

UPDATE ON OMERS SC PROPOSED PLAN CHANGES

The OMERS Sponsor's Corporation Board of Directors (SC) will be meeting on November 15th at OMERS to secretly consider five proposed plan changes. At this time the SC is not publicizing the date of the vote, nor what is actually being voted on. Nonetheless concerned insiders want to get the date of this meeting out to OMERS members.

What's happening in the SC Boardroom on November 15?

Due to SC Directors' fear of accountability and their practice of hiding information from members and employers, only leadership and executives of OMERS sponsors are in the "need to know" category. So, we don't know for certain what will actually take place on voting day. However, as we have done with most OMERS transparency challenges we have pieced together information from a variety of concerned OMERS-related sources and witnesses to the SC waste and poor decision-making to provide our members with a sense of how and why SC Directors will vote on the five proposed plan challenges.

There are 14 Directors who hold a total of 18 votes. As the largest employee and employer sponsors, AMO and CUPE have two Directors each and four of the total votes on any plan change proposal.

Not surprisingly, the seven employer Directors will be voting in favour of the five plan changes. The City of Toronto appointee, Joe Pennachetti, was directed by a Toronto Council motion to vote against and or delay consideration of the indexation matter. However, the SC employer Co-chair, Marianne Love, indicated during a SC stakeholder meeting that the SC has no obligation to consider Toronto City Council's motion. That assertion was not challenged by SC employee Co-chair, Frank Ramagnano, who also attended the session.

On the employee side of the SC bargaining table, CUPE Ontario has been the only OMERS sponsor to openly voice its opposition to the current proposed plan changes. It seems, OPSEU and CUPE Local 79 are also opposing the five plan changes. We are assuming by their silence that the Retiree group, Ontario Secondary School Teachers' Federation, Police Association of Ontario and Ontario Professional Fire Fighters Association Directors and their Executives are supporting the proposed changes and the continued concealment of Comprehensive Plan Review (CPR) details and voting records from their members.

It is likely that the OSSTF are also voting for at least the indexation change – and why not? They voted for indexation to fix the deficit at the Ontario Teachers' pension plan nine years ago! The question we want to pose is why OSSTF leadership and their SC

appointees (and all SC Directors) have remained silent as the SC has fumbled the OMERS deficit problem solving for nine years running?

In the end, unfortunately, the confidential vote for indexation is expected to carry with 13 votes in favour and five votes opposing. Without the Police, Fire, OSSTF and Retiree votes the motion would not pass by a two thirds margin. The other four motions will likely fail, as part of a cynical but organized effort by SC Directors to make it look as though there was a battle with the employer side and the employees got some wins. But, more importantly, the SC will have the remaining four motions ready to plug into the 2019 Plan Change process – and an excuse, presumably, to keep their make-work project alive and looking legitimate.

Proposed plan changes lack precision!

Beyond the vague communications about the proposed changes, there are still many unanswered questions. A couple of observations on the current bundle of changes include:

- The costings for the bundle of plan changes show the impact of all five changes together and do not show how any reduction in indexation will diminish a pension over time. It is misleading for the SC not to show members the difference to a typical pension, for example in 10/20 years without indexation.
- There are no details on the precise wording of the conditional indexation provisions – and the 'devil is in the details'. “Conditional indexing” is done differently at the Ontario Teachers’ Pension Plan, the Healthcare of Ontario Pension Plan (HOOPP), and the Colleges of Applied Arts and Technology (CAAT) Pension Plan --- OMERS members need to know what the SC is doing and what the impact will be on commuted values (CV). We have to assume at this point that the SC maybe trying to get CVs reduced in this process without communicating as much to members. How will the OMERS governance approach affect the indexation decisions? Is the SC sharing that information with sponsors and their leadership - but not members?!
- Another gaping hole is that there are still no pros/cons or considerations that seem to be on offer for members. COTAPSA has been pushing for a more fulsome analysis to understand the facts as the SC Board is seeing them – i.e. the actuarial modelling used. Our request has been ignored.

How did we get here?

- November 2017 COTAPSA was notified by the SC that a CPR was underway and would carry on in 2018, with some form of actuarial modelling being conducted by Eckler Ltd. As “stakeholders”, COTAPSA was invited to SC information sessions.
- Since November 2017 there have been several meetings and many written updates that repeat, at high level, the “progress” of the SC’s plan change process, Q/As; but little of substance on key aspects of the CPR or what sort of

analysis is taking place to justify proposed plan changes and explain the impact on individual members.

- COTAPSA has questioned the necessity of a costly CPR. OMERS members were assured in previous Annual Reports by the SC that its Funding Management Strategy, after taking four years to complete, was a well-thought-out policy. Furthermore, the SC has filed plan valuations with FSCO every year since its inception in 2007. They have done this with advice and input from OAC staff and the OMERS actuary. Members were assured that realistic assumptions were the critical element to these valuations and the foundation to OMERS benefits. After all, each funding valuation is a review of the economic and demographic assumptions used... to ensure benefits continue to be realistic and appropriate.
- COTAPSA requested from the SC but never received the actual rationale, objectives, scope, estimated costs and criteria of the CPR. The work appears to be duplicative of analysis and technical support already provided by AC staff, therefore it must be assumed that members and employers are paying for unnecessary work.
- COTAPSA has yet to find sufficient background and context for the CPR and the plan changes. There are no available voting records, no committee motions, or online meeting summaries. Nor, is there access to the SC's *strategic plan and the operating/business plan* as referenced in its Governance Manual.

Current OMERS Sponsors Corporation Board of Directors and appointing sponsor organizations as determined by OMERS Sponsors Corporation BY-LAW NO. 4. A total of 18 votes amongst 14 Directors. CUPE and AMO have 4 votes each. Employer Directors (RED) have 9 votes and Employee Directors (BLUE) have 9 votes.

Joe Pennachetti (1 Vote)	City of Toronto
Charlie Macaluso (1 Vote)	Electricity Distributors Association
Marianne Love (Co-Chair) (2 Votes)	AMO
Peter Derochie (1 Vote)	Ontario Catholic School Trustees' Association
Fred Biro (1 Vote)	Ontario Association of Police Services Boards
Barry Brown (2 Votes)	AMO
Mary McConville (1 Vote)	ON Association of Children's Aid Societies
Diana Clarke (1 Vote)	OPSEU
John Weatherup (3 Votes)	CUPE Ontario
Dan Axford (1 Vote)	Police Association of Ontario
Frank Ramagnano (Co-Chair) (1 Vote)	Ontario Professional Fire Fighters Association
Sandra Sahli (1 Vote)	OSSTF
Jason Chan (1 Vote)	CUPE Local 79
Paul Bailey (1 Vote)	The Retiree Group

Where do we go from here?

The luck of SC in avoiding scrutiny and accountability is running out. Their charade of leadership and competence surrounding Plan Design problem solving is crumbling. A 2009 decision at the Ontario Teachers' Pension Plan on indexation, which included survey input from all plan members, took less than 18 months to implement. On the other hand, the OMERS SC has been working on an indexation matter for nine years at a cost of over 50 million dollars and has still not created a solution. It seems obvious to us that poor governance is the biggest risk to OMERS, not retiree longevity low interest rates or lackluster investment returns.

There is genuine worry by many members that the SC will attempt to bully the OAC Directors into rubberstamping any plan changes without proper due diligence. Will the OAC Board do the right thing and scrutinize the SC's decisions? Questioning SC assumptions and the workability of their plan change(s) falls to the OAC Board. COTAPSA will ensure that the OAC does not shrink away from their fiduciary role and appease the SC by not testing their assumptions. Otherwise, it will fall to the Regulator to ensure changes are indeed compliant with the Pension Benefits Act and are enforceable. If the SC calculations are unsupportable then OMERS may find itself in a lawsuit from employees. We will ensure that the Regulator explains to members how they believe the changes are legal and enforceable by the OAC.

The history of SC Plan changes matters! Accuracy and proper reporting matter. There are no exaggerated risk claims and hyperbole that the SC and sponsors can hide behind to avoid responsibility for their decisions on November 15th 2018. ALL OMERS Members should be asking their union and association leadership to come clean on their dealings with OMERS. The deficit issue was well known in 2009 and the changes should have been dealt with then, but rather than forging ahead and using the arbitration mechanisms provided in the OMERS Act, there was collective failure of the part of SC Directors and their sponsors to bury the issue in years of delay tactics aimed at avoiding accountability.

COTAPSA will continue to advocate for a more efficient and effective forum for sponsor decisions for OMERS. The SC Directors are simply wrong with their current efforts to contrive an extreme actuarial analysis and then use it to overstate the future risks to OMERS in order to justify the current proposed plan changes. We hope our efforts are making OMERS see the fundamental flaws with OMERS governance but also opening the eyes of OMERS members to see how their contributions are being spent. We all have a role to play in safeguarding OMERS! Thankfully, rank-and-file members are grasping that this poor governance at OMERS works against their long-term interests.