



OMERS

Modified Inflation Indexing (MI²)

Proposal



OMERS at a Glance

- Defined benefit pension plan for school board support staff, municipal workers, including police and firefighters & CAS
- Serves over 461,000 members & retirees from 1,000 employers across Ontario
- 119,000 CUPE members constitute 44% of the active plan members



OMERS at a Glance

- Decisions on plan design – benefits and contributions - are made by the OMERS Sponsors Corporation (SC)
- As OMERS is a jointly-sponsored pension plan (JSPP), representatives of active and retired members have only 50% of the plan voting rights on the SC
- Employers have the other 50%

OMERS Background

- OMERS in deficit funding position after the 2008 financial crisis
- Other pension plans got rid of guaranteed 100% inflation indexing
- Indexing costs \$ on the balance sheet – get rid of it – plan looks better funded
- Workers' side of the SC resisted employer attempts to get rid of the guarantee – 50-50 tie defeats proposals



Indexing Today At OMERS

- OMERS plan currently provides full, guaranteed, annual indexing
- OMERS retirees' pensions rise, automatically, to keep up with annual increases in the Consumer Price Index (CPI) – up to 6%
- This benefit is guaranteed by Pension Benefits Act for retirees and all current members' earned service



Modified Inflation Indexing Background

- In December, CUPE Ontario approached by OMERS about a proposal to modify the indexing benefit in OMERS
- CUPE Ontario's OMERS Reference Group met with senior staff/leadership of OMERS
- OMERS presented their Modified Inflation Indexing (MI²)

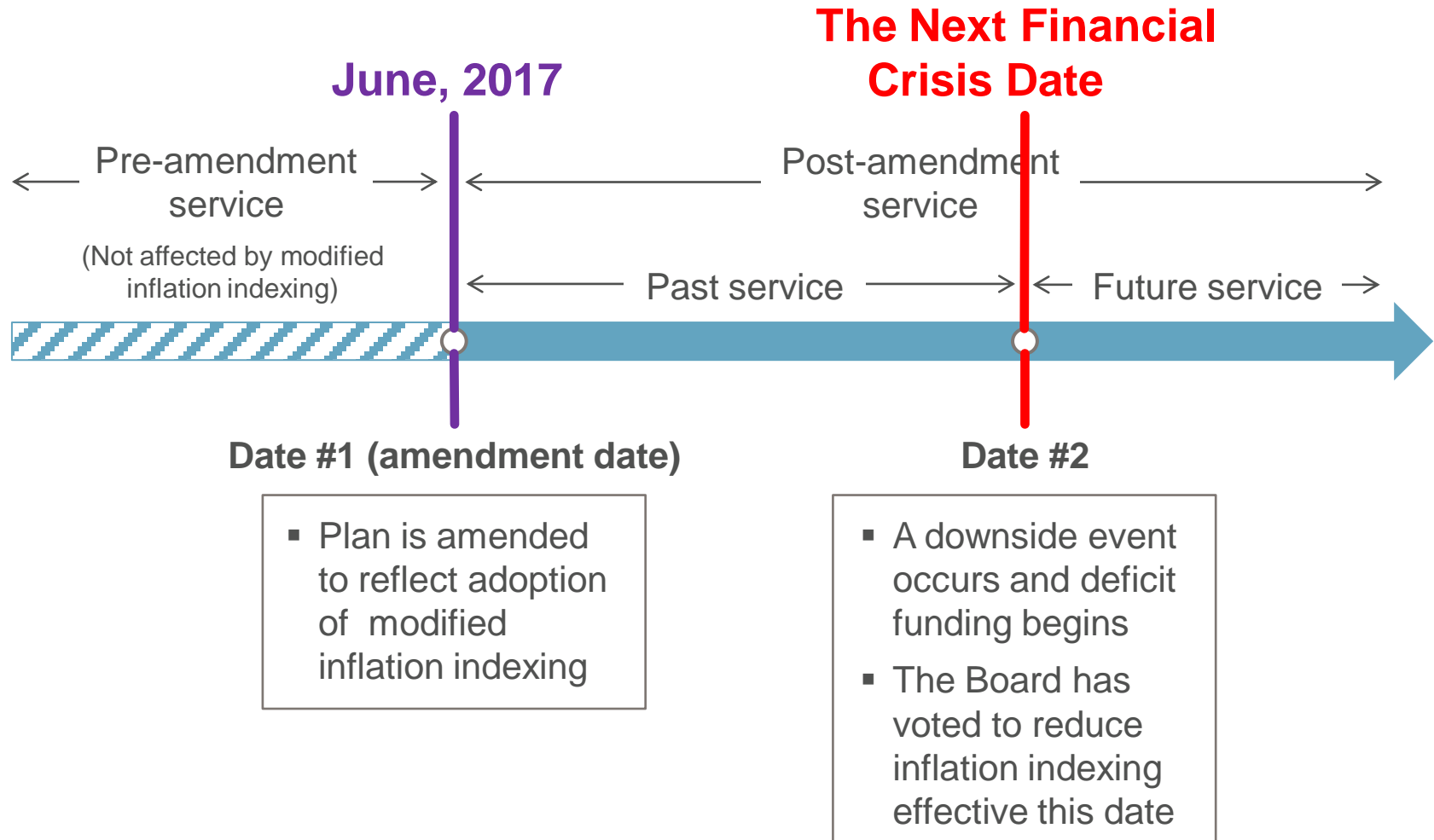
What is Modified Inflation Indexing (MI²)?

- If passed, it would amend the OMERS plan text to take the written guarantee of 100% indexing out of the plan text
- It would set a date in time
- All years of pension service before then, 100% indexing guaranteed
- All years of pension service after that, 100% would not be guaranteed

What is Modified Inflation Indexing (MI²)?

- Plan says 100% indexing would still be paid out on your pensions years after it passes
- Until such time as the SC determined there was a funding problem
- At that point, 100% indexing could be rolled back or eliminated, on all years of your pension back to the date the MI² was passed
- Would require another vote of the SC

Timeline of events for modified inflation indexing and a few important terms



Why is this an Issue Now?

- Plan's funded status is improving
- Got through 2008 financial crisis
- OMERS says "aging" plan membership the reason
- Will pay out more than takes in each year
- Employers have always wanted to get rid of indexing

The Politics

- The “use only in case of emergency” and “what if” nature of proposal is working on SOME workers’ reps on the SC
- If 3 worker side SC reps agrees to adopt with employers, they would have a 2/3 vote to push it through

What has CUPE Ontario done

- Response letter to OMERS
- Shared that letter with Local Presidents and Secretary Treasurers in December
- Outreach to worker side SC Representatives and Sponsor organizations (OSSTF, OPSEU, Firefighters etc.)

Going Forward

- Building a campaign to respond
- Meeting with allies
- Explaining to members
- Mobilizing with members – Take Action—
to let SC know how important 100%
guaranteed indexing being in the plan text
is for plan members
- <http://cupe.on.ca/omers-guaranteed-100-indexing-matters-members/>



Questions and Answers