



Mr. Brian Mills, CEO and Superintendent
Financial Services Commission of Ontario (FSCO)
5160 Yonge Street, P.O. Box 85
Toronto, Ontario
M2N 6L9

Dear Sir:

On behalf of the Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO); the City of Toronto Administrative, Professional Supervisory Association (COTAPSA); and the Ontario Municipal Administrators' Association (OMAA) we want to bring to your attention (as supervisor of Ontario pensions and also in your capacity as a key advisor to the Ontario government on pension regulatory issues), concerns with respect to the Sponsors Corporation (SC) of the Ontario Municipal Employees Retirement System (OMERS).

Our Associations, and others, have been advocating since 2006 for representation on both the Sponsors Corporation (SC) and Administration Corporation (AC) on behalf of the nearly 22% (60,000 active members) of management/non-union contributors to OMERS. Collectively, our Associations represent nearly 10,000 active members in the OMERS Plan.

Our Associations, and others, have been working on the development of a framework for an umbrella organization to represent the interests of management/non-union OMERS plan members. This proposed framework sets out the parameters under which we will work together to provide input into OMERS decision making. We are also working with other related OMERS active members and other management/non-union organizations to gain their support and participation in this umbrella organization.

Consistent with FSCO's role to protect the public interest and enhance public confidence in public pensions, we want to make you aware of a number of OMERS governance model concerns we've identified on our path to representation. A number of these issues rest with the OMERS Act, 2006 itself and others were raised by Tony Dean in his review of OMERS governance under the OMERS Review Act in 2012.

- The OMERS Act, 2006 created an overly complex, bicameral governance model with 14 Directors and which, over the course of 10 years, has cost over \$20 million dollars to fund SC operations to execute its responsibilities. This does not include the additional estimated tens of millions of dollars spent by OMERS management supporting the SC with reports and expert advice.
- In comparison, the much larger Ontario Teacher’s Pension Plan performs the same responsibilities, in much shorter timeframes, through a **six-member Partners' Committee** at a small fraction of the costs of OMERS SC, with far less complexity and with more direct consultation with its individual members.
- Over \$2 million was paid by OMERS members and employers for the SC’s operations in 2015. 14 SC Directors, approximately 40 board/committee meetings and over \$800,000 in director compensation, conferences, and travel. Yet, aside from several AC board (re)appointments and a high level joint strategy statement prepared by OMERS AC, there is of little value reported in terms of accomplishments or actual 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. Yet, the SC will not commit to publicly disclosing detailed board and committee agendas and meeting minutes on its website.
- OMERS beneficiaries need a clear and concise explanation for the SC spending much of the plan’s money to maintain the SC as a “corporation” and not as a committee, like other Ontario public plans. To date, the only explanation provided by the SC is that due to the OMERS Act, 2006 making the SC a corporation (and not a committee), these costs are to comply with the Act.
- It is the OMERS employers and employees who share the legal obligation for funding the pension plan, not Sponsor Organizations (with the exception of the City of Toronto). Yet, the SC's Composition By-law identifies the named Sponsor Organizations as the stewards of OMERS pension. In such a role, these Sponsor Organizations must ensure the SC actions are seen to be held to the highest standards of openness and accountability. Yet, only a few of these Sponsors make a professional and meaningful effort to publicly announce their role and responsibilities for OMERS governance to their members – either on websites, in annual reports, or communications with their membership.
- Furthermore, several Sponsor Organizations have publicly stated their position on the SC is entrenched in legislation. This is not the case. With the enactment of the OMERS Act, 2006, the Government merely appointed a transitional Sponsors Board. There is nothing in the legislation that would prevent a change in the make-up of the Board through a change in the SC's own composition by-law.

- With the OMERS Act, 2006, the Ontario government committed to a “fully devolved ownership to the employers and plan members who fund the plan and its benefits.” Yet, over a third of current OMERS employer/employee contributions come from Ontario Boards of Education and Children’s Aid Societies – entities funded entirely by the government of Ontario. OMERS employers and members might reasonably argue that when municipal programs under the control of the provincial government (and only partly funded from the municipal property tax base) are included, the percentage of pension contributions from the Ontario government to OMERS rises to approximately two thirds of total annual contributions. Presumably, these assets/liabilities are accounted for in Ontario’s public accounts. Our point is that, for all intents and purposes, the Ontario government remains OMERS largest employer. As such, it seems appropriate for Ontario to re-engage in OMERS joint governance and risk-sharing in a meaningful manner.
- In 2010, the Ontario government exempted OMERS from salary disclosure laws and freedom-of-information requirements. These decisions were apparently not well communicated beyond OMERS and its Sponsors. In contrast, the Ontario government remains the Sponsor of other large Ontario pension plans that have been exempt from salary disclosure and FOI policies, and as such has access to records such as meeting minutes and agendas. No such avenue for disclosure exists at OMERS. We believe all SC meetings should be open to employers, active members and retirees. Further, SC Board meeting notices should be available online prior to meetings, inclusive of agendas. Notices, agendas, and agenda items for the current year and past years should also be made available online. We believe FSCO should consider evaluating the implications of these disclosure changes for all Joint Sponsor Pension Plans (JSPPs) within its mandate.

In addition to the above, we request FSCO give consideration to transparency initiatives that increase accountability for governance costs with respect to JSPPs sponsor decision-making. If implemented, these changes would have minimal costs and promote transparency and accountability for Ontario JSPPs and their beneficiaries:

- establishing a template of best practice communications and transparency protocols for JSPPs decisions, board reports, meeting schedules, composition by-laws, etc.;
- establishing a model composition by-law that ensures accountable plan management by those employers and employees that actually pay into the plan;
- establishing minimal communications and transparency obligations for JSPPs sponsors for their own membership and stakeholders when appointing directors or trustees to pension plans;
- require JSPPs to post on a timely basis all past and future annual reports and actuarial valuations online for the benefit plan beneficiaries and taxpayers; and

- require JSPPs sponsors to publish all past and future annual reports and actuarial valuations on their websites, along with required employer and member communications which clearly indicates their role as a Sponsor as well as their nominees.

We are in the midst of dissecting the SC's recent report on the results of its composition bylaw review which, again, recommended against any changes to the status quo. Further, as per SC rules, it did not table any motions or voting records. However, we will continue to advocate for a more efficient and inclusive model of sponsor representation - one which serves primarily the interests of OMERS contributors, not a corporate entity. We seek a model that is as efficient and effective, with full transparency and decisions made collaboratively through a committee of employer and active member equals, with equal information.

On behalf of our Associations we thank you for this opportunity to identify our concerns and would be happy to meet with you to discuss them in greater detail.

For further information, we welcome you to contact Mike Major, President, COTAPSA, by email at Mike.Major@toronto.ca or by phone at 416.392.0623.

Sincerely,



Mike Major
President, COTAPSA



Steph Palmateer
President, AMCTO



Kelley Coulter
Past President, OMAA

Copies to:

1. Peter Wallace, City of Toronto
2. Ontario Association of Children's Aid Societies
3. Ontario Catholic School Trustees' Association
4. Ontario Public School Boards Association
5. Police Association of Ontario
6. CUPE Ontario
7. CUPE Local 79
8. CUPE Local 416
9. Ontario Association of Police Services Boards
10. Electricity Distributors Association
11. Association of Municipalities of Ontario
12. Ontario Public Service Employees Union
13. Ontario Secondary School Teachers' Federation
14. Association of Retired Professional Fire Fighters
15. Municipal Retirees Organization of Ontario
16. Police Pensioners Association of Ontario
17. Ontario Professional Fire Fighters Association
18. Charles Sousa, Ontario Minister of Finance
19. Bill Mauro, Ontario Minister of Municipal Affairs
20. Bonnie Lysyk, Ontario Auditor General
21. Patrick Brown, Leader of the Official Opposition
22. Andrea Horvath, Leader of the NDP