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February 1, 2012

## **ATTENTION: ALL CUPE LOCALS WITH MEMBERS IN THE OMERS PENSION PLAN**

### **Take action for fairness at OMERS!**

In 2010, CUPE supported temporary contribution rate increases approved by the OMERS Sponsors Corporation to address a deficit caused primarily by the global economic downturn. These temporary increases were essential to ensure the long-term stability of the OMERS Plan, and to avoid any serious erosion of benefits.

However, in June 2011, the OMERS Sponsors Corporation made a decision that will increase your pension contributions. It is an unfair decision that will generally see CUPE members subsidizing pensions for higher-income Police Officers and Fire Fighters.

We urge you to write to the Sponsors Corporation and protest this decision, using the draft letter in this package, or one like it.

### **Background**

In the OMERS pension plan, members with a normal retirement age of 65 (NRA 65) and those with a normal retirement age of 60 (NRA 60) are distinct groups. All of CUPE, OPSEU and OSSTF members in the plan are in the NRA 65 group and typically have an annual income of \$50,000 or less. The NRA 60 group, made up of Police Officers and Fire Fighters, typically have an annual income of \$75,000 or more.

As an example, the change proposed in June means that a CUPE member earning \$50,000 a year will see a contribution increase of \$470 (0.95% of contributory earnings), while a Police Officer or Fire Fighter earning \$75,000 a year will only see an increase of \$188 (0.25% of contributory earnings).

There is also an inequity in the allocation of contribution rates between members of the plan who have an annual income above and below the Yearly Maximum Pensionable Earnings (YMPE) – the limit for pensionable earnings under the Canada Pension Plan. The YMPE has been set at \$50,100 for 2012. OMERS members earning below the YMPE are now subsidizing those with earnings above that level.

### **Why will lower-paid workers pay more?**

Over the past few years, there has been an ongoing struggle at the OMERS Sponsors Corporation over how contribution rates are allocated between the groups – NRA 60 and NRA 65, and those above and below YMPE. Representatives of CUPE, OSSTF and OPSEU on the Sponsors Corporation Board have argued that contribution rates should be allocated in a fair and equitable manner between the four designated groups.

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**Fred Hahn**  
President

**ONE STRONG VOICE**

**Candace Rennick**  
Secretary-Treasurer

In the past, OMERS allocated contributions based on Normal Cost – essentially, you pay for what you get. CUPE argued strongly that OMERS should continue with this principle, one it has operated under since 2003. Furthermore, the different groups within the plan have always been treated separately.

However, in June, the Sponsors Corporation decided to take a completely different approach. Against CUPE's vigorous opposition, they decided to neutralise the differences between these groups. The net effect is that lower-income NRA 65 contributors now subsidize higher-income NRA 60 contributors who retire earlier.

This new approach is clearly inequitable and undermines the future stability of the OMERS Pension Plan.

The reason for this letter is that the dispute is not over. Part of the Sponsors Corporation decision last June was an agreement to consult with an independent actuary regarding possible options for contribution rate allocations in 2013 and beyond. This means that the issue will be revisited by the Sponsors Corporation later this year.

### **What can you do?**

We urge locals with OMERS members to read and sign the letter in this package, or one similar to it, and send it by email or post to the Sponsors Corporation. Ask them to remedy the inequity in 2012 by approving a set of principles to prevent any further subsidization of the wealthier plan members by the less well-paid members. The Sponsors Corporation needs to hear that this cross-subsidization will undermine the integrity of the OMERS Plan.

If you consider it appropriate, send a copy of this letter to your employer, as they may also have an interest in the outcome of this dispute.

CUPE Ontario has expressed its opposition to the Sponsors Corporation plan in no uncertain terms. Now we need locals to step up the pressure by taking action.

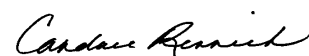
The contribution rate increases are not just a concern for workers, they are a concern for employers, too. Our members' workplaces mostly have NRA 65 members. Because employers match contributions, these employers will also be disproportionately affected by the unfair new contribution rates.

The letter is just a first step. We suggest also scheduling a meeting with your employer to discuss the issue. While this may not be the appropriate move for every local, the Sponsors Corporation will take notice if employers start to join our struggle.

Sincerely,



Fred Hahn  
President, CUPE Ontario



Candace Rennick  
Secretary Treasurer

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