

CACO

Canadian Union of Public Employees



OMERS

**Understanding Bill 206 for
Paramedics**

What is OMERS?

OMERS is a multi-employer defined benefit plan.

What is a defined benefit pension plan?

- ❑ **Defined benefit pension plan is** a plan that sets out the pension to be provided, but not the total contributions.
- ❑ The benefit is based on service and earnings.

What is a defined contribution plan?

- ❑ A defined contribution plan specifies the contributions to be made, but not the benefit accrued.
 - ❑ costs are shared equally between members and employers.
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OMERS Pension

OMERS lifetime pension + bridge benefit to age 65

2% **x** credited service (years) **x** "best five" earnings

***After 65, the pension benefit is reduced by the amount of the bridge benefit a member receives.**

OMERS EARLY RETIREMENT

Members can retire early if they are within 10 years of their normal retirement age:

- At age 55 for members with a normal retirement age of 65.
 - Even if a member is eligible for early retirement his or her pension is reduced if he or she does not meet certain criteria.
 - OMERS pension benefits are reduced by 5% per year multiplied by the **least** of:
 - 65 minus a members actual age;
 - 90 Factor minus a members current factor; or
 - 30 years minus a members actual years of service
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Public Safety Occupations Groups

- ❑ Public safety groups are established by the *Income Tax Act*. The *Income Tax Act* allows for the following occupations to retire five years earlier with a higher maximum accrual rate of 2.33%
 - ❑ police officer
 - ❑ firefighter
 - ❑ paramedic
 - ❑ air traffic controller
 - ❑ correctional officer
 - ❑ commercial airline pilot
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Normal Retirement Age 60 (NRA 60)

- ❑ Public Safety Occupational Groups who belong to OMERS are entitled to a normal retirement age 60 pension.
 - ❑ Currently this includes police officers and firefighters.
 - ❑ Paramedics were not included in the NRA 60 pension under Bill 206.
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What is NRA 60?

- ❑ OMERS allows members to retire 10 years before their normal retirement age.
 - ❑ This means that NRA 60 members can retire at 50 instead of 55 for NRA 65 members.
 - ❑ NRA 60 members have an 85 factor instead a 90 factor for NRA 65 members. The factor is a combination of age and service i.e. $\text{age} + \text{service} = 85$ and determines when a member can retire without penalty.
 - ❑ Contribution rates are higher for NRA 60 members than for NRA 65 members.
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Early Retirement Pensions – NRA 60 VS NRA 65

NRA 65

Can Retire at 55

- If a member retires early (before 65), OMERS pension benefits are reduced by 5% per year multiplied by the **least** of:
 - 65 minus a members actual age;
 - 90 Factor minus a members current factor; or
 - 30 years minus a members actual years of service

NRA 60

Can Retire at 50

- If a member retires early (before 60), OMERS pension benefits are reduced by 5% per year multiplied by the **least** of:
 - 60 minus your actual age;
 - 85 Factor minus your current factor; or
 - 30 years minus your actual years of service.
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Supplemental Plans

Supplemental plans are separate from the basic pension plan and provide additional benefits or improvements on the basic plan.

- ❑ Paramedics were included in certain supplemental plans.
 - ❑ Supplemental plans must be made available within 24 months of Bill 206 coming into effect. (Bill 206 came into effect on June 30, 2006.)
 - ❑ Supplemental plan benefits are not automatic, they will have to be negotiated in order to be implemented.
 - ❑ Only one new supplemental benefit can be negotiated initially. After that, additional supplemental benefits can only be negotiated once every three years.
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Supplemental Plans

Benefit	Description	Current Benefit
2.33 Accrual Rate	Pension is calculated at 2.33% of earnings X service (integrated with CPP)	Current accrual is 2% integrated with CPP.
85 Factor (NRA 65 Members)	Pension is unreduced if age + service = 85	Factor is currently 90 or NRA 65 Members
80 Factor (NRA 60 members)	Pension is unreduced if age + service = 80	Factor is currently 85 for NRA 60 members
4-year avg. earnings	Pension based on average 4 years of earnings	Pension calculated based on average 5 years
3- year avg. earnings	Pension based on average 4 years of earnings	Pension calculated based on average 5 years

Benefits Available by Group

Benefit	Police & firefighters	Paramedics	Police civilians
2.33 accrual	yes	yes	no
80 Factor	yes	no	no
85 Factor	yes	yes	yes
4 Year Avg. Earnings	yes	yes	yes
3 Year Avg. Earnings	yes	yes	yes

NRA 60 for Paramedics

- ❑ Would require an amendment to the plan to identify paramedics as eligible group for NRA60 benefits.
 - ❑ Amendment to the plan would have to be approved by the Sponsors Corporation.
 - ❑ Individual Employers and Unions would need to agree that paramedics should be included in the NRA 60 plan.
 - ❑ Past service conversion options:
 - NRA 65 Past service reduced by 25%
 - Cost to convert could be paid by an employer, members of the plan or jointly by members and employers.
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Benefits of NRA 60

- ❑ Allows members to retire 5 years earlier.
 - ❑ Includes 85 factor
 - ❑ Would become eligible to negotiate 80 factor supplemental benefit.
 - ❑ Conversion costs would be lower because most paramedics are new to OMERS.
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The New OMERS Structure

The New Structure

- ❑ Essentially the new OMERS Act changes the plan sponsor
 - ❑ The Sponsors Corp. replaces the Provincial government as sponsor
 - ❑ The Administration Corp. replaces the old OMERS Board
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Sponsor's Corporation

- The Sponsors Corp. is responsible for:
 - Plan design
 - Benefit improvements
 - Contribution rate adjustments
 - Changes in stabilization reserves
 - Composition of Administration Corp.
 - Decisions on the above are subject to a 2/3 voting majority and a 50+1 dispute resolution mechanism
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Administration Corporation

- The Administration Corp. is responsible for:
 - Day-to-day administration of plan
 - Investment of Pension Plan funds
 - Representation on Administration Board
 - Should be equal representation between employers and employees
 - CUPE under-represented on this Board and a management rep. Sits on the employee side of the table
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Timelines and Issues

- Setting up the Sponsors Corp
 - New legislation proclaimed July 1st
 - Meetings with employee reps.
 - 1st full meeting of Corp. on Sept. 29th
 - Immediate issues
 - Funding/resources
 - Government appointed facilitator
 - Other issues
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Sponsors Corporation Composition

(14 Voting Members Directly appointed by the Sponsor organizations).

Employers	Plan Members
Association of Municipalities of Ontario (2 seats; 2 votes each)	CUPE Ontario (1 seat; 3 votes) CUPE Local 79 - rotated with CUPE Local 416 (1)
Ontario School Boards (1)	Police Association (1)
Ontario Association of Police Services Boards (1)	Ontario Professional Firefighters Association (1)
City of Toronto (1)	Association of Municipal Managers, Clerks and Treasurers of Ontario (1)
Association of Children's Aid Societies of Ontario (1)	Retiree (1)
Electrical Distributors Ass. (1)	OPSEU (1)

Administrative Corporation

Composition – (14 Voting Members)

Employers	Plan Members
Association of Municipalities of Ontario (2)	CUPE 2
Ontario School Boards (1)	Police Association (1)
Ontario Association of Police Services Boards (1)	Ontario Professional Firefighters Association (1)
City of Toronto (1)	Association of Municipal Managers, Clerks and Treasurers of Ontario (1)
Toronto Hydro (1)	IBEW (1)
Municipal Property Assessment Corporation (1)	Retiree (1)