

OMERS

retired member news

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Strong year for OMERS investments

A fifth straight year of strong investment performance pushed the OMERS Fund to \$51.5 billion. In a year remembered for turbulent public markets, OMERS generated a solid and industry-leading 8.7% total rate of return in 2007 – beating the benchmark return of 5.6%.

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OMERS retired member Tom Burmaster and his wife, Carole

The ingredients for success



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As in previous years, this top-quartile return is due to the expertise of OMERS investment teams and “the successful execution of our active management investment strategy,” said John Sabo, Chair of the Board of Directors of the OMERS Administration Corporation.

OMERS developing asset-mix strategy balances private and public investments to achieve stable returns while managing risk. In 2007, each of our four investment divisions outperformed their 2007 benchmarks, (see chart, above) and added to the value of the OMERS (Primary Plan and RCA) Fund.

Funding status

After income credited to administered funds of \$0.1 billion, OMERS investments added over \$3.9 billion

in net investment income to the OMERS Fund in 2007. As at December 31, 2007, the OMERS Fund stood at \$51.5 billion in net assets. This exceptional performance, combined with the results from the previous four years, has eliminated the funding deficit in the OMERS Primary Pension Plan and returned it to fully funded status, with a surplus of \$0.1 billion.

In 2007, OMERS received \$1.9 billion in contributions and paid out \$1.8 billion total benefit payments. We expect that 2008 will be the first year in OMERS history (except during the contribution holiday) where total contributions will be less than total benefit payments. This highlights the importance of OMERS investment performance in providing sufficient funds to meet the costs of our

growing number of retirees. It also focuses attention on the legislative constraints that limit OMERS ability and flexibility to meet these pension commitments.

“We performed extremely well in 2007, and we will increasingly rely on strong investment returns to pay secure, inflation-protected pensions to our members,” said OMERS President and CEO, Michael Nobrega. “This is why OMERS urgently needs the Ontario government to lift unfair investment restrictions on pension funds – so that we can have greater access and control over our investments to ensure stable, long-term cash returns to meet the increasing needs of our membership.”

You will find more information in OMERS In Focus (our mini 2007 Annual Report), which we will send you mid-May.

Court upholds OMERS Joint Protocol on costs

The Ontario Superior Court of Justice has upheld a Joint Protocol reached between the OMERS Administration Corporation (AC) and the OMERS Sponsors Corporation (SC). The protocol provides for:

- the reimbursement of certain SC costs from the OMERS pension plans; and
- technical and administrative support for the SC, provided by the AC.

The decision of the Honourable Mr. Justice Archibald was released on February 6, 2008.

The SC was established under the *OMERS Act, 2006* to make decisions on plan changes, contribution rates, and when to file the actuarial valuation. This role was formerly the responsibility of the Ontario Government. The AC is responsible for investments and administration of the OMERS pension plans.

The SC and AC worked together to seek a court decision on which SC costs may be lawfully reimbursed by the OMERS pension plans – and the types of support the AC can provide to the SC. For example, it was recommended that SC costs related to administrative support and the use of facilities be paid out of the OMERS pension plans. Details of expenses and support were set out in a Joint Protocol document.

“We are pleased that the court acknowledged the unique governance structure of OMERS and concluded that the Joint Protocol

is legally valid and consistent with the overall purpose of the *OMERS Act, 2006*,” said Audrey Mak, Vice President, Legal, Pensions.

“This important decision provides a sound basis for the OMERS SC to pursue its role in making decisions on plan design and contributions,” said SC Co-Chair Marianne Love.

SC Co-Chair Brian O’Keefe agreed: “We’re pleased that the

judge found the protocol for expenses and support to be appropriate and aligned with good governance of the pension plan.”

A notice regarding the court application was distributed to stakeholders, members, retirees, and employers in fall 2007. The court application was heard in January. For more information – visit www.omers.com.

Tax time: questions and answers

In February, OMERS mailed an income-tax slip to all those who receive an OMERS pension. As tax season winds down, here are answers to some common, tax-related questions.

Can OMERS deduct additional tax from my pension?

You may want additional tax deducted from your OMERS pension payment (e.g., to offset other income). Please complete the form on the back page to set up or change this additional tax deduction. Indicate the **new total amount** (the additional amount you’d previously requested we deduct plus/minus the amount you’d like it to change = new total amount). Please keep changes to \$10

increments. Simply mail or fax the form (or a Form 108) to OMERS. See contact information on the back page.

How does OMERS calculate the tax on pensions?

OMERS is required to deduct income tax based on:

- your pension amount (some pensions are small enough not to have tax deducted)
- your federal/provincial TD1 forms for personal tax credits
- your province or country of residence.

Tax changes require a new TD1 form (TD1ON for Ontario residents); available from Canada Revenue Agency’s website www.cra-arc.gc.ca.

Oxford reaches a high Watermark in the UK



Oxford Properties Group is one of North America's leading commercial real estate firms. It is also OMERS real estate investment arm. OMERS *Member News* recently met with Christopher Voutsinas, Executive Vice President, Oxford Properties Group, to learn more about this OMERS investment division and its Watermark Place project in London, England.

What's special about Watermark Place?

Where to begin? The site is located on the north bank of the Thames in London's financial district. The building design is not just beautiful, but state of the art and very green. It will have 530,000 square feet of floor space, spread over 11 floors. This means that each floor has a lot of space flexibility, which makes the building perfect for larger banking and investment firms. It will also feature a beautiful façade with wooden columns imported from Canada, and it will share an inte-

grated waterfront promenade with adjacent buildings.

How did this venture begin?

We had been looking at the London market for about two years. Oxford's aim is to diversify globally, and to do this, you really need a foothold in London. It's the doorway to Europe, it has a very liquid, transparent and robust market, and London is the financial capital of the world.

We had decided that the best move would be to do a joint venture on a new development.

The UK is expensive, and working with a partner on a new project would give us the best potential returns, while managing risk.

Who is your partner?

UBS Global Asset Management. They had the perfect package in place already. They had acquired the site, they had designed the building, and they would handle the demolition of the existing building on the site. What they needed was a like-minded partner who would share the costs of the construction and building management, and actually take responsibility for developing the project.

Did you have to bid on the project?

No. We submitted our proposal for the joint venture; there was no actual bidding. UBS had set a price for the partnership, so we weren't competing on price. The winner would be chosen solely on their ability to meet UBS requirements for the project, and on UBS preference for the best partner.

So, why did UBS decide to go with Oxford?

Two reasons: our reputation and our experience. We are one of the largest and most knowledgeable property owners, managers and investors in Canada and we are part of the OMERS family. We also know the UK marketplace and we

were very proactive and responsive to all of UBS's needs. We actually beat world-class local and international competitors who were also in the running. It was a bit of a surprise to some, but we were delighted with the result.

Where do things stand now?

Watermark Place is on time and on budget, we're meeting with prospective tenants, and we're set to open in the third quarter of 2009.

This project is an important step in expanding our global investment platform. Ultimately, Oxford aims to have its portfolio split 50% inside and 50% outside Canada. We'll achieve this through both investing in new projects and rebalancing some of our existing assets. Incidentally, we're also planning to open an Oxford office in London – to serve as a base as we further expand into the European market.



Christopher Voutsinas, Executive Vice President, Oxford Properties Group

Health insurance in retirement

We're often asked "Now that I'm retired, how can I replace the medical benefits my employer used to cover?"

While OMERS doesn't provide health insurance, there are a number of private companies that do – covering costs not funded by the government, such as prescription drugs, vision and dental care, orthopedic devices, and hospital-room upgrades.

OMERS does not endorse a particular plan or provider. As a courtesy, however, we do forward information from the following providers:

MROO – The Municipal Retirees Organization of Ontario (MROO) was founded in 1977 by a group of OMERS retirees. MROO offers a comprehensive hospital, health and dental insurance program, managed by ENCON and insured by Manulife Financial.

For a limited time, MROO is offering OMERS retirees (and spouses) between the ages of 50 and 75 guaranteed enrolment in the MROO Health and Dental Plans II and III. All applications will be accepted regardless of any current or previous health conditions, and coverage can continue for life. The deadline for applications is June 15, 2008, when MROO's regular

eligibility rules apply. For more information, contact ENCON at 1-800-363-7861 or www.encon.ca/mroo.

PlanDirect – PlanDirect is a health and dental insurance program endorsed by the Ontario Public School Boards' Association and the Ontario Catholic School Trustees' Association.

Retirees are offered automatic coverage if enrolled within 90 days of coverage in a group insurance plan. Several different coverage options are available, from a basic health plan to a premier option including health, dental and drugs. For more information, visit www.pdadmin.com or call 1-800-565-4066.

OTIP – OTIP (Ontario Teachers Insurance Plan) offers insurance products to individuals who have retired from a board of education in Ontario.

OTIP provides retiree health, life, critical illness and long term care insurance plans. For more information, visit www.otip.com or call 1-800-267-6847.

For information on government health benefits – including the Ontario Drug Benefit program, which begins at age 65 – visit www.health.gov.on.ca/english/public/pub/drugs/odb.html.

Simple math: B + B = retirement dream

While still working in Sault Ste. Marie, OMERS member Tom Burmaster and his wife Carole dreamt that one day they would own a bed and breakfast. The dream is now reality, following Tom's retirement on an OMERS pension.

Tom says he has witnessed too many people who "stopped living" after retirement. "That's not what a person works for. Retirement is a time to enjoy yourself and do the things you always wanted to do."

One weekend in September 2001, while visiting friends in Belleville, Tom and Carole came across a house that had just gone on the market. Carole envisioned their dream for a small business coming true in that house. They talked it over on the trip back home, and phoned in an offer. Within a few days the home was theirs.

There was one hitch. Tom hadn't planned on retiring just yet. He had originally intended to work as a police officer until age 60. But after attending an OMERS Member Information Session, he learned that he could retire early – in his mid-50s – on an unreduced pension, based on his 30 years in OMERS.

Everything fell into place. Tom informed his employer that he would retire the following February, and Carole resigned from her job in nursing. They had the full support of their children.



They moved to Belleville in February 2002. Soon, the contractors arrived to begin upgrades including rewiring, plumbing and adding a bathroom to each bedroom. In May, Tom and Carole's bed and breakfast opened for business.

The B&B is in a century home, which means that every year there are expenses to maintain the house. Tom says his OMERS pension provides solid lifetime income – and that also helps the couple carry out the necessary repairs without putting too much of a squeeze on their finances.

Almost six years later, they have a successful business, with

income generated from their B&B customers. The summer is busy with steady clients from tourism in the Prince Edward County area. During the winter, they accommodate visitors for longer stays – usually student doctors from the local hospital. The first year, business was slow, but tourism is booming in the area and tourists visit from spring right through to Christmas.

Tom says he was always active prior to retiring, and saw no reason to slow down just because he's retired. "I have never been one to sit back. With all my volunteer work before retirement, I knew I would keep myself busy."

As if the B&B doesn't keep him busy enough, Tom juggles a variety of part-time and volunteer work, and hobbies.

From August to November he works at a local apple orchard, helping out with retail at the orchard storefront. It helps him to stay fit and healthy. "The apples are picked and then stored in coolers at -1°C, and sold fresh through the winter."

In December, Tom is also the mall Santa at the Quinte Mall in Belleville, continuing a tradition from his volunteer days in Sault Ste. Marie. He's also involved with Ontario Students Against Impaired Driving.

During the winter, Tom is a spare school-bus driver and come springtime he's a charter driver for school trips, giving him the

Take full advantage of your retirement years

opportunity to travel around the province.

When school is out, Carole reminds him that they are running a business and he devotes all of his time to the B&B during the busy months of July and August.

His advice to new retirees, "Find a hobby. If not, volunteer. Find something you enjoy. Take full advantage of your retirement years."

Many OMERS members and retirees have shared their experi-

ences online. To read what others have to say, or to share your own experience, visit **www.omers.com** and select Retirees/Words to the Wise.

An OMERS pension provides income for life in retirement, protected against inflation, and comes with excellent survivor benefits. For more information on your OMERS pension and its features, visit the Retirees section on the OMERS web site.

This article is intended for the purpose of providing information only. It is not intended nor should it be construed as providing investment, financial planning or legal advice. OMERS is not providing an endorsement of any views that may appear in this article. Members' individual circumstances may differ and members should consult their own professional advisers when considering any particular investment or financial strategy.

OMERS completes StatsCan-error analysis

OMERS has looked into Statistics Canada's inflation-tracking error and has decided it would not be in the best interest of OMERS retired members to challenge the Federal Government on this issue.

From early in 2001 until March 2006, Statistics Canada miscalculated one component of Canada's Consumer Price Index (CPI) – which tracks the prices of goods and services to determine the inflation rate. The CPI, in turn, is used to help set such statistics as interest rates, wage increases and pension inflation protection –

which is why this incident raised concerns amongst some OMERS retired members.

The error – a computer issue that misreported the prices of hotel and motel rooms – resulted in the annual CPI being lower, on average, by 0.1 percentage point annually over the five-year period. Statistics Canada decided not to fix the error because the cost and repercussions of doing so were considered to be too great.

No action needed

The Board of Directors of the OMERS Administration Corporation

carefully considered the whole issue – including obtaining legal advice. It has decided it will take no action against the Government, as it would be expensive to do so and there would be little likelihood of success. Again, the error averaged 0.1 percentage points annually, and it affected all of Canada – not just OMERS and its members.

Inflation protection is one of OMERS most powerful benefits, and OMERS will continue to use Statistics Canada's CPI when calculating pension increases.

Please let us know if you change...