BULLETIN

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COTAPSA Update on OMERS Sponsors Corporation Proposed Plan Changes, as of July 27, 2018

Earlier this week, CUPE Ontario released an information piece on proposed changes to your OMERS pension benefits. CUPE is an OMERS sponsor and as such has access to information typically not available to OMERS members or COTAPSA. However, our priority is to keep our members informed with as much information as possible on the controversial plan change process. Here is the information provided by CUPE, unedited.

https://cupe.on.ca/omers-guaranteed-indexing/omers-proposed-changes/

*"**OMERS Sponsors Board is proposing to make the following change that will hurt your pension:***

1. Changes to early retirement provisions.

As it stands today, OMERS members can retire early if:

- *They have worked for 30 years; or*
- *They reach their 90 factor where your age and years of service add up to 90*

OMERS wants to require members to wait until you are no more than 5 years away from the normal age of retirement before you can apply for early retirement.

In other words, despite years of service and paying in to the pension plan, no CUPE member would be able to retire before the age of 60 without taking a reduced pension.

2. Changes to how your pension is calculated, which for some would mean a substantial loss in benefits.

Right now, calculating your pension is done by multiplying years of service by an accrual rate of 1.325% for salaries up to the current ($55,900 sic) the current Year's Maximum Pensionable Earnings (YMPE)] and a 2 % accrual rate on wages above that amount.

OMERS is proposing to raise the base salary by 14 % before increasing the accrual calculation from 1.35 to 2 %. This would mean a lower pension for those making above the YMPE.

OMERS will claim that this loss will be made up for by an increase in CPP that kicks in years from now, but this means that OMERS pensioners will not fully benefit from the expansion of CPP which the Canadian government agreed to for all workers.

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3. And worse than the previously proposed modified indexing, OMERS is now proposing "conditional inflation protection" or conditional indexing.

This proposal would remove indexing as of 2025 until the pension plan meets specific conditions – some of which will be decided at a later date, behind closed doors and based on a financial management strategy that has not even been created yet.
Though they have yet to clearly define the specific conditions, some of what they seem to be proposing is:

- *Indexing would continue only when OMERS is above 105% fully funded AND that the implementation of indexing wouldn't cause the plan to go below 105% fully funded.*

- *In other words, the plan would have to be approximately 108-109% funded for plan members to receive indexing.*

Today OMERS is funded at 94 % and given that the plan is on target to be fully funded in 2025, it will likely take several more years to reach the 109% mark – if that is even possible.

This means that after 2025 it will be impossible for members to know when or if they will receive indexing, which is a huge loss of pension security.

Taken together, all three of these proposed changes represent a significant financial loss to OMERS pensioners. We have people working on the exact calculations of what this will mean for you and your fellow members, but based on what we know so far, it would be somewhere in the ball park of 20% overall loss in guaranteed benefits going forward.

It is important to note that these are all employer-friendly changes. They have chosen to propose cuts to your benefits rather than look at the possibility of a small increase to employer contribution rates."