

**RCA – Freeze  
Earnings Threshold**

**SPC#02-11(a)**

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

**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**

**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 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 earnings threshold for 2012 and each subsequent year thereafter be frozen at the 2011 level (i.e. the earnings level that generates the maximum retirement benefit under the Income Tax Act in 2011 would be used for 2011 and future years), subject to compliance with the ITA and the PBA, and until amended by the SC, based on the recommendation of the OAC actuary.
- b) However, the earnings threshold for a particular year, as defined in a) above, may not fall below 90% of the amount that would generate the maximum retirement benefit under the ITA for that particular year.
- c) Contribution rates for Members and Employers are not intended to be impacted in any way solely by application of this proposal.

(Note: Based on the cap imposed by ITA, the earnings level set by OMERS for the year 2011 is \$143,912.25)

Notwithstanding the above, the frozen threshold must be reviewed at least once every 5 years by the OAC Board Actuary and, if necessary, adjusted to a level as determined by the SC.

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 frozen at the 2011 level, all contributing members and employers will be affected as more contributions may be directed to the RCA (and fewer to the Primary Plan) if the maximum benefit limit imposed under ITA is increased year after year. The reverse may happen if ITA benefit limit is lowered.
- 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 statement reporting purposes.
- c) Freezing the threshold at 2011 levels (subject to the 90% minimum and a review at least once every 5 years) would allow increased contributions to flow into the RCA until the SC is satisfied that a sufficient fund exists to address future RCA obligations

*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.*