OMERS

retired member news

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Mapping a retirement dream

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OMERS retired member Donald Chadbolt and his wife Joyce

OMERS is stable in today's economic climate

Investment results for 2008 show that the economic downturn that affected markets around the world also had an impact on OMERS.

However, OMERS move towards private investments over the past few years helped to temper the effect. *Retired Member News* spoke with OMERS President and CEO, Michael Nobrega, and Chief Pension Officer, Jennifer Brown, about the past year and the outlook for the OMERS plan.

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Challenging market conditions and unprecedented volatility in global financial markets resulted in a negative 15.3% total rate of return for the OMERS plan in 2008. Despite the negative return, OMERS five-year average return is 6.9%, exceeding our benchmark of 5.3%.

OMERS experienced a net investment loss of $8.0 billion in 2008 compared with $3.9 billion in income a year earlier. Net assets were $43.5 billion, compared to $51.5 billion for 2007.

Responding to members' concerns about current economic conditions, Mr. Nobrega said, "The first and most important thing I want to do is to assure retired members that their pension benefits are secure.

"OMERS invests for the long-term. The 2008 results place OMERS in the top quartile – both this year and over the past five-year period," said Mr. Nobrega. "This has been a major factor in helping us to withstand the pressure of this downturn in the economy, and has contributed to the health of the Fund going forward."

OMERS provides a defined benefit plan for members. "An OMERS pension is based on a formula that takes into account years of service and earnings," Ms. Brown said. "Short-term market volatility does not affect the stability of OMERS defined benefit plan.

"We have weathered economic downturns in the past, and we have the experience to make it through this one," Ms. Brown said. "We will continue to work hard to build wealth to secure the pension promise for current and future retirees."

Plan funding status

At the end of 2008, OMERS Primary Plan had a funding shortfall of $279 million. Ms. Brown explained that a funding shortfall means the Primary Plan's assets are less than the amount required to pay accrued pension benefits to all current and future retirees. But OMERS funding structure is designed to see the Plan through difficult times.

"Our current funded position reflects an actuarial smoothing adjustment* [see note] which holds back a portion of investment losses that will be recognized over the next four years," Ms. Brown said. "These deferred losses could well be offset by future gains; however, based on the recent losses plus the current financial outlook, we expect the funding shortfall to increase over the short term."

On the benefits side, Ms. Brown said OMERS Sponsors Corporation (SC) and Administration Corporation (AC) – in their respective roles – will carefully assess and monitor the Plan's funded status.

"OMERS SC's options to address a funding shortfall include changing benefits on service going forward or increasing contribution rates," she said. "Keep in mind, a benefit change cannot reduce a benefit accrued before the effective date of the change."

On the investment side, Mr. Nobrega said OMERS shift in investment priorities helped to offset the negative returns.

"OMERS is in the process of shifting our asset mix to have more exposure to the less volatile private markets through our investments in real estate, infrastructure, and private equity holdings," he said. "Our progress in this shift has tempered the negative impact of the recent downturn in the public markets."

A positive outlook

Mr. Nobrega believes OMERS is well positioned to ride out the current storm and well placed to take advantage of opportunities that

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– MICHAEL NOBREGA

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>
> *— JENNIFER BROWN*

arise during these conditions and afterward.

"There are three things I'd like to stress," he said. "First, we have a long-term global vision when it comes to our investments, and we're sticking to it.

"Second, we have launched a new investment arm, OMERS Strategic Investments, which will better position OMERS to enter into partnerships with other like-minded investors. This will enable us to take advantage of larger private-asset investments, and we will aggressively pursue opportunities around the globe that will provide stable, long-term returns to the Fund.

"Third, we have a top-notch team of professionals running our investment activities and managing our pension system. This team will see us through these difficult times."

Ms. Brown added, "Future and current retirees can rest assured that their OMERS pensions will continue to be there for them throughout their retirement."

For details about OMERS 2008 returns, please see our annual report online at **www.omers.com.**

*In arriving at the funded status, investment gains or losses are recognized over five years to "smooth out" the peaks and valleys in an individual year's returns. Smoothing is a practice actuaries and pension plans use to moderate the effect of short-term market fluctuations on pension plan funding.

Federal tax changes affect some retirees' net pension payments

As of April 1, 2009, many OMERS pensioners saw a slight increase in their net pension payment. This is due to a recent change in federal income tax limits.

The 2009 federal budget included a number of tax measures for individuals, such as a higher basic personal exemption and more taxable income under a lower tax rate. OMERS must build these changes into our withholding rules when paying pensions. As a result, a number of retirees saw an increase in the net pension payment starting in April.

Many retirees have made arrangements with OMERS in the past to withhold extra tax from their pensions. These arrangements do not change.

If you would like to have additional tax withheld from your OMERS pension (as a result of the new tax change or otherwise), please:

- Complete the tax section on a *Form 108 – Changing information (retired member/survivor)*.
- Specify the total amount of additional tax you would like withheld; this will replace any previous amount. Example: if OMERS is already withholding $100 in additional tax and you want to increase that by $50, enter the new total of $150.

Important: OMERS cannot accept e-mail notice of changes. We must have written and signed notice. You can use a Form 108 from our website or submit the changes in a detailed and signed letter.

Top academic publisher a smart investment for OMERS

In a joint venture with Apax Partners, OMERS Private Equity acquired Nelson Education Ltd., Canada's leading educational publisher.

Paul Renaud, President and CEO of OMERS Private Equity and James Reeve, Vice President, Higher Education, Nelson Education Ltd., talk about this investment.

About Nelson

- **Established in Canada in 1914.**
- **Originated in 1798, when Thomas Nelson opened a second-hand bookshop in Edinburgh, Scotland.**
- **Thomas Nelson II invented the rotary press in 1850.**
- **Anne Nelson, Thomas's daughter, married George Brown, founder of the Toronto Globe (now The Globe and Mail) and one of the fathers of Confederation.**

What makes Nelson Education a valuable asset?

Paul Renaud: As the top Canadian academic publishing house, Nelson Education is in a leading market position with strong fundamentals for growth and opportunities to enhance value. Nelson is a cultural property under Heritage Canada so a Canadian buyer was a necessary part of the sale.

Nelson's talented and dedicated management team and employees are a solid force behind the company's success. The team fosters great relationships with their authors and professors to continually produce the highest quality educational products and services.

What type of material does Nelson Education publish?

James Reeve: We work with 4,500 authors and thousands of educators, and publish a wide variety of print and electronic resources. This includes kindergarten literacy books, high school textbooks, post-secondary resources and trade publications.

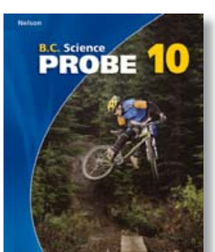
How did the partnership with Apax begin?

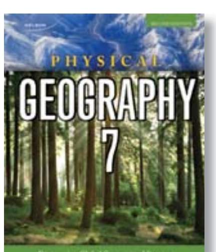
Paul: OMERS Private Equity is the majority investor in Nelson's Canadian business. Apax Partners (a private equity investment group in which OMERS has been an investor) is the majority stakeholder in Cengage Learning, Nelson's U.S. and international publishing business.

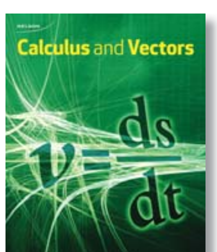
How stable is this investment, given the volatility in the economy?

Paul: To a certain degree, the academic publishing industry is recession-proof. One reason is due to the

Nelson Education publishes a wide range of print and electronic resources.







Canadian government's continuous support, emphasis and funding provided to the education system.

James: There is an ongoing focus on Canada's education system in times of recession or boom. The demand for school books and learning resources will continue, as will Nelson Education's support of all learning initiatives.

What are the future plans for Nelson Education?

James: We are creating more electronic and online materials as an alternative and a supplement to our print resources, such as online study guides or electronic versions of books with embedded study questions.

OMERS backs new wireless cell phone carrier

OMERS Private Equity recently announced a $50-million investment in low-cost wireless carrier Public Mobile (formerly BMV Holdings). Public Mobile is getting set to launch a flat-rate cell phone service in Ontario and Quebec in late 2009. Public Mobile plans to offer wireless voice and data service with unlimited talk for a flat monthly fee.

The company was created in July 2008, with the purchase of the "G Band" in Industry Canada's wireless spectrum auction, covering the Windsor-to-Quebec City corridor.

"We believe the company has great potential in the Canadian wireless market," said Paul Renaud, President and CEO of OMERS Private Equity.

"In addition, we are impressed by the leadership and experience of their management team and investment partners."

Plan change approved by OMERS SC

OMERS Sponsors Corporation (SC) approved a plan change that extends the age limit for active membership in the plan. A member now has to start receiving their OMERS pension – at the latest – by December 1 of the year they turn 71, the maximum age allowed under the Income Tax Act *(it was previously age 69). This change is effective March 1, 2009.*

As a retired member, this change would only affect you if:

- You went back to work with an OMERS employer, stopped your pension, re-enrolled in the OMERS plan and began making contributions again. (A retired member cannot receive an OMERS pension and contribute to the plan as an active member at the same time.)
- You would have to re-start your OMERS pension by Dec. 1 of the year you turn 71; it would be recalculated with the additional credited service and new "best five" years of earnings (if this was higher than at your "first" retirement).

Old rules

Active members who turned 69 on or before Feb. 28, 2009 must have started their OMERS pension no later than the first of the month following their 69th birthday.

New rules as of March 1, 2009

Active members must start their OMERS pension no later than Dec. 1 of the year they turn 71.

Transition period rules

Active members who turn 69 on or after Mar. 1, 2009 but before Mar. 1, 2014 may elect to start their OMERS pension on the first of any month up to the earlier of Dec. 1 of the year they turn 71 and Mar. 1, 2014.

This plan change is **not** retroactive.

Moving. Travelling. Giving back to the community.

Which path leads to your retirement dream?

Retirees are faced with a lot of lifestyle decisions – which hobbies to pursue, where to volunteer, where to travel, and for some, whether to return to work. Retired Member News *recently spoke with three retirees about their choices and experiences.*

Moving

Edward Milton decided to leave the Toronto area two years after his retirement as a mechanical maintenance worker for the Region of Durham.

"I wanted to get away from the urban sprawl, so I moved to a subdivision by the Powassan Mountain, south of North Bay," Edward says. Doing so meant embracing nature and getting used to the slower pace of a small town.

"It's a very laid-back lifestyle," Edward says. "I wake up to see deer on my property, I hike along the trails with my dog, and I tend to my vegetable and flower garden."

The scenery is another reason Edward was drawn to his new home. "I can see for miles from the higher parts of the trail. The view of Lake Nipissing and the mountainous rolling hills is beautiful."

Edward's advice: "Be sure to live for the day, but be wise and have a plan. Not just a financial plan, but a plan for activities, hobbies, travel and anything else that's important to you."

Travelling

After Donald Chadbolt retired from the Toronto Police Service, he and his wife Joyce also downsized to a home in Northern Ontario, to free up money for their favourite pastime: travelling.

"I live very well for less than $450 a month," Donald says. "My property tax is one-third of what it was, and I don't have water or gas bills. When I can, I use my wood stove for heating, and I repair as much around the house as possible."

Donald and Joyce spend every winter travelling to warmer climates in their motor home, following the sun from coast to coast in the U.S. They've logged 40,000 kilometres in the last four years.

"The freedom and flexibility of our 'snowbird life' is amazing," Donald says. "We plan a route, but it always changes along the way. There is no timetable to follow; we get to break the routine we've become so used to."

Donald's advice: "Prepare your finances early, get out of the rat race, and back off the big expenses. This should help you save enough money to do what you want to do."

Giving back to the community

Jackie McCullough retired from the Toronto Catholic District School Board with a plan to establish an activity-filled routine close to her Markham-area home. She has done just that, with a network of friends, hobbies, and community work all close by.

Donald and Joyce Chadbolt with their dog Bear. The Chadbolts have logged 40,000 km in their motor home.

"I have built a life for myself in this neighborhood," she says. "I take clogging classes – a type of Celtic folk dance – twice a week, go to the local gym and participate in projects through my church group. I enjoy keeping busy."

To add to her schedule, Jackie volunteers at a nearby hospital.

"I dedicate time every week to feed patients who are unable to tend to themselves," Jackie says. "I am healthy and have my children; therefore, I look to the finer things in life that money cannot always buy, such as time and the company of people."

Jackie's advice: "Take time to adjust from a working life to a life in retirement. Keep your body active and your mind busy."

*Share your retirement experiences and advice at **www.omers.com** under Retirees/Words to the wise.*

OMERS AC Board appointments announced

William (Bill) Aziz

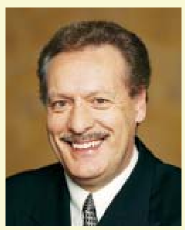
Mr. Aziz was appointed to the AC Board as an AMO employer representative, effective February 2009. He is currently the President of BlueTree Advisors Inc. and sits on the boards of Canada Bread Company Ltd. and Tecumseh Products Company.

David Carrington

Mr. Carrington was reappointed to the AC Board on June 30, 2009 as a CUPE member representative. He previously served on the Board from 1997 to 2008. Mr. Carrington is with Toronto Hydro, and is currently the Recording Secretary of CUPE Local One.

Richard Faber

Mr. Faber has been reappointed to the AC Board as the retired member representative. He was first appointed in June 2005. He has more than 30 years of municipal government experience, including more than 15 years as Manager of Budgets with the City of London.



Laurie Nancekivell

Ms. Nancekivell was appointed to the AC Board in June 2009 as the OPSEU member representative. Ms. Nancekivell has worked for the Children's Aid Society of London and Middlesex for more than 10 years, and is currently an Intake Case Aide.

James Phillips

Mr. Phillips was appointed to the AC Board in June 2009 as the Ontario Association of Children's Aid Societies employer representative. Mr. Phillips is Director of Corporate Resources with Family and Children's Services of Waterloo Region, and has been Executive Director of its Foundation since 1991.

Leslie Thompson

Ms. Thompson was appointed to the AC Board in June 2009 as the City of Toronto employer representative. Ms. Thompson founded LESRISK Debt and Risk Management Inc., and has had a career in banking and finance. She is on the City of Toronto's Sinking Fund and Investment Advisory committees.

Sheila Vandenberk

Ms. Vandenberk was appointed to the AC Board in June 2009 as the Ontario Secondary School Teachers' Federation member representative. Ms. Vandenberk has been Treasurer of the OSSTF Provincial Executive since 1999. She has also worked for the Ontario Teachers' Federation.

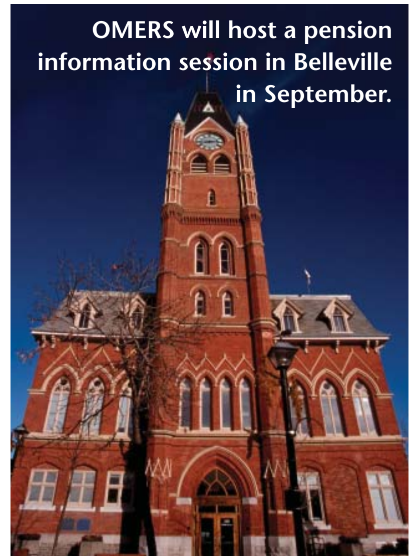
Learn about your OMERS pension

Plan to attend an information session specifically for retired members. We cover a range of topics such as retirement income, inflation protection and survivor benefits.

Information sessions scheduled for 2009 (2 p.m. to 3:30 p.m.)

Date	Location
July 15	**Dryden** The Riverview Lodge, 148 Earl Avenue
September 16	**Belleville** Ramada Inn on the Bay & Conference Resort 11 Bay Bridge Road
September 23	**North Bay** Holiday Inn Express, 1325 Seymour Street
October 7	**Orillia** Best Western Mariposa Inn & Conference Centre 400 Memorial Avenue
October 29	**Brampton** Peel Regional Police Association 10675 Mississauga Road
November 19	**Ajax** Hilton Garden Inn, 500 Beck Crescent
December 9	**Toronto** OMERS, 1 University Avenue, 16th Floor

Be sure to register early; the sessions are quite popular and tend to fill up quickly. Register at **www.omers.com** under Retirees/Information sessions, or contact OMERS Client Services.



OMERS will host a pension information session in Belleville in September.

The correct "form" for changing information

Be sure to notify OMERS of any information changes we need for your pension payment. For example, if you change your address or your bank, be sure to advise OMERS to update your record.

Important: we cannot accept e-mail notice of these changes. We must have a signed *Form 108 – Changing information [retired member/ survivor]* or a signed letter.

OMERS has implemented these policies to safeguard personal information and protect your privacy.

OMERS
Plan for the Future

If there is any discrepancy between the information in this newsletter and the *Ontario Municipal Employees Retirement System Act, 2006 (OMERS Act, 2006)* and the Plan text, the *OMERS Act, 2006* and Plan text will govern.

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