

**RCA – Floating
Earnings Threshold**

SPC #01-11(b)

Date *Tabled: April 28/2011
Posted on website: May 4/16/2011
Amended: May 10/June 28
Approved: June 28, 2011

**OMERS Pension Plan(s)
SC Member Request for a Specified Plan Change**

Requested by:

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(Please Print) (Contact Information, Affiliation & Member Status on File)

Date Prepared:

April 27, 2011/**Amended May 10, 2011/June 28, 2011**

Pension Plan and Relevant Area of Change

Primary Plan Supplemental Plan for Police, Firefighters and Paramedics RCA

Proposed Change to Current Provision

1. General description of current provision

- a) The threshold in a particular year for directing pension plan contributions to either the Primary Plan or the RCA is based on the amount that would generate the maximum retirement benefit under the Income Tax Act (ITA) for the same year the contributions are made.
- b) The threshold for directing pension plan contributions to either the Primary Plan or the RCA (“the Contribution Threshold”) is the earnings level that would generate the maximum retirement benefit formula under the ITA for the same year the contributions are made, based on the benefit formula under the Primary Plan (i.e. \$143,912 for 2011.) The Primary Plan contribution limit is set under subsection 11(4) of the Primary Plan and, for the purposes of section 15 of the RCA text, the RCA contribution amount is set under the Sponsors Corporation By-Law #19.

2. Proposed change(s) to current provision

- a) That the threshold for directing contributions to the RCA be automatically adjusted to be a value within a corridor of 80% to 120% of the Contribution Threshold for that year (the “Allocation Threshold”) on the basis of the RCA cash flow requirement projection as determined by the OAC actuary. The required adjustment to the threshold at any particular date will be set based on the latest available cash flow projection and the objective of streaming enough contributions to the RCA fund to avoid complete asset depletion for at least 20 years from the effective date of the most recent adjustment of the threshold.

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- b) The cash flow projection and the associated adjustment to the “Allocation Threshold” described in a) above, if required, must be conducted and implemented annually without further approval by the SC. The Executive Director of the SC shall be authorized to adjust the Allocation Threshold on an annual basis, consistent with this SPC and the implementation language contained in Draft By-Law #24-01 provided to the Board for this meeting.

(Note: Based on the cap imposed by ITA, the annual maximum earning level set by OMERS at 100% in the year 2011 is \$143,912.25)

3. Effective date of change. If a proposed variation of the change requires different effective dates then set out (e.g. all members [date 1], all new members [date 2]).

January 1, 2012

4. Who is impacted by the change and any variations thereof (e.g. all members, all new members or a subset of either: deferred members; retired members; employers; etc).

- a) This proposal is not intended to change contribution rates or benefits
b) When the threshold is lowered, all contributing members and employers will be affected as more contributions may be directed to the RCA (and fewer to the Primary Plan). The reverse happens when the threshold is increased.
c) However, due to the relatively small size of the RCA in comparison to the Primary Plan, the impact of this change to the Primary Plan is expected to be immaterial.

5. Provide key rationale for change.

- a) The RCA is not subject to the Ontario Pension Benefit Act and therefore does not have statutory minimum funding requirements. As such, a plan should be implemented to address the current/future funding of the RCA and support the health and long term viability of all OMERS pension plans.
b) The RCA is not fully pre-funded in the same way as the Primary Plan and has a deficit for financial reporting purposes.

All information contained in tabled Specified Change Proposals, including any estimate of the financial or other impact of such proposal, has been supplied by the proponent(s) of the proposed Specified Plan Change, and has not been independently verified for accuracy. Accordingly, anyone reviewing tabled Specified Change Proposals should make their own assessment of the potential impact of such proposal.