February 23, 2006

Dear Head of Council:

RE: An Act to Revise the Ontario Municipal Employees Retirement System, 2006

I am writing to update you on the rapid developments around our legislation that have occurred over the past 24 hours.

Bill 206 has received third reading and Royal Assent without any further amendments. We strongly believe we have struck the right balance in our legislation, and we are confident that it will prove to be solid public policy.

We are also proposing new legislation that would mandate a future review focusing on the actual experience of the new governance model in practice. The proposed legislation, if passed, would take effect on or before June 30, 2006 and would provide for the following:

"1.1 A commitment for the Minister of Municipal Affairs and Housing to undertake, beginning no later than 2012, a review of the governance model for the OMERS Pension Plan put in place through the devolution process (Bill 206).

1.2 The review would focus on the actual experience of the OMERS governance model in practice, and would include (but not be limited to) the following areas:

a) The effectiveness and fairness of the overall governance framework in representing the interests of employees and employers and ensuring efficient governance and accountability of the OMERS pension plan;

b) The efficiency and effectiveness of Sponsors Corporation decision-making, including any use of alternative dispute resolution; and

c) The effectiveness of the governance framework in ensuring the overall fairness of the plan and its overall financial stability, including ensuring that cross-subsidization is not occurring between the primary pension plan and supplemental plans.
1.3 The review would explicitly not include the following:

a) Reconsideration of the general principle of transfer of governance responsibility to OMERS Sponsors; and

b) Consideration of continuation of any supplemental plans put in place

1.4 The review will be conducted by an independent person mutually acceptable to the Minister and to the employer and employee representative groups, with collective bargaining and pension expertise. Failing mutual acceptability, to be appointed by the Chief Justice.

1.5 A report and any associated recommendations will be provided to the Minister and made public within 30 days of the Minister receiving the report. The Minister will give serious consideration to the recommendations contained in the report.

1.6 There would also be provision that after the first full valuation and in any event no later than 2009, the Minister or his or her designate will consult with the employee and employer representative groups to assess progress in effectively implementing the legislation, including governance matters."

We look forward to this future review of the actual practices of the new OMERS governance model. We believe it will confirm the fairness, accountability and efficiency of our model.

Sincerely,

John Gerretsen
Minister