June 20, 2025

Mr. Robert Poirier,
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Sent via E-Mail: omersgovernancereview2025@ontario.ca

RE: Ontario Municipal Employees Retirement System – Further to In-Person Meeting with Reviewer

Mr. Poirier:

Thank you for meeting with us to discuss key issues with OMERS governance. As suggested, we are providing you, on behalf of our nearly 7,000 members, with this written submission to expand upon COTAPSA's responses to the key questions you put forward in our discussion.

Board Structure and Governance

OMERS' current governance structure lacks meaningful representation from the employers and employees who actually fund the plan -- particularly non-union and management contributors, who make up approximately 25% of the active membership but have no seat at the table.

In the early days of the Sponsors Corporation, the current group of sponsors, including some with relatively little or no contributor base (such as retiree organizations) secured permanent seats through self-appointment by adopting the SC's first composition bylaw. This action effectively closed the door to broader contributor participation and overturned decades of rotational representation of smaller employers and member organizations. We believe that most of these sponsor organizations lack direct accountability to the members and employers who fund OMERS. COTAPSA maintains that, at present, only the City of Toronto on the employer side and CUPE Locals 416 and 79 on the employee side can credibly claim direct accountability to active plan contributors.

Groups such as AMO, CUPE Ontario, and other representative organizations are structurally distant from those actively paying into the plan and could easily be replaced with direct contributors such as municipalities, union locals, and employee groups representing non-union members. Similarly, while we respect the importance of retirees, they no longer contribute and their pension entitlements, plus annual indexation, have been fulfilled. Their ongoing sponsor status represents a governance distortion that does not exist in other leading pension plans.

COTAPSA proposes a governance model rooted in the clear principle that those who fund the plan must have a meaningful voice in how it is governed. On the employer side, this would include larger municipalities and the Government of Ontario, reflecting their significant contribution levels. On the employee side, representation should come from major union locals such as CUPE, OPSEU, and OSSTF; local Police and Fire associations (or equivalent groups, chosen through a majority decision of their members); and non-union management employee groups such as COTAPSA. We are open to reasonable discussion on how seats are allocated, including the use of rotating representation or joint nominations — provided that any governance structure is firmly anchored in the principle of contributor accountability.

During the last review led by Tony Dean, we were told that the employee side of the table believed management and non-union representatives, if added to the board, would always side with the employer -- while the employer side believed they would vote with unions against employer interests. This contradictory logic is both illogical and outdated.

Our members are OMERS contributors like any others, with shared interests in benefit security and plan sustainability. COTAPSA receives no City funding and is wholly financed by its members. We are recognized by the City of Toronto and have spent decades advocating for plan integrity on behalf of non-union staff. Moreover, the law requires any individual serving on the OMERS board to act as a responsible fiduciary — to represent the best interests of the plan, not of their nominating group or employer.

SC and AC Roles and Responsibilities

While the theoretical division of responsibilities between the SC and AC appears functional, in practice both boards have failed to deliver accountability or effective oversight. OMERS remains the only large Ontario public sector defined benefit plan still in deficit. This chronic underperformance reflects weak accountability and an inability to course correct.

With exceptions, OMERS has struggled to attract and retain true pension and investment experts to its boards. As a result, management remains insufficiently challenged. Recent investment failures – including VUE Cinemas, Thames Water, Northvolt, Azure Power, and the costly currency hedge – illustrate a governance deficit that has persisted due to unqualified, distracted or disengaged board members.

We reiterate our call for the replacement of the Sponsors Corporation with a Partners Committee model, as used by OTPP. This would reduce duplication, eliminate costly structural conflict, and realign fiduciary responsibility with contributor interest.

Effectiveness of OMERS Governance Structure

The existing bicameral structure creates costly and unnecessary duplication and internal friction. The SC's use of independent legal and actuarial advice to monitor the AC is duplicative and expensive. This adversarial setup has no precedent among peer plans in Ontario.

As a corporate entity, the SC has invoked fiduciary duty as a shield from stakeholder consultation and transparency. This contradicts both the spirit of joint sponsorship and the principle of member accountability. The lack of disclosure on key decisions – including contribution rate changes for NRA60 – exemplifies this.

The OMERS Act, 2006, created a structure that has since diverted tens of millions of dollars into overhead and redundant processes. By comparison, the Ontario Teachers' Pension Plan, which is larger in scale, operates with a six-member Partners Committee at a fraction of OMERS cost, and with demonstrably more transparency and responsiveness.

Collaboration, Communication and Transparency

OMERS public-facing communications are minimal and superficial. Meeting summaries from the SC are vague and non-substantive. Board minutes and voting records are withheld. Real transparency would include detailed minutes, board member voting records, and timely public communication around executive compensation and plan decisions.

We invite you to judge the tone of engagement for yourself by visiting www.cotapsa.ca and reviewing the brief, perfunctory responses from OMERS to our in-depth questions. For a supposedly <u>independen</u>t AC Board Chair to consistently dismiss legitimate concerns brought forward by our Association speaks volumes about the lack of integrity in OMERS governance. Rather than give our concerns due consideration, we were dismissed.

<u>Conclusion</u>

Some Sponsors like AMO and CUPE Ontario claim only unspecified minor governance "tweaks" are needed. We strongly disagree. If member interest were truly paramount, OMERS would not trail its peers in funding and performance.

Ten years after the Dean Review, COTAPSA and its nearly 7,000 members have consistently been excluded from serious stakeholder engagement. The status quo has failed. <u>A Partners Committee – as used successfully by OTPP – offers a tested alternative.</u>

A personal and institutional resistance to this review process has emerged, as you are aware. We reject the suggestion that open stakeholder consultation, like the kind you have been conducting, threatens the plan. To the contrary, your review offers the first opportunity in years for OMERS to move closer to internationally recognized governance best practices, such as those advanced by CAPSA and the OECD, which emphasize board competence, contributor representation and transparency.

The current governance model was the result of political horse-trading and compromise in 2006, ***not*** a product of best pension governance practices. Ironically, some of the same legacy stakeholders who initially opposed the model now insist it is untouchable. Their objections are not rooted in fiduciary concerns, but in preserving their voting power on the OMERS boards and their entrenched governance privileges.

This is **<u>not</u>** a call to exclude labour groups. It is a call to restore **balance**, **accountability**, and **trust** by modernizing OMERS governance in line with proven, efficient, and cost-effective models that reflect the interests of those who actually contribute to the plan.

Mr. Poirier, we appreciate your willingness to hear from all sides. We hope this submission, alongside our previous correspondence, adds value to your findings.

Sincerely,

M. MAJOR

Mike Major, Executive Director
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