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Subject MEPCO Alert: Ontario Retirement Pension Plan Could Present New OMERS Challenges

June 18, 2015

ONTARIO RETIREMENT PENSION PLAN COULD PRESENT NEW OMERS CHALLENGES

Issue:

MEPCO is concerned that the new Ontario Retirement Pension Plan (ORPP) may be designed at the expense of the employees and employers that already contribute to the OMERS Pension Plan. The election platform commitment of the Government was to establish the ORPP as the vehicle for a stronger and more secure retirement system for middle and low income workers who do not belong to a pension plan. The government is under pressure from some groups to *not* exclude existing 'comparable pension plans' like OMERS.

What is MEPCO/AMO doing?

Bill 56, the *Ontario Retirement Pension Act, 2014* establishes the framework and timing for implementation of the proposed ORPP. Consultations are currently being held on key ORPP plan design questions.

MEPCO representatives have met with Ministry of Finance staff to present [key consequences](#) for the OMERS Plan should OMERS not be exempted from the ORPP. These discussions will continue as will advocating that OMERS be exempt on the basis it is a comparable plan. In fact, the average OMERS pension is about four times that which is projected for someone in the ORPP earning \$45,000 a year and contributing for 40 years.

We support the broad objective of addressing gaps in workplace pension coverage and strengthening Ontario's retirement system. However, the creation of the ORPP could have consequences for existing pension plans, like OMERS. Without being excluded, there would be higher costs for OMERS employers and employees and inferior benefits. The OMERS blended contribution rate is currently 21.3% and while its funded position is improving, it remains in a deficit position. OMERS funding and investment strategy and its growth plan underpin its work to move from deficit by 2025. Increasing pension costs at this time is simply not an option for OMERS employers or employees. If OMERS members were forced to also contribute to an ORPP, it could mean that:

- OMERS would lose \$650 million per year in contributions, resulting in negative impacts to its financial plan.
- Administrative costs would increase substantially.
- Plan membership growth from part-time municipal employees would be in jeopardy.

We have strongly urged the province to affirm that OMERS is a comparable plan and be excluded from the ORPP design. MEPCO encourages municipal governments who are OMERS employers to learn more by reading MEPCO's [submission to the Province](#). We will monitor and keep you informed of the next steps and what assistance we may need.

For further information please contact Pat Vanini, 416-971-9856 ext. 316, pvanini@amo.on.ca or Bruce McLeod, ext. 350, bmcleod@amo.on.ca.

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