



Plan for the Future

NRA 60 for Paramedics

March 26, 2019

OMERS

Agenda

From NRA 65 to NRA 60



- Plan Amendment Overview
- Class & OMERS NRA Membership
- How Are Members Affected by the Conversion to NRA 60?
- Who is Likely to Benefit?
- Illustrations



This presentation provides a high-level overview of the NRA 65 to NRA 60 conversion process, and is not meant to be exhaustive. For more information, please contact OMERS.

The Plan Amendment

NRA 60 Eligible Groups

OMERS

Current NRA 60 Eligible Groups



Firefighters



Police

NRA 60 Eligible Groups Effective January 1, 2021



Firefighters



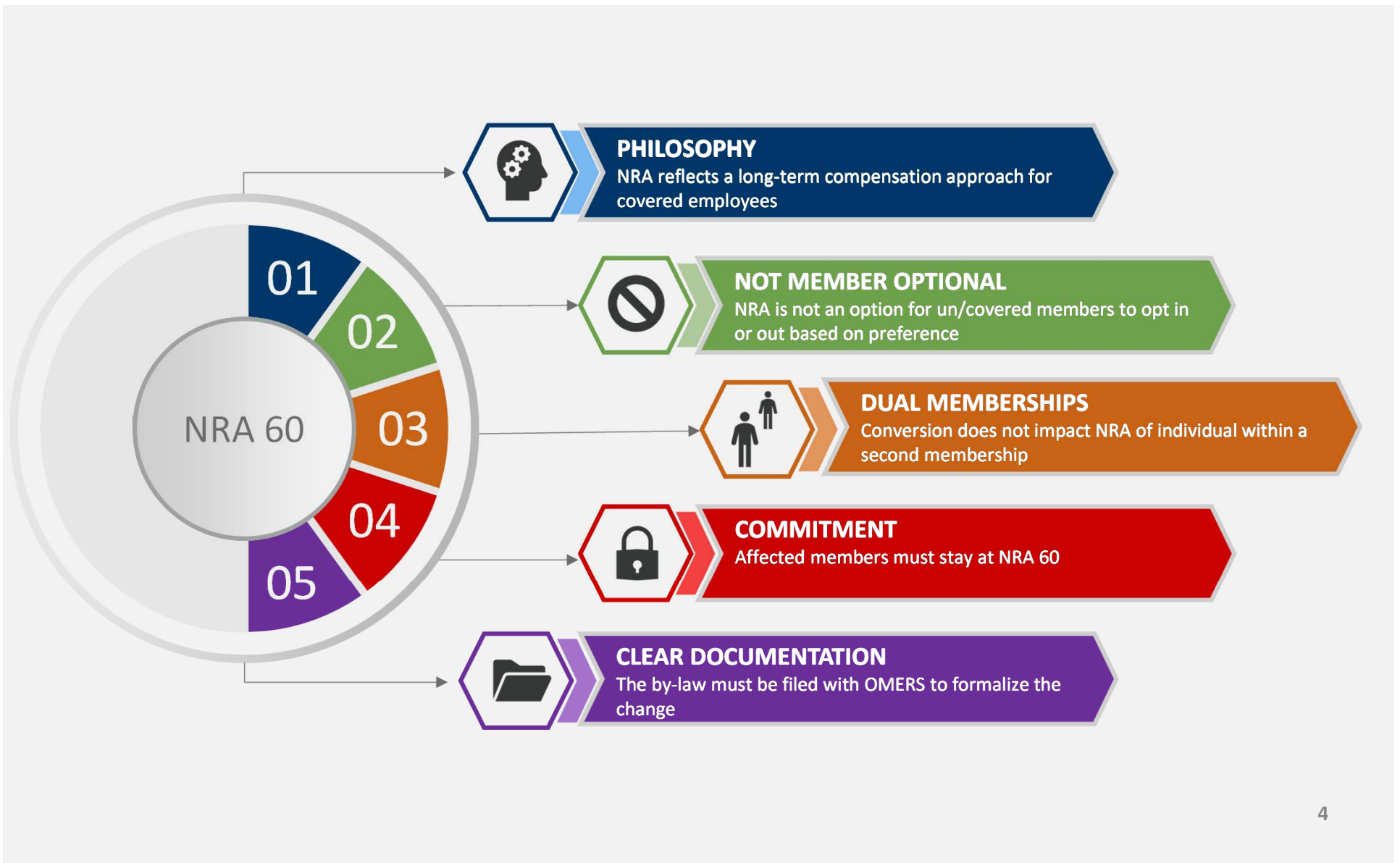
Paramedics



Police

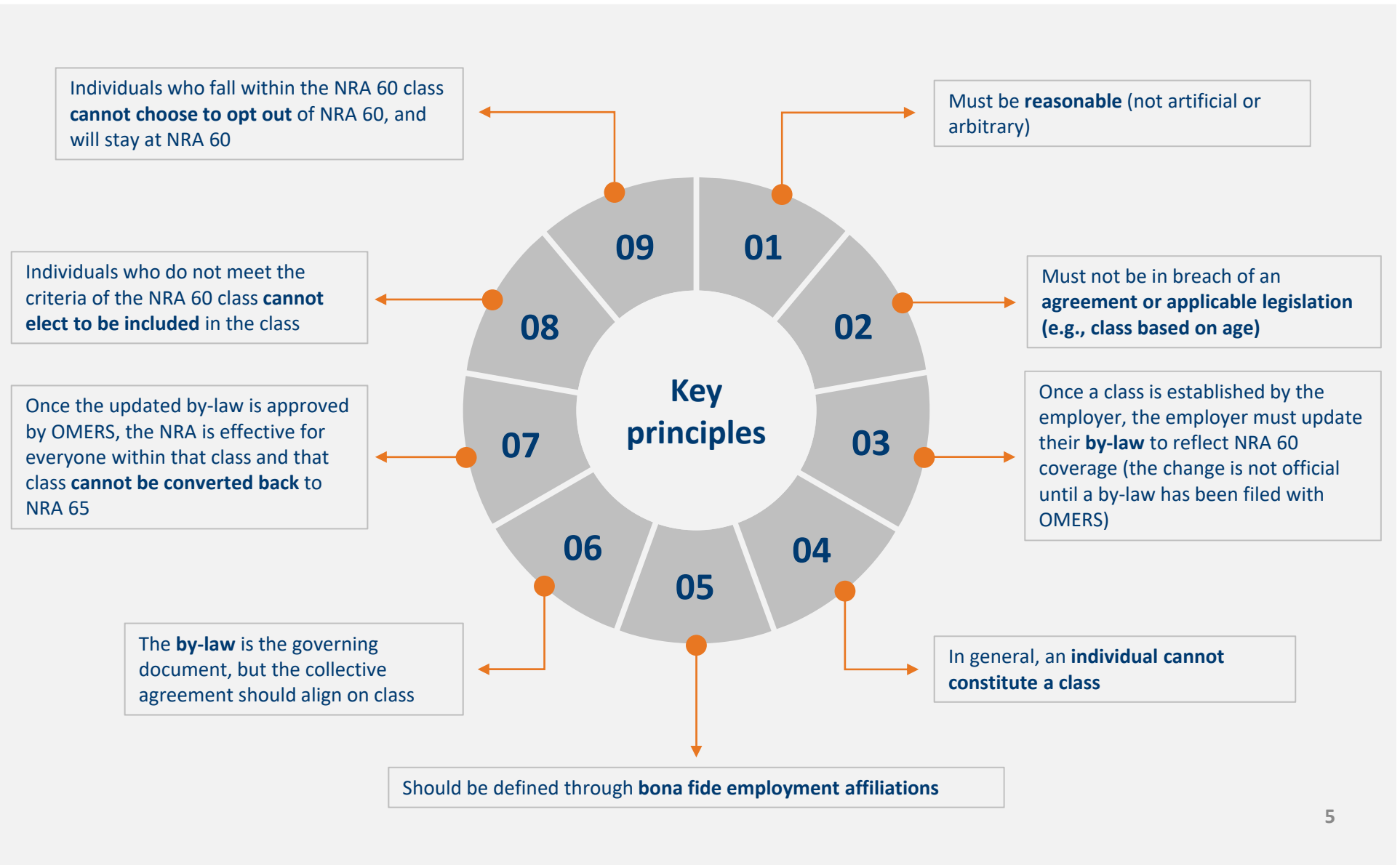
Actual participation is subject to negotiation

Changing NRA



Class and OMERS NRA Membership

Key Principles



How Does “Hire Date” Operate as a Class?

By-law Options

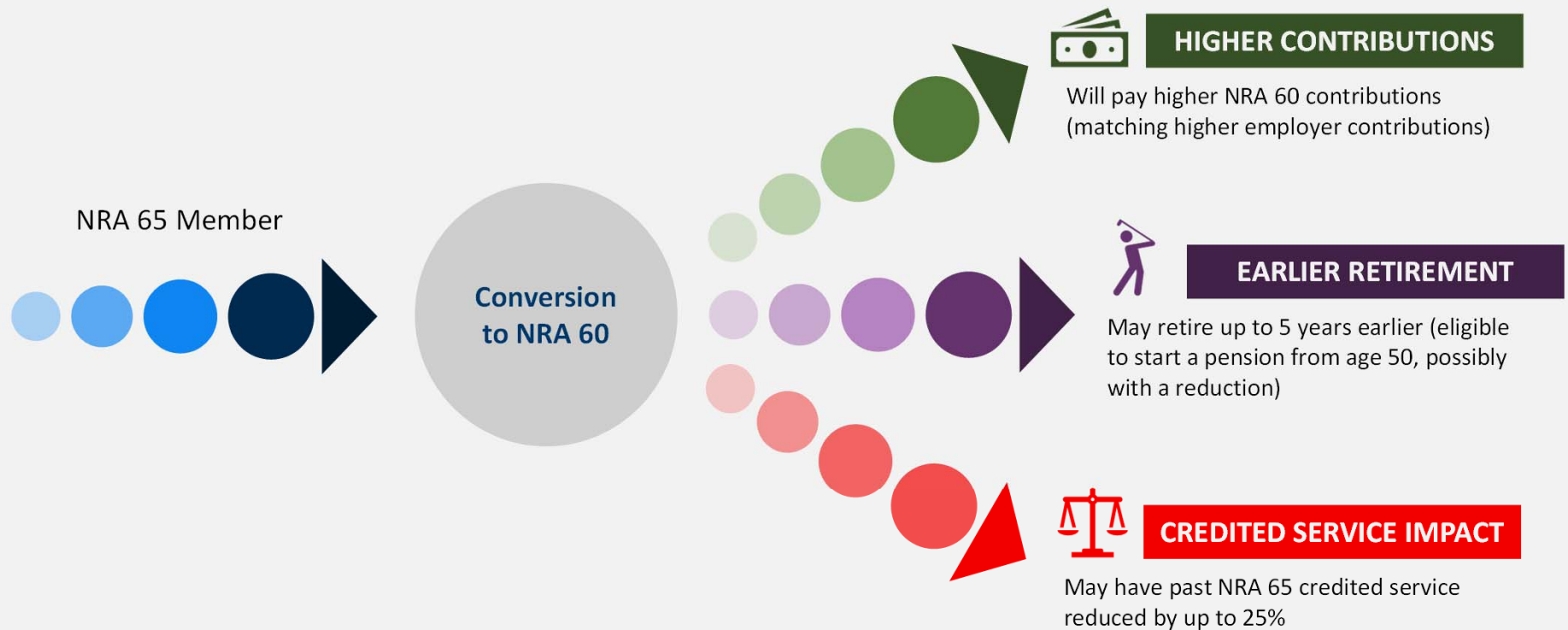


	SAMPLE BY-LAW OPTIONS			
	ALL PARAMEDICS ARE NRA 60	ALL PARAMEDICS HIRED BEFORE <DATE> ARE NRA 60	ALL PARAMEDICS HIRED ON OR AFTER <DATE> ARE NRA 60	ALL PARAMEDICS HIRED BETWEEN <DATE> AND <DATE> ARE NRA 60
Impact to existing paramedics	Converted to NRA 60	Converted to NRA 60 (if hired before applicable date)	Remain at NRA 65 (if hired before applicable date)	Paramedics hired during hiring period are NRA 60, and those hired before and after that period are NRA 65**
Impact to new paramedics	NRA 60*	NRA 65**	NRA 60*	Paramedics hired during hiring period are NRA 60, and those hired before and after that period are NRA 65**

* Unless employer creates a future distinct new hire date NRA 65 class

** Unless employer creates a future distinct new hire date NRA 60 class

How Are Members Affected by the Conversion to NRA 60?



NRA 60 Contribution Rates are Higher than NRA 65 Contribution Rates



The applicable 2019 Primary Plan contribution rates for members and employers are as follows:

On earnings	NRA 65 members	NRA 60 members
Up to the CPP earnings limit*	9.00%	9.20%
Over the CPP earnings limit*	14.60%	15.80%

*The CPP earnings limit in 2019 is \$57,400

Effect on Member Contributions



The change from NRA 65 to NRA 60 will affect the member's contributions as follows:

Estimated contributions ⁽¹⁾				
Annual Salary	NRA 65	NRA 60	Increase per bi-weekly pay period	Annualized increase
\$50,000	\$173	\$177	\$4	\$104
\$60,000	\$213	\$219	\$6	\$156
\$70,000	\$269	\$280	\$10	\$260
\$80,000	\$326	\$340	\$15	\$390
\$90,000	\$382	\$401	\$19	\$494

⁽¹⁾ Rounded to the nearest dollar. Contribution rates can change over time.
Assumes continuous full-time service in 2019.

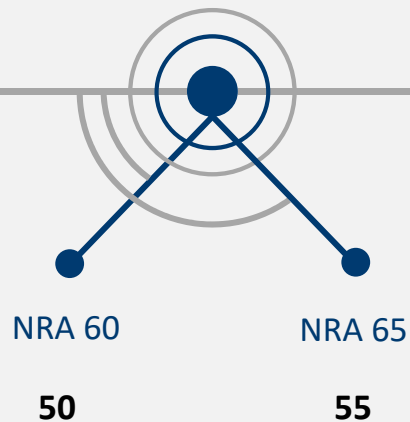
*The estimated annual increase in member contributions if all OMERS paramedic members were to become NRA 60 members would be roughly **\$4 million** (annual employer costs would increase by the same amount).*

Earlier Retirement & Unreduced Pension

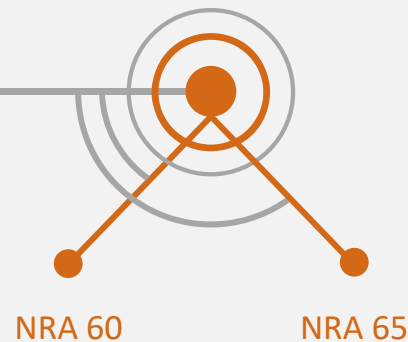
Qualifying Rules



EARLIEST RETIREMENT AGE



UNREDUCED RETIREMENT AGE



EARLIEST OF

60	65	NORMAL RETIREMENT AGE
30 YEARS	30 YEARS	CREDITED AND ELIGIBLE SERVICE
85 FACTOR	90 FACTOR	AGE PLUS CREDITED AND ELIGIBLE SERVICE
5%	5%	% REDUCTION FROM UNREDUCED RETIREMENT AGE

WHAT IS ELIGIBLE SERVICE?

Eligible service is employment service with any OMERS employer that is not credited service. Eligible service does not include volunteer service.

WHY IS ELIGIBLE SERVICE IMPORTANT?

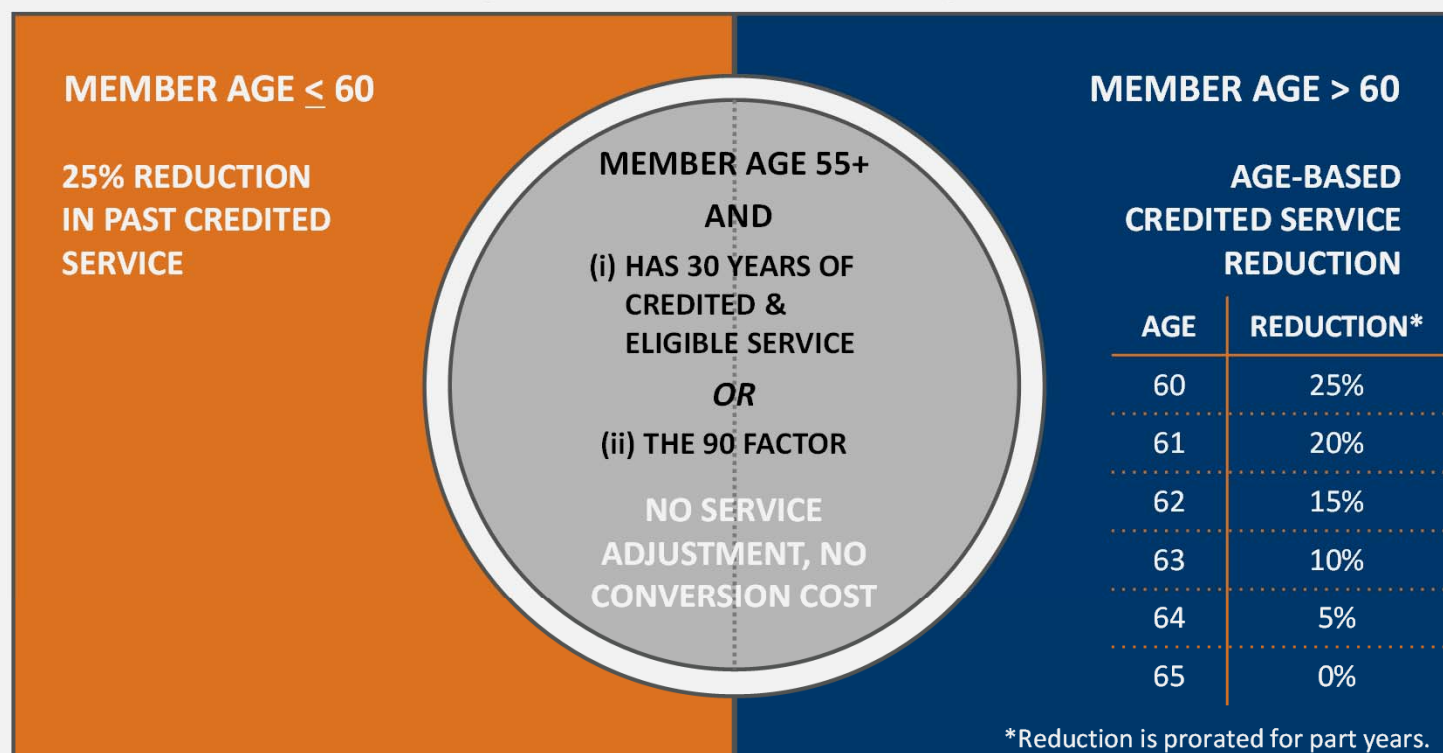
Eligible service can help bring the member closer to an unreduced early retirement pension; however, it does not change the credited service used in the OMERS Plan pension formula.

Note: Benefit calculation changes for early retirement (for members who terminate before retirement) are calculated differently on pre-2013 and post-2012 credited service. Please contact OMERS for more information.

NRA 60 Conversion Service Adjustment



When a member's NRA changes from 65 to 60, the NRA 65 past credited service is reduced



Any unpurchased service adjustment is restored automatically by OMERS if the member is still active in the Plan when the cost has reduced to \$0, which is around the time the member attains unreduced NRA 65

Why is Credited Service Reduced When Members Convert to NRA 60?



NRA 60 Conversion



NRA conversion from 65 to 60 results in reduced past credited service

CREDITED SERVICE

WHY?

Because the member is now entitled to retire with a normal retirement pension five years earlier than if he or she had an NRA of 65

Conversion Cost



Buying the service adjustment can restore your credited service

CREDITED SERVICE

Paying For the Service Adjustment



A member can purchase...

None

Some*

All

SERVICE ADJUSTMENT OR **SERVICE ADJUSTMENT** OR **SERVICE ADJUSTMENT**



FORM OF PAYMENT

- (1) Cash contributions which are tax deductible
- (2) Can use other registered funds (e.g. RRSPs, LIRAs, AVCs)



NON-REFUNDABLE

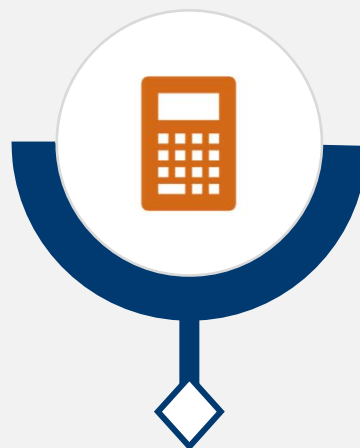
Like an insurance product, service adjustment purchases are non-refundable, even if the member continues to work to a point where the conversion cost would have otherwise reduced to below what the member paid, or to \$0

* If a member only buys some of the service adjustment, OMERS will restore the oldest periods of service first

How Long Does a Member Have to Buy the Service Adjustment?



Initial conversion cost
is only valid for
6 months



After 6 months, an
updated cost can be
requested to buy the
service adjustment

The updated cost can
be higher or lower
than the initial cost*



Any service
adjustment purchase
must be completed
while member is an
active member in the
Plan and cannot be
retroactive after
termination or
retirement

*The cost will increase as the member approaches the age they become eligible for an unreduced NRA 60 pension. Then, the cost typically starts to decrease and will reduce to \$0 around the age the member becomes eligible for an unreduced NRA 65 pension.

Who is Likely to Benefit?

Converting to NRA 60



SUMMARY OF VALUE ANALYSIS*

UNLIKELY TO
BENEFIT
(~40%)

MAY OR MAY
NOT BENEFIT
(~40%)

OMERS
PARAMEDICS

LIKELY WILL
BENEFIT
(~20%)

Members who, after conversion, are likely to receive more value in benefits from the contributions they pay as NRA 60

Members who already qualify for unreduced NRA 65 (small percentage)

Members with a future unreduced NRA 60 date that is equal to the member's unreduced NRA 65 date (small percentage)

Members who, after conversion, are likely to receive less value in benefits from the contributions they pay as NRA 60

These members are expected to qualify for an unreduced NRA 60 pension before age 55

They are likely to benefit from conversion only if they retire before age 55

ASSUMPTIONS

- (1) members do not purchase the service adjustment
- (2) members retire on their NRA 60 earliest unreduced date
- (3) males live to age 86, females to age 89
- (4) a male spouse is 3 years older than his female spouse

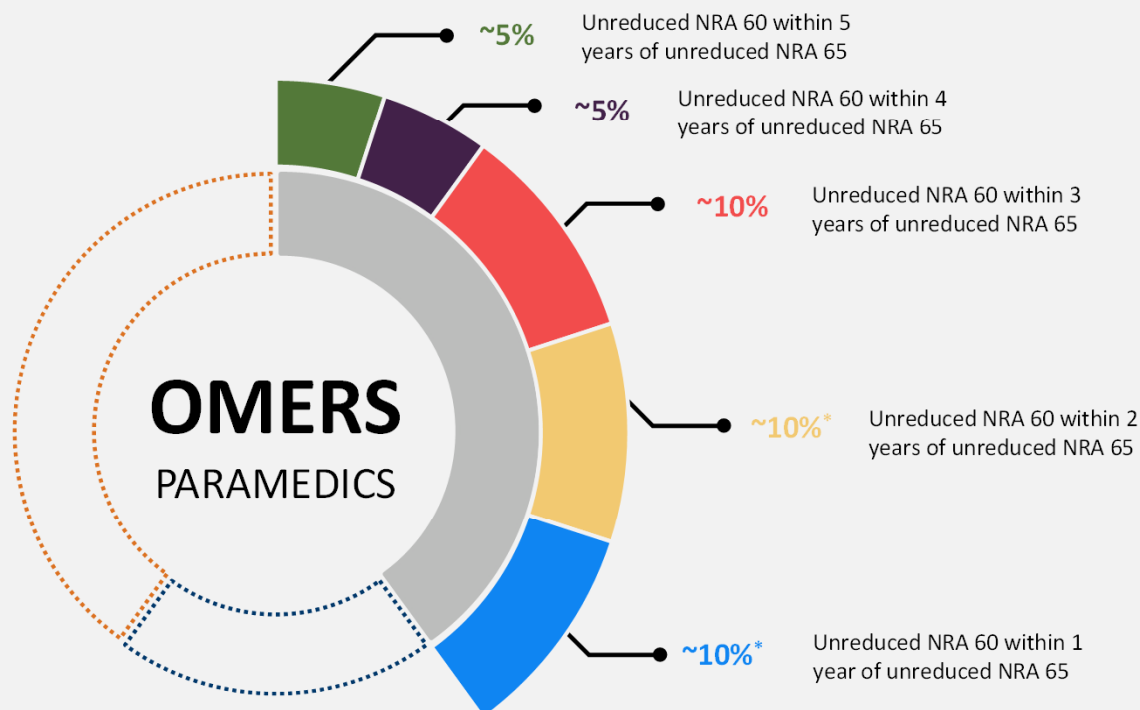
* Performed on members with NRA 60 earliest unreduced date at age 55 or later. The analysis considers the relative value of benefits and contributions as an NRA 60 member to the relative value of benefits and contributions as an NRA 65 member based on the above assumptions.

The Grey Area

Members Who May (or May Not) Benefit



PARAMEDICS QUALIFYING FOR UNREDUCED EARLY RETIREMENT AFTER CONVERSION

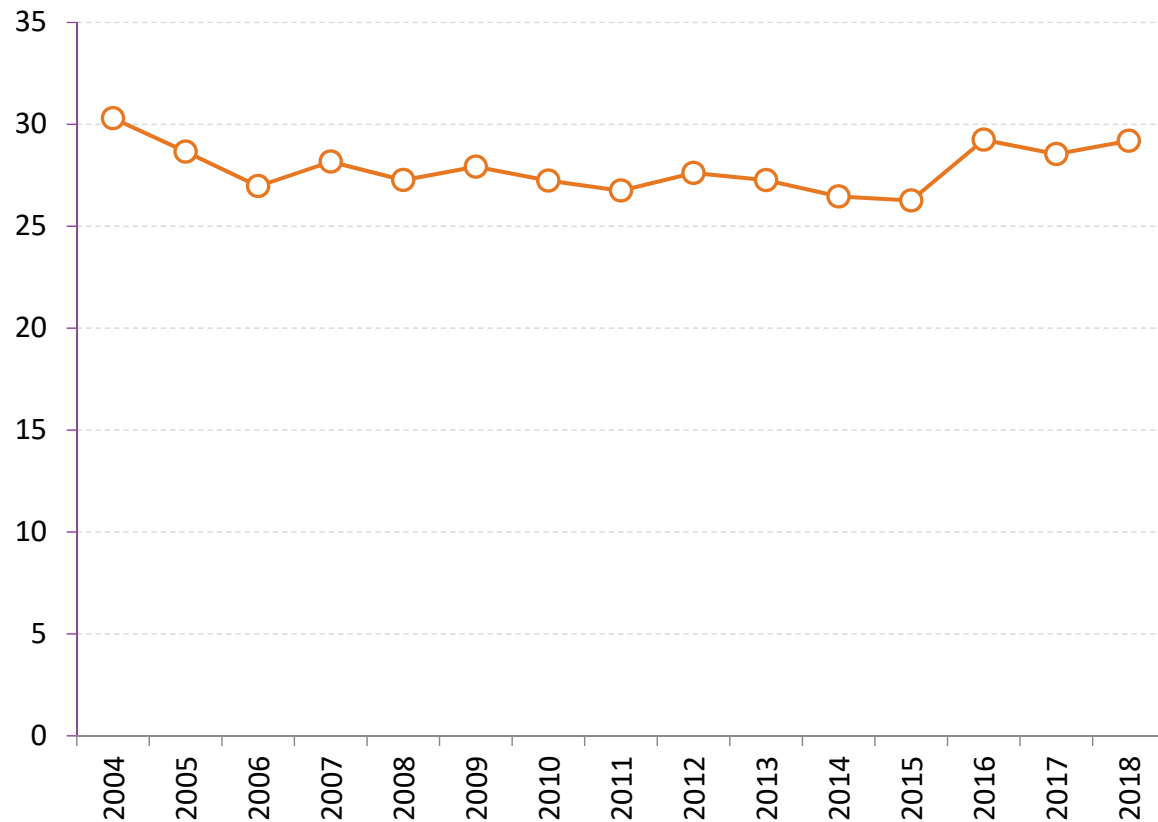


~40% of paramedics would qualify for unreduced NRA 60 early retirement before age 55. These members may or may not benefit depending on when they choose to retire.

- If they retire prior to age 55, conversion could be beneficial since the opportunity to retire is not available until age 55 under NRA 65
- If they delay retirement after age 55, conversion may or may not be beneficial depending on the additional value received from additional contributions under NRA 60
- If they retire on or after unreduced NRA 65 date, conversion would not be beneficial

* It is debatable whether these members would benefit from conversion given that their unreduced NRA 65 date is close to their unreduced NRA 60 date

Age at Hire Has Been Increasing in the Last 3 Years



The average age at hire:

- In the last 15 years: 27.9
- In the last 10 years: 27.5
- In the last 5 years: 27.6
- In the last 3 years: 29.1
- In 2018: 29.2

This analysis is based on the current active membership data and does not take into consideration those members who terminated or retired in previous years (although less likely to influence data for hires in last decade).

Can recent and future new hires benefit from NRA 60? It depends.



Consider a 28 year old hired in 2013

	Before Conversion		After Conversion	85 Factor					
Age	28.0	36.0	36.0	50.0	55.0	56.5	58.0	60.0	65.0
Eligible Service (service adjustment)	0.0	0.0	2.0	2.0	2.0	2.0	0.0	0.0	0.0
Credited Service	0.0	8.0	6.0	20.0	25.0	26.5	30.0	32.0	37.0
Eligible + Credited Service	0.0	8.0	8.0	22.0	27.0	28.5	30.0	32.0	37.0
				A		B	C		
Year	2013	2021		2035	2040	2041	2043	2045	2050
Early retirement reduction				40%	15%	0%	0%	0%	0%

Service Adjustment is automatically restored when eligible for unreduced NRA 65

85 Factor

- If the member's retirement goal is to retire:
 - A** as early as possible – NRA 60 is a benefit (since can only retire as early as age 55 as NRA 65). But will retirement this early provide sufficient retirement income?
 - B** with an unreduced pension – NRA 60 is likely a benefit since member satisfies 85 Factor at age 56.5 (would otherwise have to wait until age 58 as NRA 65)
 - C** with 30 years of credited service – NRA 60 is not a benefit (member would have had the exact same benefit at age 58 as NRA 65)
- The member may have other retirement / financial goals !

Your Group

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Each employer's paramedic group or class(es) are unique

Assess NRA 60 versus NRA 65 viability for your current and future employees





QUESTIONS?
We're Here to Help!

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