



## **Municipal Retirees Organization Ontario**

**Protecting the Pensions and Enhancing the Quality of Life for all OMERS Pensioners**

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### **SPEAK UP FOR DEFINED – BENEFIT PENSIONS !**

Message from William Harford, President,  
Municipal Retirees Organization Ontario

#### **Under Attack**

**Listen for it.** You're in Tim Hortons and you hear it. You hear it in the Legion.

**Watch for it.** You read it in a newspaper column. You see a corporate tycoon on TV.

Not fair, not affordable, not deserved... they are talking about YOUR PENSION and the pension of those active employees – mostly now in the public sector - who still have a Defined-Benefit Pension Plan.

We are older people. We don't like what we are hearing, but we don't want to get involved. But it's time. Whether as pensioners, as parents, or as grandparents, it's time we spoke up and talked back. The retirement years of our friends, our neighbours, our children, and our grandchildren are under attack.

#### **What is a Defined Benefit Pension Plan?**

A Defined-Benefit Pension (like OMERS) is one that pays a pre-determined amount to you in retirement. You can calculate in advance what your retirement income will be. Typically, the benefit (pension payment) is based on your income when employed (such as your career earnings, as in the case of the CPP, or best five years earnings, as in the case of OMERS) and the number of years you paid into the pension plan. However, the amount that you and your employer have had to pay into the pension plan may vary, depending on investment returns and other factors.

The contrast is either no pension at all, or a Defined- Contribution plan. A Defined-Contribution Plan stipulates how much you and your employer will contribute, but does not enable you to calculate in advance how much you will have to live on when you retire. The

pension you receive will depend on investment returns and the value of your (and your employer's) contributions when you retire.

### **Did you deserve a good pension?**

Many of those criticizing public sector pensions make it sound as if we are “pulling a fast one” on the taxpayers and rate-payers, getting away with something, not worth it. I resent that tone. I worked as hard as most of my friends and neighbours; I brought as much knowledge and skill to the job; I earned my pay. And the promise of a decent pension was part of that pay.

How about you? Did you bring skill and dedication to your work? Did you give a decent day's work for a decent day's pay? Did you deserve your pension?

Yes you did! **SPEAK UP!**

### **Do our successors in local government deserve a good pension?**

What about today's social workers and public health nurses? They deal with the horror of drug-addicted mothers and abused children, the squalor of the homeless in our cities, the misery of old age in poor remote areas, with insect infestations and rotting teeth, with overburdened families and mental illness, with those who never quite get a leg up.

Do they deserve a good pension? Yes they do! **SPEAK UP!**

What about today's police officers? They are first on the scene at gruesome traffic accidents and dangerous domestic disputes. They do their best to keep hard drugs from our high schools and the dangerous drivers from our highways. They must act with wisdom, fairness, and split-second authority when threatened by the drunken brawler, the mentally ill, or the high and mighty.

Do they deserve a good pension? Yes they do! **SPEAK UP!**

What about today's public works and utility operators? They plough snow in the dark and dizzying blizzards, they dig up putrid sewers when the lines are blocked, they restore power lines in all weathers, they dig the graves for those we loved, they patch the roads and plan our parks.

Do they deserve a good pension? Yes they do! **SPEAK UP!**

What about today's executives? They take on levels of responsibility that fray their nerves and haunt their sleep. They tiptoe that fine line between what employees want and deserve and what the taxpayers and customers want and deserve. They faithfully serve the councils, boards and committees upon which our democracy depends, often through gritted teeth and very public controversy.

Do they deserve a good pension? Yes they do! **SPEAK UP!**

What about today's inspectors and bylaw officers? Due to them, newly built homes are safe for the buyers that will put their life savings into them and the families that will occupy them. They step into disputes about fences and trees and dogs and noise, when simple neighbourliness breaks down and we feel helpless. They keep the wrecked cars from littering our streets and hazardous wastes from polluting our water.

Do they deserve a good pension? Yes they do? **SPEAK UP!**

If we don't speak up for our pensions and the pensions of those who came after us, it's becoming clear. **No-one else will.** We earned them. What we did was valuable. What our successors do is valuable still. Good defined-benefit pensions are **not** a "rip-off".

### **What about Private Sector employees?**

Good defined-benefit pension plans are becoming rare for employees in the private sector, and too many retirees are having their pensions cut or threatened by company bankruptcies, underfunding, or poor management.

Where have our governments been? Better ways to preserve defined-benefit pensions in private industry have been known for ages. As recently as 2008, the Ontario Expert Commission on Pensions explained them in detail.

- Don't let pension plans get dangerously under-funded. The money should still be there if a company goes broke.
- Make the pension accounts more transparent, so that employees and pensioners can find out whether the fund is being solidly funded and solidly managed. If not, pensioners should be able to request government intervention before their pensions go down the drain
- Require the consolidation of the investment of small pension funds, or contract the investment of these small funds to a large professionally-managed pension plan. Size matters... it opens up better and more diversified investment opportunities; it lowers the cost of investment management
- Promote joint employer-employee sponsored pensions plans, with independent management of the funds. The funds on which employees depend for their retirement livelihoods should not be kept on the company's books or in the company's accounts. If that means that employees have to buy their way into a 50/50 "say" by contributing 50/50 toward the pension fund, maybe that time has come?
- If necessary, look at "target benefit" pension plans. In New Brunswick, for example, some pensions have "core" promises that are absolutely guaranteed, while other

benefits are targeted and only provided if investment returns are good enough.  
After all, some defined and reliable pension is better than none at all

Where have our governments been when good defined-benefit pension plans in the private sector needed protection? Whether they make cars or clothes, whether they serve food in restaurants or serve depositors in banks, whether they mind children or mine nickel, private sector employees work hard and hope for a dignified old age too.

Do they deserve a good defined-benefit pension? Yes they do. **SPEAK UP** for them too!

### **The Real Story about OMERS**

Tired of hearing half-truths and just plain ignorance about OMERS? Here are some facts that those opposing our pension plan don't often seem to know.

- **OMERS cost to taxpayers**
  - OMERS members contribute 50/50 with employers to support their pension (this is generally not true in private sector pension plans and has not been true of the federal civil service pension plan , although that is changing)
  - OMERS members bear a share of the risk, and contribute to their pension with every paycheque
  - Over the past 20 years, 2/3 of the capital added to Plan has been through investment returns; only 1/3 was through shared employee/employer contributions
  - The average OMERS member **retiring in 2011** receives an annual lifetime pension of about \$23,000 (excluding a bridge benefit payable to early retirees until age 65). \$23,000... not \$100,000, not \$200,000
  - For all existing OMERS retirees, the average pension being paid is about \$18,000 per year. \$18,000... not \$100,000, not \$200,000
  - The average OMERS retiree's annual lifetime pension amounts to only 30% to 50% of his/her annual compensation just prior to retirement
- **OMERS "Deficit"**
  - Largely as a result of the 2008 global financial crisis, OMERS has projected an actuarial deficit of over \$9 billion by the end of 2012.
  - This "actuarial deficit" represents a long-term projection and is based on best estimates for the next 50, 60, or 70 years of numerous factors such as salaries and wages, life expectancies, retirement ages, investment returns and of course the pension benefits that have been promised. These factors are all subject to change
  - The actuarial deficit is NOT an indication of OMERS' ability to pay pensions in the short term.

- In fact, in 2011 OMERS collected \$2.7 billion in contributions, and paid \$2.4 billion in benefits. On top of that, OMERS owns \$55 billion in assets.
- In other words, unlike a government's annual budget deficit or a household debt, it is not a real deficit at all. There is no money being borrowed to cover pension payments and no interest being paid on the "deficit".
- The actuarial deficit is not new; OMERS has had a plan in place to deal with it since 2010.
- At that time, OMERS implemented a three-year plan of temporary employee/employer contribution rate increases and benefit reductions to address the actuarial deficit over the next 10 – 15 years.
- Furthermore, when OMERS returns to an actuarial "surplus" position, OMERS plans to roll back these employer and employee contribution increases
- There will be no further burden on employers or municipalities beyond the measures OMERS has already announced to deal with this "deficit" as it now stands.
- The Value of OMERS to the Canadian economy
  - Over 25,000 Canadians are employed in OMERS-owned or -controlled companies
  - 1 in about 20 people employed in Ontario is an OMERS member, set up for retirement without reliance on government assistance
  - OMERS has \$37 Billion invested in Canada

### **SPEAK UP!**

We have a good pension plan, one of the largest and most sustainable in Canada. Pension benefits cannot by law be changed for existing pensioners. You don't think our pensions are threatened.

Good. We don't think so either.

But let's not be complacent. In the private sector and across the USA, even pensioners are "sharing the pain" of pension cut-backs. We know the economy is bad and our manufacturing jobs are being exported overseas. We feel deepest sympathy for Nortel and other pensioners whose pensions have been diminished by company bankruptcies and pension plan underfunding. We hear the rumblings about record-high contribution rates, not just from headline-grabbing critics and Council members but also from some active employees.

It's time for us, OMERS pensioners, to speak up and set the record straight.