MEPCO
Municipal Employers Pension Centre of Ontario

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OMERS Deficit Grows Again

The OMERS plan will see a $1.5-billion deficit for 2009, up from the $279 million deficit at the end of 2008, which was addressed by a 0.15% per side contribution rate increase that took effect January 1, 2010. Pension obligations are increasing and solvency valuation continues to be part of the Plan. Additional stresses will be placed on the Plan too if certain amendments to Bill 236 are not made.

Further, the investment losses in the previous year means the Plan fund faces a $4.95-billion net loss. While the investments have rebounded in 2009, with some investment entities meeting their benchmark and others not, the Plan still has growing liabilities.

These liabilities will need to be addressed over the next three years. This means that the current combined contribution rate of 15.34% that employers and employees currently pay is projected to grow to more than 24% in 2013 in the absence of any changes, especially temporary changes to benefits. The impact of what this potential new rate means for municipal property tax payers is increased pension contributions in the magnitude $235 million annually. For the average plan member earning $60,000 per year, that would mean roughly $1,600 less in their take home pay each year.

MEPCO is investigating appropriate approaches to a long term funding strategy for the Plan because a year by year contribution adjustment is not fair to either employers or employees, and particularly so in these changing times. It certainly does not help the province as the transfer partner to employers for example school boards staff, children aids and municipal governments, not to mention the impact local electricity distributor and electricity rates. MEPCO believes that employers and employees must begin to seriously consider what level of total contribution to the OMERS Plan is sustainable and affordable now and over time.