OMERS
Plan for the Future

Pension News

Number 33, July 2005

A newsletter for retired members of the OMERS pension plan

Ontario government tables autonomy legislation
See page 2

What's inside

New investment strategy strengthens OMERS plan

Fund delivers superior returns in 2004

The news is that 2004 was a very good year for the OMERS Fund. Earlier this year, OMERS announced that the total Fund return for 2004 was 12.1% – exceeding its benchmark return of 9.9% and the plan's funding requirements for the year. "We're on the right track," said Frederick Biro, Board Chair. "This marks the second year of positive returns and reflects OMERS commitment to maximize our returns by making every investment dollar work harder to the Fund's advantage."

Strategy pays dividends

To meet the needs of the future, OMERS changed its asset-mix policy – shifting more of its assets to private market investments such as infrastructure (bridges, energy and pipelines) and private equity. This shift helps the Fund to take advantage of investment market conditions and further strengthen plan returns.

"We are beginning to realize the benefits of our new investment strategy. There was a significant increase in the returns of our private market investments. This, combined with the continued strength of global equity markets, contributed to our strong performance," said OMERS President and Chief Executive Officer, Paul Haggis. OMERS enjoyed a significant recovery in its private-market investments in 2004. Its net investment income in this sector went from a loss of $405 million in 2003 to a profit of $832 million in 2004.

Reflecting this new investment strategy, OMERS Capital Partners (OCP) recently announced its investment in Honsel International Technologies and the Affinia Group Inc. Both firms are world leaders in the automotive parts-supply industry. The automotive sector is seen as a global economic leader during the next decade with exceptional growth forecast for emerging economies.

Continued on page 2...

...continued from page 1

OMERS Fund

Anticipated contribution increase

The Board has proposed a contribution rate increase for both active members and employers. There is no impact to retired members.

Although a rate increase seems at odds with the Fund's short-term performance, there are other realities at play. For example, there was a downturn in global equity markets between 2000 and 2002. The after-effect reduced basic plan funding from a $509 million surplus in 2003 to a $963 million shortfall at the end of 2004.

Overall funding security

The combination of a planned increase in contribution rates for active members and a change in focus in our investment strategy will help ensure the OMERS Fund remains stable and secure both now and in the future.

www.omers.com For more OMERS financial information, see *Investments* and *About OMERS* on our website.

Government introduces autonomy legislation for OMERS pension plan

On June 1, 2005, the government of Ontario tabled legislation for an autonomous – self-governing – model for OMERS.

This proposed governance model would put OMERS on par with other major public sector plans, such as Teachers', who are already governed by their sponsors.

Will this affect your pension?

No. Your pension will not be affected in any way. You will continue to receive your monthly payment. Pensions are and will remain secure.

Will autonomy change OMERS investment strategy?

No. OMERS will continue to invest in a wide range of assets to bring in the returns necessary to meet its pension obligations.

Will autonomy change the benefit formula?

No. Autonomy will not change the benefit formula, and, like all pension plans, OMERS will remain subject to a rigorous regulatory framework. The difference is that the Sponsors Corporation will approve plan changes instead of the Ontario government.

What's next?

The government will hold hearings on this matter in the fall and interested parties will be able to provide input on the draft legislation. OMERS will keep you informed as the process moves forward, which will likely take some months.

OMERS governance

Below is the current model and the model proposed by the draft legislation.

Current model		Proposed model	
OMERS Board (13 members) • Representatives: - six for employers - six for employees, including one retiree - one for the government of Ontario • Oversees plan administration and Fund investments	**Ontario government (Plan sponsor)** • Appoints members to OMERS Board • Has final approval on benefit changes	**Administration Corporation** • Comprised of an equal number of employer and employee representatives • Will continue to oversee plan administration and Fund investments	**Sponsors Corporation (Plan sponsor)** • Comprised of an equal number of employer and employee representatives • Will take over the government's role with responsibility for plan design and Sponsor and Board appointments

Living a healthy retirement

OMERS members talk about physical and mental health

Bob McDowell says he is healthier in retirement than he was during his working life as a clerk for the City of Toronto.

As he coped with diabetes, Bob had difficulty keeping his weight under control. "While working, my weight reached 245 pounds – I remember huffing and puffing as I made my way up the stairs to work, and how long it took me to catch my breath afterward."

"I had a stroke on the way to work one day. I started getting dizzy on the 400 highway, and the car felt like I was swaying from lane to lane. I managed to pull over to the side of the road and turn off the car. Luckily, it wasn't a major stroke, or I probably wouldn't be here today. It was right after that incident, however, that I decided I had better do something about my health and my lifestyle."

His dog Shadow, a Siberian husky and the lead dog in a sled team, helped with the quest. Shadow joins Bob for several kilometres of walking and running each day.

Staying healthy in retirement is a key piece of advice from retired OMERS members who shared their ideas in the *Words to the Wise* section on our website. The site was recently updated to include comments on a range of topics including retirement, financial, and lifestyle planning. For example:

"Take responsibility for your own health and wellness. It's better, and easier, to keep and enhance the level of wellness you currently have than to wait until you are diagnosed with an illness and try to recover. Prevention is the key to optimal health and longevity."
Wayne, retired engineering technologist

"If you need to lose weight, do so. Get into a regular exercise regime. Local community associations have all sorts of programs. Use them!"
Mary, retired school administrator

"Don't ever say, 'I wish I had…' Keep a healthy outlook for the moment – all the time. Good mental health and a happy outlook are needed to enjoy retirement and life."
Jean, retired manager

"Quit smoking and lose the gut."
Christian, retired police officer

For more information, tools and advice for healthier living at all life stages, visit Healthy Ontario at **www.healthyontario.com**.

www.omers.com Visit *Words to the Wise* in the Retirees section for more advice from OMERS members or to share your retirement stories.

Answers to quiz on page 6.

1. B 2. C 3. B 4. A 5. C 6. B 7. A 8. B 9. A 10. C 11. C

Estate planning and OMERS survivor benefits

The many aspects of estate and financial planning don't end when your pension begins. These include:

- making (and revisiting) a will;
- looking into strategies to reduce taxes;
- considering issues related to insurance policies and personal savings; and
- understanding how the OMERS survivor benefit fits into the picture.

By the time most members retire, their children are no longer eligible for the survivor benefit. For this reason, OMERS spousal benefit typically plays the biggest role in estate planning for retired members.

Retired member Arlene Harrison says OMERS survivor benefit is an integral part of her family's estate plan. "It helped to determine our life insurance needs," says Arlene.

A member's eligible spouse is first in line for OMERS survivor benefit.

He or she will receive a survivor pension:

- of 66 $^{2}/_{3}$% of the lifetime pension the member was receiving at date of death; plus
- a further 10% of the member's pension for each eligible child up to a total of 100% of the member's pension.

This survivor pension:

- is indexed to inflation;
- is guaranteed for life; and
- does not stop if the surviving spouse remarries.

If there is no eligible spouse, a retired member's eligible child, named beneficiary or estate may be eligible for a benefit.

> **"OMERS survivor pension means my wife doesn't have to worry if something happens to me."**
>
> Robert McMenemy, OMERS retired member

Who's your eligible spouse?

The question may not be as simple as you think – especially if your marital status has changed since retirement.

The following outlines the order of entitlement for members whose pension started on or after January 1, 1988.

Retirement-date spouse

If the member was married before retirement, OMERS considers the surviving legal or common-law spouse at the date of retirement (i.e. retirement-date spouse) to be the eligible spouse if:

- he or she was not living separate and apart* from the member on the date of retirement; and
- he or she has not waived rights to survivor benefits from the plan.

If after the member retires there is a separation or divorce, the retirement-date spouse would still qualify as the eligible spouse.

www.omers.com For details about OMERS survivor benefits, including OMERS definition of an eligible child, see *When a retired member dies* on our website.

Example 1 –
Retirement-date spouse receives benefit

Joe retired in 2001. At retirement his eligible spouse was Betty. Three months later, Joe and Betty separated and subsequently divorced. Betty did not waive rights to the OMERS survivor benefit. In 2003, Joe married Anne. Joe died two years later.

In this example, Betty is entitled to OMERS survivor pension because she is the retirement-date spouse.

Note: If the retirement-date spouse and the member were living separate and apart* at the date of retirement, the retirement-date spouse may still qualify as an eligible spouse if he or she and the member were not divorced at the date of death, and there is no eligible common-law spouse at the date of death.

Post-retirement-date spouse

If the member married (or remarried) after retirement, OMERS considers the surviving legal or common-law spouse at the date of death (i.e. post-retirement-date spouse) to be the eligible spouse if:

- there was no eligible retirement-date spouse; and
- the post-retirement-date spouse and the member were not legally divorced at the date of death; and
- the post-retirement-date spouse has not waived rights to survivor benefits from the plan.

Example 2 –
Post-retirement-date spouse receives benefit

Suzanne retired in 1995. At retirement she was separated from her spouse, Juan. A year later she divorced Juan. In 1998, she entered into a common-law relationship with Tom. She was still in the common-law relationship with Tom when she died several years later.

In this example, Tom is entitled to the spousal survivor pension because he is the post-retirement-date spouse. Since Suzanne and Juan were separated (i.e., living separate and apart) when Suzanne's pension started, there is no eligible retirement-date spouse.

For members whose OMERS pension started before January 1, 1988, the definition of eligible spouse is more complex. The general rule is that the survivor benefit will be paid to the eligible spouse at the date of death. This applies even if the member has a new spouse since retiring. Contact OMERS Client Services for more details for retirements before this date.

*"Living separate and apart" has a specific legal meaning. Contact OMERS Client Services for clarification.

Reassessing your health insurance

Keep the Municipal Retirees Organization of Ontario (MROO) in mind if you're shopping around for health insurance. MROO has 13,000 members, is open to all OMERS retirees, and is active on the health care front.

A wide range of health insurance products designed specifically for retirees are available through MROO. For example, extra coverage for prescription drugs or paramedical services not covered by the Ontario Drug Benefit program or your former employer's plan.

We send insurance information from MROO to members at retirement and at age 65 – these are often turning points for medical benefits.

For information about MROO's insurance program, contact:

ENCON Group Inc.,
1900 – 11 King Street West
Toronto, Ontario
M5H 4C7
E-mail: mroo@encon.ca
Telephone: 1-800-363-7861

Note: While we have agreed to pass along the above contact information, OMERS cannot endorse any of the products.

Test your pension knowledge

Take a few minutes and test your knowledge of the OMERS plan.

1. In 2004, nearly 97,000 OMERS retired members received almost $________ in pension payments.
 a. $1 billion
 b. $1.4 billion
 c. $3 billion

2. In 2004, OMERS Client Services answered more than ________ calls, compared to ________ in the year 2000.
 a. 50,000 and 23,000
 b. 75,000 and 40,000
 c. 96,000 and 53,000

3. Your OMERS pension is funded by approximately ____% investment income and ____% employer and member contributions.
 a. 80% and 20%
 b. 70% and 30%
 c. 50% and 50%

4. OMERS net investment assets are $_____ billion.
 a. $36 billion
 b. $31 billion
 c. $29 billion

5. If Roger's annual pension is $20,000, how much would his pension be in 10 years with a 2.5% annual inflation rate?
 a. $21,987
 b. $22,467
 c. $25,602

6. By 2025, the number of OMERS retirees is estimated to increase to approximately ________.
 a. 150,000
 b. 200,000
 c. 250,000

7. About 30,000 (or about one-third) of OMERS retired members are in what age group?
 a. 61-70
 b. 71-80
 c. 51-60

8. Approximately how many surviving spouses and children receive an OMERS survivor benefit?
 a. 10,000
 b. 18,000
 c. 35,000

9. Of OMERS 223,785 active members, _________ are male and _____________ are female.
 a. 105,508 and 118,277
 b. 125,413 and 98,372
 c. 163,999 and 59,786

10. If an OMERS member does not have an eligible spouse or partner at the time of his or her death, who is next in line to receive OMERS survivor benefit?
 a. The member's estate
 b. The beneficiary designated by the member and on file with OMERS
 c. The member's eligible child(ren)

11. When were the first members enrolled in OMERS?
 a. 1955
 b. 1960
 c. 1963

Note: Answers are on page 3. All figures are based on the plan's status as of December 31, 2004.

Ontario amends spousal definition

The Ontario government recently passed legislation that amends the definition of spouse to include same-sex spouses. *Bill 171 – Spousal Relationships Statute Law Amendment, 2005* was passed in February and affects about 70 pieces of legislation, including the *OMERS Act*, the *Pension Benefits Act* and the *Family Law Act*.

OMERS has recognized same-sex spouses for survivor benefits since 1998, if the criteria for legal or common-law spouse under the *OMERS Act* and *Regulation* are met.

Notes and reminders

Moving? Changing bank accounts?

Remember to keep OMERS up to date if your address and/or banking information changes. When a piece of mail or bank deposit is returned to OMERS, your pension could be stopped until we are able to contact you to confirm your information.

Calling OMERS Client Services

OMERS Client Services is here to serve you Monday to Friday, 8:00 a.m. to 5:00 p.m., at 416-369-2444 or 1-800-387-0813. To help us serve you better:

- when you call, have your OMERS reference or social insurance number handy;
- if your question is about correspondence you've received from OMERS, please have it on hand; and
- **press 2** when prompted – these messages are regularly updated with the latest, most relevant information.

OMERS annual verification process

Each year, OMERS Internal Audit department sends a small sample of OMERS retirees a verification letter and a form to sign and return to OMERS. This process is part of our commitment to follow best-practice pension industry standards. It helps to ensure the integrity of our member database and to eliminate the risk of identity theft.

If you receive a verification letter **from OMERS**, we urge you to respond without delay.

Join us to learn about your pension

Whether you are a recent retiree or you have been receiving a pension for a while, consider attending an OMERS Pension Information Session. The sessions are a great way to learn about your pension and to meet OMERS staff and other retired members.

"The session is informative and a good refresher course," says retired OMERS member Shirley Taylor.

Below is a list of sessions scheduled for 2005. For the exact locations of the sessions and to register, call OMERS Client Services or visit **www.omers.com**. Sessions are free of charge, but travel or accommodation costs are up to you.

After working for over 30 years as the Office Manager at the Brock High School in Cannington, Shirley Taylor retired about nine years ago. Shirley recently attended a session in Newmarket.

Pension information sessions scheduled for 2005

Date	City
August 17	Oshawa
August 31	Timmins
September 21	Windsor
September 21	Collingwood
October 12	Burlington
October 19	Cornwall
November 8	Ottawa
November 16	Mississauga
December 8	Peterborough

All sessions begin at 2:00 p.m. and run for about 90 minutes.

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 plan changes approved

The Ontario government approved a number of plan changes the OMERS Board had requested. These changes do not represent a major cost to the plan.

The following changes could affect retired members:

- Effective January 1, 2005, a retired member who receives a CPP disability pension will also receive the OMERS bridge benefit to age 65. Previously, the bridge benefit ended before age 65 if the member was receiving a CPP disability pension. All retired members affected by this change have received a notice detailing the adjustment to their pension.
- For the eligible child of a member who dies on or after January 1, 2005, the survivor benefit has been extended to age 25, provided the child is attending school full time. Previously this benefit ended at age 21. The OMERS survivor benefit itself has not changed.

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 nearly 97,000 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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