June 27, 2019

Councillor Paul Ainslie
Chair Government Management and Licensing Committee
Toronto City Hall
100 Queen Street West, Suite C52
Toronto, ON M5H 2N2
Email: councillor_ainslie@toronto.ca

RE: GL General Government and Licensing Committee, June 24, 2019; Item 6.2 - Annual Update on OMERS as it Relates to the City’s Employer Contributions

Dear Councillor Ainslie and Committee Members:

We watched with interest your meeting with the City of Toronto's appointees on the OMERS Administration Corporation (AC) Board of Directors, David Beatty, and the OMERS Sponsors Corporation (SC) Board of Directors, Joe Pennachetti.

We commend the committee members for taking an active interest in Toronto's participation in the OMERS pension plan. The approximately 500 million dollars per year commitment and the aggregate economic stake that our City government and its employees have in OMERS is a strong incentive for Councilors to insist on hearing directly from the City Manager’s two appointees each year. Calling them in for direct questions has fielded a quality and directness of answers that are not available in any other OMERS forum, save and accept perhaps private sponsor briefings.

COTAPSA has been advocating since 2005 on behalf of management/non-union OMERS members for an "employee" seat on the OMERS Boards. Nearly 22% or 60,000 active OMERS contributors are not represented on either of the OMERS Boards. This group of employees, which collectively owns over 32% of OMERS assets and are responsible for 30 % of OMERS liabilities, has been repeatedly denied representation by the OMERS Sponsors since 2007.

COTAPSA has long-standing concerns with OMERS governance model. As OMERS members, we believe our pension plan’s governance costs are excessive, unjustifiable and unfair to the interests of plan members. We are also concerned that OMERS sponsor’s and their director appointees, whose role is to ensure efficient and effective decision making, show little verifiable interest in doing what’s right for OMERS members and reviewing these cumulative plan costs.

COTAPSA informed OMERS more than 15 months ago of our desire to have OMERS respond in writing to our letters rather than continue to engage in the Sponsor Corporation’s stakeholder meetings where nothing of substance was ever offered up for discussion or debate. (Please read attached 2016 letter to FSCO by a group of concerned OMERS stakeholders.) It is precisely because we have endured years of meaningless Sponsors Corporation meetings under the charade of dialogue that we resorted to a writing campaign.
Since our campaign has begun, we have heard from many OMERS members, current and former OMERS employees, senior municipal finance officials and retirees - all concerned about the state of affairs at OMERS. All of them praised our letter writing campaign and offered advice and support for our current approach.

But as the OMERS Sponsors Corporation spokesperson attending your committee, Mr. Pennachetti’s responses to your questions were light on the facts and circumstances surrounding of our letter writing in the past 3 years.

Mr. Pennachetti stated that OMERS has received upwards of 100 letters from COTAPSA in the past 18 months. In fact, COTAPSA has sent ten letters and two responses to OMERS on a variety of disclosure and governance issues. We have produced several member bulletins and op-eds addressing issues ranging from OMERS broken Plan change process to the need for changes to the OMERS Act and the accountability of our OMERS directors for the sustainability of our pensions. In addition, we have sent several letters to Ontario’s pension regulator and to the current and former Ontario government outlining our concerns with OMERS. The letters and responses are posted chronologically on our website.

We make no apologies for the fact that OMERS may be unprepared or sensitive to criticism over its governance, poor investment performance and unreliable communication practices. It is unfortunate though that Mr. Pennachetti chose to insinuate that if only COTAPSA sat down with OMERS they would show us that our concerns are baseless. Both he and Mr. Beatty would benefit from a reread of Senator Tony Dean’s 2012 report on his review of OMERS governance.

COTAPSA letters are all about the increasing costs and governance challenges at OMERS. Every OMERS employer and member should be concerned about OMERS chronic under-performance and staggering investment management costs. Other Ontario public pension plans have been out of deficit for many years and their contributions are not under the sort of pressure that OMERS employers and employees are. Something is wrong - employers and OMERS members must take a closer look at what is happening at their pension plan.

We are in this situation together, so we appreciate the time and attention your committee gives OMERS each year. We would be happy to meet at any time to discuss in greater detail the many issues that we (and others) have been raising over the past 14 years.

Sincerely,

Mike Major
President
COTAPSA
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