



INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	January 17, 2019
SUBJECT/REPORT NO:	OMERS Plan Changes Approved by Sponsors Corporation FCS19004 (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Barb Howe (905) 546-2424 Ext. 5599
SUBMITTED BY:	Rick Male Director, Financial Services, Taxation & Corporate Controller Corporate Services
SIGNATURE:	

Council Direction:

Not Applicable

Information:

The OMERS Sponsors Corporation (SC) Board makes decisions regarding plan design, including benefit changes and contribution rates. The SC Board consists of 14 members, seven of which are employer representatives and the remaining seven are employee representatives. Proposed plan changes are accepted if approved by two-thirds of the SC Board members. A proposal is rejected only if it is rejected by a majority of the SC Board members. A proposal that is neither approved nor rejected will be referred to mediation by a majority vote.

At the June 27, 2018 meeting, the OMERS SC Board approved the list of proposals that they would consider as future plan changes. From July to November 2018 these options were communicated for further consideration and consultation with plan sponsors and members prior to a final decision by the OMERS SC Board in November 2018.

At its November 15th, 2018 meeting, the OMERS SC Board met to vote on the five proposals. Only two proposals were approved; the proposal to remove the maximum

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

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credited service of 35 years and the optional Normal Retirement Age of 60 for Paramedics (subject to collective bargaining negotiations).

Proposal Approved – Effective January 1, 2021

- 1) Eliminate the current 35-year cap for credit service.

Credited service is the years and months of pension service that an employee has contributed into the plan or has purchased or transferred into the plan. This service is used to calculate the OMERS pension plan benefit at retirement.

By removing the cap, employees will be able to continue to earn more credited service and increase their lifetime pension plan.

The estimated annual cost to the City to match employee contributions will be \$810,000.

- 2) Normal retirement age (NRA) of 60 for paramedics

The current NRA for Paramedics is age 65 and only Police and Fire have an NRA of 60. The approval of this proposal provides the union representing Paramedics to negotiate an NRA 60 plan provision. Under an NRA 60 provision, both employees and employer contribution rates will increase to provide the enhanced benefit. The current contribution rates are unchanged for 2019 and are:

		2019
Normal retirement age (NRA) 65 members	On earnings up to CPP earnings limit*	9.0%
	On earnings over CPP earnings limit*	14.6%
Normal retirement age (NRA) 60 members (Police & Firefighters)	On earnings up to CPP earnings limit*	9.2%
	On earnings over CPP earnings limit*	15.8%

*2019 earnings limit for CPP is \$57,400

If an NRA 60 is negotiated for Paramedics, then the annual cost to the City would be \$155,000 in increased employer contributions.

Summary of Proposals Defeated

1) Replace guaranteed indexing with conditional indexing for future pensions

Currently pensioners under payments receive a guaranteed annual increase equal to the consumer price index (CPI) increase to a max of 6% annually. It also includes a carry-forward provision if the CPI exceeds 6% in any given year.

To improve the plan's sustainability, the SC Board explored the possibility of introducing conditional indexing which would provide increases when the Plan is financially healthy, and which can be reduced or suspended on a temporary basis when the plan is in financial trouble

The change would only affect pension for service earned after the effective. It would have no impact to current retirees or on service earned prior to the effective date.

2) Change in Pension Formula

At retirement employees receive a pension benefit of:

1.325% of their best five years of pensionable earnings up to the Year's
Maximum Pension Earnings (YMPE)
plus
2% of their best five years of pensionable earnings above the YMPE.
Multiplied by
Years of credited Service.

In 2024, the government is introducing a new Year's Additional Maximum Pension Earnings (YAMPE) where employees will continue to contribute Canada Pension Plan beyond the YMPE limit and at a different rate up to the new YAMPE limit. In 2024 the YMPE is projected to be \$67,700 while the YAMPE is projected to be \$72,400.

The proposal changes the formula to reflect the higher YAMPE value. This would mean that each year of service earned after the effective date would have a lower benefit since more of an employee's pensionable earnings would be at the lower rate of 1.325%. Service earned before the effective date would continue to receive the existing formula.

3) Early Retirement

Currently employees may retire up to 10 years prior to their NRA and if they meet the criteria below, they will receive an unreduced pension:

- At least 30 years of service, or
- Age and service equals at least 90 points (85 points for Police and Fire)

If the employee does not meet the criteria for an unreduced pension then their pension is reduced by 5% per year or point before 30 years of service, 90(85) points or their NRA.

Under the proposal, the provisions above would apply for an employee who retires within five years prior to their NRA. And if they retire more than five years from their NRA, then their pension is subject to an actuarial reduction rather than the 5% per year or point before 30 years of service, 90(85) or their NRA. An actuarial reduction is a reduction to reflect the value of receiving the pension earlier, and longer, than if it were paid from the NRA date.

Appendices and Schedules Attached

None

BH/dw