

Supplemental Plan Information Session – June 13, 2008 Emergency Services Labour Forum



Our session today

1. Overview
2. Supplemental Plan Cost
3. Supplemental Plan examples
4. Requesting a cost estimate
5. Setting up a Supplemental Plan Agreement
6. After July 1, 2008
7. Supplemental Plan information

Supplemental Plan Overview

What is the Supplemental Plan?

- Stand-alone RPP which is separate from Primary Plan
- Funded by those who participate in Supplemental Plan
- Enhances or “tops up” the benefits in Primary Plan

Supplemental

Top Up

Primary

Supplemental Plan Overview

Who is covered by the Supplemental Plan?

Supplemental Plan is not automatically provided - only available to firefighters, police officers, police civilians and paramedics

Number of employers: 917

- 200 with police/firefighters/paramedics

Number of Active members: 246,000

- 40,000 police/firefighters/paramedics

Supplemental Plan Overview

Who is covered by the Supplemental Plan? (cont.)

- Supplemental Plan is not automatically provided
 - Coverage provided by the employer through a Supplemental Plan Agreement
 - Employer may provide benefits for a class or classes of firefighters, police officers, police civilians and paramedics – coverage date can be retroactive but not before July 1, 2008
 - Each class can only be provided with 1 provision every 36 months
 - If employer provides coverage, benefits would apply to all members in that class – individual member cannot opt out

Supplemental Plan Overview

Benefits Available

	Police Officers and Firefighters (NRA 60/65)	Paramedics (NRA 65)	Police Civilians (NRA 65)
2.33 Accrual rate	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
"Best three" earnings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
"Best four" earnings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Enhanced Early Retirement Factor:			
80 factor (NRA 60)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
85 Factor (NRA 65)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

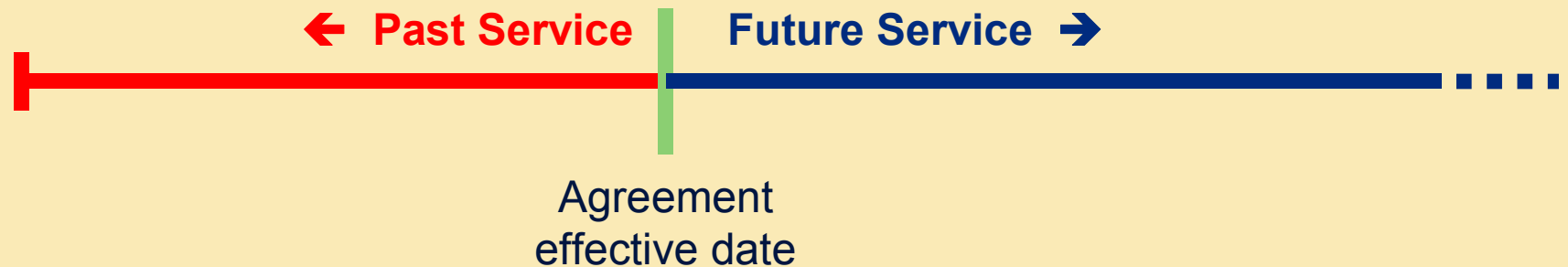
Supplemental Plan Overview

In most cases same terms and conditions as the Primary Plan.

- Same purchase rule for leave periods occurring after effective date of the agreement – if elect to purchase, must buy in both plans
- Same survivor benefits – but member can name a different beneficiary under the Supplemental Plan
- Same inflation protection
- Same disability benefits: includes waiver and pension as in Primary Plan
- 35-year service cap same as in Primary Plan
- No RCA pension – not viable for Supplemental Plan

Supplemental Plan Overview

Benefits paid by employers and members participating in Supplemental Plan



Past Service - prior to the agreement effective date

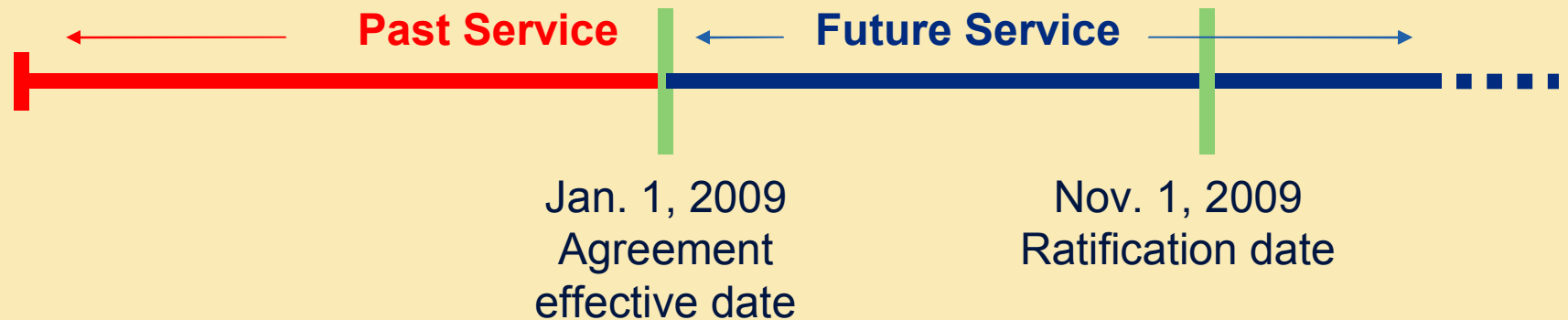
- Member pays total cost
- Member's choice to purchase

Future service - from the agreement effective date forward

- Contribution rate x contributory earnings
- Employer pays matching share
- If employer provides coverage members cannot opt out
- Agreement effective date can be first of any month but not before July 1, 2008

Supplemental Plan Overview

Agreement effective date - Example



- Agreement effective date can be retroactive but not before July 1, 2008
- With a retro Agreement Effective date of Jan. 1, 2009, all member and employer future service contributions from Jan. 1, 2009 to Nov. 1, 2009 are due within 60 days of Supplemental Plan agreement signing

Supplemental Plan Cost

Future Service contribution rates

Member Supplemental Plan *future service* contribution rates*. Employer matches. These rates are in addition to Primary Plan.

Supp. Plan Benefit Provision	Member NRA 60 rates			Member NRA 65 rates		
	Supp. Plan Costs	Primary Plan Rebound Costs	Total Costs	Supp. Plan Costs	Primary Plan Rebound Costs	Total Costs
2.33% Accrual	2.75%	0.2%	2.95%	2.35%**	0.3%	2.65%**
Best three	1.1%	None	1.1%	.9%	None	.9%
Best four	.85%	None	.85%	.75%	None	.75%
Factor 80/85	.95%	None	.95%	.75%	None	.75%

* Rates based on 1,000 members participating

** 2.33% coverage not available to police civilians

Supplemental Plan Cost

Rebound Costs

- Actuaries expect increased incidence of early retirement for the 2.33% coverage – this impacts the Primary Plan
 - Additional contribution must be made to the Primary Plan to cover expected additional liability associated with increased early retirements (rebound costs)
 - Only applies where employer provides the 2.33% coverage – impacts future service contributions only

Supplemental Plan Cost

Administrative Expense – Future Service

- Future service contribution rate includes an administrative expense
- Same admin. expense loading regardless of benefit provision
 - 2.33% provision – expense loading is approx. 1/5th of the contribution rate (0.55%/2.95% = 19%)
 - “Best Three” – expense loading is 1/2 of the contribution rate (0.55%/1.1% = 50%)

Projected membership	500	1,000	2,500	5,000	10,000
Loading for member contributions	1.15%	0.55%	0.2%	0.15%	0.1%

Supplemental Plan Cost

Will costs change over time?

- Contribution rates represent the cost of the benefit and cost to administer the Supplemental Plan (no cross-subsidization)
- Supplemental Plan will be reviewed annually and rates may change depending on factors including total membership in Supplemental Plan, changes to key economic assumptions, etc.
- Current rates based on assumption of 1,000 members participating in Supplemental Plan
- In future, economies of scale may influence rates up or down

Supplemental Plan Example – NRA60

- The “2.33%” benefit is a top-up pension – it pays the difference between the Supplemental Plan rate (2.33%) and the Primary Plan rate (2%) for the period of supplemental credited service
- “2.33%” Supplemental Plan pension is calculated as follows:

2.33%	X	Supplemental Plan credited service (years)*	X	“Best five” earnings
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Less

2.0%	X	Supplemental Plan credited service (years)*	X	“Best five” earnings -----
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Top-up pension

*maximum 35 years

2.33% accrual rate Example – NRA60

- Roger: age 42, current contributory earnings of \$73,596
 - employer provides 2.33% coverage
- Roger retires 10 years later (at age 52)
 - Service = 20 years past service + 10 years future service
 - “Best five” earnings = \$97,027 – assumes future contributory earnings increase by 3.5% each year from age 42 to retirement
- Supplemental pension: if Roger *does not* purchase past service

$$2.33\% \times 10 \text{ years} \times \$97,027 = \$22,607$$

Less

$$2\% \times 10 \text{ years} \times \$97,027 = \$19,405$$

Annual supplemental top-up pension = **\$3,202**
(future service only)

2.33% accrual rate Example – NRA60

- Roger *purchases* his 20 years of past service at age 42 (cost = \$75,600)
- The additional top-up pension Roger would receive for the past service purchase is:

$$2.33\% \times 20 \text{ years} \times \$97,027 = \$45,214$$

Less

$$2\% \times 20 \text{ years} \times \$97,027 = \$38,810$$

$$\text{Total annual supplemental top-up pension} = \mathbf{\$6,404}$$

(past service only)

$$\text{Break even } \frac{\$75,600}{\$6,404} = \text{Approx. 12 years}$$

Requesting a cost estimate (via employer)

Employer's process – requested using employer's on line tool (e-access):

- Employer uploads electronically class details and updated contributory earnings information - **2008 example**:
 - OMERS will not have 2008 contributory earnings information on its records and may not have 2007 information (depends on when the employer submits the 2007 data)
 - Employer can provide 2007 and 2008 earnings and identify members in the class through on-line upload which improves the accuracy of the estimate
 - Once information uploaded on-line, employer submits and OMERS system calculates past and future service costs

Requesting a cost estimate (via Employer)

- No charge if costing request done through e-access. If not via e-access, a fee will be charged
- When employer processes a costing estimate, a union/association version is automatically produced at the same time.
(Association/union receives same cost information, but no member identification data for confidentiality reasons)
- Employer to distribute copy to union/association
- OMERS will send notice to union/association when cost estimate is submitted by employer

Requesting a cost estimate (via Association)

- If Association/union requests cost estimates directly from OMERS:
 - Association/union completes form on OMERS web site and mails the form with cheque for \$500 to OMERS
 - OMERS staff produce cost via the employer's on-line tool using the salary information available on OMERS records (less accurate as earnings on OMERS records will not be up-to-date)
 - OMERS staff will send Association version of the cost estimate to the Association
 - OMERS will send email to employer advising that cost estimate was produced on their on-line site – employer will pick up their version of the cost report from their on-line site

Requesting a cost estimate – see appendix A

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OMERS
Supplemental Plan Cost Estimate Report

Page: 2
EBI101

Employer Name: CITY OF EXAMPLE
Group Number: 123456

Date Requested: Jul-11-2008
User ID: sol301000

Supplemental Plan Provision: 2.33% accrual rate

Future Service

Contributions Rates*

Effective From: Jul -01-2008
Effective To:

	<u>Supplemental Plan RPP</u>	<u>Primary Plan RPP Rebound</u>
Below YMPE:	2.75%	0.20%
Above YMPE:	2.75%	0.20%

Supplemental Plan Class Contribution Totals by Year - Estimated Member Cost

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
RPP	\$161,513	\$334,331	\$346,032	\$358,144	\$370,679	\$383,652

Supplemental Plan Class Contribution Totals by Year - Estimated Employer Cost

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
RPP	\$161,513	\$334,331	\$346,032	\$358,144	\$370,679	\$383,652

Past Service

Total estimated member cost required to purchase all past service for the class as of the Agreement Effective Date: \$8,158,052

Notes:

- *The latest contribution rates in effect have been used to calculate the above future service estimates as future contribution rates cannot be predicted in advance.
- All amounts are rounded to the nearest dollar.
- The above Supplemental Plan class contribution totals include both Supplemental Plan RPP contributions and Primary Plan Rebound RPP contributions where applicable.
- The estimated costs are not guaranteed and are subject to change.
- 4 Member(s) are excluded from the Past Service Cost Estimate as they are not eligible to purchase past service (i.e. no past service or not actively employed).

Setting up a Supplemental Plan Agreement

- Employer enters into an agreement with the Administration Corporation (by-law and signed agreement)
 - Employer enters agreement information, identifies members in class and the effective date of the agreement – processed through employer's on-line tool
- New Supplemental Plan member receives "Welcome Package" which includes member past service purchase costs and payment options

After July 1, 2008

- Initial funding is only available for Supplemental Plan project costs
- Starting July 1, 2008, certain costs must be paid for by Employer and/or Member Associations - examples are shown below:
 - Presentations on Supplemental Plans - \$500*
 - Costing requests done by OMERS staff - \$500

*Plus expenses if applicable

Supplemental Plan Information

- On schedule to administer Supplemental Plan benefits starting July 1, 2008 (initial functionality implemented – project continues on until December 31, 2008)
- There is additional information on OMERS web site:
www.omers.com



Supplemental Plan

Questions?