

Delay Early Retirement

SPC# 02-12(a)

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

Date Tabled: **March 20/2012**
Posted on website: **March 22/May 16**
Amended: **May 12/2012**

Note: Section 5 had duplicative text and was corrected April 17/2012

Requested by:

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Date Prepared:

March 19, 2012, **Amended May 12, 2012**

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

Under the Primary Plan and RCA, members have several options for unreduced early retirement before they reach their Normal Retirement Age (NRA) based on 30 years contributing to the plan, provided age 55 has been reached for NRA 65 or age 50 for NRA 60 or a combination of age & service dependent on whether NRA 60 or 65.

The Supplemental Plan allows an employer to provide Police, Fire Fighters and Paramedics with additional benefits over and above those provided under the Primary Plan. One of those benefits is eligibility for unreduced early retirement when age and service equals 80 (for NRA 60) and 85 (for NRA 65) providing the member is within 10 years of normal retirement. The Supplemental Plan pays the difference in the pension amount payable under these provisions and the pension amounts payable under the Primary Plan.

2. Proposed change(s) to current provision

Under the Primary Plan and RCA, employees becoming members of OMERS after December 31, 2013 shall have their eligibility for unreduced early retirement modified so that no unreduced early retirement option may be exercised in the case of NRA 60 members before the age of 57 and in the case of NRA 65 members, before the age of 62.

The 80/85 Factor provisions for unreduced early retirement under the Supplemental Plan will continue as presently set out. However, since the benefit payable under the Primary Plan may be reduced, the benefit payable under the Supplemental Plan may increase, resulting in additional costs for the 80/85 Factor benefits.

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 of change is January 1, 2014 in respect of employees becoming members of OMERS Plans after December 31, 2013

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).

All new members of OMERS Plans becoming members after December 31, 2013.

5. Provide key rationale for change.

1. The poor OMERS earnings results in 2011 combined with the grim economic picture facing Ontario & its citizens creates uncertainty in regard to the affordability and sustainability of the current OMERS Plans. This is especially true when it is unlikely that current contribution levels can be reduced to normal cost levels in the next few years. It seems as likely that further contribution increases may be necessary.
2. Current members & their employers should be protected as much as possible against further contribution increases. If earnings of the OMERS plans in the next few years do not surpass on average the assumed rate of 6.5% further increases in contributions and reduced benefits may be required under SPDOS. To attempt to avoid such an occurrence it is proposed to reduce benefits accrued by new members to the OMERS plans after Sept. 30, 2012.
3. Each new member represents an additional liability. It is preferable to reduce the benefits that such new members would be entitled to, rather than see current member benefits reduced or contributions further increased. Those new members will not be in receipt of pension benefits before the 2040's. If in the future the contributions return to the level of normal costs, it will be possible to restore the benefit. Continuing the current benefit for new members unreasonably exposes all members to higher contributions & reduced benefits pursuant to SPDOS.

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.