

MEPCO

**MUNICIPAL EMPLOYER
PENSION CENTRE ONTARIO**

**Municipal employers working
together to secure a healthy,
sustainable OMERS Pension Plan.**

www.mepco.ca

What is MEPCO?

The Municipal Employer Pension Centre of Ontario (MEPCO) is a non-profit corporation that provides expert advice and resources to AMO's representatives on the OMERS Sponsors Corporation (SC) and Administration Corporation (AC) Boards.

Individual municipal governments have virtually no opportunity to directly influence decisions made by OMERS. Yet, an OMERS contribution rate change can have a major impact on local budgets. MEPCO provides the opportunity for municipal employers to pool resources and speak with one strong, well-informed voice.

What does MEPCO do?

MEPCO shares its pension, actuarial and legal expertise with municipal employer representatives to OMERS. Through AMO's SC and AC representatives, MEPCO brings the municipal perspective to OMERS-related decisions by:

- Providing advice, tools, professional actuarial and legal advice on plan design, funding, growth and other matters.
- Analyzing the impact of pension issues on municipal employers.
- Developing OMERS Specified Plan Change (SPC) proposals.
- Evaluating every SPC proposed by other Plan sponsors.
- Keeping MEPCO members informed of important OMERS developments by issuing updates and directly responding to inquiries.
- Participating in the selection process for AMO's SC and AC representatives.
- Recruiting a MEPCO Board of Directors that includes a mix of public and private sector experts and municipal officials.

Why does MEPCO exist?

In 2006, the Ontario Government devolved itself from its central sponsorship role in OMERS and created a new and independent governance model. The OMERS Sponsors Corporation now determines Plan design and contribution rate changes and the OMERS Administration Corporation manages the Plan's day to day operations including investment strategy, plan valuation and pension benefit administration. AMO created MEPCO to provide municipal employers with support, advocacy and resources on OMERS matters that is equivalent to the level of support provided by other OMERS sponsor organizations.

Funding Management Strategy

In 2014, the Sponsors Corporation approved a new Primary Plan Funding Management Strategy (FMS). The FMS describes what will happen to benefits and contributions as the Plan moves through periods of funding deficit and surplus and provides for a contribution rate cap and the establishment of a reserve fund. Municipal and other employer sponsors actively supported the development of the Primary Plan Funding Management Strategy (FMS).

MEPCO believes that the FMS is a major positive step forward for OMERS employers and employees in managing budgets and shares OMERS' goal to ensure a sustainable, affordable and resilient pension plan that meets the needs of municipal employers and employees. The FMS reflects MEPCO's focus on flexibility in OMERS benefits, funding and investment policy to meet sustainability challenges.

Key facts about OMERS

The Ontario Municipal Employees Retirement System (OMERS) represents close to 1,000 employers and more than 460,000 active members, retirees and survivors. The Plan's long-term health is fundamental to the well-being of thousands of municipal employees.

Who has a say in how OMERS is governed?

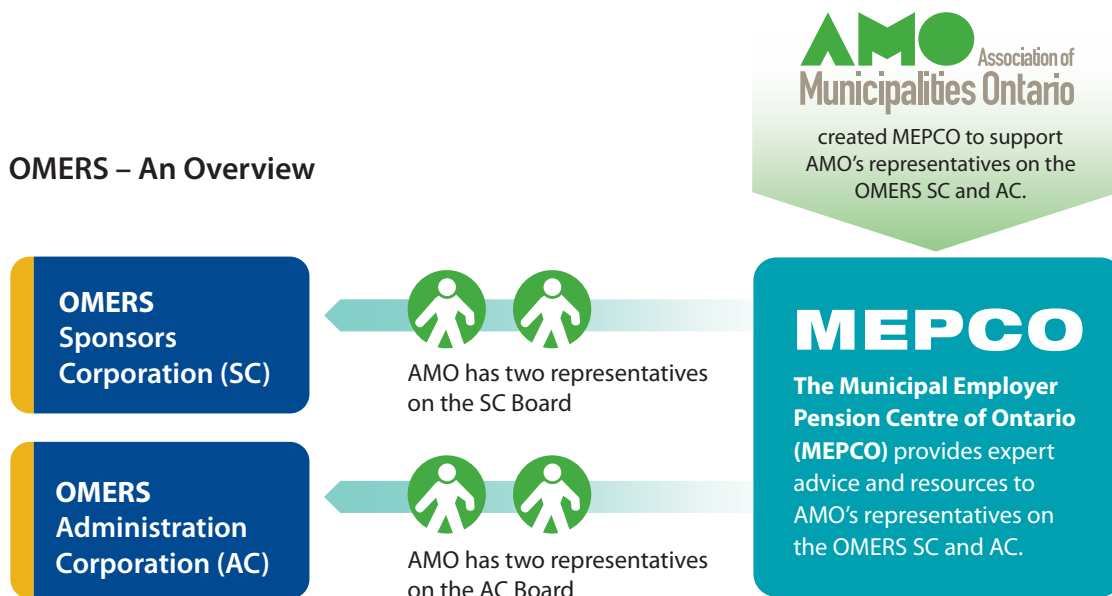
OMERS is governed by the Sponsors Corporation (SC) and the Administration Corporation (AC). In 2006, the Government of Ontario devolved itself from its central sponsorship role in OMERS. The OMERS SC replaced the Province as Plan sponsor and the AC assumed the role of the existing OMERS Corporation.

The SC is responsible for Plan design. The SC Board is made up of seven employee and seven employer representatives. AMO has two representatives on the OMERS SC.

The AC is responsible for the Plan's day-to-day operations, including determining investment strategy, Plan valuation and pension benefit administration. The AC Board is made up of an Independent Board Chair with seven employee and seven employer representatives. AMO has two representatives on the OMERS AC.

Working toward a sustainable OMERS Pension Plan

The adoption of the Funding Management Strategy was a major, positive step forward for OMERS employers and employees in managing budgets. We have made progress, but our work is far from complete. OMERS, like any comparable pension plan, will face more challenges in the future due to the volatility of global financial markets. MEPCO will continue to advocate changes that will return the Plan to full funding as soon as possible, so that it is stronger and healthier. A fully funded Plan will be better able to weather future challenges.



Glossary of Key Terms

Administration Corporation (AC)

The OMERS Administration Corporation manages the Plan's day-to-day operations including:

- Investment Strategy
- Plan valuation
- Pension benefit administration

The AC Board is made up of an Independent Board Chair with seven employee and seven employer representatives. AMO has two representatives on the OMERS AC.

Funding Management Strategy (FMS)

Approved in 2014, the Funding Management Strategy (FMS) describes what will happen to benefits and contributions as the Plan moves through periods of funding deficit and surplus. Municipal and other employer sponsors actively supported the development of the FMS.

MEPCO views it as a major step forward for OMERS employers and employees in managing budgets. It will have a positive impact on long-term sustainability by:

- Setting out a cap on contributions at a blended rate of 22.6%.
- Setting out a plan to set up and manage a reserve fund.

NRA 60

Many police officers, police cadets, firefighters and certain employees of police and firefighter associations have a Normal Retirement Age (NRA) of 60 years. The normal retirement pension is paid monthly, for life from Normal Retirement Age.

NRA 65

Most OMERS members have a Normal Retirement Age (NRA) of 65 years.

OMERS Act (Bill 206)

The *Ontario Municipal Employees Retirement System Act, 2006 (OMERS Act)*, also referred to as Bill 206, established a new and independent governance model for OMERS with the creation of the Sponsors Corporation to replace the Ontario Government as Plan sponsor. The Act fundamentally changed AMO's role in OMERS governance and administration by legislating AMO to appoint employer representatives to the Sponsors Corporation and Administration Corporation. The transfer of the Province's governance role in OMERS to the Sponsors Corporation is referred to as **devolution**.

OMERS Employer

Employers that are members of the OMERS Pension Plan are called OMERS Employers. Contributions to the OMERS Pension Plan are split equally between employer and employee.

OMERS Employee/Plan Member

Members of the OMERS Plan include active members (i.e. employees) who contribute to the OMERS Pension Plan as well as members who are not currently contributing to the Plan such as retired people receiving a monthly pension.

Pension Benefits Act

The Pension Benefits Act (PBA) is legislation that regulates pension plans in Ontario.

Retirement Compensation Arrangement (RCA)

The OMERS Retirement Compensation Arrangement provides benefits to members whose pension benefits exceed the limit set out in the *Income Tax Act and Regulation (ITA)*. The RCA is a separate arrangement from the OMERS Primary Plan with specific tax treatment.

Specified Plan Change (SPC)

A Specified Plan Change (SPC) is defined by the OMERS Act, 2006 as:

- A change to benefits of any of the OMERS pension plans.
- A change to contribution rates for members or employers.
- A change to or establishment of a reserve.

SPC proposals are made to the Sponsors Corporation Board and require a two-thirds majority for approval. The SC Board can decide to move a rejected proposal to mediation/arbitration by a simple majority.

Sponsors Corporation (SC)

The Sponsors Corporation determines Plan design and is responsible for:

- Determining changes to benefits and contribution rates.
- Setting compensation levels and appointment protocol for both the Administration Corporation and the Sponsors Corporation.

The SC Board is made up of seven employee and seven employer representatives. AMO has two representatives on the OMERS SC.

Supplemental Plan for Police, Firefighters and Paramedics

The Supplemental Plan offers optional "top up" benefits in addition to the OMERS Primary Plan to members of the police sector, firefighters and paramedics.

YMPE

The Year's Maximum Pensionable Earnings (YMPE) is the earnings limit defined under the Canada Pension Plan (CPP). Employers collect CPP contributions from employees up to this limit each year.