OMERS: Comprehensive Plan Review and the Fight to Protect Guaranteed Indexing
Speakers' Notes for PowerPoint Presentation

SLIDE 1:

- Introduce yourself.
- At their most basic, your pension is deferred wages.
- You've earned them and built them through your contributions.
- And you have the right to know what is going on with your pension, especially when there are proposals to change it that could affect your retirement.
- That's why last year, CUPE Ontario and its OMERS Reference Group came out and talked to members about a proposal that was being considered by OMERS.
- That proposal -- which was known as Modified Inflation Indexing or MI^2 – would have taken the guarantee of 100% indexing out of the OMERS plan text.
- It was NOT a CUPE-supported proposal – in fact – we all mobilized against it and succeeded in having it pushed off as a proposal last year.
- However, NOW, there is another proposal to look at ALL the benefits in OMERS through a "Comprehensive Plan Review."
- Which is why we're back, talking to you about this development and why we think it links back to our fight last year.
- And I want to start by giving people a small overview about your pension plan.

SLIDE 2:

- Your Pension Plan, OMERS, is a defined benefit pension plan for school board support staff, municipal workers, including police and firefighters, and Child welfare workers who work for Children's Aid Societies.
- A Defined Benefit Pension Plan means you know what you are going to get out of the plan in retirement and it is guaranteed. There is a calculation based on your years of service, your wages etc. that you know ahead of time, can plan for and can rely on.
- OMERS, is one of the largest pension plans in all of Canada – currently it has $95 BILLION in assets.
- It serves over 482,000 members & retirees from 1,000 employers across Ontario.
- It is also the largest plan for CUPE members in Ontario.
- Approximately 119,000 CUPE members are active plan members (meaning they are still at work, contributing to the plan) and that constitutes about 44% of the entire OMERS active plan members.

SLIDE 3:

- Decisions on what your OMERS pension plan looks like – what the contributions are, what benefits you receive – are made by trustees who sit on the Board of the OMERS Sponsors Corporation.
- Some in this room might remember that in 2006 OMERS was made, by legislation, into what is known as a jointly-sponsored pension plan or JSPP.

- Jointly Sponsored Pension plans are jointly governed by both representatives of workers and employers.
- So, on the Sponsors' Corporation Board – 50% of the voting rights are held by representatives of the active and retired members of the plan.
- And the other 50% of the voting rights on the board are controlled by our employers.
- So, a truly joint – a 50/50 split – Board makes all the decisions.

SLIDE 4:

- The 2008 financial crisis was tough for pension plans and OMERS was no exception.
- Since then, OMERS has been in a deficit funding position.
- Steps were taken by the Sponsors Corporation to address that deficit – mostly through increased contributions to which all of you contribute.
- Some of the other big pension plans – to deal with deficit funding issues even before 2008 - got rid of one of the benefits that you still have guaranteed: 100% inflation indexing.
- They did it because guaranteed indexing is a benefit that, when actuaries account for it on balance sheets – is a big ticket. So, if you get rid of the guarantee of it – your plan looks better funded, quickly.
- So now the Teachers Pension plan and HOOPP (the healthcare workers plan that also includes a lot of CUPE member) as examples – no longer have guaranteed, 100% indexing – they may still do indexing – but it is on an ad hoc basis – not guaranteed.
- But at OMERS – in your plan – the Board members of the Sponsors Corporation representing workers resisted employer attempts to get rid of the guarantee. Since it is jointly sponsored plan – and a 50/50 tie defeats the proposal – the indexing guarantee has been maintained. As it has also been maintained in plans like OPTrust which all the direct provincial government employees are in.

SLIDE 5:

- So, what are you currently getting?
- Well, for starters, it is guaranteed in the OMERS plan text, to be applied annually to your retirement income.
- Currently, OMERS members' pension rise, automatically, each year, by the CPI (Consumer price index) to keep up with inflation up to a 6% maximum increase each year.
- Because it is in the plan text, that benefit is guaranteed, by law, under the Pension Benefits Act for retirees and for all current members' earned service.
- Earned service means the years you have, to date, paid into OMERS.
- So, if you've been paying into OMERS for 20 years, when your pension is calculated for those 20 years you will have 100 %, guaranteed indexing, up to the 6% maximum, applied to those years of service.

SLIDE 6:

- This is not the only benefit, on top of the base pension, in the OMERS Plan.

- Early Retirement – you can retire early, without any reduction to your pension if you have 30 years of service OR if your age and years of service equal 90.
- Bridge Benefit – if you take early retirement, there is a 'bridge benefit' that pays you a little more for the years between when you retire early and when you start collecting CPP the month you turn 65.
- Survivor Benefits – gives 2/3rds of your OMERS lifetime pension to your spouse if you die first, plus 10% for dependent children.
- All these other important benefits were also preserved through the 2008 financial crisis.

SLIDE 7:

- So, what was this Modified Inflation Indexing Proposal we fought off last year?
- If passed, it would have amended the OMERS plan text to take the written guarantee of 100% indexing out of the plan text.
- It would have set a date in time.
- All years of pension service before then, 100% indexing guaranteed – as per the law.
- All years of pension service after that, 100% would not be guaranteed.
- If you remember only one piece out of this presentation, remember that this proposal was to take the guarantee out of the plan text.
- Because we all understand what it means when an employer wants to take something we're guaranteed out of the collective agreement – the principle is really the same here: if it is not in the plan text, the benefit is not guaranteed – it CAN go away.

SLIDE 8:

- So, to explain it visually:
- And as a note *June 2018 date is just an example date.
- So, your years of service before June 2018 (the purple line)– let's say again 20 years – 100% guaranteed indexing is safe – protected by the PBA.
- If this proposal passed in June 2018– now you have your service years between the two lines – the plan is being funded to pay you 100% indexing – you retire 15 years from now, and you start collecting your pension and each year, for all your 35 years of service, OMERS calculates 100% indexing of your pension. And your pension goes up each year to keep up with inflation up to that 6% maximum increase mark.
- But let's say, five years after you retire – 20 years from now -- another Financial crisis like we saw in 2008 happens – that's the red line.
- And the SC votes to enact this plan.
- Well, from that point forward – in calculating your indexing – you'll still get 100% indexing calculated for your 20 years before the purple line – but for the 15 years of service after June 2018 – well in those years, there could be less than 100% indexing or no indexing whatsoever.
- And so your pension won't go up as much to keep up with inflation. In fact, it would start falling behind.
- Especially, as every year passes more of our members' years of pension service are vulnerable to this proposal.

SLIDE 9:

- So, when this was proposed last year, our CUPE Ontario OMERS Reference Group got active and planned a campaign.
- Talked to leaders of our locals at municipal, school board and social services conferences.
- Used a take action email through the CUPE Ontario website to send thousands of emails about how important indexing was.
- Our Sponsors Corp Trustees – talked to other labour-side members on the board, suggested methods for growing the plan, like the mandatory inclusion of part-time members in the plan.
- Worked with Allies – some of the union allies with seats on the SC Board agreed.
- Met with OMERS to say CUPE, the largest member of the plan didn't agree.
- Had more planned……but then they backed off – the thousands of emails sent had an impact.

SLIDE 10:

- Since the last attempt to remove guaranteed indexing failed, they are taking a new route.
- OMERS undertook a Deloitte Study on the future of the plan membership. CUPE had proposed they look at growing the plan membership to include part-time members, but they didn't look at it. Instead, they painted a bleak future where job losses were inevitable because of contracting out, privatization and new technology.
- OMERS then brought in more experts to meet with the sponsor unions and employers to paint an even bleaker picture of the future economy. Along with Fred Hahn, members of OMERS Reference Group attended these meetings and the whole group has reviewed their presentations.
- They really seemed designed to frighten the heck out of everyone about an economic future, 10, 20, 50 years from now that frankly, none of us can really know.
- But said this is why NOW, we have to do a "Comprehensive Plan Review" and look at ALL the benefits in OMERS with an eye to this scary future.

SLIDE 11:

- This whole comprehensive plan review seems designed to scare sponsors into giving up existing benefits and top amongst them, we believe, is still indexing.
- Put other benefits, like survivor benefits and early retirement benefits, into the mix – which might make some feel if we don't get rid of the guaranteed indexing, we'll have to give up other benefits or maybe even change the basic pension calculation from its current best 5 years calculation to a career average.
- Which is why we believe indexing – perhaps last year's MI^2 proposal or another proposal around indexing – is still their target.

SLIDE 12:

- So, just how important is your current indexing provision?

SLIDE 13:

- Pat is a payroll clerk and retires after 30 years of service at age 65.
- Pat's Best 5 average years of wages is $40,000.
- What is Pat entitled to as a basic pension?
  - Annual OMERS pension of $15,900 which is hardly gold plated.
  - CPP is on top of that – for 2018 maximum CPP retirement benefit at age 65 is $13, 610.04 a year – but many people will not qualify for the maximum and would get even less than that.
  - Annual Indexing: We are assuming in Pat's case, on the graph that follows, that Pat lives for 20 years in retirement and that the Consumer Price Index used to calculate indexing is 2% - which is close to what it has been over the last 20 year period.

SLIDE 14:

- With indexing, as you have now, using that calculation of 2% indexing a year, compounded over 20 years, would see a 49% increase to $23,627 and would keep up with the increased prices of food, gas, electricity etc. (GREEN LINE)
- Now, let's say there is a crisis, and all of Pat's years of service were exposed to "modified indexing". They could still pay you indexing every year, but instead of 100% indexing, they take it down to 75% indexing. So, instead of 2%, you're getting 1.5%. After 20 years of compounding at 1.5%, Pat would see a 35% increase to $21,415. That is 14% less buying power than if 100% indexing was applied. (YELLOW LINE)
- Now, let's say all of Pat's service was exposed and it was a bad crisis, like 2008, so there is no indexing at all. After age 65, Pat's OMERS pension would be $15,900 for each of the 20 years. If prices went up by 2% each year for those 20 years – as they have for the past – as you can see, Pat's pension, in terms of buying power, would fall substantially by the end of Pat's life. (ORANGE LINE)
- Indexing has a huge impact on your pension and it is best protected if it is 100% AND guaranteed.

SLIDE 15:

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SLIDE 16:

- The doom and gloom future scenarios being discussed by OMERS are working on SOME workers’ reps on the SC – NOT the CUPE reps – I want to be clear- but some of the workers’ side reps.
- If only one worker side SC rep votes with the employers to adopt the proposal, we would have to go to arbitration to try and stop it.
- If three of the worker side reps on the SC agree vote the employers to adopt this proposal, there is nothing we can do to stop it
- And we believe there are at least 3 worker side reps seriously considering the idea of removing guaranteed indexing or other plan benefits. Again – please understand – NOT the CUPE reps – our folks are clearly opposed.

SLIDE 17:

- So, now, we’re in fightback the Sequel.
- CUPE Ontario has been trying to talk to the other unions representing workers in OMERS.
- Our Trustees on the Sponsors Corporation are continuing to do their work on the Board.
- We have done some media work, including putting out a press release about OMERS most recent investment returns.
- And CUPE Ontario has been speaking to local leaders at events like sector conferences.

SLIDE 18:

- Part of that campaign is coming out and speaking directly with members.
- This presentation is now being shared with local executives so they can present at membership meetings.
- Asking members to take action – send a letter to OMERS about the importance of benefits like guaranteed indexing – From CUPE O website (link on last slide).
- Have a leaflet, to share with other OMERS members in the workplace, asking them to take action.
- Other CUPE actions are also being planned.
- Because all the benefits in OMERS are important.
- Especially 100% guaranteed indexing.
- It is a benefit you’ve contributed to – it is one you’ve earned – and it is one you have been able to keep through 2008, the worst financial crisis since the great Depression.
- The benefits in OMERS, like 100% inflation indexing, are worth fighting for.

- So that is what we're going to do

SLIDE 19:
Any questions? Link to Take Action.

https://cupe.on.ca/omers-guaranteed-indexing/