

For Office Use Only:

Reduced Indexing

SPC#14-03

\*Date Tabled: April 22, 2014

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

\* As per 2014 SC SPC Communications Policy: Plan Change proposals **remain CONFIDENTIAL** until publicly posted on the SC website in mid-May.

**Requested by:** Frederick Biro, Bruce Stewart  
*(Please Print)*

**Date Prepared:** April 17, May 13, 2014

**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**

Pension benefits are increased each year by the amount that the Consumers Price Index (CPI) increases, limited to 6% with the excess carried forward.

**2. Proposed change(s) to current provision**

Pension benefits earned after the effective date of the change to be increased each year in a variable proportion of the CPI increase as follows:

- 70% of CPI, for any increase in CPI up to 2.25%; plus
- 100% of CPI, for the excess of an increase in CPI over 2.25%, up to the current cap.

Ad-hoc increases could be granted to top-up any increase from 70% of CPI to 100% of CPI, subject to a decision of the SC Board.

Indexing examples:

If CPI = 0.9%, then pensions are increased by 0.63% [=0.9%\*70%]  
If CPI = 2.25%, then pensions are increased by 1.575% [=2.25%\*70%]  
If CPI = 3%, then pensions are increased by 2.325% [=2.25%\*70% + (3.00%-2.25%)\*100%]  
If CPI = 7%, then pensions are increased by 5.325% [=2.25%\*70% + (6.00%-2.25%)\*100%]  
(with 1% carried forward)

**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]).**

The effective date would be as soon as possible, and no later than January 1, 2016.

**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).**

Employees becoming members of the Plan after the effective date and members in the Plan as of the effective date in respect of service after the effective date.

**NOTE: Current retirees will not be affected.**

**5. Provide key rationale for change.**

- i.** This change will result in easing pressure on the plan, resulting in \$2 billion (estimated) in future savings over a 10 year period. This would assist in reaching 100 per cent funded status within the current stated time frame by reducing future funding pressures. It will also accelerate the projected time frame to achieve full funding as the reduction in the normal contribution rate would be applied to reduce the actuarial deficit.
- ii.** Capping the 70 per cent reduction at 2.25 per cent protects pensioners against a severe increase in inflation, while still delivering on the reduction outlined under point i.