

**From:** AMO Communications <communicate@amo.on.ca>  
**Sent:** Thursday, May 04, 2017 9:04 AM  
**To:** Lisa Slomke  
**Subject:** MEPCO Supports Recent OMERS Proposal

**MEPCO Update May 4, 2017**

**MEPCO SUPPORTS RECENT OMERS PROPOSAL**

***Sponsors Corporation (SC) Initiative To Protect Pension Promise***

A Modified Inflation Indexing (MI<sup>2</sup>) proposal is being considered by the SC Board. As the number of retired members continues to increase, funding challenges will become more difficult to manage. MEPCO has been concerned about OMERS sustainability and how contribution rate increases cannot be the solution. MEPCO has long held that the current 100% indexation, in effect since the contribution holiday in the 90's and even through the economic downturn, needed to be reviewed. MEPCO believes the MI<sup>2</sup> proposal is a key part of addressing the sustainability of the OMERS Plan. If adopted, it provides the SC with additional options for addressing future funding challenges. It would operate in conjunction with the 2014 SC Funding Management Strategy (FMS)\* that sets out how benefits and contributions will be modified when the OMERS Plan cycles through periods of funding deficit and surplus.

The MI<sup>2</sup> is intended to provide the SC Board additional flexibility by operating as a safety valve, should there be future financial pressures such as a market downturn that could impact the Plan's funded position. The MI<sup>2</sup> would enable the alteration of future levels of indexation, if necessary, and subject to a two-thirds affirmative vote of the SC Board. The change, if approved, would only apply to benefits earned after the plan is amended; accrued benefits, such as those payable to current retirees, would not be impacted. MEPCO supports the SC Board's proposal on conditional indexing and hopes that the SC will adopt it at its upcoming meeting. Other comparable Ontario public sector pension plans have taken action on indexation. For more details on the MI<sup>2</sup>, please contact Paul Harrietha ([pharrietha@omerssc.com](mailto:pharrietha@omerssc.com)) at 416-814-6575.

***2017 Ontario Budget Pension Impacts***

The Budget mentions that the review of solvency funding rules for Defined Benefit Plans is continuing and that principles for a proposed new framework will be released in the spring of 2017, followed by consultation on draft regulations in the fall of 2017.

The proposed Pension Benefits Act (PBA) amendments in Bill 127 (2017 Budget bill) relate to a variety of pension plan administration and technical matters. Of note are changes relating to:

- 1) The role of Superintendent of Financial Services in ordering a pension plan administrator to hold meetings or waive the holding of a meeting to provide information to persons entitled to benefits under a pension plan; and
- 2) Calculating the commuted value of assets transferred from a single employer pension plan to a jointly sponsored pension plan, like the OMERS Plan.

The second change is of particular relevance to the older municipal pension plans in Toronto, Ottawa and Hamilton, where the cities are requesting that they be integrated with the OMERS Plan. OMERS is currently assessing these requests to determine if there would be negative impacts of plan integration on OMERS Plan funding/sustainability. MEPCO has been supportive of this OMERS review process.

\*OMERS Funding Management Strategy Information:  
[http://www.omerssc.com/PlanChanges/Understanding\\_Plan\\_Changes.aspx](http://www.omerssc.com/PlanChanges/Understanding_Plan_Changes.aspx)

For further information, please contact Bruce McLeod, 416-971-9856 ext. 350 or by email [bmcleod@amo.on.ca](mailto:bmcleod@amo.on.ca)

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