

**Benefit Accrual
Rate 1.85%**

SPC#04-13

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

***Date Tabled:** April 17, 2013
Date Posted: April 18, 2013

As per SC Communications Policy: Plan Change proposals remain **CONFIDENTIAL until formally submitted for consideration at an SC Board meeting*

Requested by:

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(Please Print)

Date Prepared:

April 16, 2013

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

Current provision: Multiplier @ 2.0% in the pension formula

2. Proposed change(s) to current provision

- Starting in 2015, apply a reduced multiplier of 1.85% in the pension formula **for earnings above the YMPE** (Year's Maximum Pensionable Earnings for CPP as set by Canada Revenue Agency.) This proposal will not affect any benefits based on service accrued before 2015.
- Allow the maximum years of service accrual to increase to permit members to continue to achieve a pension with a 70% replacement ratio as is currently available.
- For example, in the year 2015, if a member's contributory earnings are \$100,000 and the YMPE is set at \$48,000, the reduced multiplier would apply only to \$52,000 in calculating the pension.

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])

All members - January 1, 2015

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.)

Members having contributory earnings **more than the YMPE** (Year's Maximum Pensionable Earnings for CPP as set by Canada Revenue Agency) will accrue a slightly lower amount of benefit. However, all members will continue to be able to earn an OMERS pension of 70% (before integration) should they choose to accrue additional years of service beyond the current 35 years.

5. Provide key rationale for change.

- Due to the \$10 Billion funding deficit, the contribution rates are currently at an all time, high putting a significant strain on members and their employers, at a time when our economy is also under stress.
- The impact is not material for those close to retirement (e.g. $30 \times 2\% + 5 \times 1.85\% = 69.25\%$ versus 70%) and represents a gradual phasing in of the benefit impact, but has an immediate impact on funding.
- Reducing the accrual rate is a tax efficient method of changing the plan terms. Reducing the accrual rate will increase the amount of RRSP room and allow additional AVC contributions for those making more than the YMPE.

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.