

**PRESIDENT'S MESSAGE TO MROO MEMBERS**

**OMERS' REVIEW OF ITS PENSION BENEFITS**

**June 6, 2018**

The governing body of OMERS is the OMERS Sponsors Corporation, that makes decisions about OMERS's pension benefits, OMERS's contribution rates, and the long-term planning for OMERS' incoming and outgoing funding requirements. The OMERS Sponsors Corporation Board (SC) has an equal number of employer representatives and employee representatives (including one retiree representative, Paul Bailey).

For several months now, the OMERS SC has been examining long-term trends that will affect our pension plan and mulling over possible changes to the future design of the pension plan.

**MROO members must know these key facts about this process.**

**1. Today's Retirees would not be affected**

**ANY CHANGE MADE NOW TO THE OMERS PLAN WOULD NOT AFFECT TODAY'S PENSIONERS!**

I repeat, if the SC decided to change something, it would apply ONLY to OMERS service worked after some future point. IT WOULD NOT APPLY TO US AS RETIREES. OUR PENSIONS, including the inflation-indexing guarantee, WOULD CONTINUE UNCHANGED!

**2. No decisions have yet been made**

As I am writing this, the OMERS SC HAS MADE NO DECISIONS.

We recognize that other large Ontario pension plans (the Ontario Teachers' Pension Plan and the Hospitals of Ontario Pension Plan) removed their **guarantee** of pension inflation indexing in light of the fierce financial disaster of 2008. However, since then those boards have adjusted those pensions for inflation on a year-to-year basis.

Complete removal of inflation indexing is not being looked at by OMERS, but removing the guarantee, as the Teachers' Pension Plan has done, is being considered. Be that as it

may, the OMERS SC indicates that it has not yet decided what or how much the OMERS Plan needs to change.

### **3. The MROO Board and other retiree organizations have been kept informed**

Despite the fact that, as retirees, no changes would affect us, OMERS SC representatives have met with our Board and kept us informed.

To this point, here is what MROO has advised the SC.

- We accept the SC's analysis that the OMERS plan faces longer-term challenges, and that it is reasonable to be looking now at how to deal with the challenges. As the saying goes, if the roof needs fixing, the time to do it is when the sun is still shining, not when it's raining.
- At the same time, do not rush into a decision. Take the time to weigh all options, get input from stakeholders and members, provide a solid understandable justification for any suggested change, and educate members about the rationale for and impacts of any suggested change.
- Whatever other change may be made, it should be mandatory that all employees of OMERS employers be enrolled in the OMERS plan, including part-time, seasonal and contract employees.

### **4. In the 25 or 50-year horizon, OMERS is legitimately concerned**

We do not believe that the OMERS SC is fabricating reasons to assess the long-term sustainability of the current benefits offered by the pension plan.

- OMERS' recent investment returns are great, but investment opportunities in stable countries are becoming more limited, with more competitors chasing those limited opportunities.
- Severe cyclical downturns in the Western economies are a sure thing. We just don't know when and we don't know how bad. 2008 will not be the last.
- OMERS' contribution rates are the highest among the large Ontario pension plans. Neither employees nor employers will have much appetite for increases.
- The number of employees in the OMERS plan seems unlikely to increase significantly over the long-term. Within 15 years, the OMERS Plan may well have as many retirees getting pensions as employees making contributions.

- retirees are living longer (and their pensions have to be paid longer), a trend which shows no signs of stopping over the next 25 years.
- The long phase-in of the expanded CPP begins next year. The contribution rates for the CPP will begin to rise. Then the CPP pension will begin to increase for the employees who will have paid the increased contribution rates.

In closing let me reiterate, there will be no change to those who are currently in receipt of their OMERS pension, the guaranteed inflation indexing will remain in affect for the life of your pension.

Sincerely,

William J. Harford  
President