as well as the police and fire sectors. The bill must also ensure that there is no subsidization of supplemental plans by the basic plan or payment of expenses by one plan for the other's costs.

Future plans: We note that section 9 of the initial bill regarding defined benefit plans has been deleted, which would allow a defined contribution plan to be introduced into the OMERS plan. We see this as a major change to the current defined benefit plan and one that OPSEU

clearly opposes. We do not see the need, in changing the governance structure, to make such a fundamental change to the principle of the pension plan. Thank you.

1620

The Chair: You've left about two and a half minutes for everybody to ask you questions, which is good.

Mr. Duguid.

Mr. Duguid: To begin with, you talked about being a little concerned about the large board of 22 members. Do you have a number to suggest that would be more appropriate in terms of the size of the board of the sponsors committee? You can talk about the administration committee if you like as well.

Ms. McVittie: I don't. I agree; it's large. It's cumbersome with so many groups, but I don't have a better suggestion.

Mr. Duguid: Okay, I appreciate that.

You also say, "The bill must also ensure that there is no subsidization of supplemental plans by the basic plan or payment of expenses by one plan for the other's costs." In other words, other members of the plan end up subsidizing the costs of the supplemental benefits, maybe for the firefighters, the paramedics or the police down the road. We totally agree with you on that. In fact, we brought in an amendment at the last committee meeting to strengthen it. Contrary to the submission of the previous deputant, Mr. Ryan, that somehow or another other plan members are going to be paying for these supplemental benefits, that in fact will not be the case. I want to assure you of that. In fact, we've offered to CUPE's lawyer that if they want to improve the wording that we've put forward, we're more than happy to sit down and see if that can be strengthened even further in the next round of amendments that will be coming. I want to make sure you're aware of that. I hope that brings you some comfort.

Ms. McVittie: It does. I did notice there were amendments. I just wanted to emphasize the fact that it should be specifically prohibited. I'm sure CUPE's legal counsel could devise wording that would allow that.

Mr. Duguid: How much time do I have?

The Chair: You have 30 seconds.

Mr. Duguid: It was mentioned by a previous deputant as well that somehow or another we're trying to sneak this through. Those were the words that were used. You're here today. This is the second set of hearings that we've had. It's almost unprecedented on bills; it's happened a few times, but very seldom do you go from first reading to hearings so that the public and stakeholders can have their say, back to the House and then back to hearings again after that. So I think that suggestion is totally ludicrous.

I just want to thank you for taking the time to put be part of what is almost an unprecedented set of hearings, the second set that we've had to ensure that we're hearing all the concerns being raised, and assure you that we'll take your suggestions under full consideration.

The Chair: Mr. Hardeman.

Mr. Hardeman: Thank you for your presentation. I'd just point out about the comments made by the parliamentary assistant that it is very uncommon, and I've expressed our appreciation before about having the hearings after first reading. I think it would be likely more often it's happened that a bill goes out for first reading—that a bill would get 60-some amendments from the government side after first reading when it's had no debate. No one looked at it other than the committee, and they come forward with 60-some amendments. So we really aren't talking about the same bill today as we were the last time we went through the process.

I just wanted to quickly touch on representation on the boards. We've heard a lot about it, that we need to find a way to have more appropriate representation for the smaller groups, because there are so many but they are also significant in the plan. If you do that, of course, if you have a representative for every 1%, then in rep-by-pop theory, you would need 100 members on the board. I think that would be unwieldy. Is there any suggestion that you could put? You could group your members. Is there a need to have CUPE members and like-minded people in the OPSEU bargaining unit not being able to be represented by one person, so you could group them together—like occupations—as opposed to based on bargaining units?

Ms. McVittie: It's theoretically possible. I just wanted to say that we wouldn't have a 100-member board. There are no more, I believe, than 10 organizations that have 1%, so we weren't suggesting more than that. We would be satisfied if only those 10, for instance—or as they change over the years—are on the list for rotational seats.

Mr. Hardeman: I guess my concern right now is that if OPSEU, with 1%—and I'm not saying these are the right numbers—gets a member, then CUPE, with 43%, wants 43 members to have the same representation on the board. I guess that's my concern about equality.

The Chair: Mr. Hardeman, you've exhausted your time. I'm going to give you the opportunity to respond to his comments if you wish.

Ms. McVittie: All I can say is that we have worked this out through other multi-employer, multi-union plans like the hospitals, for instance, and only the major unions have a seat at the table and it's not necessarily rep by pop entirely.

The Chair: Ms. Horwath.

Ms. Horwath: I find it interesting, being fairly new to the process, that the government is talking about its success in terms of getting through the first set of hearings and coming up with an amended bill. But what I've been hearing today from all sides of the equation, save for maybe fire and police, is that we've ended up with more of a mess than what we started with, that in fact the government is continuing to fumble the ball when it comes to this bill. The vast majority of stakeholders simply want it thrown out. Would you agree with that perspective at this point?

Ms. McVittie: When it comes to issues like the benefit cap, we see that as really so fundamental to our

members that they are precluded from negotiating benefits in the future, and we don't know what that future is going to look like 20 years down the road. So, indeed, we would see that as a worse position than the one we are in today.

Ms. Horwath: It seems to me that the issue of the inherent discrimination that exists in this bill is problematic, certainly from the workers' side if you want to describe it that way. I thought that would be dealt with by the government. Unfortunately, it has not yet been done.

I just want to end by saying that the government should maybe take a page out of Quentin Tarantino and kill this bill, by the sound of things we've heard today.

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

REGION OF PEEL

The Chair: Our last delegation is the region of Peel. Welcome. As you settle yourself, if you could introduce the individuals you have with you and the organization you speak for; you'll have 15 minutes. Even though I would like to give you more, I can't. You're the last delegation today, and should you leave time at the end there will be an opportunity for us to ask questions.

Mr. Emil Kolb: Thank you very much, Madam. I have with me to my right Mayor Morrison. She did not want to make a presentation but wanted to be here in support of the region. I know you had presentations from Brampton and Mississauga. On my far right is David Szwarc, who is the acting CAO for the region of Peel. On my left is one of our solicitors, Patrick O'Connor, who has been looking at and advising us on this legislation.

Let me thank you very much for being here today. As you know, the region of Peel bears the biggest budgetary responsibility for the benefits provided for both the members of the police service and the paramedics who provide Peel's ambulance service also. Just because there has been so much discussion about the financial side of it, I can tell you that our treasurer has been looking at this. I don't have the breakdown of each of the items, but from the region of Peel I know that our impacts would be upward to about \$16 million.

I also want to say that it was back in 2000 that I was probably the only politician, as I remember, who was there when police and fire did ask for a benefit in the pension plan to go to 25 years and out rather than the 30 years and out. Again, that was driven by those organizations. Our confidence in this bill not moving forward and activity taking place in this—our hopes are not too high that that isn't going to happen.

So what we would like to do today is give some suggestions of some options that we think need to be considered, in the same form as AMO's and others' presentations you have heard today.

The original bill achieved indirectly a requirement to consider increased benefits for the police, fire and ambulance sectors coupled with a low threshold of 50% plus one for a fundamental change in the plan. The amended bill imposes directly a requirement that the sponsors

corporation amend the pension plans to provide such increases.

These requirements are fundamentally inconsistent with the bill's supposed main purpose of removing the province from the plan sponsor role and establishing the sponsors corporation for that very same purpose. If the province should be making decisions like this one, why establish the independent sponsors corporation at all?

This provision, section 10.1, is heavy-handed dictation to the sponsors corporation for its very first key decision. It makes a mockery out of moving to a two-thirds majority requirement for the fundamental plan changes. This fundamental plan change is being made without even finding out whether there is a simple majority of the employer or employee representatives in favour.

1630

Our request is quite simply that you set up a sponsorship corporation in a workable fashion and let it get on with its business, if that's what the intent of the government really is, and not just a process to go through here. This bill should and will be about a workable governance for OMERS and not at all about the government's currying favour with particular interests.

Let me say again that when we say, "Let the sponsors corporation get on with its business," we don't mean in haste. A move as significant as shifting the essential responsibility for a fund that is approaching \$40 billion in value means getting it right the first time.

The sponsors corporation's responsibilities are complex, and by definition will be new, to a newly created body. The province for years has had the opportunity to cultivate in-house the expertise to deal with the plan, which new appointees to the sponsors corporation, no matter how accomplished they are in their own right, in my opinion will lack: the training, the expertise and the knowledge that they need to have.

Our request here is simply a matter of sensible management, that the transition of the sponsorship responsibility of the sponsors corporation be accomplished over time in a measured way calculated to enable the corporation to be adequately prepared.

Further, we join in supporting the submission of the OMERS board itself in its plea that there be a very clear definition of responsibilities between the sponsors corporation and the administration corporation to ensure that the role clarity is there by all means.

What do we say is "workable governance"? The amendment to create a partial two-thirds majority requirement is only halfway there. I say "partial," of course, because the bill still provides for the bypassing of the two-thirds requirement by forcing binding arbitration on the basis of a simple majority.

Fundamental changes to the plans that do not enjoy a broad base of support should not be made—and I think you've heard that many, many times today—two steps removed from the employers and the employees who are to be significantly affected.

We say that all fundamental changes to the plans should enjoy a two-thirds majority support for the sponsorship

corporation, thus removing the rationale for a binding arbitration process and resting decision-making authority and accountability with the body that the province rightly sees as better placed to play the sponsorship role.

We believe that there is general agreement among all stakeholders, and recognition on the part of the government, that solvency funding requirements under the Pension Benefits Act are unnecessary to any supplemental plans which may ultimately be made available, and that the solvency requirements are so prohibitively expensive as to be a barrier to supplemental plans no matter how much support there may be to provide them.

We acknowledge the statement of intent on the part of the Honourable Minister of Finance that OMERS supplemental plans be conditionally exempted from solvency funding requirements. We also recognize, however, that place to which the road is paved with good intentions.

We believe that any prudent sponsors corporation would insist on these questions being definitively answered before proceeding to make supplemental plans available. So much more so should the government, with the means at its disposal, provide that answer now, especially if it fails to accept our request to stand down on forcing supplemental plans upon the sponsors corporation.

Bill 206 already contains a number of consequential amendments. It should also direct amendments to the Pension Benefits Act to provide the necessary exemption.

Peel region comes to Bill 206 with the perspective of a public agency that is debt-free, with an impeccable credit rating and well-funded reserves that speak of prudent financial management.

I can tell you, we weren't always like that. When I became chair of the region of Peel, I made a commitment to my council and the residents of Peel that it would work toward having Peel debt-free. We achieved that in 1997. We also said we would work by DC charges and taxes to help fund capital costs in the future so that taxes would never be above inflation. Certainly, we believe that if this happens, they will be way beyond in the inflation rate.

If the government feels committed to the provision of enhanced benefit options to those in the police, fire or ambulance sector, it will want to provide those benefits in a sustainable fashion that does no harm to the plan as a whole. Our experience suggests that you can do that most effectively not by using the blunt instrument of legislation but rather by affording the sponsors corporation itself an opportunity to propose an innovative and responsible way to move forward, if that's what your desire it. It is not just what we want you to accomplish; how you get there is of tremendous importance.

In closing, thank you, honourable members. I join with all of my fellow municipal leaders in Peel region in urging you to focus Bill 206 on its essential purposes:

- (1) moving plan sponsorship to a better place;
- (2) providing a stable decision-making framework that requires the board's consensus for fundamental plan changes;
- (3) entrusting representative decision-making to make the decisions; and

(4) ensuring that they have the time, the training and the role clarity they need to do the job.

Again, thank you for hearing the region of Peel's perspective. I wish you productive deliberations as you complete your work.

The Chair: You've left us just a little over a minute and a half for each party to ask a question. The first questioner would be Mr. Hardeman.

Mr. Hardeman: Thank you very much for the presentation. I guess it is the last one we're going to hear today. I suppose that throughout the whole day it hasn't changed that much. It's very well presented but similar to the ones we heard first thing this morning: the concern of the people involved, all the stakeholders, both employer and employee side, as to what this bill will do.

I think it's also very important that this is the first day we've had hearings based on the changed bill, from first reading. That should have addressed some of the concerns expressed at the first set of hearings. We're talking about the same things because the problems in the bill are in the same section of the bill. Although they were changed, they did not solve the problems that we heard about in the first set of hearings.

I think the main thrust of it is that, as you pointed out, we need numbers to show what happens, but I think you were very good at pointing out, with the limited information you have, that Peel can do a quick calculation on what happens to those services you provide and what will happen if this bill is implemented.

I guess the question that really comes out is, if the amendments or changes you're suggesting are not put forward, would you suggest that the bill can be fixed the way it is, or do you think we would be better off starting over and not passing this bill?

Mr. Kolb: I think you heard it very clearly from a well-spoken mayor that I have in my municipality: You need to do your homework first. Then we will work with you and give you the best information we can to make your decision.

The Chair: Ms. Horwath.

Ms. Horwath: Some of the other presenters indicated a desire to basically stop this process, take a step back and have the stakeholders—employer and employee—meet and hammer some of these things out themselves. It seems that you have a similar tone in some of your comments. You say the process right now is “‘two steps removed’ from the employers and employees who are significantly affected,” and then later on you talk about “‘entrusting representative decision-makers to make the decisions.” If this bill doesn't go forward, would you support a process that would bring the parties together to negotiate a plan separately?

Mr. Kolb: Let me ask Patrick O'Connor, our solicitor, who's very familiar with the bill, if he would respond.

Mr. Patrick O'Connor: The position we're bringing forward points out that there's a mandate in the bill to do certain things that we think the sponsors corporation ultimately is best placed to do; that is, to decide whether supplemental benefits are appropriate or not. Our main

point is, let the sponsors corporation make that determination without the heavy hand of a legislative directive hanging over them.

Ms. Horwath: So your remarks are specifically to the sponsors corporation, not to the bill overall, in terms of the process and the frustration that's evident from everybody who's been participating today?

Mr. O'Connor: The bottom-line position that Peel is bringing forward is that the bill in its present shape should not proceed.

The Chair: Mr. Duguid.

Mr. Duguid: Chairman Kolb, thank you again for being here and for the great contribution you've made through the years in the region of Peel. My question is on something that was in your written presentation that I didn't hear you speak about: the phase-in of the sponsors corporation and the responsibilities. It's going to be very important that there's a smooth transition. I'm glad you brought it up, because some other groups have, although they don't stress that aspect all that much. How do you see the transition on the sponsors corporation going? One group was suggesting potentially a slow phase-in of appointments so that you have some corporate knowledge there throughout the transition period. Is that something you have in mind when you talk about the transition, making sure it's done in a step-by-step manner?

Mr. Kolb: If I follow your question correctly, you need to pick that board very carefully. It needs to be hand-picked so you have some people with the knowledge of the legal side of it, some people with the knowledge of the financial side, and also HR people with the knowledge of the HR issues and pension issues and those kinds of things. It would be dumb for me to say today that I have an answer. First of all, if the government decides not to make any changes or to go back to discuss these issues, then it doesn't matter what I say in regard to your question. If the government truly wants to listen and do their homework and wants to make this happen, I know for a fact, having been around many years—it's no secret that there were letters from people who ran as Premier of this province that made commitments to fire and police and all of that. I recognize that, but I think we have to look at the taxpayer, who first of all pays the salary of the fire, police and paramedics, but who also pays the other half of the pension plan out of taxes and who has no right to the benefit in that. To me, it needs to be done very carefully. The board members need to be picked very carefully. So what if it takes 10 months or a year to do that if the province is going to proceed with it?

The Chair: Thank you, Mr. Kolb. We appreciate the region of Peel being here today.

This brings to a close our hearing today. I'd like to thank the witnesses, the members and the staff for their participation. This committee now stands adjourned until 10 a.m. on Thursday, January 26.

The committee adjourned at 1644.

Continued from overleaf

Canadian Union of Public Employees	G-287
Mr. Sid Ryan	
Ontario Public Service Employees Union	G-290
Ms. Shirley McVittie	
Region of Peel.....	G-292
Mr. Emil Kolb	
Mr. Patrick O'Connor	

STANDING COMMITTEE ON GENERAL GOVERNMENT

Chair / Présidente

Mrs. Linda Jeffrey (Brampton Centre / Brampton-Centre L)

Vice-Chair / Vice-Président

Mr. Vic Dhillon (Brampton West–Mississauga / Brampton-Ouest–Mississauga L)

Mr. Vic Dhillon (Brampton West–Mississauga / Brampton-Ouest–Mississauga L)

 Mr. Brad Duguid (Scarborough Centre / Scarborough-Centre L)

 Ms. Andrea Horwath (Hamilton East / Hamilton-Est ND)

 Mrs. Linda Jeffrey (Brampton Centre / Brampton-Centre L)

 Mr. Jean-Marc Lalonde (Glengarry–Prescott–Russell L)

 Ms. Deborah Matthews (London North Centre / London-Centre-Nord L)

 Mr. Jerry J. Ouellette (Oshawa PC)

 Mr. Lou Rinaldi (Northumberland L)

 Mr. John Yakabuski (Renfrew–Nipissing–Pembroke PC)

Substitutions / Membres remplaçants

 Mr. Ernie Hardeman (Oxford PC)

 Mr. John Milloy (Kitchener Centre / Kitchener-Centre L)

 Mr. John O'Toole (Durham PC)

 Mrs. Liz Sandals (Guelph–Wellington L)

Also taking part / Autres participants et participantes

 Mr. Jerry J. Ouellette (Oshawa PC)

Clerk / Greffière

 Ms. Tonia Grannum

Staff / Personnel

 Mr. David McIver, research officer
 Research and Information Services

CONTENTS

Wednesday 25 January 2006

Ontario Municipal Employees Retirement System Act, 2006, Bill 206, Mr. Gerretsen / Loi de 2006 sur le régime de retraite des employés municipaux de l'Ontario, projet de loi 206, M. Gerretsen	G-243
City of Owen Sound.....	G-243
Ms. Ruth Lovell	
Mr. Dail Levesque	
City of St. Catharines.....	G-246
Mr. Kenneth Todd	
Ontario Association of Police Services Boards.....	G-248
Dr. Alok Mukherjee	
County of Hastings	G-250
Mr. Clarence Ziemann	
Mr. Charles Mullett	
Mrs. Susan Horwood	
City of Brampton	G-253
Ms. Sandra Hames	
Ms. Marilyn Lembke	
Police Association of Ontario.....	G-255
Mr. Bruce Miller	
Canadian Union of Public Employees, Local 4400.....	G-258
Mr. Jim McQueen	
Ms. Colleen Costa	
Mayors and Regional Chairs of Ontario	G-261
Mr. Michael Garrett	
Ontario Municipal Employees Retirement System	G-263
Mr. David Kingston	
Police Pensioners Association of Ontario.....	G-265
Mr. Paul Bailey	
Ontario Secondary School Teachers' Federation	G-268
Ms. Rhonda Kimberley-Young	
Mr. Gerald Armstrong	
Regional municipality of Halton	G-270
Ms. Joyce Savoline	
Mr. Tom Clark	
Ontario Municipal Human Resources Association.....	G-273
Ms. Christine Ball	
Ms. Nancy Paterson	
Police Retirees of Ontario Inc.	G-276
Mr. Syd Brown	
Mr. Gerald Armstrong	
Mr. Patrick Marum.....	G-278
Canadian Auto Workers.....	G-280
Ms. Cara MacDonald	
County of Grey	G-282
Mr. Gary Wood	
City of Mississauga.....	G-285
Ms. Hazel McCallion	
Ms. Janice Baker	

Continued overleaf