

**GM29.32.1**

*Plan for the Future*

# Comprehensive Plan Review

*July 3, 2018*

**OMERS** | Sponsors  
Corporation

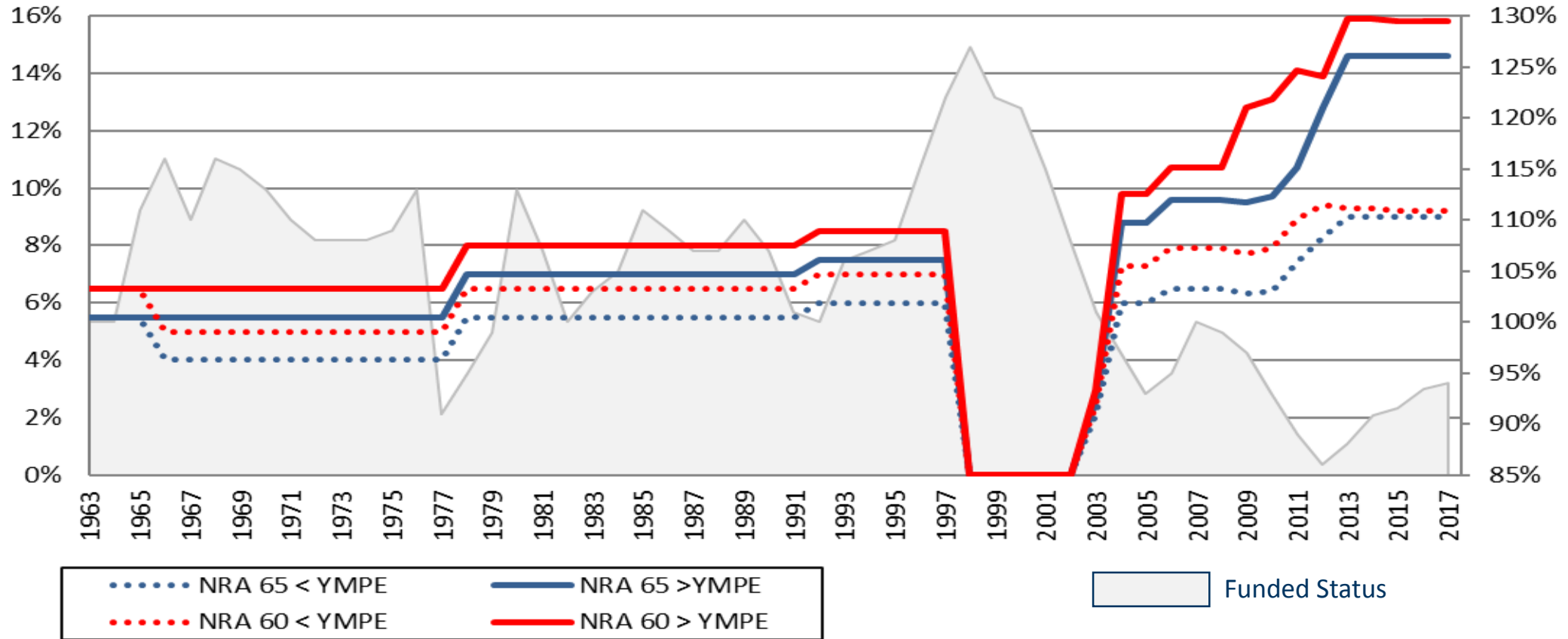


# REMINDER – WHY THE REVIEW?

- We have still not recovered fully from the 2008 market crash
  - Current funded status “inflated” by an aggressive discount rate
  - Negative cash flows and a challenging market
- We are facing significant headwinds that are beyond anyone’s control
  - Maturity, longevity, membership trends, economics, enhanced CPP
- Sponsors requested a broader review as part of the MI<sup>2</sup> consultation
- Limited tolerance for contribution increases (member & employer)
  - Enhancements to CPP benefit will increase retirement costs
- We are late to the game (many plans have made strategic choices)

# RECENT IMPROVEMENT - IN CONTEXT

Per Side Contribution Rates and Funded Status



# THE UPSHOT – PRELIMINARY BOARD DECISION

- Significantly improves plan sustainability
- Reflects the introduction of enhanced CPP – addresses affordability
- Takes steps to address longevity
- Provides meaningful DB coverage to more people

- Changes, if any, will have no impact on current retirees
- Benefits earned prior to the effective date are preserved

# PRELIMINARY DECISION

Provision	Current Plan	Draft Plan
<b>Accrual rate</b>	<ul style="list-style-type: none"><li>1.325% / 2% integrated with Year's Maximum Pensionable Earnings (YMPE)</li></ul>	<ul style="list-style-type: none"><li>1.325% / 2% integrated with new Year's Additional Maximum Pensionable Earnings (YAMPE)</li></ul>
<b>Contributions</b>	<ul style="list-style-type: none"><li>Integrated with current YMPE</li></ul>	<ul style="list-style-type: none"><li>Integrated with new YAMPE</li></ul>
<b>Service limit</b>	<ul style="list-style-type: none"><li>35 years</li></ul>	<ul style="list-style-type: none"><li>None</li></ul>

## Rationale:

- Recognizes the enhanced CPP, both benefits and costs
- Allow members to accrue a larger, but delayed pension

# PRELIMINARY DECISION

Provision	Current Plan	Draft Plan
Early retirement	<ul style="list-style-type: none"><li>• 30 years of service or 90 (85) points</li><li>• Age/ points based on “eligible” service</li><li>• 5% reduction per year or point prior to above</li></ul>	<ul style="list-style-type: none"><li>• 30 years of service or 90 (85) points plus age 60 (55)</li><li>• Age/points based on “contributory” service</li><li>• Actuarial equivalent to NRA</li></ul>

## Rationale:

- Partially reflect the impact of longer lifespans and enhanced vitality
- Acknowledge that people are joining the plan at later ages than in the past and won't benefit (but pay for) early retirement subsidies

# PRELIMINARY DECISION

Provision	Current Plan	Draft Plan
<b>Non-full-time members</b>	<ul style="list-style-type: none"><li>• Optional for non-full-time who work 700 hours or earn 35% of YMPE (2 consecutive calendar years)</li></ul>	<ul style="list-style-type: none"><li>• Mandatory</li><li>• Member opt out if earning less than 35% of YAMPE</li></ul>
<b>NRA 60 for paramedics</b>	<ul style="list-style-type: none"><li>• Optional for police and fire</li></ul>	<ul style="list-style-type: none"><li>• Optional for police, fire and paramedics</li></ul>

## Rationale:

- Recognizes emerging workforce trends and broader DB coverage
- Helps to address Plan maturity (additional active membership)
- NRA 60 for paramedics ensures equitable treatment of affected members

# PRELIMINARY DECISION

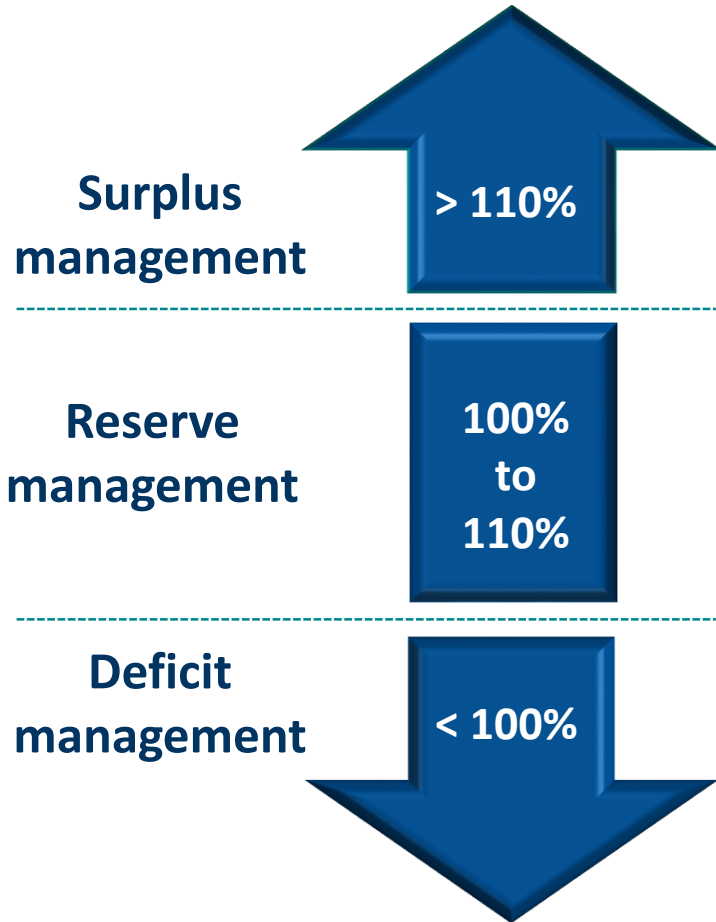
Provision	Current Plan	Draft Plan
Indexing	<ul style="list-style-type: none"><li>Guaranteed</li></ul>	<ul style="list-style-type: none"><li>Conditional</li><li>Provided for until 2025</li></ul>

## Rationale:

- Addresses plan maturity / enhances risk management capacity
- Provides a lever to manage intergenerational equity
- Transition plan gives greater certainty for retirees in the short term



# CONDITIONAL INDEXING RESTORATION PLAN



- Restoration of conditional benefits retrospectively to a level that doesn't put Plan under 110%
- Reduce contribution rates to a level that doesn't put Plan under 110%
- At 105%, restoration of conditional indexing prospectively would begin to a level not to jeopardize sustainability
- No reduction of contribution rates, unless indexing has been restored prospectively to 100% of CPI
- Under 100%, granting of conditional indexing subject to FMS

The SC agrees to provide 100% indexing from Jan. 1, 2021 to Jan. 1, 2025 as per the current inflation provisions

## Clarity and Transparency

1. Communication and Engagement – June to October
  - Forums: Sponsor, stakeholder, employer, union
  - Additional information provided (e.g., web)
  - Member outreach and focus groups
  - Other
2. Final decision – November
3. Implementation – November 2018 to 2021 (or later)

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# Open discussion

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