

Annual Update on OMERS Related to the City's Employer Contributions

Date: June 10, 2024
To: General Government Committee
From: Interim 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 2023 and to provide information on the City's total members and contributions relative to the overall OMERS plan members and contributions.

RECOMMENDATIONS

The Interim Controller recommends that:

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

FINANCIAL IMPACT

Consistent with budget results, the City submitted in 2023, total contributions of \$497,908,595 to OMERS for 2023, which was split equally between employer and employees, each contributing \$248,954,298.

The 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>

The Government Management Committee at its meeting on September 14, 2023, received a report from the Controller, which provided a summary of the City's employer contributions submitted to OMERS over the last 5 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>
- <https://secure.toronto.ca/council/agenda-item.do?item=2023.GG6.4>

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>

OMERS will be presenting its report at the October 16th General Government Committee meeting (GGC).

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 30,473 active OMERS members for 2023, of which 26,912 employees were permanent full-time and 3,561 were temporary/part-time employees.

The OMERS primary pension plan provides benefits under 2 plans:

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

Of the 30,473 total active OMERS members for 2023, 27,347 employees were enrolled in the NRA 65 plan and 3,126 employees were enrolled in the NRA 60.

The number of City of Toronto OMERS members between 2022 and 2023 increased by 11.8% compared to 2.7% between 2021 and 2022 and 1.2% between 2020 and 2021.

This increase is partially explained by the implementation of the OMERS plan change on January 1, 2023, which allows the enrolment to the plan of all non-full-time employees.

Attachment 1 provides the total City OMERS Membership including the number of NRA65 and NRA60 and permanent and 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 – 2024

Year	Plan	Employee	Employer
2024	NRA 65	9.0% up to YMPE \$68,500; 14.6% on earnings above the YMPE	9.0% up to YMPE \$68,500; 14.6% on earnings above the YMPE
	NRA60 – Firefighters	9.2% up to YMPE \$68,500; 15.8% on earnings above the YMPE	9.2% up to YMPE \$68,500; 15.8% on earnings above the YMPE
	2024 CAP on contributory earnings is \$479,500 (7 X YMPE)		

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

The City submitted total contributions of \$497,908,595 to OMERS for 2023, split equally between employer and employees, each contributing \$248,954,298.

The City of Toronto's contributions to OMERS between 2022 and 2023 increased by 13% compared to 3.8% between 2021 and 2022 and 0.9% between 2020 and 2021. This increment is partially explained by the implementation of the OMERS plan change on January 1, 2023, which allows the enrolment to the Plan of all non-full-time employees.

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 1,047 employers and 612,533 primary plan members in 2023.

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 8.8% 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, 2023, the City's agencies and corporations had 15,677 active OMERS members and according to OMERS statistics, represented approximately 4.6% of the overall OMERS active membership. Further, the contributions made by the City's agencies and corporations are approximately \$332 million (split equally between employers and employees, each contributing \$166 million), which represents approximately 6.4% of the 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 13.4% of the OMERS active membership and approximately 17% of the estimated 2023 total contributions by employers and active members paid to OMERS.

OMERS HIGHLIGHTS

The following pension changes were effective January 1, 2023:

1. The voluntary option for all non-full-time employees to enroll in the Primary Plan.
2. Shared risk indexing on benefits will depend on the annual assessment of the financial health of the Plan. This change 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 OMERS Sponsors Corporation (SC) Board's annual assessment of the financial health of the Plan, and may be less than the full inflation protection.

In addition, the OMERS SC Board approved the following Plan amendments in 2023 to address feedback received from OMERS sponsors:

1. Clarifying the Administration of the Disability Waiver for New Members. Effective December 6, 2023:
This amendment clarifies that for new members who qualify for the disability waiver benefit but have not made OMERS Plan contributions due to a leave of absence, their deemed earnings during the disability waiver will be based on their normal annual rate of contributory earnings last received from their OMERS employer. Most members will continue to have their earnings deemed during a disability waiver based on the earnings used to determine their most recent OMERS Plan contributions.
2. Preserving Plan Membership for Existing Members. Effective December 6, 2023:
This amendment facilitates continued membership when an existing OMERS

member takes a leave of absence to temporarily join another employer. In such a case, certain new employers can elect to participate in the OMERS Plans on behalf of a class of such members provided they are eligible to become an OMERS employer.

3. Amendment to Normal Retirement Age (NRA). Effective June 2023: Conversions from 65 to 60. This amendment 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. The existing service adjustment methodology has been updated to add actuarial calculations that take into account actuarial assumptions, contributory earnings, and a member's age and all service at the time of conversion. In accordance with [By-Law No. 12](#). The change applies 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](#).

None of these 3 amendments impacted the Plan's funding requirements.

The OMERS Plan generated a 2023 investment return of 4.6%, or \$5.6 billion, net of expenses, growing OMERS net assets to \$128.6 billion as of December 31, 2023. The 4.6% did not meet its benchmark of 7.0%, established at the beginning of the year. OMERS attributes this primarily to weaker returns from private equity and real estate.

In August of 2023, OMERS approved a new long-term strategic target asset mix to ensure that its portfolio remains well-suited to capture the opportunities created by the shift to a higher interest rate environment. This new target asset mix includes greater allocations to fixed-income investments and is expected to deliver similar returns as in the past, but with lower volatility.

The total pension benefits paid in 2023 was \$6.1 billion. The average annual pension for members retiring in 2023 was \$31,953. The current average contribution rate paid by members in 2023 is 10.4%.

The SC Board completed a plan risk assessment in 2023 and confirmed the need to continue to strengthen the Plan's funding and building reserves as the Plan matures. No sustainability-related changes to benefits and contributions were made. These decisions were taken after feedback from sponsors and stakeholder organizations as well as the results of a new asset-liability study and an updated long-term discount rate strategy, both of which were approved by the Administration Corporation (AC) Board in August 2023. The SC Board concluded that if OMERS achieves its expected investment returns above inflation, the Plan is well-positioned to build the reserves it needs. If investment returns net of inflation are lower than expected, or if other demographic or economic headwinds are encountered, the Plan funding may not improve at the pace the Board believes is necessary. The SC Board will continue to closely monitor progress in improving the Plan's resilience.

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

CONTACT

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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	Total	% Year over year	NRA 65	NRA 60	Full- time	Part-Time
2014	26,177		23,066	3,111	20,929	5,248
2015	26,413	0.9%	23,333	3,080	21,096	5,317
2016	26,319	-0.4%	23,244	3,075	20,690	5,629
*2017	26,350	0.1%	23,924	3,056	21,917	4,433
*2018	26,406	0.2%	23,295	3,111	21,939	4,467
2019	26,289	-0.4%	23,152	3,137	23,240	3,049
2020	26,236	-0.2%	23,139	3,097	23,111	3,125
2021	26,559	1.2%	23,528	3,031	23,191	3,368
2022	27,265	2.7%	24,218	3,047	23,796	3,469
2023	30,473	11.8%	27,347	3,126	26,912	3,561

**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
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
2023	9.00% up to the YMPE, \$68,500; 14.60% above the YMPE	9.20% up to the YMPE, \$68,500; 15.80% above the YMPE

Attachment 3

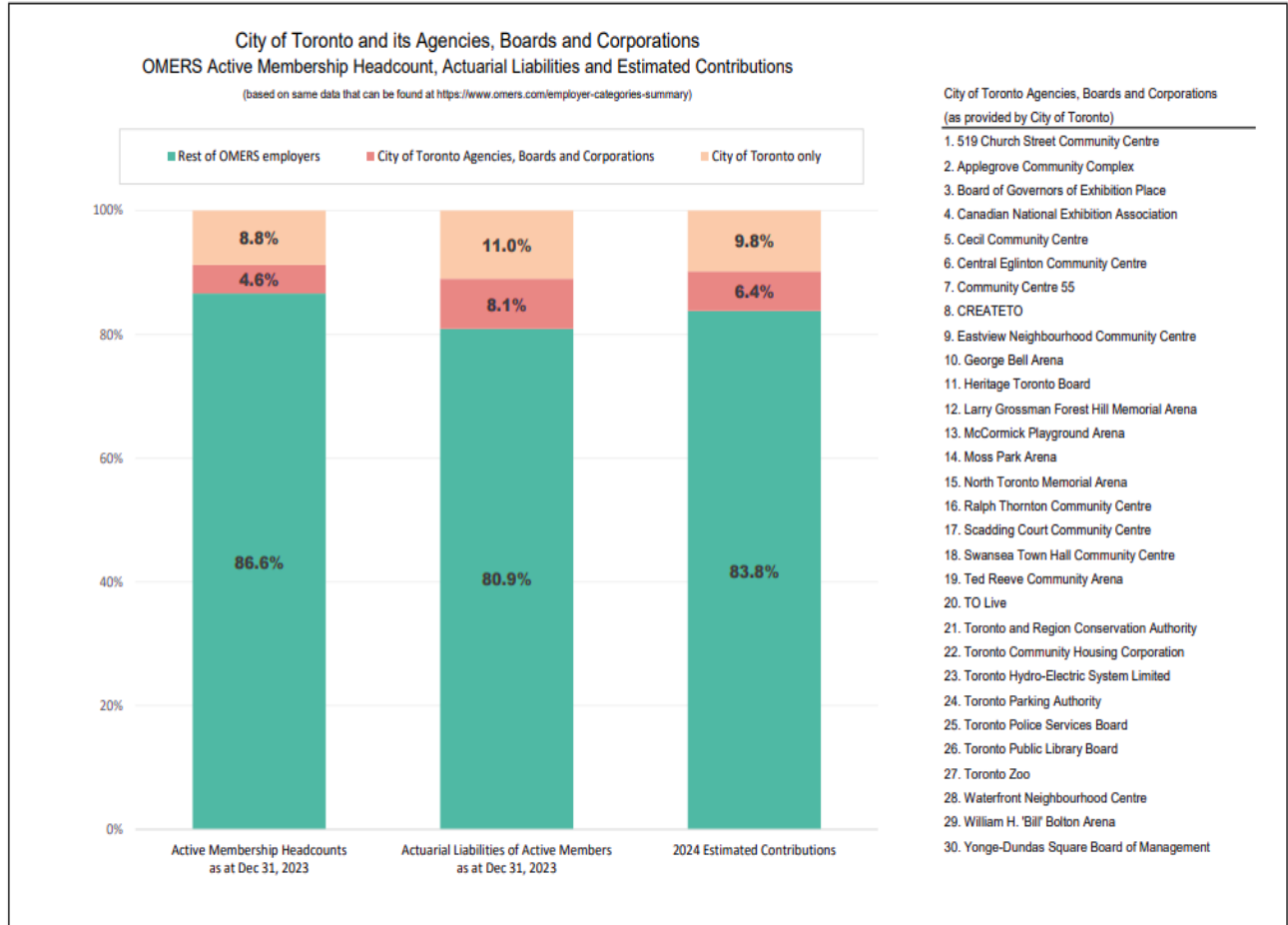
OMERS Contributions – Ten-Year Summary

Year	City	% Year over year	Employees	Total OMERS Contributions
2014	\$195,792,263		\$195,792,263	\$391,584,526 *27 pay periods
2015	\$192,350,354	-1.8%	\$192,350,354	\$384,700,708
2016	\$194,539,309	1.1%	\$194,539,309	\$389,078,618
2017	\$205,094,863	5.4%	\$205,094,863	\$410,189,726
2018	\$208,528,872	1.7%	\$208,528,872	\$417,057,744
2019	\$210,820,924	1.1%	\$210,820,924	\$421,641,848
*2020	\$210,307,100	-0.2%	\$210,307,100	\$420,614,200
2021	\$212,203,200	0.9%	\$212,203,200	\$424,406,400
2022	\$220,262,033	3.8%	\$220,262,033	\$440,524,065
2023	\$248,954,298	13.0%	\$248,954,298	\$497,908,595

**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 2023



Prepared by OMERS, April 26, 2024