



*Plan for the Future*

# Comprehensive Plan Review

*July 11, 2018*



## Topic

- Welcome and introduction
- June decisions (potential Plan changes)
- Communication and outreach
- Open discussion

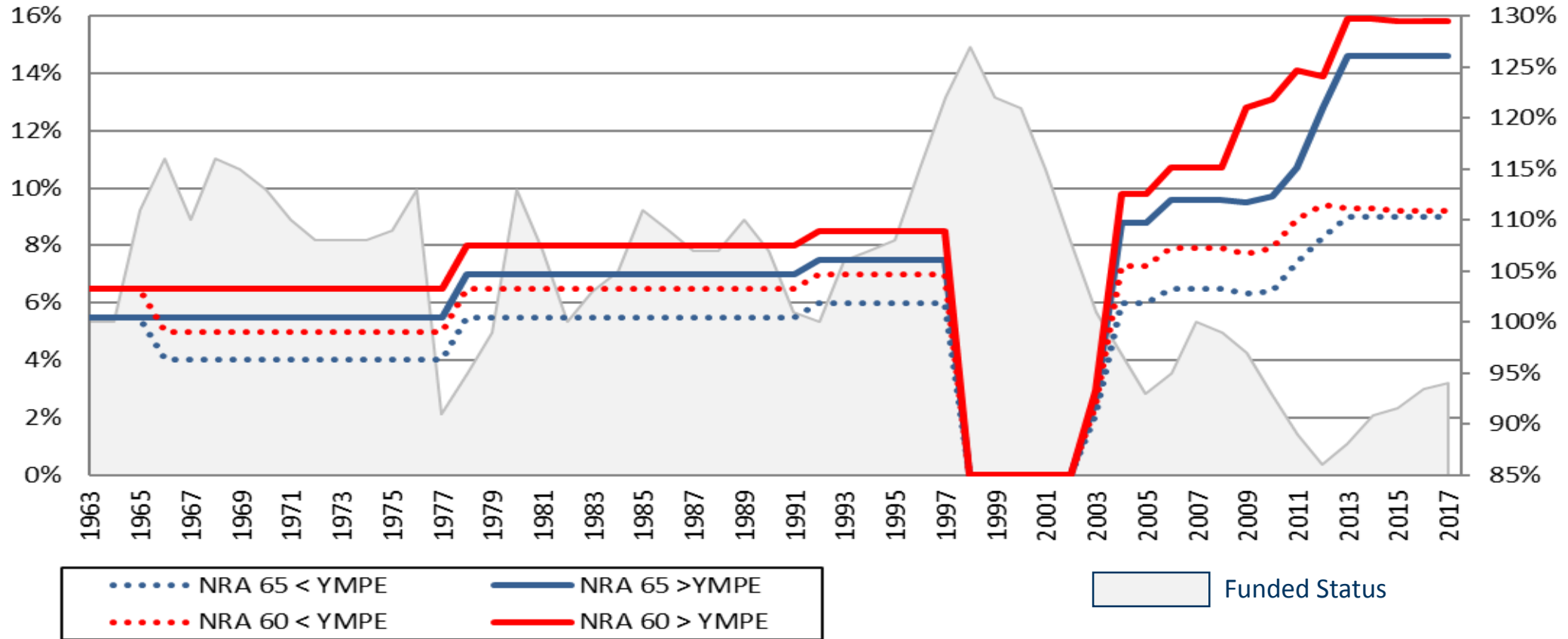
- “Established under the *OMERS Act* in 2006, the Sponsors Corporation (SC) works closely and collaboratively with the OMERS Administration Corporation to represent the interests of sponsors, stakeholders, members and beneficiaries of the OMERS Pension Plans.”
- “Our overriding objective is to ensure – through informed decision-making and leading governance practices – that the OMERS Pension Plans remain *affordable, meaningful and sustainable* in today’s complex and fast-changing world.”

# REMINDER – WHY THE REVIEW?

- We have still not recovered fully from the 2008 market crash
  - Funded status “inflated” by our current 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)

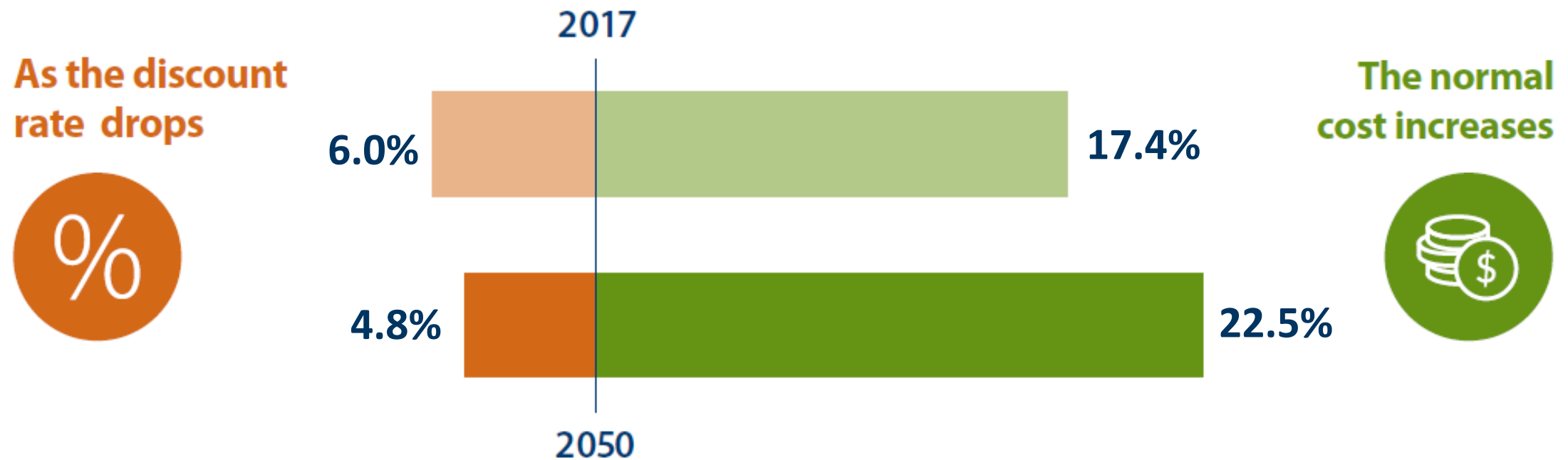
# RECENT IMPROVEMENT – IN CONTEXT

Per Side Contribution Rates and Funded Status



# A MORE CONSERVATIVE APPROACH

- Developed by independent actuaries and validated by OAC management



- In 30 years, we expect the total contribution rate to exceed current maximums

## Primary objective

- Ensure that the Plan remains *sustainable* over the next 20, 50, and even 100 years

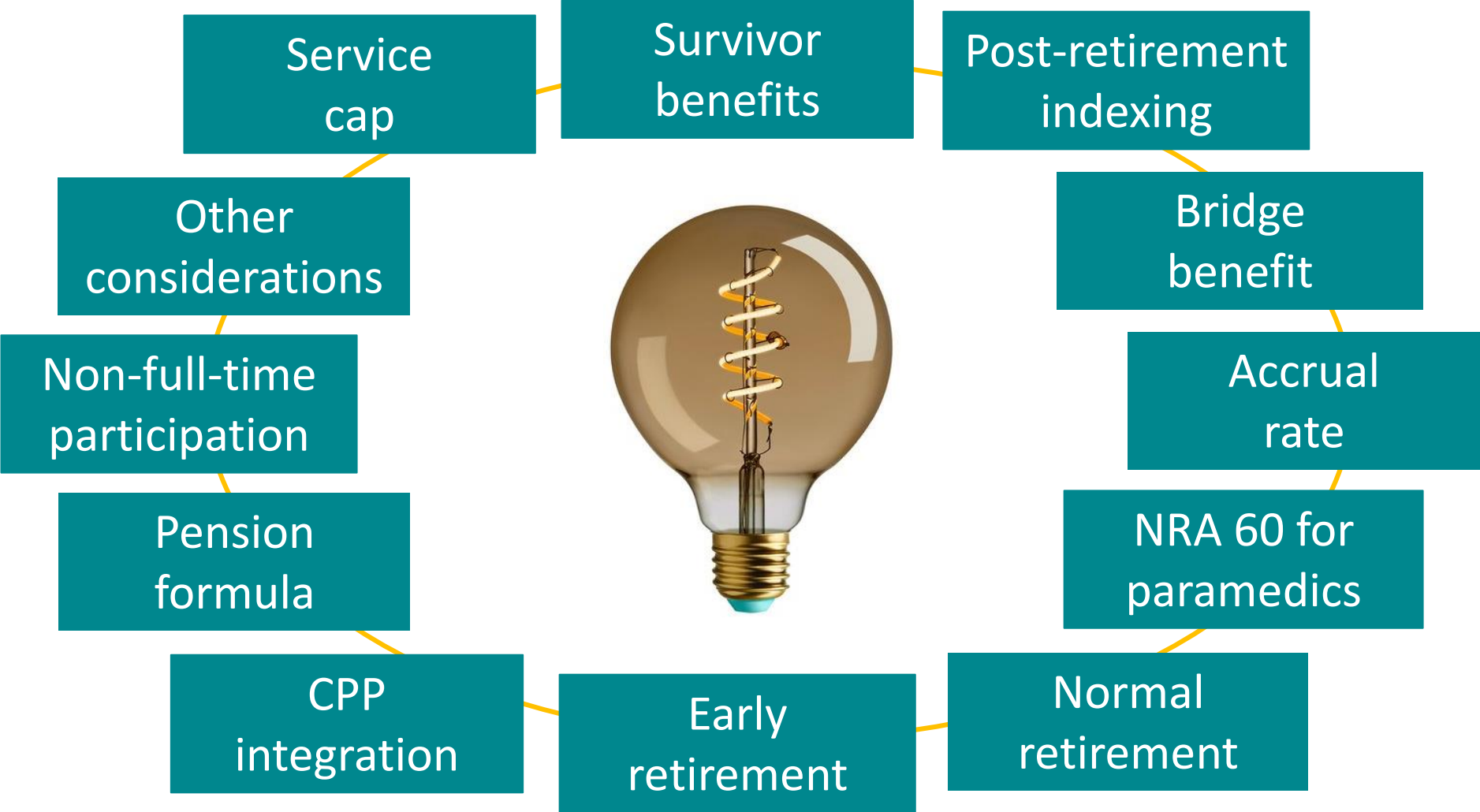
## Defining “sustainability”

- Consistently deliver – through both favourable and adverse circumstances – an appropriate range of benefits within an acceptable range of costs and across generations

## Guiding principles

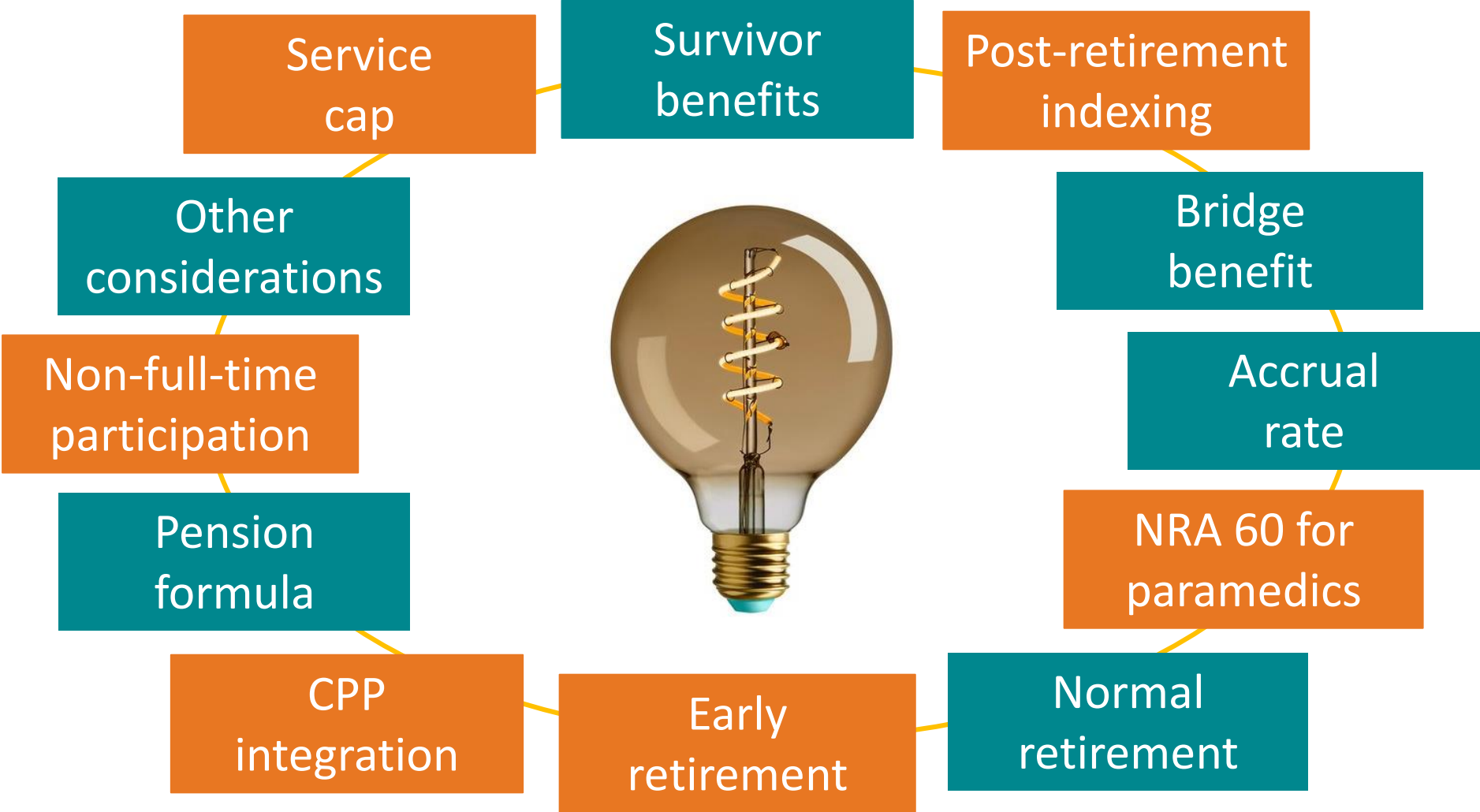
- Secure
- Relevant
- Affordable
- Equitable
- Simple

# A FULL RANGE OF OPTIONS





# A NARROWED FOCUS

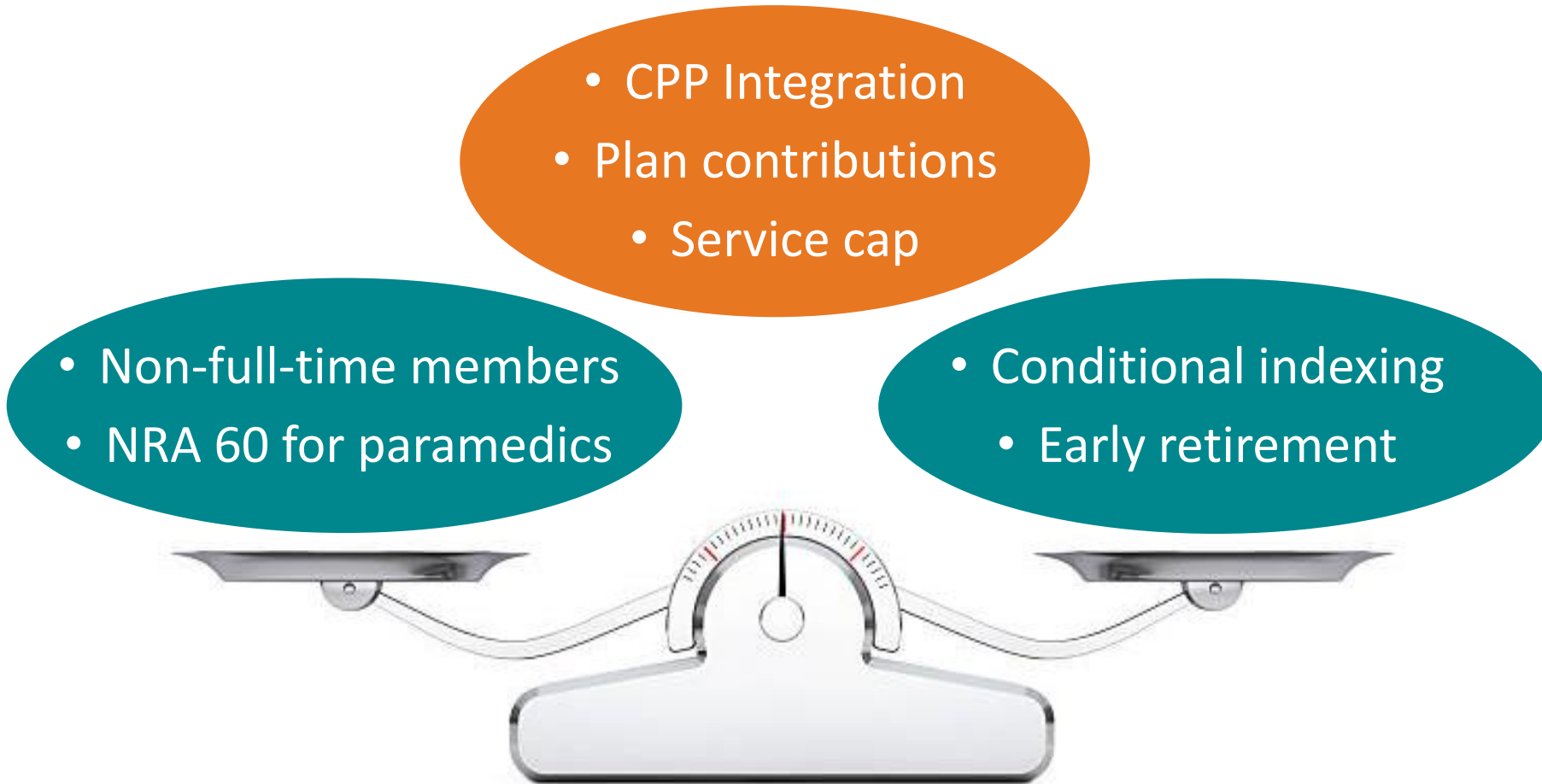




# Preliminary Decisions



# A BALANCED APPROACH



# 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

- Options for consultation; not an agreement in principle
- Changes, if any, will have no impact on current retirees
- Benefits earned prior to the effective date are preserved

- Combined OMERS and CPP pension will be improved significantly
  - Particularly for lower-paid workers
- Access to unreduced early retirement delayed by 5 years
- Broader access to DB (mandatory non-full-time coverage)
- Paramedics can access NRA 60 benefits
- Indexing of pensions at risk
  - But, future members exposed to less risk

**A more sustainable pension plan**

# PRELIMINARY DECISION

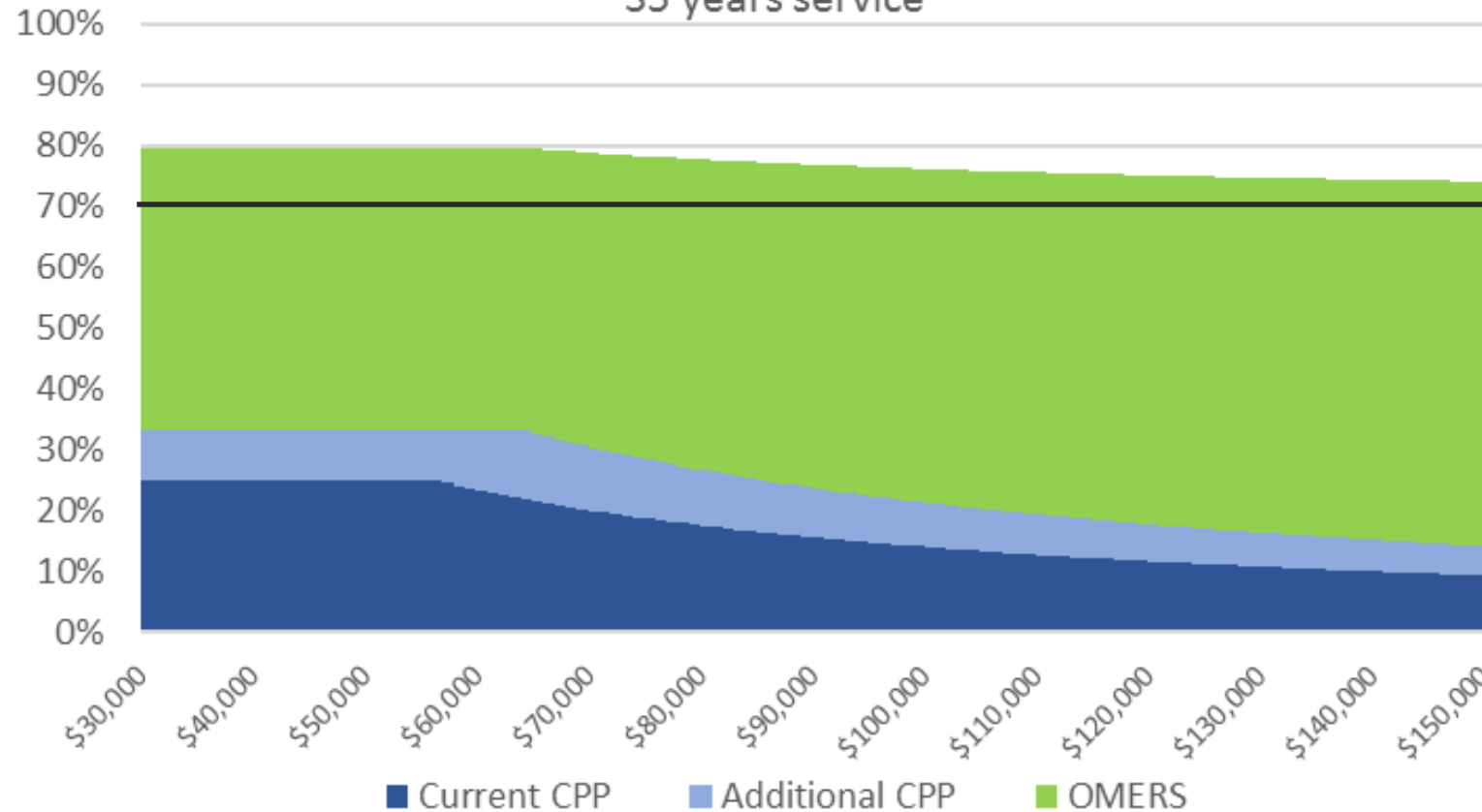
Provision	Current Plan	Draft Plan
<b>Accrual rate</b>	<ul style="list-style-type: none"><li>1.325% / 2% integrated with Year's Maximum Pensionable Earnings (YMPE)</li></ul>	<ul style="list-style-type: none"><li>1.325% / 2% integrated with new Year's Additional Maximum Pensionable Earnings (YAMPE)</li>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

# GROSS REPLACEMENT RATES – INCLUDING CPP

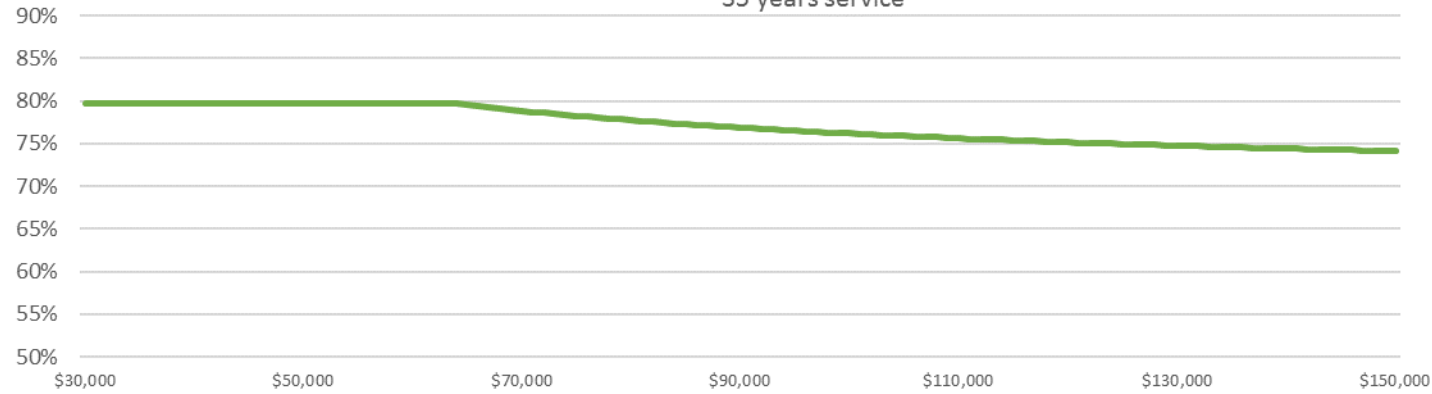
Gross Replacement Rates - NEW OMERS/ CPP  
35 years service



- OMERS and CPP yield a replacement rate of:
  - Currently: 70%
  - Proposed: 80% to 74%

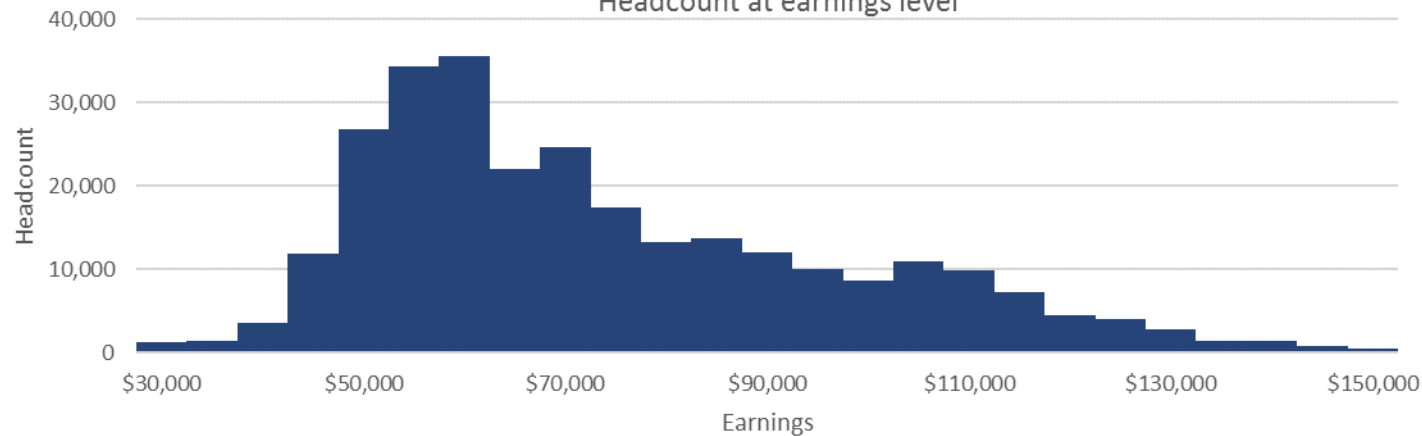
# MEMBER IMPACT

Gross Replacement Rates - NEW OMERS/CPP  
35 years service



- Many OMERS members will experience a significant positive impact

Headcount at earnings level





# 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

# REDUCTION FOR EARLY COMMENCEMENT – NRA65

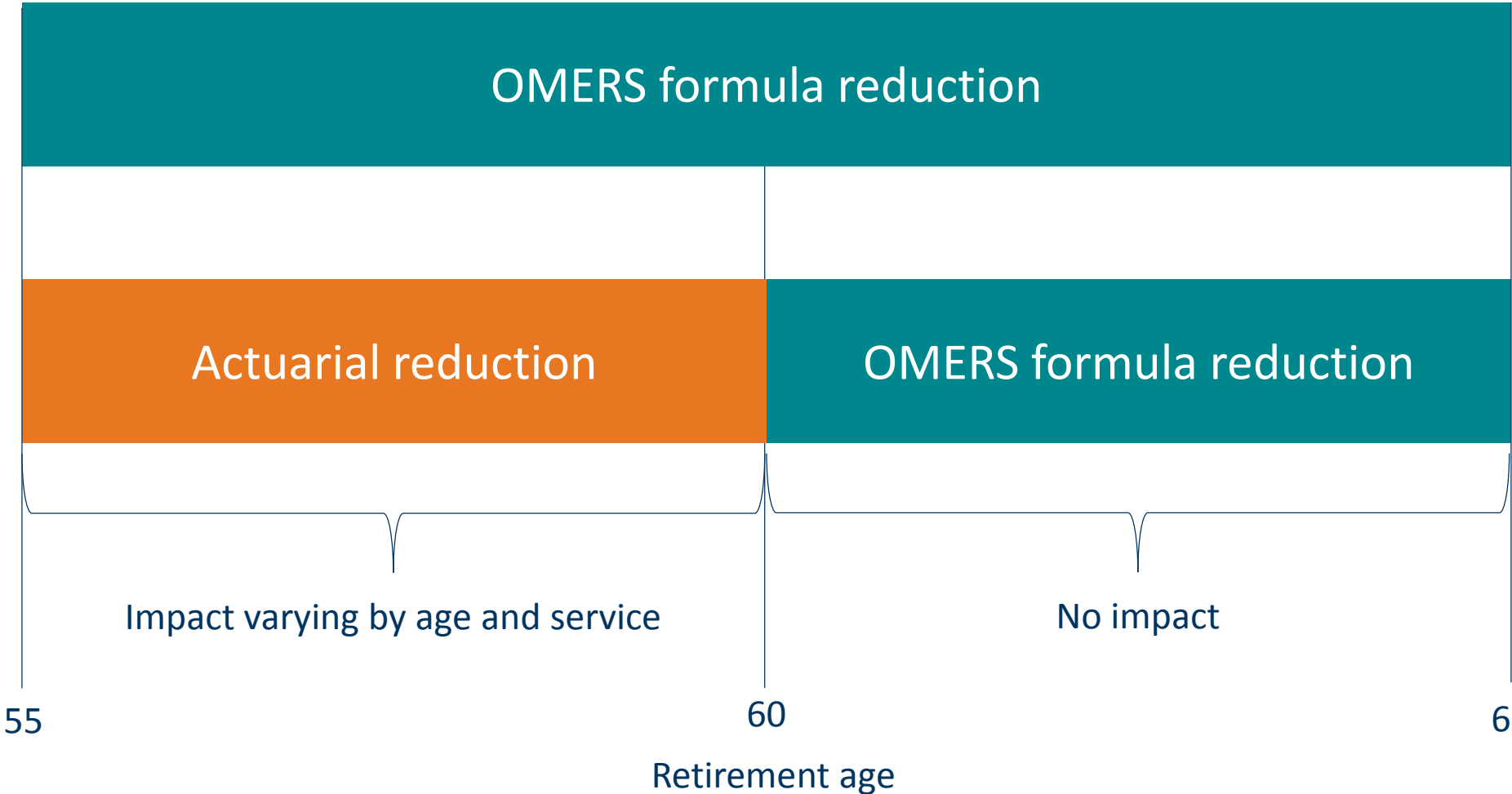
- Current

OMERS formula reduction

- Proposed

Actuarial reduction

OMERS formula reduction



# 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

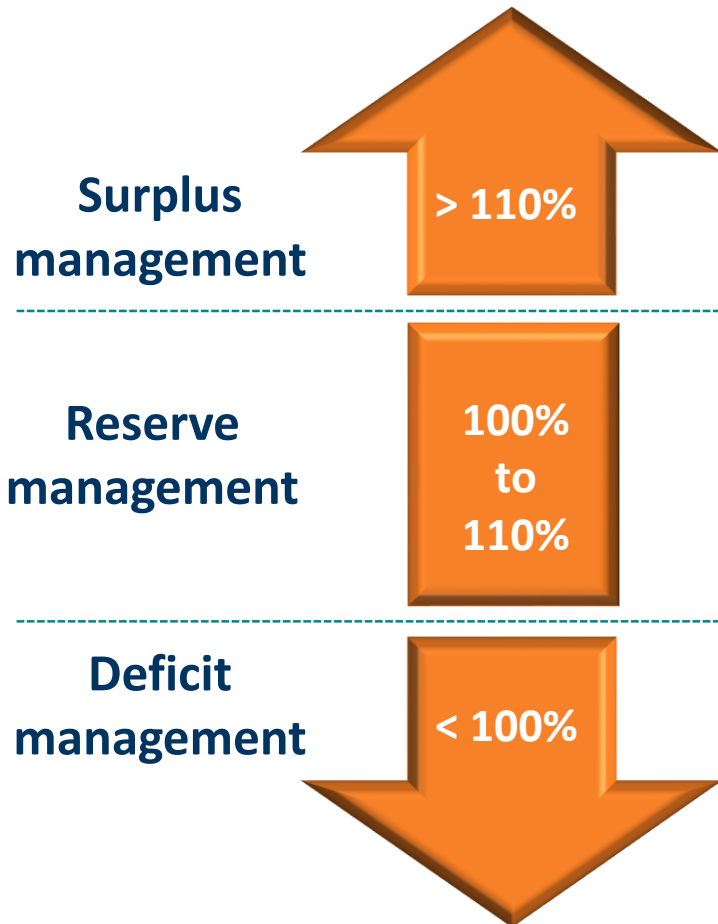
# PRELIMINARY DECISION

Provision	Current Plan	Draft Plan
Indexing	<ul style="list-style-type: none"><li>Guaranteed</li></ul>	<ul style="list-style-type: none"><li>Conditional, <u>subject to amended FMS</u></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
- 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



# Next steps: Stakeholder outreach



## 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)

# MEMBER COMMUNICATIONS IN JUNE



SPECIAL BULLETIN  
sustainable | meaningful | affordable

In the last [Member News](#), we introduced the Comprehensive Plan Review. This special provides important information and updates about the Review – including some key questions and answers.

## Protecting your pension



### Understanding the Comprehensive Plan Review

OMERS delivered strong results in 2017. Despite positive results, the Plan remains underfunded.

Like most major defined benefit (DB) pension plans around the world, OMERS also faces a number of realities that continue to impact the Plan's financial health over 50 and even 100 years. Left unchecked, the cost is expected to rise steadily over time – substantially under some scenarios. These are costs that are shouldered by members and employers through annual contributions.

[Learn more.](#)

Keep an eye out for another special bulletin in July to announce any proposed Plan changes as a result of the June SC Board meeting. You can also continue to visit the Sponsors Corporation website ([omerssc.com](http://omerssc.com)) for additional information and updates.

## Straight talk



### Answering your key questions

The Comprehensive Plan Review has been under way for the past six months, and has included direct consultations with sponsors and other stakeholders. As part of the process, the intent is to engage directly with employers and members before determining what, if any, changes are either necessary or advisable. As a starting point, here are some key questions that members have been asking.

[Learn more.](#)



## Protecting your pension

### Understanding the Comprehensive Plan Review

OMERS delivered strong results in 2017. Despite the recent positive results, the Plan remains underfunded.

Like most major defined benefit (DB) pension plans around the world, OMERS also faces a number of realities that will continue to impact the Plan's financial health over the next 20, 50 and even 100 years. Left unchecked, the cost of the Plan is expected to rise steadily over time – substantially under some scenarios. These are costs that are shouldered by members and employers through annual contributions.

Given this financial outlook, we have an important opportunity (and obligation) to assess the OMERS Plan and ensure that it remains sustainable, meaningful and affordable for generations to come.

With the future firmly in mind, the Sponsors Corporation (SC) Board – comprised of equal numbers of employer and member representatives – voted unanimously late last year to conduct the Comprehensive Plan Review. This Review will help us consider the Plan's long-term financial health, and assess what members really want and need from the OMERS Plan.

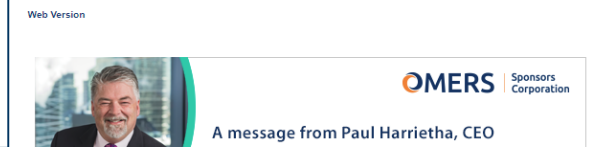
### Upcoming engagement and consultation

Over the next few months, we will be reaching out in a variety of ways, including written updates, focus groups, interactive meetings and webcasts. The goal is to keep you informed on the Comprehensive Plan Review and to gather your valuable feedback.

In the meantime, we ask that you read this bulletin carefully. It provides some key questions and answers about the Review and tells you where you can find additional information. You can expect to hear more about the Comprehensive Plan Review in the coming months.



Keep an eye out for another special bulletin in July to announce any proposed Plan changes as a result of the June SC Board meeting. You can also continue to visit the Sponsors Corporation website ([www.omerssc.com](http://www.omerssc.com)) for additional information and updates.



A message from Paul Harrietha, CEO

Important – This message from the OMERS Sponsors Corporation provides you with information on the Comprehensive Plan Review.

## Protecting your pension

### Understanding the Comprehensive Plan Review

At OMERS, we understand the importance of a secure retirement income. Our sole purpose is to provide secure pensions to almost 500,000 active and retired members in Ontario. That's something we take very seriously – and do with considerable pride.

That is why the Board of OMERS Sponsors Corporation (SC) elected unanimously late last year to conduct a Comprehensive Plan Review. The goal of the Review is simply to:

- assess the Plan's financial health
- determine if the Plan is sustainable, meaningful and affordable for generations to come
- identify which costs are shouldered by members and employers through annual contributions
- ensure that the Plan remains sustainable, meaningful and affordable for generations to come

As part of the Comprehensive Plan Review, we will be conducting a "conditional indexation" review. This review will assess the impact of indexation when the cost of living is reduced (or suspended) for a period of time (or temporarily).

### Again, any changes, including guaranteed indexation under the Plan, will be posted after the June SC Board meeting. Final changes will be voted on in November, following discussions with sponsors and stakeholders (including members). As always, any proposed changes must be approved by a 2/3rd majority vote of SC Board members.

We assure you that any changes will be posted after the June SC Board meeting. Final changes will be voted on in November, following discussions with sponsors and stakeholders (including members). As always, any proposed changes must be approved by a 2/3rd majority vote of SC Board members.

If you would like to learn more about the Comprehensive Plan Review, we invite you to visit the Sponsors Corporation website ([omerssc.com](http://omerssc.com)).

Sincerely,

Paul Harrietha  
CEO, OMERS Sponsors Corporation

## Other communications:

- Sponsor and stakeholder update emails
- Invitations to sponsor and stakeholder forums
- Employer and union emails



# UPDATED WEBSITE AND STATISTICS

News Contact us Events

**OMERS** | Sponsors Corporation Members Employers Sponsors Investing About OMERS The Plan Search Sign in

Who We Are +  
What We Do +  
What We Think  
Governance +

**Comprehensive Plan Review –**  
Comprehensive Plan Review Overview  
Frequently Asked Questions  
Videos +  
Sightlines Bulletins

News & Activities

SC Portal Coming Soon  
Go to OMERS homepage →

## Sponsors Corporation

### Your Comprehensive Plan Review

Welcome to the Sponsors Corporation (SC) homepage – your central source for information concerning your Comprehensive Plan Review. This site will be updated regularly and will include our latest resources, including videos, newsletters and responses to frequently asked questions. Please bookmark this page and check back from time to time for the latest news.

### Recent updates

**Special bulletin for members**  
Keeping you fully informed with everything related to the Comprehensive Plan Review.  
[Printable PDF](#)  
[Read Me](#)

**Timelines extended for the Comprehensive Plan Review**  
Based on feedback from Sponsors and key stakeholders, the Board has agreed to extend the timelines under the OMERS SC Plan Change Process. Potential plan changes, if any, will now be posted after the SC Board meeting in late June. Final changes will be voted on in November, following stakeholder outreach and consultation. [Key points on the Comprehensive Plan Review are outlined here.](#)

Month	Number of users	Page views
March	462 (New: 410)	1,661
April	1,021 (New: 966)	3,133
May	1,244 (New: 1,149)	4,355
June	19,426 (New: 18,885)	<b>52,611</b>

Looking Ahead: Challenges and Opportunities

Paul Harrietha, Ph.D.  
CEO, OMERS Sponsors Corporation

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# COMING UP

<b>July</b>	<b>July 4:</b> Sponsor/stakeholder update email <b>July 6:</b> Employer/union email + advance member bulletin <b>July 10:</b> Special member bulletin <b>July 11:</b> Stakeholders forum #3 <b>July 24:</b> Employer forum #1 <b>July 27:</b> Union forum #1
<b>Ongoing</b>	Engagement with sponsors and stakeholders through regular meetings and by request



*Plan for the Future*

# Open discussion

*July 11, 2018*

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