

## **An Open Letter to Benefits Canada**

### ***OMERS Plan Change Process is Broken***

We are writing on behalf of the City of Toronto Administrative, Professional Supervisory Association (COTAPSA). COTAPSA has represented the over 4,800 management non-union employees of the City of Toronto for over 50 years.

We appreciate Benefits Canada's coverage of the OMERS Sponsors Corporation Board of Directors (SC) plan change issue and wish to provide further comment from the perspective of an OMERS stakeholder. Our hope is that a bigger picture of what is happening at the SC will provide some context to the current plan change debate.

#### **The Current Situation**

The OMERS SC Board of Directors, based on "feedback", recently extended the timelines under the OMERS SC Plan Change Process. According to the SC Board's website, "Potential plan changes, if any, will now be posted after the SC Board meeting in late June. Final changes will be voted on in November, following stakeholder outreach and consultation." We must rely largely on updates to the SC website or get information on possible plan changes by chasing media reports. Benefits Canada has published more detailed plan change information in quoting the SC CEO than any information that has been shared by the SC Board of Directors to the majority of OMERS members and employers.

#### **The Bigger Picture – OMERS SC's Plan Change Process is Broken**

We believe the weight of evidence continues to grow that the Comprehensive Plan Review (CPR), otherwise known as the SC Plan Change Process, has become another failed OMERS SC Board initiative. Inadequate details on possible plan changes, lack of timely consultation, a pervasive "insiders" culture at the SC Board and over-complexity of what has become a confounding annual process has once again brought needless apprehension and confusion to OMERS contributors, employers and retirees.

Since the SC lacks consistent and orderly reporting around its goals or annual plan change process ordinary employers and members have limited ability to identify and assess whether benefit changes will occur or not.

There is no disagreement that benefit/contributions decisions must always be made to ensure OMERS lives within its means - for employers, members and retirees. Nor is there any argument that the current SC Board has the legal ability to engage in the current plan change process, albeit chronically iterative, muddled and with little credibility. Just as benefit enhancements and contribution holidays made 20 years ago, (supported by both unions and employers) greatly contributing to today's liabilities, so too must benefits and contribution adjustments, however temporary, be made in the current circumstances.

But facts matter and so does honesty. The overriding issue in this so called comprehensive plan process is the profoundly broken decision-making model in the name of the OMERS Sponsors Corporation. A focus on the historical costs and value creation of the SC Board in its over 11-year existence is crucial to

understanding the current disagreement on plan changes. The most difficult challenge for OMERS today is its bizarre 28 Director, 2 corporation governance model and how to deal with the shortsighted sponsors that sustain it.

Don't be fooled by the SC's recent lavish PR push on the "need" for changes. These 12 "sponsor" organizations have been discussing the need for benefit changes for almost 10 years. But as each of the SC directors seem to value incumbency over candour, the oversized SC Board goes through the plan change process each year without meaningful progress towards solutions.

SC Board of Director' remuneration and expenses were \$882,000 while the total Sponsors Corporation operating expenses, paid by members and employers, in 2017 were \$2, 373,444. Yet, there is little of value reported in terms of accomplishments or actual plan cost/benefit problems solved by the SC, either in the annual report, or on its website. SC Meeting summaries posted on its website are too vague and brief to be of any value to members or employers. The SC will not commit to publicly disclosing board and committee agendas or meeting minutes.

Over a 11 to 12-year period, the SC has reported in annual reports that they've spent upwards of \$30 million executing its responsibilities under the OMERS Act, 2006. This cost figure does not include the additional 10's of millions of dollars estimated spent by OMERS Administration Corporation management supporting the SC with reports and expert advice, or the annual operating expenses of the OMERS Administration Corporation Board of Directors. We doubt your publication will be successful in pressing the OMERS SC CEO to provide the SC Board's view on this matter.

**No other public pension plan of comparable size in the world has a sponsor's function like the SC in terms of cost, complexity, ineffectiveness and inefficiency.**

OMERS is jointly-governed risk-sharing plan, which means employees and employers share the legal obligation for funding the pension plan, not the so called "Sponsor Organizations" (with the exception of the City of Toronto and CUPE 79/416). Indeed, it is individual employers and individual union locals or employee bargaining units that bear full responsibility for their respective portion of OMERS assets and liabilities. Not CUPE Ontario, OPSEU or MEPCO. No one is suggesting a membership/local-level vote on plan changes. A "committee" process similar to other Ontario plans, with OMERS AC staff providing supporting procedures for data integrity, augmented with employer/member education, is all that is needed to move forward.

OMERS contributors are entitled to a fair and open plan change decision making process. Despite the current unfairness, outrageous costs and lack of accountability of the broken SC, OMERS members, employers and union locals all have the right to receive and review official supporting information, reports and motions surrounding possible changes and all decisions thereon, including recorded votes. For the majority of the SC Board members whose background is municipal government, our disclosure requests, we hope, are not unreasonable.

## **ABOUT COTAPSA**

COTAPSA has been advocating for a number of years for representation on behalf of the over 57,000 non-union management contributors to our OMERS pension plan on the OMERS Sponsors Corporation (SC) and OMERS Administration Corporation (OAC).

We seek Sponsor status in an OMERS governance model that is as efficient and cost-effective as possible, with full transparency and collaborative decision making through a committee comprised of employer and active members as equals, with equal access to all information.

COTAPSA is concerned that the OMERS Act, 2006 has enabled a governance model with undue complexity and which, over the course of 12 years, has weakened accountability and diminished transparency, while costing over 30 million dollars of plan member money on SC operations. In comparison, other Ontario plans perform the same sponsor function at a fraction of the cost. The costs and complexities of plan design and contributions are largely matters prescribed in law and resolved by much smaller pension “committees” in much shorter timeframes, at a fraction of the SC’s cost. There is no indication that either OMERS sponsors or their nominees on the SC or AC Boards have ever raised the governance cost issue at OMERS in a meaningful and verifiable manner. Also, many sponsors currently fail to meet their ethical responsibility to their respective organizations to inform their members of their role and responsibility for oversight of OMERS governance, on their websites, Annual Reports, or in any public communications.