

Nomination Process for the City of Toronto Representatives to the OMERS Sponsors Corporation and the OMERS Administration Corporation

Date: April 30, 2024
To: Executive Committee
From: City Manager
Wards: All

SUMMARY

The purpose of this report is to provide a review of the current appointment processes for a City of Toronto representative to the OMERS Sponsors Corporation (SC) Board of Directors and the Administration Corporation (AC) Board of Directors. In addition, this report outlines the steps necessary for implementing a new process for appointing a City of Toronto representative to the OMERS SC and AC Boards.

OMERS AC and SC Boards have distinct roles and responsibilities under the *Ontario Municipal Employees Retirement System Act, 2006* (the OMERS Act). The OMERS By-laws outline the roles and responsibilities of the Board members and outline the key qualifications required to be appointed to the Boards. It is the City's mandate to ensure that the appointment and nomination process of the representatives is transparent, inclusive, and effectively considers a broad source of candidates.

RECOMMENDATIONS

The City Manager recommends that:

1. The Executive Committee receives this report for information.

FINANCIAL IMPACT

There are no financial impacts to the City associated with this report. The remuneration of the representatives is paid by OMERS.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact Section.

DECISION HISTORY

At its meeting on April 9, 2024, the Executive Committee requested the City Manager to report back on the current appointment procedure, and the process for implementing a new procedure to appoint the City of Toronto's representatives to the OMERS SC and AC Board of Directors: <https://secure.toronto.ca/council/agenda-item.do?item=2024.EX13.15>

At its meeting on December 1, 2, and 3, 2008, City Council delegated authority to the City Manager for the appointment of a representative to the OMERS AC Board: <https://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-16634.pdf>

At its meeting on June 19, 20, and 22, 2007, City Council delegated authority to the City Manager for the appointment of a representative to the OMERS SC Board: <https://www.toronto.ca/legdocs/mmis/2007/cc/bgrd/cc10.2.pdf>

COMMENTS

OMERS Corporation's Functions and Membership

On June 30, 2006, the province enacted the *Ontario Municipal Employees Retirement System Act, 2006* (the OMERS Act), establishing a dual governance model for OMERS. The Sponsors Corporation (SC) and Administration Corporation (AC) have statutory duties, responsibilities, and accountabilities.

The SC is responsible for the overall plan design, including benefit levels and eligibility, and setting of contribution rates, as well as composition and appointments to both the SC and AC Boards. The AC is responsible for pension administration, investment strategy, investments, and preparation of the plan valuation. Collaboratively, the SC and AC endeavour to represent the interests of sponsors, stakeholders, members, and beneficiaries, with the overriding objective of ensuring the plan remains affordable, meaningful, and sustainable.

The OMERS SC and AC Boards of Directors have 14 members each, made up of equal numbers of union and association representatives (7) and employer group representatives (7). In addition, the AC Board has an independent Chair appointed by the SC Board in a joint process with the AC Board. Members of the SC Board are appointed by their sponsoring organizations for a 3-year term (with a maximum of 12 years or 4 terms), while members of the AC Board (who also serve 3-year terms, with a 4-term maximum) are nominated by their sponsoring organizations, with the SC Board having the final approval. The City of Toronto has one employer representative on the SC Board and one employer representative on the AC Board.

The SC and AC Boards are both competency-based boards that require financial acumen, strong collaboration and communication skills, and an ability to lead and influence. The nominee to the AC Board requires more technical competencies and investment knowledge.

Required Skills and Competencies for Appointment to the SC Board:

The OMERS SC Board has provided the City with the competencies, mandates, and key responsibilities required by an SC candidate. These include:

- Strong knowledge and experience with the City of Toronto, its operations, and the diversity of its members and services as the City is OMERS largest employer, accounting for 8.7% of the overall OMERS active membership, and approximately 9.8% of total contributions.
- Finance acumen, risk management, and governance experience. Pension knowledge is considered an asset.
- Ability and willingness to chair future SC Board committees and/or the Board itself, with the time and ability to attend most meetings in person.
- Collaborative leadership approach, helping the Board reach consensus and bridge differences as they arise, and bringing diversity of thought.
- Lastly, there is a desire to increase the diversity of the current Board composition.

Required Skills and Competencies for the AC Board

The OMERS SC Board also provides the City with competencies, mandates, and key responsibilities required by an AC candidate. These include:

- Investment expertise from a global perspective with experience in both private and public markets.
- Risk management, with a demonstrated ability to identify, measure, manage, and monitor strategic objectives.
- Economic and public policy as it relates to the understanding and considerations of their impact on investment strategies, pension obligations, and government decision-making.
- Governance knowledge and experience at a major organization.
- Executive leadership and strategy, with experience or proven ability to provide effective and value-added oversight to OMERS deployment and management of human, financial, and technological resources.

Review of the Current Procedures for Appointments to the OMERS Boards

The OMERS By-laws outline the mandates of both Boards along with the roles and responsibilities of the board members. The By-laws provide detailed timelines for filling a vacant position, be it an incumbent or a first-time nominee. OMERS has also established the required skills and competencies for SC and AC board members under the Governance Framework.

SC and AC board members are required to possess specific competencies and skills. According to the OMERS By-laws, board members must be capable of critically evaluating and deciding on business, pension, and governance matters. OMERS provides documents to the Sponsor Organization outlining base competency levels for appointees and overall competency requirements for the SC and AC Boards. Appointees or nominees may be required to possess specific competencies or skills to replace previous board members. Additionally, sponsoring organizations may be asked to consider competencies necessary for effective decision-making and to reflect the diversity of stakeholders.

A board member's main duty on any issue of a fiduciary nature is to approve actions they believe are in the best interests of the SC and AC, respectively. While a board member may bring the perspective of their nominating organization on issues, they must have the capacity to evaluate and decide on business, pension, and governance matters independently, consistent with their fiduciary obligation as a board member. Their fiduciary duty is to OMERS and to fulfill the objectives mandated by the OMERS Act for the SC and AC Boards.

For the SC Board, the City must appoint a new representative by June 30, 2024. For the City representative for the AC Board, the next review date is scheduled for November 2026.

For the June 30, 2024, OMERS SC Board appointment, the City will continue to ensure the successful board member appointed meets the skills and competencies outlined by the OMERS SC Board with particular emphasis on significant experience with the City of Toronto, which is deemed crucial.

The current SC Board appointment process includes the following steps:

1. A list of retired City of Toronto senior management employees (Director level and above) from the last 7 years whose skills and work experience align with the competencies provided by the OMERS SC Board is generated.
2. The individuals identified are contacted to inquire if they would be interested in pursuing a Board appointment with the OMERS SC Board.
3. For those interested, a resume is requested along with a cover letter stating their interest and qualifications.
4. A Selection Committee is established to review the applications, interview a short list, and appoint the successful candidate.
5. OMERS will conduct a background check as part of the process.

For the OMERS AC Board, where City of Toronto experience is not a necessity, the current appointment procedure is as follows:

1. The City, in association with City Clerks via the Public Appointment process, externally posts a notice soliciting interest from qualified members of the public.
2. A Selection Committee is established to review applications and interview a short list of candidates.

3. As per OMERS By-laws, the City provides a list of up to 3 nominees to the SC Board.
4. The SC Board interviews the nominees and appoints the successful candidate.

The Mayor, Council, and various dignitaries are then advised of the successful candidate.

Steps to Implement New Appointment Procedures to the OMERS Boards

For the OMERS SC Board, the steps to implement a new appointment procedure for the selection of an SC Board Member include:

1. Ensure alignment with the OMERS By-laws for appointing an SC Board representative, including possessing the skills and experience required for an appointment and knowledge and experience related to the City of Toronto; and
2. Receive approval from the City Manager who has delegated authority for the appointment of a representative to the OMERS SC Board.

For the OMERS AC Board, where City of Toronto experience is not a necessity, the steps to implement a new appointment procedure for the selection of an AC Board Member include:

1. Ensure alignment with the OMERS By-laws for appointing an AC Board representative, including possessing the skills and experience required by each nomination; and
2. Receive approval from the City Manager who has delegated authority for the nomination of AC Board representatives for SC Board consideration.

Any changes should continue to promote a transparent, inclusive, and fair process, allowing for a diverse base of candidates who meet the required skills and experiences as expressed above, while also reflecting the diversity of the City of Toronto.

Next Steps

The OMERS By-laws include, but are not limited to, the following deadlines for appointing or nominating board members:

- The Sponsor Organization has 90 days to appoint a replacement board member upon death, resignation, or removal;
- The Sponsor Organization has 45 days to submit alternative nominees for the AC Board if the SC Board does not accept the original nominees;
- The Sponsor Organization must propose a candidate for reappointment or appointment, as the case may be, at least 6 months prior to the expiry of a Member's term.

Consistent with current practice where previous Council authorities delegated authority to the City Manager for appointing or nominating the board members and to effectively adhere to the time sensitivity prompted by the OMERS By-laws, the Director of

Pensions, Payroll and Employee Benefits (PPEB) or Executive Director, Finance Shared Services will support the administration of the processes required to meet the City's obligation for appointing representatives to the SC Board, and nominating representatives to the AC Board.

These appointment processes will be done in collaboration with the Chief Financial Officer & Treasurer and the City Manager. The Director of PPEB or Executive Director of Finance Shared Services will meet with representatives of the OMERS SC Board as required to stay apprised of Board requirements and support the selection or Board renewal processes including ensuring an SC or AC Board Member is appointed by the deadline.

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SIGNATURE

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