OMERS
Plan for the Future

Pension News

Number 32, December 2004

A newsletter for retired members of the OMERS pension plan

OMERS annual pension increase: 1.79% for 2005

Guaranteed inflation protection helps to protect the purchasing power of your pension

Each year, OMERS pensions increase to keep pace with inflation. On January 1, 2005, OMERS pensions will increase by 1.79%. The increase is applied to all types of pensions: normal and early retirement, disability and survivor.

Inflation protection is an important feature of the OMERS plan. It's guaranteed and it helps to maintain the purchasing power of your pension. For example, a member who retired in 1995 with a $15,000 annual pension would receive an annual pension of more than $18,000 in 2005.

Very few pension plans provide full inflation protection like OMERS guaranteed annual increase. Some pension plans provide annual partial inflation increases. Others provide occasional but not regular inflation increases. Many plans do not provide any inflation increases.

Calculating the increase

The increase is 100% of the inflation rate measured by the Consumer Price Index (CPI), up to a maximum of 6%. The CPI tracks the cost of living based on the price of a fixed "basket" of about 600 goods and services bought by a typical Canadian household.

- The September 2004 Index: 124.9
- The September 2003 Index: 122.7

Based on these figures, the year-over-year increase is 1.79%*. Statistics Canada rounds the CPI to one decimal place. OMERS calculates the increase to two decimal places, using CPI figures.

If your pension started after December 1, 2003, but before December 1, 2004, your increase is prorated. If your pension started December 1, 2004, you will not receive an inflation increase until January 2006.

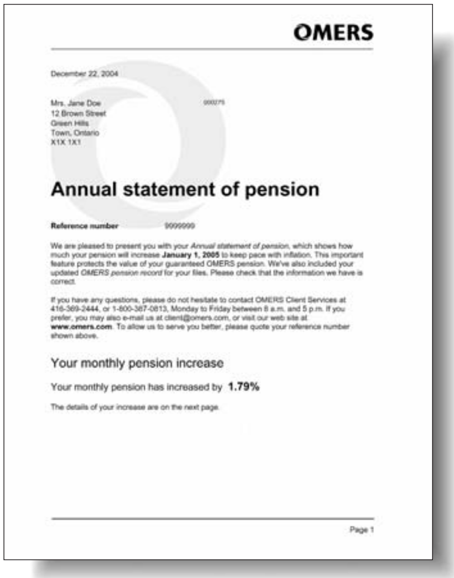
For more on OMERS inflation increases see "Ask the Chair" on page 7.

* (124.9 – 122.7) ÷ 122.7 x 100 = 1.79%

Retired members Anna Lam (left) and P. Gail Harrod check out *Pension News* after a focus group session at OMERS.

What's inside

About your annual statement



OMERS

December 22, 2004

Mrs. Jane Doe
12 Brown Street
Green Hills
Town, Ontario
X1X 1X1

000275

Annual statement of pension

Reference number 9999999

We are pleased to present you with your *Annual statement of pension*, which shows how much your pension will increase **January 1, 2005** to keep pace with inflation. This important feature protects the value of your guaranteed OMERS pension. We've also included your updated *OMERS pension record* for your files. Please check that the information we have is correct.

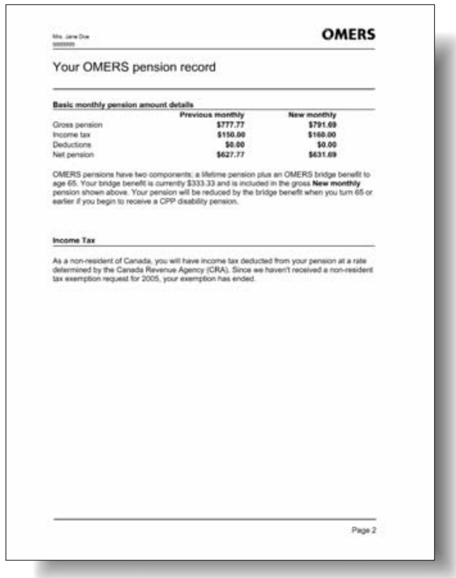
If you have any questions, please do not hesitate to contact OMERS Client Services at 416-369-2444, or 1-800-387-0813, Monday to Friday between 8 a.m. and 5 p.m. If you prefer, you may also e-mail us at client@omers.com, or visit our web site at **www.omers.com**. To allow us to serve you better, please quote your reference number shown above.

Your monthly pension increase

Your monthly pension has increased by **1.79%**

The details of your increase are on the next page.

Page 1



Mrs. Jane Doe
9999999

OMERS

Your OMERS pension record

Basic monthly pension amount details

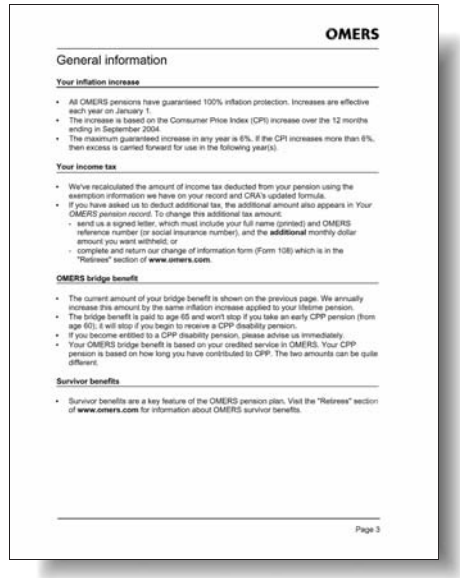
	Previous monthly	New monthly
Gross pension	$777.77	$791.69
Income tax	$150.00	$160.00
Deductions	$0.00	$0.00
Net pension	$627.77	$631.69

OMERS pensions have two components: a lifetime pension plus an OMERS bridge benefit to age 65. Your bridge benefit is currently $333.33 and is included in the gross **New monthly** pension shown above. Your pension will be reduced by the bridge benefit when you turn 65 or earlier if you begin to receive a CPP disability pension.

Income Tax

As a non-resident of Canada, you will have income tax deducted from your pension at a rate determined by the Canada Revenue Agency (CRA). Since we haven't received a non-resident tax exemption request for 2005, your exemption has ended.

Page 2



OMERS

General information

Your inflation increase

- All OMERS pensions have guaranteed 100% inflation protection. Increases are effective each year on January 1.
- The increase is based on the Consumer Price Index (CPI) increase over the 12 months ending in September 2004.
- The maximum guaranteed increase in any year is 6%. If the CPI increases more than 6%, then excess is carried forward for use in the following year(s).

Your income tax

- We've recalculated the amount of income tax deducted from your pension using the exemption information we have on your record and CRA's updated formula.
- If you have asked us to deduct additional tax, the additional amount also appears in *Your OMERS pension record*. To change this additional tax amount:
  - send us a signed letter, which must include your full name (printed) and OMERS reference number (or social insurance number), and the **additional** monthly dollar amount you want withheld; or
  - complete and return our change of information form (Form 108) which is in the "Retirees" section of **www.omers.com**.

OMERS bridge benefit

- The current amount of your bridge benefit is shown on the previous page. We annually increase this amount by the same inflation increase applied to your lifetime pension.
- The bridge benefit is paid to age 65 and won't stop if you take an early CPP pension (from age 60); it will stop if you begin to receive a CPP disability pension.
- If you become entitled to a CPP disability pension, please advise us immediately.
- Your OMERS bridge benefit is based on your credited service in OMERS. Your CPP pension is based on how long you have contributed to CPP. The two amounts can be quite different.

Survivor benefits

- Survivor benefits are a key feature of the OMERS pension plan. Visit the "Retirees" section of **www.omers.com** for information about OMERS survivor benefits.

Page 3

The *Annual statement of pension* you will receive in late December details your annual inflation increase. Changes to this year's statement include:

- Beneficiaries are no longer listed: Last year, the names of designated beneficiaries were listed on the statements. Comments received through Client Services indicated that because there normally is no residual refund remaining after five years of retirement (see "OMERS order of entitlement to survivor benefits," bottom right), it's not very helpful to list the names of beneficiaries. For this reason, designated beneficiaries are not listed on this year's statements.
- OMERS bridge benefit: If you are not yet age 65 and you are not receiving a Canada Pension Plan (CPP) *disability* pension, the current amount of your bridge benefit is shown in the "Basic monthly pension amount details" section. You will receive the bridge benefit until you turn 65 unless you begin to receive a CPP *disability* pension earlier. In previous years, the bridge benefit was listed as the Canada Pension Plan (CPP) offset.

Income tax

OMERS deducts tax based on the Canada Revenue Agency (CRA) taxation formula. The income tax shown on your statement includes:

- the tax (if any) based on your monthly pension payments, your federal and provincial income tax forms (TD1s) or country of residence information;
- the Ontario health premium (if applicable); and
- any additional tax you have asked OMERS to deduct from your pension.

The 2005 monthly health premium rates remain the same as the 2004 rates.

OMERS order of entitlement to survivor benefits

1. Your **eligible spouse** is first in line for a survivor pension.
2. If you don't have an eligible spouse, we will pay a pension to your **eligible children** for as long as they are eligible.
3. If you don't have an eligible spouse or children, **your beneficiary** on file with OMERS may be entitled to a residual refund. (After five years of retirement, most members have received pension payments that exceed their contributions plus interest, so there probably wouldn't be a residual refund.)
4. If you have no beneficiary on file with OMERS, we would pay any residual refund to **your estate**.

www.omers.com If you would like to read more about OMERS survivor benefits, check out *Retirees/When a member dies* on our web site.

OMERS President and CEO on the Fund's financial forecast

How the economic climate affects the Plan

OMERS, like most pension plans, is facing funding challenges.

The current climate

Despite an overall return of 12.7% in 2003 and a modest actuarial surplus of $509 million, the OMERS plan is expected to have a deficit of about $650 million by the end of 2004. OMERS is not alone; more than half the pension plans in Canada currently have deficits.

Pension plans, including OMERS, are dealing with several factors that have had an impact on their funding positions, such as:

- under-performing capital markets in recent years that resulted in much lower returns and a drop in asset values;
- low interest rates; and
- an aging population, and a corresponding increase in the proportion of retired people and in the number of pensions being paid.

How we got here

The unusual combination of strong market returns, low inflation, and low wage growth in the late 1990s made it a very good time for pension plans. OMERS ended the nineties with a surplus of more than $5 billion, like most other plans.

Responding to our stakeholder desires, OMERS plan benefits were enhanced. Also, because the surplus was greater than federal tax legislation allowed, OMERS had to impose a contribution holiday. During that period more than $5.3 billion in contributions did not flow into the Plan.

Then interest rates continued to decline and the stock markets collapsed. We are working our way out of this dilemma, and will be for a number of years to come.

What OMERS is doing

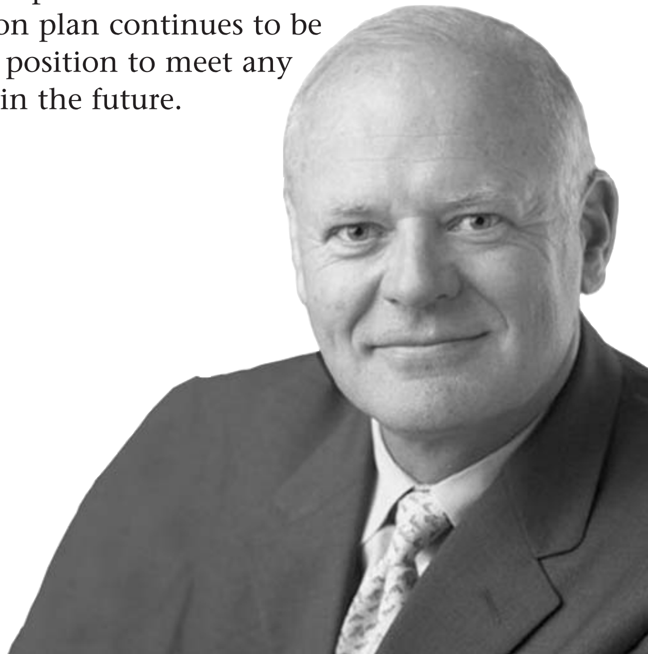
OMERS, along with other pension plans, successfully lobbied the federal government to change the *Income Tax Act* regulations that required a full contribution holiday once a plan's assets reached 110% of liabilities. Now a plan like OMERS in a surplus position no longer has to have a full contribution holiday, but can gradually reduce contributions instead.

The Board also implemented its new investment strategy this year, including a change in our asset mix to focus on alternative investments (see the June 2004 edition of *Pension News*, or our web site under *Investments/Assets*). About 70% of pension payments are funded by investment returns, with about 30% coming from contributions.

Each year an independent actuary reviews the Plan's funding position and reports to the Board. First and foremost, OMERS has a responsibility to plan members. It is our fiduciary responsibility – if our actuaries determine that raising contribution rates is the best option for maintaining plan funding and security, we will do it.

In closing…

We believe that OMERS is well funded for the future and will remain healthy over the long term. Your OMERS pension is secure and your pension plan continues to be in a strong position to meet any challenges in the future.



Rethinking retirement

More and more Canadians are working in retirement

"To leave office or employment because of age." That's the dictionary definition of "retire," but is this what is really happening? Traditionally, retirement meant leaving the workforce after a certain age, typically 65. This tradition is changing with time.

Canadians today are living healthier and longer lives than ever before. Statistics Canada found that many Canadians are living on average 20 years after retiring. Approximately 38% of OMERS retired members are between the ages of 61 and 70, and 40% are over 70 years old.

Canadians are also retiring earlier than before. Of all OMERS retired members, 50,117 elected early retirement, while 22,746 retired at their normal retirement age.*

With the combination of earlier retirement and a healthier, longer life expectancy, the term "retirement" has evolved, as more and more people spend time working in retirement. Retirees go back to work for many reasons – for example, social interaction or to keep busy.

Pension News asked OMERS retired members to share their experiences of working in retirement.

Although retired member Kathleen Steffler continues to work, she also enjoys the perks of retirement, including spending time with her dog, Sadie.

John Fraser, a retired manager of the Sudbury Community Arena, started looking a few years ahead of time at the options open to him after retirement. "I decided to go back to work because I was interested in doing something different. I retired in 2003 and now operate a small home-based supply management business."

Retired librarian Ingrid Weniger returned to work at the Ottawa Public Library on an on-call basis.

Kathleen Steffler worked for the Durham District School Board for 23 years before retiring in 2003. She is now working in a casual clerical position for the school board. "I have continued working since my retirement, because I love the work I did and I can now work at times that are convenient for me," Kathleen says. "I am able to keep my mind alert, keep in touch with those with whom I worked, but I also enjoy the perks of retirement."

Ingrid Weniger made sure she was debt-free before retiring as a librarian from the Ottawa Public Library. However, she knew that working part-time would be part of her retirement plan. She now works at the Public Information Desk at the library on an on-call basis.

*Retired member participation as of December 31, 2003.

"I love the flexibility and convenience of being able to pick and choose when and how often I work," Ingrid says. "I still have lots of time for leisure activities and learning opportunities."

Dave Middleton also knew when he retired that he would continue working. He wanted to experience new things and continue learning. Before his retirement, Dave had worked for Belleville Water for almost 34 years. He now operates the water systems for the Sandbanks Provincial Park. "I'll continue working for as long as I find the work fun," Dave says. "I plan to retire in about 10 years."

Retired workers are on the rise. A survey conducted by Decima Research found that 72% of Canadians are interested in working after retirement. That is a 49% jump from the 23% of retired Canadians currently in the workforce. The term "retirement" has taken on a new meaning. Today, it stands for a whole new way of life.

www.omers.com If you would like to read more from retired members, check out *Retirees/Words to the wise* on our web site.

Retired member Dave Middleton operates the water systems for the Sandbanks Provincial Park.

Statistics Canada study: seniors at work

People aged 65 and older in the Canadian workforce:

- 2001 – estimated 305,000
  Ages 65-69: 57%
  Ages 70-74: 26%
  Ages 75-79: 11%
  Ages 80 and over: 6%
- 1996 – estimated 255,000

Returning to work and your OMERS retirement pension

- Working for a **non-OMERS employer** will not affect your OMERS pension payments.

- Working for an **OMERS employer** may affect your pension payments. Depending on the type of employment, you may be eligible to be re-enrolled in OMERS. In this case, you have two choices:
  1. Continue to receive your OMERS pension payments and do not re-enroll in the OMERS plan with your new employer; or
  2. Stop your pension payments for as long as you are employed and re-enroll in the OMERS plan with your new employer. (When you subsequently retire or reach age 69, your pension will be recalculated, taking into consideration your total credited service, contributory earnings, and the plan provisions in effect at the time.)

Note: The rules for working after retirement are slightly different for members who retired with enhanced retirement benefits (under Revised Type 7 and Social Contract Type 7). For more information, please contact OMERS Client Services.

OMERS earns high marks for service

Survey confirms OMERS delivers outstanding service to members

OMERS regularly surveys active and retired members. Members are asked to evaluate everything from timeliness of service, satisfaction with written information, and politeness of OMERS staff. Recent survey results confirm that OMERS continues to deliver excellent service at all levels.

Members gave OMERS high marks for most key services. And, when asked about overall satisfaction with service, 85% of active members and 92% of retired members gave OMERS four or five out of five, resulting in an excellent overall mark.

On a scale of one (completely dissatisfied) to five (completely satisfied), the average score for overall service satisfaction of a three-part quarterly survey was:

- **4.4** for active members; and
- **4.6** for retired members.

"It gives us great satisfaction to know that our hard work has paid off and members are getting excellent customer service from OMERS. We'll continue to look for ways to serve our customers, and we thank all members who took the time to participate in the survey."

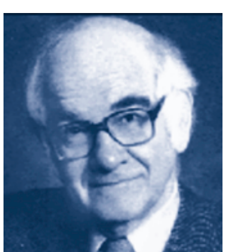
Jennifer Brown, Vice President, Pension Services Branch

Survey highlights of some key services

Satisfaction with:	Average score on a scale of 1 (completely dissatisfied) to 5 (completely satisfied)*
• Timeliness of first pension payment (members who used advance election option)	4.8
• Clarity of written materials	4.3
• OMERS Client Services staff:	
- Politeness	4.7
- Responding promptly	4.5
- Knowledge level	4.5

*This is the average of the 2004 third quarter survey.

OMERS pioneer dies


Paul Hickey

On October 26, 2004, Paul Hickey died at the age of 82. Paul was not an OMERS member, but he would liked to have been one. After all, he was the driving force behind the creation of OMERS.

After serving for many years as the Treasurer of the City of Hamilton, Paul entered the service of the government of Ontario. It was while he was at the Ministry of Municipal Affairs that he caused OMERS to come into being.

While at the City of Hamilton, Paul amalgamated the city's many pension plans. It was this experience, and an observation of many statewide plans in the U.S., that gave Paul the idea for OMERS.

Paul energetically pursued the idea of a pension plan for municipal workers in Ontario. He believed it would:

- result in better pension benefits at a reasonable cost;
- provide portability so employees could work in different areas of the province and not worry about their pension; and

Continued on page 8...

Ask the Chair

Frederick Biro

Frederick Biro, Chair of the OMERS Board in 2004, was first appointed to the Board as an employer representative in 2000. Mr. Biro has served as Executive Director of the Peel Police Services Board since 1991 and was Executive Director of the Canadian Association of Police Boards from 1993 to 1996.

Why isn't the annual inflation increase the same for all pension plans with inflation protection, for example, OMERS and CPP?

OMERS and a number of other pension plans are required by law to use the Consumer Price Index (CPI) to calculate annual pension increases. Each plan has its own method of calculating CPI increases, so they are often different. For instance, OMERS uses a September (previous) over September (current) ratio; the CPP uses the average for the period of October over October. But despite the variations between plans, over the past 10 years, increases have been fairly consistent. For example, from 1995 to 2004, OMERS increases add up to 18.70%; CPP increases for the same period add up to 18.50%.

"Ask the Chair" answers the most frequently asked questions by OMERS members. If you have a question you would like to ask Frederick Biro, please send it to:

OMERS Client Services
One University Avenue, Suite 700
Toronto ON M5J 2P1
E-mail: board@omers.com

www.omers.com If you would like to read more about inflation increases, check out *Retirees/Publications and News/News* on our web site.

Pension information sessions

Learn about your pension and meet OMERS staff at a Retired Member Information session. Sessions are offered free of charge, and travel or accommodation costs are up to you. Below is a list of sessions scheduled for 2005. For the exact dates and locations and to register, contact OMERS Client Services at 416-369-2444 or toll free 1-800-387-0813 or visit **www.omers.com**. Seating is limited, so please register early.

Pension information sessions scheduled for 2005

Month	City	Month	City
May	Newmarket Sudbury Kingston	October	Burlington Cornwall
June	London Pembroke	November	Ottawa Mississauga North Bay
August	Oshawa Timmins	December	Peterborough
September	Windsor Collingwood		

Changing your address, banking or tax information?

To change the address, banking information, or tax information OMERS has on file for you, please fill out and return this form by fax or mail to OMERS. (OMERS address and fax number are at the bottom of this page.)

Name: ______________________ Date of birth: |_|_|_|_|_|_| (D M Y) OMERS reference number: |_|_|_|_|_|_|_|_|

Address: ______________________

E-mail address: ______________________ May we e-mail you OMERS plan updates? Yes ☐ No ☐

Make an "x" in the appropriate box(es), fill in the necessary information, then sign this form.

☐ **New address** ______________________

(If you receive your pension payment by direct deposit, you can also change your address by calling OMERS toll free at 1-800-387-0813 [no e-mail].)

Date new address is effective: |_|_|_|_|_|_| (D M Y) New phone number: |_|_|_|_|_|_|_|_|_|_|

☐ **Banking information change** Name and address of new bank: ______________________

New transit number (or attach void cheque): __________ Account number: __________

☐ **Tax deduction change** Please take **more** tax off my monthly OMERS pension payment: (amount) $ __________ Please take **less** tax off my monthly OMERS pension payment: (amount) $ __________

*(We can only reduce the amount of **additional tax** you have previously asked us to withhold.)*

Signature: ______________________ **Date:** ______________________

Remember to fill in your name and address at the top of this form.

OMERS pioneer dies...

...continued from page 6

- make it more affordable for smaller municipalities to provide pension benefits.

In all of this vision he was right, as the OMERS of today attests.

The birth of OMERS was not easy, but Paul persisted. Today, OMERS is a widely respected and highly regarded pension plan, both in Ontario and elsewhere.

Paul maintained an active role in OMERS after its creation in 1963. He served on the first OMERS Board and was the first Board chair from 1968 to 1970. He also wrote the groundbreaking report that led to OMERS current sophisticated investment program. Today, OMERS is the third largest pension fund in Canada.

Over the years, we've all benefited from the vision and determination of Paul Hickey. Many local government workers live a more comfortable retirement because of it. We, at OMERS, want to recognize this achievement, and publicly pay our respects to Paul Hickey.

OMERS

Plan for the Future

An OMERS pension is a guaranteed source of inflation-protected retirement income – providing benefits to our retirees and survivors for life, and to their children while they're eligible.

Pension News keeps more than 93,000 retired OMERS members and survivors up to date on plan news and benefits.

We value your views and comments. Send us an e-mail at **client@omers.com** or write to us at the address below.

For more information on your OMERS pension, please contact Client Services at 416-369-2444 or 1-800-387-0813.

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