



MA-D3-1

LEGISLATIVE SERVICES	
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Chair	<input checked="" type="checkbox"/> Committee
CAO	<input checked="" type="checkbox"/>
July 7, 2009	<input checked="" type="checkbox"/> Council
Environment, Transportation and Planning Services	Sept 10 <sup>th</sup>
Employee and Business Services	
Finance	
Health Services	File
Human Services	
Real Living	

## OMERS Sponsors Corporation Disposition of Contribution and Benefit Proposals

The Sponsors Corporation approved the following proposals at their recent meeting:

1. Contribution rate of 0.15% (average) which will take effect on January 1, 2010 for both members and employers, arising out of the decision to file the December 31, 2008, valuation. At the end of 2008, OMERS Primary Pension Plan had a funding shortfall of \$279 million.

*(For details of the changes within NRA 65 and NRA 60 and a demonstration of impact, go to: [http://www.omerssc.com/site/omers\\_sponsors\\_corp/assets/pdf/2009\\_Specified\\_Plan\\_Changes-Announcement-June\\_26\\_09.pdf](http://www.omerssc.com/site/omers_sponsors_corp/assets/pdf/2009_Specified_Plan_Changes-Announcement-June_26_09.pdf))*

2. Effective January 1, 2011 -- A cap on the level of incentive pay (e.g., annual performance bonus) included in contributory earnings. This change affects only a small number of members with incentive pay where it is a large percentage of earnings. A member's earnings for pension purposes will be capped at 150% of contributory earnings calculated before incentive pay. Incentive pay over the capped amount would not be used to calculate their pension nor for deducting contributions.

The Sponsors Corporation (joint employer/employee Board) considered a range of proposals, which did not get a 2/3 vote, the threshold required for a proposal to pass. These proposals, as previously reported, included:

- For service accrued after December 31, 2009, reduce the 100% inflation indexing to 70% and if there is sufficient surplus available, provide ad hoc increases.
- Provide paramedics with the right to negotiate NRA 60.  
Both of these two proposals were advanced for arbitration but that motion also failed.
- A 2.5% increase in contribution rates for 5 year period, net of any benefit reductions, until the Plan's deficit is eliminated.
- A RCA contribution rate increase for NRA 60 from 12.8% to 14.4% and NRA 65 from 9.5% to 10.7%.
- For new members enrolling in the Plan after December 31, 2009, remove early retirement subsidies from the benefit entitlements of members who terminate prior to being eligible for early retirement.

MEPCO's advice to its AMO representatives was that the SC needs to consider a comprehensive funding strategy that looks at investment returns, benefit changes and contributions. A comprehensive funding strategy on a go forward basis is important, particularly considering the trend to fewer enrolled members with higher number of retirees and the Plan's \$6 billion actuarial deficit. MEPCO believes that the .15% contribution rate increase represents a measured approach in sustaining the OMERS Plan. As well, changes to the Pension Benefits Act emanating from the Expert Commission's Review and recommendations which are expected this fall, could have an impact on the Plan.

REFERRAL TO  
RECOMMENDED

(MEPCO is a not-for-profit corporation, created by AMO, to ensure that its employer representatives on the OMERS Boards are well-resourced, and informed of municipal government interests and supported by pension expertise.)

DIRECTION REQUIRED

RECEIPT RECOMMENDED

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