MFOA

MUNICIPAL FINANCE
OFFICERS' ASSOCIATION
OF ONTARIO

November 22, 2005

Ms. Linda Jeffrey, M.P.P.
Chair
Committee on General Government
Legislative Assembly of Ontario
Room 1405, Whitney Block
Queen's Park
Toronto ON M7A 1A2

Dear Ms. Jeffrey:

Attached please find a written submission from the Municipal Finance Officers' Association (MFOA) with regard to Bill 206: An Act to Revise the OMERS Act.

We appreciate the opportunity of bringing our concerns with this Bill to the attention of your Committee members and trust that our comments will be of use as you and your colleagues deliberate this proposed legislation.

In addition to this copy, we have forwarded electronic copies as well. If you or your staff have any questions, we would be happy to hear from you.

Yours truly,

for Stephen Cairns
Chair, MFOA

cc. Hon. John Gerretsen, Minister of Municipal Affairs & Housing

Attach.

"your municipal finance authority"

512 King Street East, Suite 306, Toronto, Ontario M5A 1M1
Tel: (416) 362-9001 • Fax: (416) 362-9226
internet: http:// www.mfoa.on.ca

Submission to the General Government Committee of the Ontario Legislative Assembly With Regard to Bill 206: An Act to Revise the OMERS Act

November, 2005

Introduction

The Board of Directors of the Municipal Finance Officers' Association (MFOA) submits this report to the Legislative Assembly's Committee on General Government for its consideration of Bill 206, An Act to Revise the OMERS Act. The Board is grateful for the opportunity to contribute to the discussion on OMERS governance and thanks the Committee for the opportunity to participate.

MFOA is the professional association of municipal finance officers in the Province of Ontario. The Association promotes the interests of its members in carrying out their statutory and other financial responsibilities by initiating studies and sponsoring seminars to review, discuss and develop positions on important policy and financial management issues. It also promotes the interests of our members in the provincial-municipal arena by bringing member concerns to the attention of provincial politicians and staff. In the case of OMERS governance, MFOA represents employers (municipalities) and has a keen interest in commenting on the implications of Bill 206.

Bill 206 is a complex piece of legislation. Even after several months of examining the Bill in conjunction with other employer groups, we are forced to conclude that there is still much in the way of cost and financial impacts that are not known. As an association representing finance officers, we find it disturbing not to have better information from the government on a pension plan that is in excess of $36 billion and is (or will be) the main source of retirement income for tens of thousands of municipal employees. Nevertheless, we are submitting our concerns with respect to Bill 206 for your consideration. Our concerns have also been summarized in an overview of Bill 206 prepared for our members and included as Appendix A to this report.

We have organized them under the following headings:

- Governance
- Dispute Resolution
- Supplemental Plans
- Transition Period
- Summary

In our view, the legislation requires considerable work. As always, MFOA is prepared to assist the government in any way it can to make the recommended improvements to this important piece of legislation.

1. Governance

There are two important policy objectives contained in Bill 206 with respect to governance and MFOA supports both of them. These are:

- Separate the fiduciary and sponsor's role, and
- Transfer the sponsor function from the Province to a Sponsor Corporation

a. Split Fiduciary and Sponsors' Roles

The fiduciary function should be separate from the sponsor function of determining contribution rates and benefit levels. This is done in the Bill through the creation of an Administration Corporation to administer the Plan and manage the investments and a Sponsors Corporation to set contribution rates and establish benefits. **MFOA supports the splitting of these functions, but is concerned about the scope for confusion in the roles of the two Corporations.** OMERS has expressed concerns on this issue as well with regard to sharing information and

compensating the Sponsors Corporations for certain costs it may incur.[1] We are aware that other groups have also noted in their submissions that the relationship between the two corporations is not completely clear.

b. Transfer the Sponsors' Function

The second governance objective is to transfer the sponsor function from the Province of Ontario, where it now resides, to the newly created Sponsors Corporation. The Province of Ontario does not have employees in OMERS and does not contribute to the Plan. It is unusual to have contribution rates and benefits determined by a level of government with no financial stake in the Plan. Transferring the sponsor role to a Sponsor Corporation that has representatives of employers and employees would move OMERS in the direction of other public sector pension plans. **MFOA supports the creation of an autonomous Sponsors Corporation to make decisions with regard to Plan benefits, contribution rates and related matters**. However, MFOA is concerned about a number of provisions of the Bill that detract from the autonomy of the new Sponsors Corporation and instead transfer decision-making to third party mediation and arbitration processes.

In our view the governance model found in Bill 206 has a number of major shortcomings. Currently, Bill 206 permits the Sponsors Corporation to make important decisions on benefits and contribution rates by a simple majority vote. While simple majority might be adequate for passing procedural by-laws and related operational matters, it is our view that major changes to the Plan should have wider support than this rule would require. **We recommend that major changes to the Plan require unanimous consent of the members. Major changes would include the items identified in subsection 26(2) of the Bill, as well as the creation of supplemental plans.** A requirement for some type of super-majority for major decisions is not unusual for pension plans. Such rules exist for major changes to other plans. We understand that major changes to the Hospitals of Ontario Pension Plan (HOOPP) require unanimous consent as does the Colleges of Applied Arts and Technology Pension Plan.

At least as important is the fact the Bill 206 appears to create an autonomous Sponsors Corporation, but then imposes a series of restrictions and requirements that undermines that autonomy. Examples of this include:

- Imposing a mandatory mediation and binding arbitration process (s. 43)(see comments below),
- Forcing the Sponsors Corporation to consider optional pension benefits for police and fire (ss. 10(2)), and
- Removing the ability to introduce optional pension benefits by way of defined contribution plans rather than defined benefit plans.

MFOA believes that the focus of Bill 206 should be to create an autonomous Sponsors Corporation that is empowered and capable of Plan design without interference. Consequently, **MFOA recommends that Bill 206 be stripped down to deal with autonomy only. Let the Sponsors Corporation deal with matters related to benefits and how they should be structured after a transition period that allows the Corporation to learn its business and get itself established**.

c. Sponsors Corporation Board Composition

Initially, the members of the Sponsors Corporation will be comprised of 16 voting members and 2 non-voting members appointed by the Province (section 38). After the first anniversary, and until the Corporation passes a by-law, membership on the Sponsors Corporation is based on

[1] OMERS, OMERS Position on Bill 206 Technical Issues, 2005. See issue 12.

appointments made equally by employer and employee groups as set out in section 39. There does not appear to be any requirement that a by-law passed by the Corporation recognize the equal representation of employer and employee representatives. Given that section 11 enshrines the 50/50 formula for funding OMERS pensions, it would be reasonable to ensure that equal representation of employers and employees on the Sponsor Corporation is also required by statute. Consequently, **MFOA recommends that Bill 206 be modified to ensure that the Sponsor Corporation always has equal representation from employers and employees among its voting membership**.

MFOA is aware of the complex rotational system found in Bill 206 for smaller employer and employee groups that are not represented by the major parties. This system is cumbersome and will fail to deal with OMERS members that do not belong to a union or professional organization. A survey of its members by OMERS indicates that 20% fall into this category. **MFOA suggests that consideration be given to allowing these members to participate directly by voting for representatives on the Board for the positions referred to in paragraph 9 of subsection 39(1).** Each year, MFOA members elect representatives to its Board of Directors. Given the detailed information available on members and their affiliations, it should be reasonably simple to put in place an electronic voting system that would be accurate and anonymous. This would eliminate the criticism that a significant portion of OMERS members will not be represented.

d. Ongoing and Start-Up Costs for Sponsors Board

Section 27 of Bill 206 allows the Sponsors Corporation to impose fees on employers and employees to pay fees to cover expenses that are not related to expenses of administering the Plan and cannot, therefore, be recovered from the OMERS pension fund. OMERS has noted that there is confusion over the nature of these costs in Bill 206 and it has recommended clarification.[2] In addition, there are start-up costs associated with the creation of the Sponsors Corporation. AMO has attempted requested information from the Province, which is the current OMERS sponsor, on the magnitude and nature of both ongoing and start-up costs. To date, we believe that no response to these requests has been received by AMO. MFOA is dismayed to find that we would transfer governance for a pension fund valued at approximately $36 billion without any knowledge of the ongoing sponsors' costs. As noted already, **MFOA recommends that Bill 206 be transformed into a Bill dealing with autonomy only. While this work is underway, we would further recommend that the Province provide cost estimates for ongoing and one-time sponsor costs and explore options, in consultation with the sector, as to how best to recover these costs.**

Stakeholders will incur substantial costs preparing for the new governance responsibilities. **MFOA believes that the Province should provide initial start-up funding to enable stakeholders to prepare for devolution and the additional responsibilities that the government is transferring to them.** This position has also been adopted by the current OMERS Board, illustrating its desire to see the new Sponsors Corporation established on a sound footing that will allow the Plan to continue to grow and prosper.[3]

e. Continuity of the OMERS Plan

Section 2 of Bill 206 continues the OMERS Plan. Obviously, **MFOA supports the continuation of the existing Plan.** However, we are aware of the brief that the existing OMERS Board has prepared with regard to technical issues raised by Bill 206. Under the heading of "Continuity of the OMERS Plan," the OMERS Board has raised concerns that the existing Bill might create problems because of the absence of legal definitions used currently by OMERS and because of

---

[2] OMERS, OMERS Position on Bill 206 Technical Issues, 2005. See issue 14.
[3] OMERS, OMERS Position on Bill 206 Technical Issues, 2005. See issue 15.

gaps in the Bill relative to the Plan text that governs the Plan. Consequently, OMERS has recommended that:

> the government, as current plan Sponsor, consider amending the current plan text to deal with the outstanding housekeeping Plan changes and to include the legal definitions found in the current OMERS Act that will no longer exist under the new legislation.[4]

MFOA shares the desire of the current OMERS Board to ensure a smooth and seemless transition to the new governance model. Consequently, **MFOA recommends that the government alter the Bill as OMERS recommends with respect to issues 1 to 4 of the technical issues identified by the current OMERS Board.**

2. Dispute Resolution

Bill 206 currently contains a dispute resolution mechanism that requires mandatory mediation and binding arbitration. The process would permit a single member of the Sponsors Corporation to submit a written proposal that affects benefits or contribution rates to trigger access to the mediation/arbitration process. Conceivably, this could be done as early as the first meeting of the Sponsors Corporation when members will not be in a position to make decisions on potentially complex issues related to benefits or contribution rates. The provisions of the Bill have the potential to undermine the autonomy of the Sponsors Corporation by by-passing it in favour of an arbitrator precisely at the time when the Sponsors Corporation should be focused on learning its business and passing by-laws for its smooth operation.[5]

In our review of dispute resolution mechanisms of other pension plans, we have learned that such mechanisms are fairly common. However, they usually apply to matters other than fundamental changes that affect benefits and contribution rates. Access to these procedures for fundamental changes is quite limited. In some cases, no dispute resolution system exists for major plan changes. Of the plans that were examined, only the Ontario Teachers Pension Plan (OTPP) mirrors Bill 206 by providing a mediation/arbitration mechanism to plan changes. It is important to note, however, that OMERS and the OTPP have very different profiles. The OTPP has essentially one employer (the Province) and one employee group (the Ontario Teachers' Federation). In contrast, OMERS is a multi-employer plan that is closer to other plans such as the British Columbia Municipal Plan (BCMP) and the Alberta Local Authorities Pension Plan (ALAPP). In the case of the BCMP, there was no devolution from the province of British Columbia and, therefore, it does not have a dispute resolution mechanism. The ALAPP was devolved in Alberta, but only has a dispute resolution mechanism for surplus issues.

Interestingly, the mediation/arbitration process is only a temporary measure. Section 43 of the Bill which lays out this process, does not apply after the Sponsors Corporation passes a "by-law governing the circumstances in which it is required to meet."[6] Alternatively, if no by-law is passed, the section is repealed on December 31, 2009.[7] There is, therefore, no permanent dispute resolution mechanism for the OMERS plan, unless the Sponsors Corporation implements one. Bill 206 puts a temporary mechanism is in place at a time that the Plan is in deficit and during the transition period when members of the Sponsors Corporation are just learning their business. **MFOA recommends that the temporary dispute resolution mechanism be removed from the Bill. Allow the Sponsors Corporation to determine the need for, and**

---

[4] OMERS, Executive Summary, OMERS Position on Bill 206 Technical Issues, 2005.

[5] It is unclear whether an arbitrator could create supplemental plans where they do not exist. An arbitrator can only deal with "specific changes" as outlined in ss. 26(2). Ss 26(2) makes no explicit mention of supplemental plans.

[6] Bill 206, sub-section 43(1).

[7] Bill 206, section 56.

structure of, a dispute resolution mechanism for major Plan changes. This should also be subject to the unanimous consent of the board.

3. Supplemental Plans

Supplemental Plans represent a significant departure from the existing OMERS Plan. The current OMERS Plan is centrally administered and provides common pension benefits to municipal and other employees that are equally funded by employees and their employers. The current Plan is highly valued because it:

- Relieves municipalities from the onerous task of pension administration and management,
- Enhances labour market mobility by providing common pension benefits through the municipal sector, and
- Relieves municipalities of any obligation to negotiate pension benefits locally, which can be a highly complex process.

Under Bill 206, 2 out of 3 of the benefits noted above are lost. The system of supplemental plans will:

- Add significantly to pension administration costs
- Add significantly to the costs of funding pensions
- Reduce labour mobility in the municipal sector, and
- Require municipalities to negotiate locally for pension benefits – something that they have not had to do in the past.

We do not see any reason for dealing with supplemental plans in Bill 206. It is our understanding that many public sector pension plans have no provision for supplemental plans. Again, MFOA is of the view that Bill 206 should simply provided for autonomy and allow the new Sponsors Corporation to deal with the structure, design and magnitude of future benefits and benefit enhancements. The Canada Revenue Agency has already indicated to OMERS that limited use of supplemental plans is permissible for benefits that do not apply to all members. References to such plans in Bill 206, with added restrictions, does nothing but reduce the scope for autonomous action on the part of the Sponsors Corporation.

Bill 206 contains provisions that add unnecessary confusion about how benefits can be enhanced in the future by creating artificial and unclear rules with regard to what can be done through the primary plan and what can be done through supplemental plans. **MFOA recommends eliminating the distinction between the primary plan and supplemental plans and allow the Sponsors Corporation to determine the structure of future benefits.**

a. Plan Administration Costs

At a stakeholder meeting on September 23, OMERS circulated some cost estimates for a variety of possible supplemental plans and outlined some assumptions with regard to these plans. The costing was done on the assumption that supplemental plans will essentially be stand-alone pension plans for each employer that opts for them. There will be no cross-subsidy from the primary plan to the supplemental plan. This means that the Administration Board could be overseeing dozens and dozens of pension plans in addition to the primary plan. Each will have its own demographic characteristics and benefits and require its own actuarial analysis and valuations with regard to deficit and solvency. OMERS has noted that such a regime of supplemental plans will increase administration costs considerably.

b. Pension Costs

In addition to higher administration costs, there will be higher costs to finance supplemental plans. MFOA has used information provided by OMERS to construct a costing template for municipalities. The costs of possible supplemental plans can be considerable.

MFOA does not take the view that pension benefit enhancement should be onerous. Pensions are a part of compensation and may need to be adjusted from time to time when employers are experiencing difficulties with attraction or retention of staff. In such cases, employers might well side with employees to enrich existing benefits – either permanently or temporarily. However, easy access to enhanced benefits in the absence of evidence of a general problem related to attraction and retention is misguided and puts a burden on local ratepayers, many of whom may have pensions that are less generous than OMERS or, possibly, no access to pension benefits at all.

As noted above, at a stakeholder meeting on September 23, 2005, OMERS provided rough estimates for a number of possible supplemental plans that might be attractive for police and fire on the one hand, as well as everyone else. MFOA used that information to create a costing template. Appendix B provides a brief summary of the results we obtained. **MFOA is concerned with the financial impact of supplemental plans on municipalities. Bill 206 currently provides too easy access to these high cost benefits. As we have noted, leave the issue of the nature, and structure of future benefits to an autonomous Sponsors Corporation with sufficient time to understand the complexity of the issues involved.**

Having noted that pension enhancements may be required at some point in the future, we are of the view that current solvency requirements in the Pension Benefits Act artificially add to costs in cases where benefit are applied to past service. OMERS has recently shared with stakeholders information regarding solvency requirements. We have attached copies of this for the information of Committee members. **MFOA supports OMERS in its recommendation that the OMERS plan should be exempt from solvency requirements as it is not a plan that will be subject to wind-up.** Elimination of these requirements will lower the costs of enhancing benefits in the future and recognize the realities of the OMERS plan. See Appendix C for the paper on solvency prepared by OMERS and supported by MFOA.

c. Mobility

As noted above, the current OMERS plan provides a common benefit package for municipal employees across the sector that enhances labour mobility in the sector. This could be seriously impaired under a system of supplemental plans. An employee considering moving from one municipality to another may be dissuaded from doing so based on the configuration of supplemental plans in each municipality. It is even possible to imagine an employee moving from one municipality with a supplemental plan to one with a similar but less generous supplemental plan, but having to pay more for fewer benefits because of the demographic differences between the two municipalities and the fact that each supplemental plan is a stand-alone plan. This will almost certainly detract from the level of mobility we currently enjoy in the municipal sector.

d. Bargaining for Pensions

Under the system of supplemental plans contained in Bill 206, municipalities will find themselves having to negotiate pension issues once the Sponsors Corporation has approved a supplemental plan. This will be difficult for many municipalities, particularly given the fact that this is not an item currently negotiated locally. In municipalities with unionized workforces, union head offices will be able to provide support to locals on pension issues. It is not clear where municipal employers will turn for similar types of support, unless they are expected to incur the costs of hiring actuaries to cost various pension options and to analyze potential mobility issues as well. In future, as the

workforce changes, initial assumptions on plan costs could be substantially different from actual costs – the ability to negotiate out this type of benefit once established is zero, as employee's would have a vested interest in the plan continuation

4. Transition Period

The Sponsors' role is vital and for many employer groups represents a new function. Ideally, the Sponsors Corporation should be given sufficient time to:

- Learn its business,
- Establish communications links with stakeholders,
- Develop a work plan and approaches to funding its work plan, and
- Develop a sound working relationship with the Administration Corporation.

Sponsors will also require time to learn to make quality appoints and to provide input to the Sponsors Corporation.

These objectives should be the priorities in the transitional period rather than supplemental pension benefits for police and fire fighters. This is especially the case given that the primary Plan currently has an actuarial deficit that requires a contribution increase in 2006 in excess of 9% and may require additional increases in the near future. **MFOA recommends a long transition period. To expect the Sponsors Corporation to turn its mind to pension benefit enhancements for police and fire from the outset is inappropriate.**

5. Summary

MFOA has reviewed Bill 206 and finds it to have a number of shortcomings. We are of the view that the Bill should set a more modest objective of establishing autonomy for the OMERS Plan, provide a significant transition period where the Sponsor Corporation can "find its feet" without being thrown into debates about supplemental plans from the outset. The OMERS Plan is too large and too important to too many people to proceed without adequate costing information or by giving autonomy with one hand while circumscribing it with the other. We would prefer to see a Bill that makes autonomy a reality, provides for a significant transition period while the corporation decides the rules under which it will operate, and leaves important decisions on benefits to the future when the Sponsors Corporation is able to deal with them in ways that will take into account issues related to cost, labour mobility, and employee attraction and retention.

Finally, we have had the benefit of viewing AMO's submission to the Committee and note the point that they have made: that nothing resembling Bill 206 was ever mentioned in any Budget or Throne Speech and the Bill we have now is much more than the legislation required to deal with procedural problems that were identified during the prior round of discussions. This Bill, and the process that is driving it, are not appropriate for a public pension plan of this magnitude and complexity. **We strongly recommend a slower approach that has as its first step the more modest goal of creating an autonomous Sponsors Corporation that is capable of exercising its responsibilities intelligently and without interference from the legislation that created it.**

APPENDIX A

Overview of Bill 206: An Act to Revise the OMERS Act

Overview of Bill 206: An Act to Revise the OMERS Act

Prepared by MFOA

Interpretation (s. 1)	**Highlights:** Provides several key definitions such as: Sponsor Corporation and Administration Corporation (see sections below for details)
	Issues/Concerns: OMERS has raised issues with a lack of clarity around some key definitions in the Bill that may not be fully consistent with the Plan Text that governs the Plan. See OMERS Position on Bill 206 Technical Issues and its Executive Summary .

OMERS (ss. 2-4)	**Highlights:** Sections 2 to 4: • Continue the current OMERS plan as the "primary plan" • Provide for the creation of "supplemental" plans that would provide optional benefits to members that would be in addition or on top of the benefits of the primary plan that would be available to all members. Supplemental plans would be new stand-alone plans tailored to the demographic characteristics of the various groups adopting them. Under Bill 206, the newly created Sponsor Corporation would decide whether to make supplemental plans available to members. They would be adopted locally through collective bargaining or other mechanisms used to determine compensation levels. • The supplemental plans are each to be self sustaining and there is to be no cross subsidization with either the primary plan or other supplemental plans.

	Issues/Concerns:
	• Providing a series of separate stand-alone plans on top of the primary plan is a departure from the traditional pension model where the same basic plan benefits are available to everyone.
	• There is a risk that a proliferation of supplemental plans could result in:
	    ○ Significant new levels of complexity that will result in higher administration costs;
	    ○ Reduced portability which can adversely affect the ability of employers to recruit and/or retain staff; and
	    ○ Higher pension costs for both employers (taxpayers) and employees.
	• There a numerous technical issues related to maintaining the integrity of the existing OMERS plan that have been identified by OMERS. See the OMERS Submission to the General Government Committee of the Ontario Legislature.

Employer Participation in the Pension Plan (ss. 5-8)	**Highlights:** • Defines employers and employees who are eligible to participate in the OMERS plan (including associated employers and their employees) • Continues contributions to pre-OMERS pension plans where they still exist. • Employers cannot terminate participation in OMERS without the permission of the Sponsor Corporation
	Issues/Concerns: None

Overview of Bill 206: An Act to Revise the OMERS Act

Prepared by MFOA

<table>
<tr>
<td rowspan="2">Restrictions Affecting the Pension Plan (ss. 9-15)</td>
<td>Highlights: Sections 9 to 15 set out a number of restrictions on the OMERS Plan and, in some cases, supplemental plans. These restrictions include conditions that:
• All plans, including supplemental plans, must be defined benefit plans
• All optional plans for members with an annual accrual rate greater that 2.00% (but less than or equal to 2.33%) must be supplemental plans
• The Sponsor Corporation is required to consider supplemental plans for police and fire members
• Contributions must be split on a 50/50 basis between employer and employee (Note: In its submission, OMERS has identified specific cases where this might be inappropriate and has suggested amendments e.g. buy back of past service by a member).
• Several restrictions on benefits to protect employers (see ss. 12 and 13 for further details).
    o CPP integration cannot be less than 0.6%
    o Benefit that moves the annual accrual rate for police and fire from 2.00% to a maximum of 2.33% can only be for future service and not past service
• Sponsors Corporation can only consider increases in contribution rates or increases in going concern liabilities where:
    o Market value of assets/liabilities >= 1.05; and
    o Solvency assets/solvency liabilities >= 1.00</td>
</tr>
<tr>
<td>Issues/Concerns: The Sponsor's corporation should be able, on its own, to make decisions with regard to plan benefits and funding. Specifically, the Bill should be amended to:
• Remove the requirement that all supplemental plans must be defined benefit plans
• Remove the requirement for the Sponsor Corporation to consider supplemental plans for police and fire
• Remove caps and conditions on rates and permit the Sponsor's Corporation to deal with these matters as required.</td>
</tr>
</table>

<table>
<tr>
<td rowspan="2">Governance & Administration of the Pension Plans (ss. 16-21)</td>
<td>Highlights: Sections 16 to 21 set out basic requirements for the ongoing governance of the plan, such as:
• The Sponsor Corporation shall set out the terms and conditions of the plan and may amend the plan benefits and contribution rates;
• The Administration Corporation will administer the plan and make investment decisions in the interest of the members;
• The Administration Corporation shall appoint an actuary and an auditor and shall file an annual report on its affairs.</td>
</tr>
<tr>
<td>Issues/Concerns: A number of groups, including OMERS, have suggested that clarifications are needed in the roles of the two corporations. For example, see OMERS Position on Bill 206 Technical Issues, issue 12. MFOA agrees that the sponsor role and fiduciary roles should be distinct. They should also be clearer.</td>
</tr>
</table>

Overview of Bill 206: An Act to Revise the OMERS Act

Prepared by MFOA

Sponsors Corporation (ss. 22-31)

Highlights: This part sets out a number of rules with regard to the Sponsors Corporation, including:

- Certain sections of the Ontario *Business Corporations Act* apply (conflict of interest, standard of care, indemnification;
- Sponsor Corporation may determine the method of choosing its members through by-law. Section 38 (see Transitional Matters below) sets out the initial membership prior to the establishment of a by-law. Bill 206 contains provisions related to:
    - Eligibility to be a member of the Sponsor Corporation
    - Remuneration and expenses
    - Purposes and powers of the Corporation, which has natural person powers:
        - Benefits
        - Contribution rates
        - By-laws related to the conduct of its business
        - Other matters under the act
- Rules for making decisions. Decisions regarding benefit changes, contribution rates or contribution to rate stabilization reserves can only be made at a meeting specifically called for the purpose of considering such a matter. (Note: until such by-laws are passed, Bill 206 provides for transitional rules to determine supplemental plans. See Transitional Matters below).
- The Sponsors Corporation can recover costs from the primary pension plan that are, in the opinion of the Administration Corporation, valid fees and costs related to administering the plan.
- The Sponsors Corporation can impose fees on employers and employees that to recover costs that are beyond those recoverable from the primary plan. These could include such things as consulting or actuarial forecasts required by employer or employee members in establishing their positions with regard to creating supplemental benefits.
- The Sponsor Corporation is required to appoint an auditor and to file an annual report.
- The Sponsor Corporation can enter into agreements with third parties for the administration of other pension plans. These would be managed by the Administration Corporation, which would not be a party to the agreement.

Issues/Concerns: MFOA is concerned about the magnitude and type of costs that could be imposed on employers and employees by the Sponsor Corporation that are not recoverable from the primary plan. To our knowledge, there has been no reliable estimate of such costs or discussion of how the costs would be distributed or recovered.

Overview of Bill 206: An Act to Revise the OMERS Act

Prepared by MFOA

Administration Corporation (ss. 32-37)	**Highlights:** This part sets out a number of rules with regard to the Administration Corporation, including:
	• What we currently know as OMERS is continued as the Administration Corporation
	• Like the Sponsor Corporation, the Bill provides for:
	  o The composition of the Administration Corporation;
	  o Its powers and responsibilities;
	  o The application of other statutes (e.g. Business Corporations Act sections dealing with conflict of interest, standard of care, indemnification)
	  o Eligibility
	  o Term of office
	  o Remuneration and expenses
	  o Powers (administer the plan on behalf of members, act as trustee of the funds, manage the investments, advise the Sponsor Corporation)
	  o Annual audit
	  o Annual report

	Issues/Concerns: As noted above, there needs to be a clear delineation between the role of the Sponsors Corporation and the Administration Corporation.

Overview of Bill 206: An Act to Revise the OMERS Act

Prepared by MFOA

Transitional Matters (ss. 38-45)

Highlights: Some of the most important elements of Bill 206 are dealt with in the Transitional Matters.

Initial and Subsequent Composition of Sponsors Corporation and Administration Corporations

- Bill 206 provides rules for the initial and subsequent membership of the Sponsor Corporation and the Administration Corporation.
- The Province will appoint 16 voting members and 2 non-voting members initially to the Sponsor Corporation (see ss 38 and 39). Their appointment will be for one year.
- After that, employer and employee groups will appoint members (see Table 1below). Large employers and unions will permanently have permanent representation on the Corporation. There is a complex roster system for smaller groups to rotate right to appoint a representative.

Creation of Advisory Committees

- Bill 206 initially creates two advisory committees. One is established to advise on benefits for NRA 60 members and the other for all other members (see Table 2 below for representation on this advisory committee).

Meeting of Sponsor Corporation

- Rules require at least one meeting every three years.
- The Administration Corporation can call a meeting of the Sponsors Corporation in special circumstances (e.g. changes needed to comply with changes in the law or to address a critical issue)
- A majority of members of the Sponsors Corporation can call an emergency meeting

Deciding on Supplementary Plans (Section 43)

- Section 43 establishes transitional rules for making "specified changes" that involve mandatory mediation and binding arbitration. (Specified changes are identified in ss. 26 (2) and deal with changes in benefits, contribution rates or the establishment of change in a contribution rate stabilization fund).
- Mandatory mediation occurs if:
  - A meeting of the Sponsor Corporation has been called to consider a "specified change."
  - At the meeting, a member makes a proposal in writing for a specified change or no change.
  - The Sponsors Corporation does not decide to adopt or reject the proposal within 30 days.
- The Bill contains rules for selecting a mediator. The mediator's role is to help the Sponsors Corporation adopt a position with regard to the proposal for a specified change. The mediator has 30 days to submit a report to the Sponsors Corporation concerning the issues. The mediator may extend the deadline by 14 days.
- If the proposal is not adopted or rejected by the Sponsors Corporation after the mediator's report is filed, the member who made the proposal may request arbitration.
- Subsection 26(6) sets out matters for the arbitrator to consider (e.g. arbitrator shall not make a decision to increase benefits by more than 0.5% for any plan member). A decision of the arbitrator shall be deemed to be a decision of the Sponsor Corporation.
- The mediation/arbitration rules are not required for a smooth, orderly transition of the sponsor's role from the Province to the Sponsors Corporation. In fact, it will be highly disruptive to force potentially major benefit changes on the new Corporation within 30 days of its first meeting. It is interesting to note that the Province does not seem to be of the view that a permanent mediation/arbitration process is required. If not required on an ongoing basis, why is it required at the beginning of this new process when the Plan is currently in a deficit position?

	Issues/Concerns: MFOA is concerned with the process of mediation and arbitration contained in Bill 206. These processes undermine the newly created Sponsor Corporation by allowing groups to immediately by-pass the Sponsor Corporation and move to mediation/binding arbitration. This is inconsistent with the government's stated objective of transferring the governance of the OMERS plan to the sponsors. These sections dealing with mediation and arbitration should be removed. The newly created Sponsor Corporation should be allowed to decide its own decision-making structures with regard to specified changes.
Consequential Amendments and Repeals (ss. 46-55)	**Highlights:** Contains amendments to other statutes that would be affected by Bill 206 if it passes. These Acts include: • Child and Family Services Act • City of Toronto Act, 1997 • Education Act • GO Transit Act • Municipal Act 2001 • Municipal Property Assessment Corporation Act, 1997 • Niagara Escarpment Planning and Development Act • Northern Services Board Act, and • Social Housing Reform Act, 2000 • In addition, the existing OMERS Act is repealed.
	Issues/Concerns: MFOA has no concerns with regard to consequential amendments to Acts other than the OMERS Act. The current OMERS Board has identified a number of technical amendments arising from Bill 206, some of which are related to the repeal of the OMERS Act. (See OMERS Position on Bill 206 Technical Issues). In particular, issues 1, 2, 3 and 4 are most closely tied to the repeal of the existing OMERS Act (as opposed to issues re: Bill 206). MFOA agrees that the repeal of the OMERS Act and its regulations could cause unnecessary confusion which can be remedied by implementing the recommendations of the OMERS Board with regard to issues 1 to 4. MFOA supports the Board with respect to these issues.
Repeal, Commencement and Short Title (ss. 56-58)	**Highlights:** Sections dealing with a number of transitional matters will be repealed on December 31, 2009. These include: • Appointments to the Sponsors and Administration Committees • The advisory committees • The mediation/arbitration process • With the exception of the items above, the Act comes into force when proclaimed by the Lieutenant Governor. • The Act will be known as the OMERS Act, 2005.
	Issues/Concerns: None.

Overview of Bill 206: An Act to Revise the OMERS Act

Prepared by MFOA

Table 1: Representation on the Sponsors Corporation 16 voting members, 2 non-voting members directly appointed by sponsor organizations	
Employers	**Plan Members**
• Association of Municipalities of Ontario (3)	• CUPE (3)
• Ontario Public School Boards' Association (1)	• Police Association of Ontario (1)
• Ontario Catholic School Trustees' Association (1)	• Ontario Professional Fire Fighters Association (1)
• Ontario Association of Police Service Boards (1)	• Others (3) roster system
• Other Employers (2) (roster system)	• Non-voting retirees (1)
• Non-Voting (1)	

Table 2: Representation on the Administration Corporation 14 Voting members directly appointed by sponsor organizations	
Employers	**Plan Members**
• Association of Municipalities of Ontario (3)	• CUPE (2)
• Ontario School Boards' Association (1)	• Police Association of Ontario (1)
• Ontario Association of Police Service Boards (1)	• Ontario Professional Fire Fighters Association (1)
• Other Employers (1) (roster system)	• Others (1) (roster system)
•	• retiree (1)

Table 3: Advisory Committee for Police and Fire 6 members directly appointed by Sponsors Corporation	
Employers	**Plan Members**
• Association of Municipalities of Ontario (2)	• Police Association of Ontario (1)
• Ontario Public School Boards' Association (1)	• Toronto Police Association (1)
• Ontario Catholic School Trustees' Association (1)	• Ontario Professional Fire Fighters Assocation (1)

Table 4: Advisory Committee for non- Police and Fire Members 10 members directly appointed by Sponsors Corporation	
Employers	**Plan Members**
• Association of Municipalities of Ontario (3)	• CUPE (3)
• Others (2)	• Others (2)

APPENDIX B

Results of MFOA's Survey of the Costs of Possible Supplemental Plans Under Bill 206

Results of MFOA's Survey of the Costs of Possible Supplemental Plans Under Bill 206

The Template:

- At a stakeholder meeting on September 23, 2005, OMERS provided high level information with regard to possible supplemental plan options that might appeal to different groups. Using that material, MFOA built a template to assist municipalities in calculating rough estimates of a possible supplemental plan package for the NRA 60 group and for the NRA 65 group. These packages consisted of the following options:
  - NRA 60 (fire and police): move to a 2.33% accrual rate (future service only) and 25 and out, with no age limit
  - NRA 65 (all others): 30 and out, with no age limit.

- This is a brief summary of the results of the template that municipalities completed and submitted to MFOA.

Response:

- Approximately 120 municipalities submitted OMERS supplemental plan costing templates.

- Responses came from the full range of municipalities in Ontario (large vs. small, north vs. south, two tier vs. single tier).

- Across all classes of municipalities, impacts from respondents alone amounted to over $155 million. This increase would be incurred in each of the first five years that the options are in effect because of the solvency rules under the Pension Benefits Act. Over 5 years this amounts to $775 million.

- This already significant impact is but a fraction of the full impact if these supplemental schemes are adopted in urban Ontario. The estimates above exclude costs for some major urban centres such as Toronto and others.

- The impacts are concentrated where one would imagine – in larger urban centres with professional fire departments, police services and higher than average salaries. Of Ontario's total number of municipalities, a relatively small number will account for almost all of the impact since the vast majority of small, rural municipalities will experience only minor impacts.

- In some cases, upper and lower tier municipalities in a regional government submitted completed templates. This was useful since police is an upper tier responsibility in regions and fire is a lower tier responsibility. This allowed the calculation of a total impact in these cases.

- Many municipalities did not want their results reported until staff could report the results to council. Tracking when that would be for the larger places is a time consuming task, so we are reporting results generically, without referencing the impacts in each municipality.

- Supplemental plans have the potential to add significantly to municipal costs for employee pensions in urban settings. Among the larger urban municipalities that completed our template, 23 municipalities reported increases in excess of $1 million in

total costs. This represented an average increase of between 2% and 3% on an average household. This translates into dollar impacts in the range of approximately $40/hhd, with a reported high of $52 per household.

- Finally, it should be remembered that the template only measures the costs of the supplemental plans contained in the template. This of course excludes:
  - The 2006 increase in OMERS contribution rates
  - Any further anticipated increase in OMERS contribution rates
  - Any Sponsor fees that might be charged under section of Bill 206
  - Any added costs if the 2.33% accrual rate is extended to paramedics
  - Any reductions in the CPP integration from the current 0.675% to .0600%, and
  - Increases in post retirement benefits that might result from supplementary plans that facilitate earlier retirement.

Large Single Tier Urban

- Municipalities reporting in this group include such places as Ottawa, London, Hamilton and Windsor in the south and Thunder Bay and Sudbury in the north.

- Impacts in such places are measured in the millions of dollars and, in the largest single tiers, dollar impacts would be in excess of $20 million. The City of Ottawa has reported costs impacts in excess of $22 million. Supplemental plans will add approximately 3.3% to the tax bill and cost the average residential homeowner an additional $83 per year.

- Tax impacts in other areas were in the range of 2.5% to 3.0%, or approximately $40 to $50 per household.

Two Tier Urban (Regional)

- Two regional municipalities each reported impacts in excess of $10 million. Given their status as regional municipalities they would have responsibility for police service but not for fire. When lower tier increases are added to the upper tier increases, impacts can approach 6%.

Small to Medium Urban

- Small and medium urban single tiers include such places as St.Thomas, Brockville, Stratford and others. Impacts in these areas were also significant. They have responsibility for police and fire services and these services seem to constitute a larger share of their tax bill than in major urban centres. Tax impacts are in the range of 3% to 5%. Dollar impacts on a residential unit are in the range of $60 to $100 per year.

Rural

- A number of municipalities reported impacts that ranged from negligible in rural townships in the north and south as well as counties in southern Ontario. In most cases, these municipalities do not have full time fire departments and do not have a police service.

- Given the vast majority of municipalities in Ontario fall into this category, it is evident that many municipalities will not be overly concerned about the implications of Bill 206. Impacts for these municipalities were measured in several dollars per household.

APPENDIX C

OMERS' Paper on Solvency

Why is solvency an important issue to OMERS?

The solvency rules under the Ontario *Pension Benefits Act* may one day become a major cost issue for the existing OMERS pension plan, and will certainly be an important factor affecting the design and cost of "supplemental plans". This note explains what solvency means in this context, why it is relevant, and how it might affect OMERS stakeholders.

What is Solvency?

Normally the actuary values OMERS on a going concern basis – assuming that the plan will continue for ever. However, the *Pension Benefits Act* requires pension plans to also conduct a solvency valuation, which assumes a hypothetical plan wind-up.

A solvency valuation means determining the "solvency assets" and the "solvency liabilities" and then comparing them. If the solvency liabilities are larger than the solvency assets, there is a "solvency deficit" and under some circumstances this might lead to significantly higher contributions than would be warranted by the going concern valuation alone.

The solvency liabilities are determined assuming that the pension plan is hypothetically wound up on the valuation date, and all plan members terminate their membership on that date. Special plan provisions would then have to be used – for example, many active plan members would be assumed to commence their pension at the retirement age which produces the highest liabilities. There are special rules for determining the interest rate that is used by the actuary in valuing these solvency liabilities.

For virtually all indexed pension plans in Ontario, there is a special exemption which allows the solvency liabilities to exclude the value of any indexing provisions – that is, to ignore the extent by which pensions increase in line with inflation in future.

Why is it relevant to the existing OMERS pension plan?

Unless OMERS is successful at getting exempted from the solvency funding rules, it is possible that at some stage in the future an actuarial valuation that is to be filed with the Financial Services Commission of Ontario (FSCO) will reveal a solvency deficit. This has not been the case in the past, but the solvency position of any pension plan tends to be fairly volatile from year to year. It depends on the plan's demographics, the investment performance and yields on long government bonds, for example. This type of deficit has to be funded over a period of no more than 5 years under current legislation, which could potentially mean a significant increase in employer and employee contributions for that 5 year period.

The solvency funding rules were created to respond to a number of high profile bankruptcies by private companies which had inadequately funded their plans, subsequently forcing the provincial government to provide financial assistance to plan members. Public sector plans, like OMERS, are legally obligated to fund solvency deficits in response to a situation that is very unlikely to occur – namely, the wind-up of the plan with insufficient assets available to meet the obligations. As a result, OMERS is part of a coalition of five Ontario public sector plans which are lobbying for an exemption from the solvency funding rules.

Why is it relevant to any supplemental plan that might be established?

Bill 206 permits a "supplemental plan" to be established. This plan might offer certain members of the existing OMERS pension plan additional benefits, as a result of negotiations with their employer, funded

as usual on a 50/50 cost sharing basis. For example, it might be decided to offer improved early retirement benefits.

Suppose a supplemental plan is established and, for a particular employer group, the plan covers years of past service. The initial actuarial valuation of the supplemental plan will then reveal solvency liabilities, but there will be no offsetting pension assets in the supplemental plan at that time. Clearly, there would be a solvency deficit to be funded over a period of no more than 5 years, under current Ontario requirements.

In a presentation delivered by OMERS actuaries to stakeholders at a meeting on September 23, 2005, some of the slides showed a special contribution rate applying towards a solvency deficit, which would have the potential impact of greatly increasing the contribution rate for any of those sample plan improvements if they were to apply to years of prior service. See OMERS website at www.omers.com for costing information examples.

If a supplemental plan were to apply to years of past service, there would still be a "going concern past service cost" even without the solvency funding rules. But those contribution rates are typically much lower than the rates with solvency funding rules in place. Unless the provisions to provide benefits based on years of service prior to the introduction of the supplemental plan are modified, the solvency funding rules would make it much more difficult for a supplemental plan to be able to provide benefits on a past service basis.

What happens if no past service benefits are granted under a supplemental plan?

If a supplemental plan is introduced and does not actually cover years of past service for a particular group, then the solvency funding rules do not apply at the date that the supplemental plan is established. That is because there would be no solvency liabilities. However, at the time of the next actuarial valuation that is to be filed with FSCO, it is possible that a solvency deficit might arise at that point, and then the solvency funding rules could have an impact.

Suppose OMERS were to be wound up. Do the solvency funding rules mean that there would be enough money to cover all the obligations?

There is no intention of winding up OMERS. Because of that, OMERS, together with other public sector pension plans, has argued that the solvency funding rules are not necessary. But if we consider the theoretical situation where OMERS is wound up, the solvency funding rules do not guarantee that there would be enough money to cover the obligations. First, the solvency liabilities permit the exclusion of the value of the indexing provisions under the plan, whereas on wind-up the plan would provide indexing, based on the current plan provisions under the OMERS Act. Second, the solvency funding rules only require a solvency deficit to be funded over a 5 year period, not immediately. Third, in 5 years time, the demographics and the investment markets may well be different from what they are today, so it is impossible to predict the outcome of a future plan wind-up.

What is the situation in other jurisdictions?

Every other Canadian province has pension legislation that exempts public sector pension plans from funding solvency valuations. See Attachment 1 for further details.

What is OMERS recommending?

OMERS has recommended that the Ontario government amend Regulation 909 under the PBA to exempt OMERS from the solvency funding rules. There is potentially a very substantial financial impact on the Ontario government if this change is not made since significant solvency valuation payments are projected over the next five years unless public sector plans, such as OMERS, are granted an exemption. It is projected that indexed costs for all public sector pension plans, including OMERS, OTPP, HOOPP, CAAT, and the TTCPFS, could be anywhere from $6.1 billion to $36.9 billion over four years depending on market conditions. This does not include the implications from the going-concern valuation.

OMERS views Bill 206 as another means by which an exemption from the solvency funding rules of Regulation 909 under the PBA could be pursued. However, such an approach would only apply to OMERS. The Ontario government could be asked to amend Bill 206 to include a new provision that states that the "OMERS pension plans" as defined in Bill 206 (i.e. the primary pension plan and future supplemental plans) are exempt from the solvency funding requirements of Regulation 909 of the PBA and that such provision prevails over Regulation 909 of the PBA. Ideally, the government would grant this exemption to the OMERS plan and future supplemental plans as contemplated under Bill 206.

If the government is reluctant to address solvency relief for the OMERS primary pension plan in Bill 206 on the basis that it is a much broader issue, an alternative would be to provide solvency relief for OMERS supplemental plans in Bill 206. The supplemental plans are unique to OMERS and would not appear to be viable if solvency requirements apply.

Special Solvency Provisions For Public Sector And Other Plans

Province/Pension Plan	Special Solvency Provisions	Subject to Regular Pension Solvency Requirements?
Federal		
Public Service Superannuation Plans	• Actuarial report must be provided as required under and in accordance with the *Public Pensions Reporting Act* (PPRA) (PSSA s 45) – Information required by the PPRA is provided through a going concern valuation – there is no requirement to provide a solvency valuation – Report will be prepared in accordance with "the guides and Recommendations for the preparation of an actuarial report in connection with a pension plan" published by the CIA, which does not require a solvency valuation, and contain such information as the Minister may require from time to time • After an actuarial valuation report on the state of the Superannuation Account and the Public Service Superannuation Investment Fund is laid before Parliament an amount must be paid to the account that will, in the opinion of the President of the Treasury Board, meet the cost of the benefits payable under Part II and III of the *Public Service Superannuation Act* in respect of pre-April 1, 2000 pensionable service (PSSA s. 44(6)) – Amount must be paid in equal annual installments over 15 years (PSSA s. 44(7)) – Remaining amounts payable may be adjusted following a subsequent actuarial valuation (PSSA s. 44(8))	No
RCMP Superannuation Plan	• Actuarial must be prepared as required under and in accordance with the PPRA (RCMPSA s. 30) – Information required by the PPRA is provided through a going concern valuation – there is no requirement to provide a solvency valuation – Report will be prepared in accordance with "the guides and Recommendations for the preparation of an actuarial report in connection with a pension plan" published by the CIA, which does not require a solvency valuation, and contain such information as the Minister may require from time to time • After an actuarial valuation report on the state of the Superannuation Account and the RCMP Superannuation Investment Fund is laid before Parliament an amount must be paid to the account that will, in the opinion of the President of the Treasury Board, meet the cost of the benefits payable under Part II and III of the *RCMP Superannuation Act* in respect of pre-April 1, 2000 pensionable service (RCMPSA s. 29(6)) – Amount must be paid in equal annual installments over 15 years (RCMPSA s. 29(7)) – Remaining amounts payable may be adjusted following a subsequent actuarial valuation (RCMPSA s. 29(8))	No
Alberta		
Public Sector Pension Plans	• Local Authorities Pension Plan – "Funding requirements" means the minimum funding requirements, excluding any requirements for the funding of solvency deficiencies, under the EPPA and Regulations (PSPPA Sch. 1, s. 1(1)(b)) – Valuation report must be completed at least every three years, and include a solvency valuation (PSPPA Sch. 1, s. 5(1)-(1.1)) – Employer and/or employee contributions may be revised to meet funding requirements, and if applicable, solvency funding requirements, as recommended by Board (PSPPA Sch. 1, s. 5(2)) – Solvency valuation is required – solvency funding is currently required • Public Service Pension Plan – "Funding requirements" means the minimum funding requirements, excluding any requirements for the funding of solvency deficiencies, under the EPPA and Regulations (PSPPA Sch. 2, s. 1(1)(b)) – Valuation report must be completed at least every three years, and include a solvency valuation (PSPPA Sch. 2, s. 5(1)-(1.1)) – Employer and/or employee contributions may be revised to meet funding requirements, and if applicable, solvency funding requirements, as recommended by the Board (PSPPA Sch. 2, s. 5(2)) – Solvency valuation is required - solvency funding is currently required • Universities Academic Pension Plan – "Funding and solvency requirements" means the minimum funding and solvency requirements set out in EPPA s. **48(2)**, plan must provide for funding, in accordance with the prescribed tests for the solvency of pension plans and other provisions of the regulations, that is adequate to provide for payment of all benefits, and **48(3)**, plan must be funded in accordance with the actuarial valuation reports and cost certificate, and the sections of the EPPA Regulation that reference EPPA s. 48(2) (PSPPA Sch. 3, s. 1(1)(b)) – Valuation report must be completed at least every three years (PSPPA Sch. 3, s. 5(1)) – Employer and/or employee contributions must be revised to meet funding and solvency requirements (PSPPA Sch. 3, s. 5(2)) – Solvency valuation and funding are required	Yes – valuation Yes (currently) – funding[1]

[1] Dan Morrison has advised that legislation is soon to be changed so that solvency funding will not be required, except for Universities Academic Plan and Management Employees Pension Plan.

Province/Pension Plan	Special Solvency Provisions	Subject to Regular Pension Solvency Requirements?
Alberta (cont.)	• Special Forces Pension Plan – "Funding requirements" means the minimum funding requirements, excluding any requirements for the funding of solvency deficiencies, in the EPPA and Regulations (PSPPA Sch. 4, s. 1(1)(b)) – Valuation report must be completed at least every three years, and include a solvency valuation (PSPPA Sch. 4, s. 5(1)-(1.1)) – Employer and/or employee contributions may be revised to meet funding requirements, and if applicable, solvency funding requirements, as recommended by the Board (PSPPA Sch. 4, s. 5(2)) – Solvency valuation is required – solvency funding is currently required • Management Employees Pension Plan – "Funding requirements" means the minimum funding requirements, excluding any requirements for the funding of solvency deficiencies, in the EPPA and Regulations (PSPPA Sch. 5, s. 1(1)(b)) – "Solvency funding requirements" means the prescribed requirements, if any, for the funding of solvency deficiencies (PSPPA Sch. 5, s. 1(1)(i.2)) – Valuation report must be completed at least every three years, and include a solvency valuation (PSPPA Sch. 5, s. 5(1)-(1.1)) – Employer and/or employee contributions must be revised to meet funding requirements, and if applicable, solvency funding requirements (PSPPA Sch. 5, s. 5(2)) – Solvency valuation and funding are required	
Teachers' Pension Plan	• Minimum funding requirements for the plan for service post-January 1, 1992 are those contained in (TPP Legislative Provisions Reg. s. 1(2), **note**: attained age normal valuation method used): – EPPA **s. 48(2)**, pension plan must provide for funding, in accordance with the prescribed tests for the solvency of pension plans and other provisions of the regulations, that is adequate to provide for payment of all benefits – EPPA **Reg. 48(3)(b)**, amortization of an unfunded liability by equal quarterly payments over a period not exceeding 15 years from the review date, but only in respect of post-August 1992 unfunded liabilities – EPPA **Reg. s. 48(3)(c)**, amortization of a solvency deficiency by equal quarterly payments over a period not exceeding 5 years from the review date, but only with respect to the Private School Plan – EPPA **Reg. s. 48(4),** except where payments required by EPPA s. 48(2) or (3) are made, instead of making the special payments required to amortize an unfunded liability or solvency deficiency, the employer may make quarterly payments expressed in an amount such that each payment is a constant percentage of the future payroll of the members projected as of the date of the original establishment of the unfunded liability or solvency deficiency, and the actuarial present value of all the payments over the period selected (which may not exceed the legislated maximum for the liability/deficiency) is equal to the liability/deficiency – EPPA **Reg. s. 48(6)**, each liability/deficiency must be funded separately and cannot be combined – EPPA **Reg. s. 48(7)**, supplementary calculations must be performed to determine the existence of a solvency deficiency if a review reveals either the existence of an unfunded liability or the fact that the plan could not be terminated without decreasing member benefits, but only with respect to the Private School Plan – EPPA **Reg. 48(8)**, once a solvency deficiency has been amortized, the reviewer may recalculate any special payments for any unfunded liability that has not been amortized, and the employer may make the special payments as recalculated, but only with respect to the Private School Plan	Yes (post 1991 only)
British Columbia		
Public Sector Pension Plans	• The college plan, municipal plan, public service plan and teachers' plan, and any supplemental benefit arrangements under those plans, are subject to the applicable requirements of the PBSA (PSPPA s. 3(b)) – Listed public sector plans are exempt from the application of section 41 (funding and solvency), but appear to be subject to the same requirements for actuarial reports as regular plans, i.e., a solvency valuation must be performed (PBSA Sch. 1) • College Pension Plan – If the actuarial valuation report indicates that contribution rates must increase, the increase must be shared equally between the employers and plan members, and any action taken by the Board must comply with the PBSA funding requirements for a going concern valuation (PSPPA Sch. 1, s. 12(2) & (4)) – The College Pension Board of Trustees may make regulations prescribing employer and plan member contributions to the pension fund, and respecting the methodology and assumptions for any calculations required to administer the pension plan (PSPPA Sch. 1. s. 13(1)(c) & (m))	Yes – valuation No – funding

Province/Pension Plan	Special Solvency Provisions	Subject to Regular Pension Solvency Requirements?
Manitoba		
Civil Service Superannuation Plans	• Valuation reports must be prepared (CSSA s. 14 – note: no details about content of reports provided) – **Note**: payments made into the plans from the consolidated revenue fund	No
New Brunswick		
Public Service Superannuation Plans	▪ N/A (PSSA & Regs., although s. 27(6.2) and (6.4) require certain contributions until plan is fully funded, as determined by an actuarial report – **Note**: no details provided regarding the content of the report)	No
Teachers' Pension Plan	• Until such time as benefits under the *Teachers' Pension Act* (TPA) are fully funded, at the request of the Board of Management, each fiscal year, the Minister of Finance shall pay out of the Consolidated Revenue Fund into the Fund an amount equal to the amount paid in the previous year increased/decreased by the amount equal to the aggregate of 2% and the percentage that the average CPI for the 12-month period ending June 30 of the previous fiscal year increased/decreased over the average CPI for the previous 12-month period (TPA s. 26(5.2)) • If at any time the Fund is insufficient to make all payments required by the TPA to be made, the Minister of Finance, at the request of the Aboard of Management, shall pay an amount sufficient to enable such payments to be made out of the Consolidated Revenue Fund into the Fund (TPPA s. 26(7))	No
Newfoundland & Labrador		
Public Service Pension Plans	• Where the *Public Service Pensions Act* (PSPA) conflicts with the PBA, the latter prevails, and the Lieutenant-Governor in Council may make regulations to further comply with the PBA (PSPA s. 37(2), note: no regulations enacted) – **Note**: while the preceding provision appears to include funding and solvency requirements, the *Pensions Funding Act*, which applies to the Public Service Pension Plan, and is to be read with it, provides that the government will pay any deficiencies out of the Consolidated Revenue Fund	No
Teachers' Pension Plan	• Where the *Teachers' Pensions Act* (TPA) conflicts with the PBA, the latter prevails and the and the Lieutenant-Governor in Council may make regulations to further comply with the PBA (TPA s. 40(2), note: no regulations enacted) – **Note**: while the preceding provision appears to include funding and solvency requirements, the *Pensions Funding Act*, which applies to the Teachers Pension Plan, and is to be read with it, provides that the government will pay any deficiencies out of the Consolidated Revenue Fund	No
Nova Scotia		
Public Service Superannuation Plans	• Exempt from the application of the PBA (PBA Reg. s. 49(1)) • Actuarial report contemplated by s. 9A of the PSSA, but provides no details • Any deficiencies to be paid out of the consolidated revenue fund	No
Teachers' Pension Plan	• Exempt from the application of the PBA (PBA Reg. s. 49(1)) • Annual valuation report to be prepared, using assumptions determined by the minister and the union (TPPA s 13) • Until the pension plan is transferred to a Trustee, as agreed by Minister and Union, the consolidated revenue fund will make up any deficiencies	No
Ontario		
Ontario Municipal Employees Retirement System	• Exempt from Regulation sections (Reg. s. 47(1) para. 9): – **18(7)**, the requirement to attach a PBGF assessment to the plan's annual information return – **30**, the specific requirements for wind-up reports prepared for a DB plan with insufficient assets – **37**, the payment of PBGF annual assessments	Yes

Province/Pension Plan	Special Solvency Provisions	Subject to Regular Pension Solvency Requirements?
Ontario Public Service Employees' Union Pension Plan	• Regulation sections (Reg. s. 47(1) para. 10): – **14(7)(f)**, the requirement to include the plan's actuarial gain/loss and the special payments to liquidate a loss or the application of the gain in an actuarial valuation report, with respect to any going concern valuation of the OPSEU Plan or the PSP Plan for any period that includes all or part of the period from April 1, 1994 to March 31, 1994 (OPSEUPA s. 11(4), 12(6)) • In the event of a conflict between the PBA and the *Ontario Public Service Employees' Union Pension Act, 1994*, the latter prevails (OPSEUPA s. 3(2))	Yes
Ontario Teachers' Pension Plan	• Conflicts with the PBA authorized by Schedule 1 of the *Teachers' Pension Act* (TPA s. 10(3)) • In addition to the requirements set out in the PBA Regulation, the going concern assets of the Plan must also include (TPA s. 12.1(1)1.): – The present value of any special contributions required to amortize the initial unfunded liability; • In addition to the requirements set out in the PBA Regulation, the going concern liabilities of the Plan must also include (TPA s. 12.1(1)3.): – The present value of the pension benefits and escalated adjustments that will accrue after the valuation date to the persons who were members of the plan at the valuation date – The present value of the ancillary benefits for which eligibility requirements will be satisfied after the valuation date by the persons who were members or former members of the plan on the valuation date • Despite the definition of "transfer ratio" in the Regulation, for the purposes of determining the Plan's transfer ratio (TPA s. 12.1(4)): – Solvency liabilities may include the solvency liability adjustment defined in the PBA – Solvency assets include an averaging adjustment that stabilizes short-term market fluctuations over a period of not more than 4 years and the present value of any remaining special payments in respect of a solvency deficiency • For the purpose of a solvency valuation, despite the requirements of the Regulation (TPA s. 12.1(3)): – Solvency assets must include the present value of any remaining special payments resulting from the initial unfunded liability; – Solvency liabilities must include present value of all liabilities related to future escalated adjustments in respect of benefits accrued before the valuation date	Yes
Public Service Pension Plan	• Despite the provisions of the PBA and/or the Regulation: – The Plan's going concern liabilities must include the present value of unaccrued benefits (PSPA s. 8(1)); – The Plan's solvency assets must include the present value of any special payments required to liquidate the initial unfunded liability (PSPA s. 8(1)) – The Plan's solvency assets must include indexing (PSPA s. 8(2))	Yes
Quebec		
Civil Service Superannuation Plan	• N/A (no mention *Act* Respecting *the Civil Service Superannuation Plan* & Regs.)	No
Government and Public Employees Retirement Plan	• N/A (no mention in *Act Respecting the Government and Public Employees Retirement Plan* & Regs.)	No
Pension Plan of Certain Teachers	• N/A (no mention in *Act Respecting the Pension Plan of Certain Teachers* & Regs.)	No
Teachers Pension Plan	• N/A (no mention in *Act Respecting the Teachers Pension Plan* & Regs.)	No

Province/Pension Plan	Special Solvency Provisions	Subject to Regular Pension Solvency Requirements?
Saskatchewan		
Municipal Employees' Pension Plan	• In the event of a conflict between the *Municipal Employees' Pension Act* (MEPA) and the PBA, the latter prevails (MEPA s. 3(2)) • The plan must be funded in accordance with the solvency tests set out in the PBA (MEPA s. 55)	Yes
Public Employees Pension Plan	• N/A (no mention in Public *Employees Pension Plan Act* & Regs.)	No (DC Plan)
Teachers Superannuation Plan	• N/A (no mention in *Teachers Superannuation and Disability Benefits Act* & *Teachers' Superannuation Regulations)*	No