

# OMERS SC Contribution Rate Policy



SC CEO



Effective  
June 25, 2024

## SUMMARY

This Contribution Rate Policy (or Policy) provides policy direction to the SC Board in setting detailed contribution rates once the SC Board has set the overall blended contribution rate<sup>1</sup>.

In all circumstances, the SC Board must exercise its judgement based on the situation at the time, but particularly when situations arise which have not been contemplated by this Policy or where taking the actions proposed by this Policy would be imprudent due to the prevailing circumstances. The SC Board reserves the right to amend this Policy or make changes to contribution rates and/or benefit provisions (Plan Design Decisions) which do not follow this Policy, at its sole discretion.

Initial approval date:	June 24, 2020
Next review date:	June 2029
Frequency of review:	Every 5 years

## Introduction

OMERS provides a seamless pension promise that is funded through the OMERS Primary Pension Plan (Primary Plan) and the Retirement Compensation Arrangement for the OMERS Primary Pension Plan (RCA).

Policy direction to the SC Board in the setting of contribution rates for the seamless pension is provided through the Funding Management Statement, this Contribution Rate Policy and the RCA Funding Mechanism Policy.

The overall blended contribution rate is set by the SC Board, considering the policy direction provided by the Funding Management Statement, and in compliance with legislative requirements. This Contribution Rate Policy provides policy direction to the SC Board in setting detailed contribution rates once the overall blended contribution rate has been determined. Contributions to the Primary Plan are based on member contributory earnings up to the Allocation Threshold (as defined in subsection 1(1) of the Primary Plan), determined under the RCA Funding Mechanism Policy, whereas contributions to the RCA are based on member contributory earnings above the Allocation Threshold, determined under the RCA Funding Mechanism Policy.

## Principles for Contribution Allocation

Contributions to OMERS are based on four individual contribution rates, with different rates applying to member contributory earnings above and below the Year's Maximum Pensionable Earnings (YMPE), for each of the normal retirement age groups (NRA 65 and NRA 60).

<sup>1</sup> The combined total of employer and member contributions expressed as of percentage of contributory earnings.

The SC Board believes that the following principles should be adopted in setting the individual contribution rates:

- The contribution rates above and below the YMPE should be proportionate to the value of benefits accruing above and below the YMPE<sup>2</sup>.
- Differences between the contribution rates for the NRA groups should reflect only the difference in the value of pension benefits being accrued by each group, resulting from differences between the NRA 65 and NRA 60 benefit provisions.
- Differences in the actuarial cost of benefits being accrued that are attributable to differences in the demographic profile of members and their expected future experience should be pooled across the entire OMERS membership.

The SC Board believes this methodology strikes an appropriate balance amongst the principles of pooling, fairness across our diverse membership, transparency, value for money and limiting complexity.

### Monitoring & Adjusting Contribution Allocations

The SC will arrange for contribution rate studies to be conducted at least once every five years, with timing adjusted as practical to reflect any material new information (revisions to discount rate strategy, updated demographic experience studies, revisions to actuarial assumptions, material shifts in the demographic profile of membership, changes to plan design, changes to this Policy, etc.).

When deciding whether to adjust contribution rates, the SC Board will weigh the materiality of the difference between the contribution rates in effect and the contribution rates determined by the contribution rate study against the desire to maintain the stability of contributions and consider other prevailing circumstances.

### Policy Limitations / Exceptions

Notwithstanding the methodologies provided in this Policy, nothing in this Policy affects the existing terms of the OMERS pension plans.

No changes to benefits and/or contributions results solely from application of this Policy. Changes are made by a decision of the SC Board. All decisions made by the SC Board with respect to changes to benefits and/or contributions, either resulting from the application of this Policy or otherwise, must be enacted in accordance with SC By-Laws, and must otherwise comply with the requirements set out under the *Income Tax Act*, the *Pension Benefits Act*, the *Ontario Municipal Employees Retirement System Act, 2006* and any other relevant legislation and regulations.

### Policy Review

The SC Board will review and update or confirm this Policy at least once every five years.

Any amendment to, or repeal of, this Policy will require an affirmative two-thirds (2/3) vote of the SC Board Members.

#### ROLES & RESPONSIBILITIES

Policy Approver	OMERS Sponsors Corporation Board	Responsible for approving the Policy
Policy Sponsor	CEO, OMERS Sponsors Corporation	Ultimately accountable for the Policy, including its development, implementation, and administration
Policy Manager	Executive Director, Plan Design, Strategy & Risk, OMERS Sponsors Corporation	Responsible for the design and operational effectiveness of the day-to-day administration of the Policy
Policy Monitor	Executive Director, Plan Design, Strategy & Risk, OMERS Sponsors Corporation	Responsible for the monitoring, compliance, and reporting functions of the Policy

<sup>2</sup> More specifically, the difference between contribution rates above and below the YMPE for each of the NRA groups should be proportional to the difference in the actuarial cost of benefits accruing above and below the 5-Year Average YMPE measured on a combined basis across both NRA groups, but prior to adjusting contribution rates for the difference in benefit provisions across the NRA groups.