

Annual Update on OMERS as it relates to the City's Employer Contributions

Date: September 14, 2023
To: General Government Committee
From: Controller
Wards: All

SUMMARY

The purpose of this report is to provide the annual summary of the City's employer contributions submitted to the Ontario Municipal Employees' Retirement System (OMERS) in 2022 and to provide information on the City's total members and contributions relative to the overall OMERS plan members and contributions.

RECOMMENDATIONS

The Controller recommends that:

1. The General Government Committee receives this report for information.

FINANCIAL IMPACT

The City submitted total contributions of \$440.5 million to OMERS for 2022, which was split equally between employer and employees, each contributing \$220.25 million.

The Interim Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

DECISION HISTORY

Government Management Committee at its meeting on January 4, 2016, requested the City Manager and the Controller to report to the Government Management Committee on February 22, 2016, and in the future on an annual basis, on OMERS as it relates to the City's Employer Contributions (GM9.16). The following is the link to the report: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM9.16>

Government Management Committee at its meeting on June 5, 2018, received a report from the Controller, which provided a summary of the City's employer contributions submitted to OMERS over the last five years and provided information on the City's total members and contributions relative to the overall OMERS plan members and contributions. The following are the links to the prior reports that have been submitted:

- <https://secure.toronto.ca/council/agenda-item.do?item=2017.GM21.10>
- <https://secure.toronto.ca/council/agenda-item.do?item=2018.GM28.2>
- <https://secure.toronto.ca/council/agenda-item.do?item=2019.GL6.2>
- <https://secure.toronto.ca/council/agenda-item.do?item=2021.GL24.5>

At its meeting on July 14, 15, and 16, 2021, City Council requested that the OMERS Administration Board of Directors report back to the General Government and Licensing Committee in December 2021 and continue to report to the General Government and Licensing Committee twice a year. The following is the link to the report:

<https://secure.toronto.ca/council/agenda-item.do?item=2021.GL24.5>

COMMENTS

The City of Toronto is a participating employer of the OMERS Primary Pension Plan and, as such, is subject to the OMERS regulations and the requirements under the Pension Benefits Act of Ontario.

The City had an estimated 27,265 active OMERS members for 2022, of which 23,796 employees were permanent full-time and 3,469 were temporary/part-time employees.

The OMERS primary pension plan provides benefits under two plans:

- 1) Normal Retirement Age (NRA) 65 - Non-firefighters; and
- 2) Normal Retirement Age (NRA) 60 – Fire-fighters

Of the 27,265 total active OMERS members for 2022, 24,218 employees were enrolled in the NRA 65 plan and 3,047 employees were enrolled in the NRA 60 plan (all Firefighters).

Attachment 1 provides the total City OMERS Membership including permanent and temporary/part-time employees for the last 10 years.

OMERS Contribution rates are relative to the Yearly Maximum Pensionable Earnings (YMPE) set by the federal government. The current contribution rates for each of the plans are provided in Table 1 below.

Table 1: OMERS Contribution Rates – 2023

YEAR	PLAN	EMPLOYEE	EMPLOYER
2023	NRA 65	9.0% up to YMPE \$66,600 14.6% on earnings above the YMPE	9.0% up to YMPE \$66,600 14.6% on earnings above the YMPE
	NRA60 – Firefighters	9.2% up to YMPE \$66,600 15.8% on earnings above the YMPE	9.2% up to YMPE \$66,600 15.8% on earnings above the YMPE
	2023 CAP on contributory earnings is \$466,200 (7 X YMPE)		

Attachment 2 provides a summary of the contribution rates for the past ten years.

The City submitted total contributions of \$440.5 million to OMERS for 2022, which was split equally between employer and employees, each contributing \$220.25 million.

Attachment 3 provides a summary of the total contributions submitted by the City over the last ten years.

OVERVIEW OF OVERALL OMERS MEMBERSHIP AND CONTRIBUTIONS

OMERS provides defined pension benefits to local government employees, retirees, and beneficiaries throughout Ontario. The OMERS Primary Pension Plan is a jointly sponsored, multi-employer pension plan with approximately 1,000 employers and 559,000 active primary plan members in 2022.

Employers range from large cities to numerous local agencies. Primary Plan members include union and non-union municipal workers; police, firefighters, and paramedics; the non-teaching staff of school boards and employees of children's aid societies, and electrical utilities.

According to OMERS statistics, the City of Toronto is the largest OMERS employer, with its active members accounting for approximately 8.7% of all the overall OMERS active membership, and approximately 9.8% of estimated 2023 total contributions by employers and active members paid to OMERS.

In addition, as outlined in Attachment 4, many of the City's agencies and corporations are also OMERS employers.

As of December 31, 2022, the City's agencies and corporations had 14,632 active OMERS members and according to OMERS statistics, represented approximately 4.9% of the overall OMERS active membership. Further, the contributions made by the City's agencies and corporations are approximately \$310 million (split equally between employers and employees, each contributing \$155 million), which represents approximately 6.9% of estimated 2023 total contributions by employers and active members paid to OMERS according to OMERS statistics. When these agencies and corporations are included, the City represents approximately 13.6% of the OMERS active membership and approximately 17% of estimated 2023 total contributions by employers and active members paid to OMERS.

OMERS HIGHLIGHTS

On November 18, 2021, the OMERS Sponsors Corporation (SC) Board passed the required amendments to extend the following two changes into 2022:

1. Extends the deadline to complete a leave purchase by one year for members who return from a leave of absence in 2020, 2021 or 2022.
2. Allow members to purchase credited service for periods of absence due to temporary layoffs that were initiated in 2020, 2021, or 2022. The service can be purchased at two times contributions (member-only).

OMERS Sponsors Corporation (SC) Board appointed Ms. Laurie Hutchintson as the new Chief Executive Officer, effective April 18, 2022, in replacement of Michael Rolland who retired.

In 2022 OMERS marked 60 years of providing defined-benefit pensions. The net investment return for the year was 4.2% which fell short of the absolute return benchmark of 7.2% established by OMERS at the end of 2021. OMERS attributes this to the current difficult economic conditions.

As of December 31, 2022, OMERS' net assets stood at \$124 billion.

Effective January 1, 2023, pension changes will include:

1. The voluntary option for all Non-Full-Time (NFT) employees, including those who are currently ineligible, to enroll in the Primary Plan. Until December 31, 2022, the current eligibility requirement continues to apply. City staff are working with OMERS to prepare for the implementation.
2. Shared risk indexing on benefits earned beginning 2023 onward where the level of indexation will depend on the annual assessment of the financial health of the Plan.

This change is effective January 1, 2023 and does not affect benefits earned before that date. This means that when an individual retires, the benefits earned on or before December 31, 2022, will receive full inflation protection up to a maximum annual increase of 6%. Benefits earned on or after January 1, 2023, will be subject to Shared Risk Indexing, meaning that the level of inflation protection will depend on the SC Board's annual assessment of the financial health of the Plan, and may be less than the full inflation protection.

The SC Board confirmed that contributions rates will remain at current levels for 2023, 2024, and 2025. They also confirmed that the annual inflation adjustment to pensions in pay will not be impacted by Shared Risk Indexing (SRI) in 2024 and 2025. The 2023 inflation adjustment was recently announced as 6%.

Additionally, the SC Board reviewed a potential change to the calculation of the service adjustment that results when members convert from the normal retirement age (NRA)

65 provision to the NRA 60 provision of the OMERS Plans. This proposed change only applies to members who have the option to have an NRA of 60, subject to negotiation (i.e., police officers, firefighters, and paramedics).

At its May 11, 2023 meeting, the SC Board approved the referral of the proposed amendment for a final Board decision on June 21, 2023, in accordance with [By-Law No. 12](#). The proposed change will apply to all NRA 65 to NRA 60 conversions that take place on or after June 21, 2023 (both individual conversions resulting from job changes and group conversions resulting from collective bargaining).

Changes the service adjustment applied to credited service when an eligible member's NRA changes from 65 to 60 to reflect the NRA 60 early retirement benefits is posted on the [OMERS website](#).

Finally, OMERS Sponsor Corporation management is currently engaged in plan risk assessment conversations with sponsors and stakeholders to discuss the long-term health of the Plan.

No decisions related to plan risk assessment have been made. The SC Board intends to make preliminary decisions in the fall in respect of plan risk assessment.

CONTACT

La-Verne Georgiadis, Manager, Policy and Program Management, Pension, Payroll and Benefits Division. Phone: 416-392-3901, email: la-verne.georgiadis@toronto.ca

SIGNATURE

Andrew Flynn
Controller, Finance & Treasury Services

ATTACHMENTS

Attachment 1 – Number of City of Toronto OMERS Membership – Ten Year Summary
Attachment 2 – OMERS Contribution Rates – Ten Year Summary
Attachment 3 – OMERS Contributions – Ten Year Summary
Attachment 4 – City of Toronto and its Agencies and Corporations, OMERS Active Member Headcount and Estimated Contributions for 2022

Attachment 1

Number of City of Toronto OMERS Membership – Ten Year Summary

Year	NRA 65	NRA 60	Total
2013	22,888	3,216	26,104: Full-time -20,831 Temporary/Part-time -5,273
2014	23,066	3,111	26,177: Full-time -20,929 Temporary/Part-time -5,248
2015	23,333	3,080	26,413: Full-time -21,096 Temporary/Part-time -5,317
2016	23,244	3,075	26,319: Full-time -20,690 Temporary/Part-time -5,629
*2017	22,469	3,056	26,350: Full-time – 21,917 Temporary/Part-time – 4,433
*2018	23,295	3,111	26,406 Full-time – 21,939 Temporary/Part-time – 4,467
2019	23,152	3,137	26,289: Full-time - 23,240 Temporary/Part-time - 3,049
2020	23,139	3,097	26,236: Full-time - 23,111 Temporary/Part-time - 3,125
2021	23,528	3,031	26,559: Full-time – 23,191 Temporary/Part-time – 3,368
2022	24,218	3, 047	27,265: Full-time- 23,796 Temporary/Part-time-3,469

**Note – Pensions staff began using a different method to calculate the membership figures in 2017. This method will be used going forward but will make comparing the 2017 and 2018 figures to prior years difficult as they are not from the same source.*

Attachment 2

OMERS Contribution Rates – Ten Year Summary

Year	NRA 65	NRA 60
2013	9.00% up to the YMPE, \$51,100 14.60% above the YMPE	9.30% up to the YMPE, \$51,100 15.90% above the YMPE
2014	9.00% up to the YMPE, \$52,500 14.60% above the YMPE	9.30% up to the YMPE, \$52,500 15.90% above the YMPE
2015	9.00% up to the YMPE, \$53,600 14.60% above the YMPE	9.20% up to the YMPE, \$53,600 15.80% above the YMPE
2016	9.00% up to the YMPE, \$54,900 14.60% above the YMPE	9.20% up to the YMPE, \$54,900 15.80% above the YMPE
2017	9.00% up to the YMPE, \$55,300 14.60% above the YMPE	9.20% up to the YMPE, \$55,300 15.80% above the YMPE
2018	9.00% up to the YMPE, \$55,900 14.60% above the YMPE	9.20% up to the YMPE, \$55,900 15.80% above the YMPE
2019	9.00% up to the YMPE, \$57,400 14.60% above the YMPE	9.20% up to the YMPE, \$57,400 15.80% above the YMPE
2020	9.00% up to the YMPE, \$58,700 14.60% above the YMPE	9.20% up to the YMPE, \$58,700 15.80% above the YMPE
2021	9.00% up to the YMPE, \$61,600 14.60% above the YMPE	9.20% up to the YMPE, \$61,600 15.80% above the YMPE
2022	9.00% up to the YMPE, \$64,900 14.60% above the YMPE	9.20% up to the YMPE, \$64,900 15.80% above the YMPE

Attachment 3

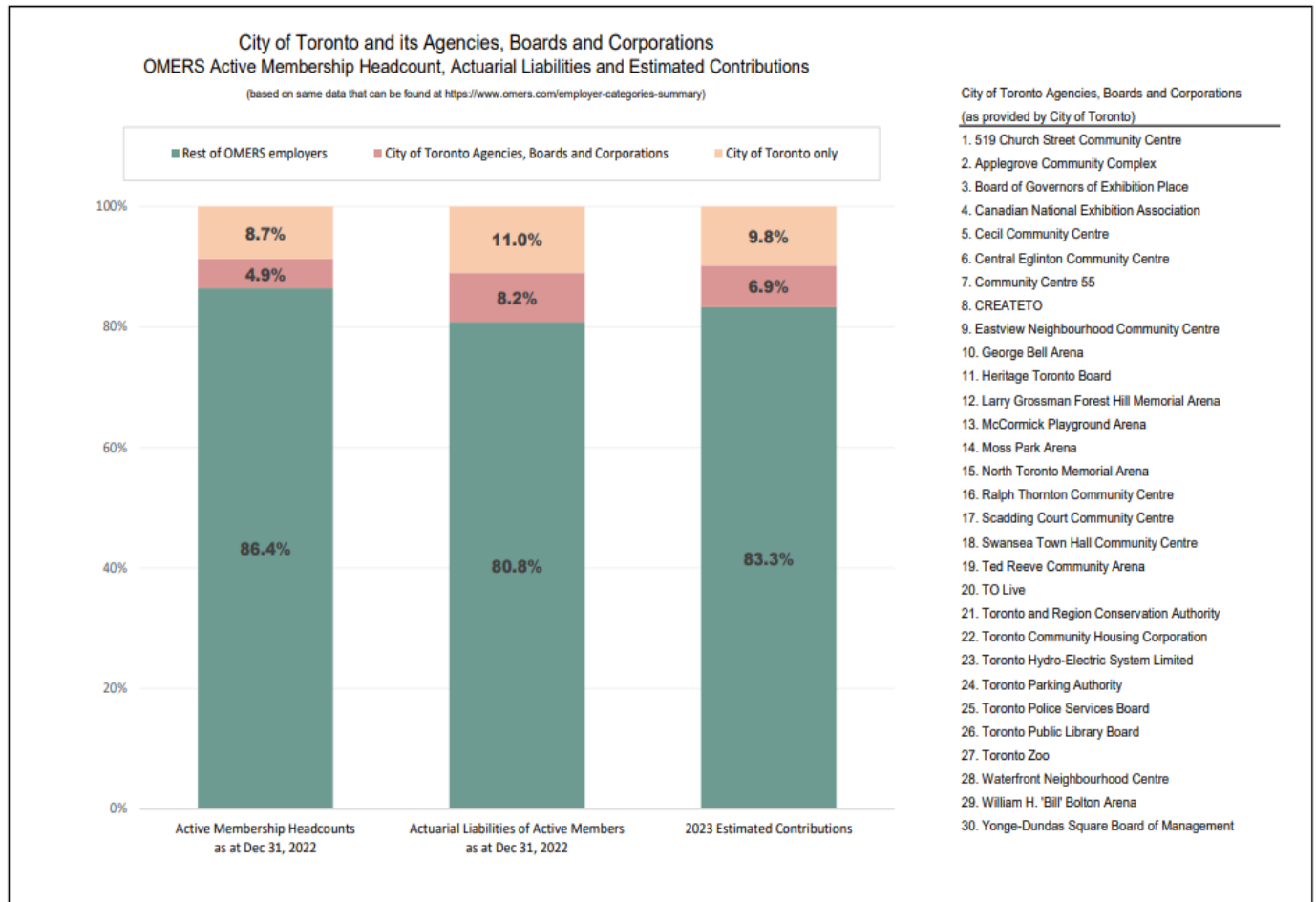
OMERS Contributions – Ten Year Summary

Year	City	Employees	Total OMERS Contributions
2013	\$187,006,976	\$187,006,976	\$374,013,952
2014	\$195,792,263	\$195,792,263	\$391,584,526 *27 pay periods
2015	\$192,350,354	\$192,350,354	\$384,700,708
2016	\$194,539,309	\$194,539,309	\$389,078,618
2017	\$205,094,863	\$205,094,863	\$410,189,726
2018	\$208,528,872	\$208,528,872	\$417,057,744
2019	\$210,820,924	\$210,820,924	\$421,641,848
*2020	\$210,307,100	\$210,307,100	\$420,614,200
2021	\$212,203,200	\$212,203,200	\$424,406,400
2022	\$220,262.0325	\$220,262.0325	\$440,524,065

*Note: Closure of services due to the impact of COVID19 attributes to the decline in pension contributions.

Attachment 4

The City of Toronto and its Agencies and Corporations, OMERS Active Member Headcount, and Estimated Contributions for 2022



Prepared by OMERS, April 27, 2023