

BILL 206, AN ACT TO REVISE THE ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (OMERS)

Recommendation

The Commissioner of Legal & Administrative Services and the Director of Human Resources, in consultation with the Commissioner of Finance & Corporate Services and the City Manager, recommends:

1. That the attached resolution be endorsed.

Economic Impact

Bill 206 may have significant financial impacts for municipalities and their residents. The impacts will be felt most severely in large urban centres with a professional fire department or police services. Early estimates indicate that Vaughan's OMERS contributions for 2006 as an employer may increase by as much as \$2,500,000.00, equating to 2% - 3% on an average household. The increase in employee contributions would be in addition to this amount.

Purpose

To provide an update on Bill 206 and advise Council not to support Bill 206 as currently drafted and request the Province not proceed with Bill 206 in its current form.

Background - Analysis and Options

On June 1, 2005, the Ontario Government introduced Bill 206, an Act to revise the Ontario Municipal Retirement System Act. Bill 206 represents a commitment made by Premier McGuinty in 2002 when he was leader of the Official Opposition to move OMERS towards an autonomous governance model. The Government will hold legislative committee hearings to obtain stakeholder input into revisions to the Bill, and aims to have the legislation in place by early 2006.

The Bill includes significant and potentially costly changes to the governance structure of OMERS. If passed, it would allow for greater employer and member control, and would permit the creation of expensive supplemental plans to provide optional enhanced benefits. These supplemental benefits would be accessed through local bargaining or could be imposed upon employers in the fire and police sectors through the local interest arbitration process.

The Association of Municipalities of Ontario (AMO) and the Municipal Finance Officers' Association of Ontario (MFAO) have also expressed concern about the haste with which Bill 206 is moving, without an evaluation and assessment of the financial impact of supplemental plans on municipalities and other financial implications. Early estimations using templates from AMO show a potential increase in the City's share of the annual OMERS premiums by \$2.5 million dollars which would translate into significant tax increases to Vaughan taxpayers.

It is important that the haste with which Bill 206 is moving forward be slowed to enable potential financial impacts to be fully understood. The attached resolution urging caution in this significant change should be forwarded it to Minister Gerretsen and our local M.P.'s Mr. Greg Sorbara and Mr. Mario G. Racco.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council.

Conclusion

Bill 206 is expected to significantly increase the City's pension contribution costs resulting in increases to the tax rate for Vaughan taxpayers.

Staff recommend the attached resolution be sent to Premier Dalton McGuinty, Minister Gerretsen and Local M.P.P's Mr. Greg Sorbara and Mr. Mario G. Racco.

Attachments

Resolution to forward as directed.

Report prepared by:

Cathrine Berge
Director of Human Resources

Respectfully submitted,

Janice Atwood-Petkovski
Commissioner of Legal & Administrative Services

Cathrine Berge
Director of Human Resources

Resolution Re: Bill 206:

WHEREAS the provincial Standing Committee on General Government is currently debating Bill 206, an Act to revise the Ontario Municipal Employees Retirement System Act; and

WHEREAS the OMERS pension fund is currently equal to approximately 8% of Ontario's annual GDP; and

WHEREAS the OMERS pension fund serves approximately 900 employers and 355,000 diverse employee groups including: current and former employees of municipal governments; school boards; libraries; police and fire departments; children's aid societies; and, electricity distribution companies; and

WHEREAS Ontario's municipalities and their employees depend on the prudent management of the \$36 Billion plan and to ensure that employees and employers are paying for benefits they can afford; and

WHEREAS OMERS employer and employee members are facing an increase in OMERS contributions in 2006 of approximately 9% as a result of a significant deficit in the OMERS fund; and

WHEREAS the Bill includes significant, potentially costly and unnecessary changes to the governance structure of OMERS including a Sponsors Corporation structured to be governed by arbitration; and

WHEREAS the Bill would permit the creation of expensive supplementary plans to provide optional enhanced benefits that will impose new collective bargaining obligations on municipalities, the operating costs of which cannot yet be fully assessed; and

WHEREAS the Province has a responsibility to study the potential impact of the changes it is proposing and to share the results with employers and employee groups; and

WHEREAS AMO and others have urged the government to consider the potential implications of Bill 206 and to ensure the proposed policy changes protect the interests of employers, employees and taxpayers; and

WHEREAS the Government is moving in haste with a Bill, which in its current form raises significant technical, public policy and economic issues;

THEREFORE BE IT RESOLVED THAT The Corporation of the City of Vaughan does not support Bill 206 as currently drafted, and requests that the Government of Ontario reconsider the advisability of proceeding with Bill 206 in its current form; and

FURTHER IT BE RESOLVED THAT the M.P.P. Greg Sorbara, M.P.P. Mario G. Racco, M.P.P. John Gerretsen, Minister of Municipal Affairs and Housing and Premier Dalton McGuinty, be advised that this Council endorses the positions taken by the Association of Municipalities of Ontario and the Municipal Finance Officers' Association of Ontario in not supporting the proposed changes to the OMERS pension fund as currently drafted in Bill 206.