OMERS
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SPC#14-04

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.*

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(Please Print)

Date Prepared: April 21, 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 during a window period of 5 years will not be increased by the amount of increase in the CPI. Benefits accruing after the end of the window would be indexed by 100% of the amount that the CPI increases, limited to 6% with the excess carried forward. For clarity, pension benefits which accrued before the window and after the window would be subject to increases of 100% of the increase in CPI, but pension benefits that accrue during the window would not be subject to such increases.

Pension benefits which accrue during the window could be increased on an ad-hoc basis in the future or may restored at some later date. This proposal does not address any ad-hoc increases or restoration.

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, 2017. If January 1, 2017, the window would end 5 years later on January 1, 2022.

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.

5. Provide key rationale for change.

The current rate of contribution by members and their employers has never been higher in the 50-year history of OMERS. Given the state of the economy and other factors impacting on the Plan's funding, contributions may increase further. This is causing a significant reduction of members' take-home pay, especially when current levels of compensation increases are considered. Moreover, the matching of these high contributions by employers puts stress on public expenditures at a time when taxpayers are themselves impacted by the economy and resist further increases in taxes and other service charges.

This change will ease the pressure on the plan which would assist in reaching 100 per cent funded status within the current stated time frame. It will 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.

Other Ontario jointly sponsored public pension plans have taken even more significant steps in respect to further contribution increases by eliminating future automatic indexing completely (Teachers) or by limiting increases based on CPI increases (HOOPP). Other JSPP's have recently reached agreements with the Ontario Government which provide that benefit reductions will be implemented instead of further contribution increases if their deficits increase. By contrast, this proposal is limited and need not result in a material reduction in benefits. At the end of the 5 year window, members would again earn an indexed benefit.