OMERS
retired member news

NUMBER 49 • SUMMER • 2011

Giving back through volunteerism

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OMERS retired member Gloria McCartney

myOMERS is the key to your OMERS pension

More than 44,500 retired and active members have secure online access to their pension information through myOMERS.

As a registered myOMERS user, you can view your annual statement, change your address and banking information, request additional withholding tax, reprint copies of your T4A slips, and switch to e-only delivery of your annual pension statement through e-subscription.

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It's been well over a year since the successful launch of myOMERS. Recent enhancements include the ability to sign up for Additional Voluntary Contributions (AVCs) during the annual transfer-in window and to estimate the future balance of your AVC account with the AVC calculator.

When asked about myOMERS, here's what some of our members said:

"Easy to use"

"Easy access to information, and fast"

Three easy steps to register…

1. **Have your information ready:** You need your OMERS reference number, last three digits of your social insurance number, date of birth, and a valid email address. You can find your OMERS reference number on your *Annual Statement of Pension* or other personalized statement from OMERS.
2. **Go to www.omers.com** and click on the myOMERS link and follow the online registration process.
3. **Complete the registration:** An activation link will be sent to you by email. Click on this link and enter myOMERS secure site to complete the registration process.

IMPORTANT! myOMERS is also available for surviving spouses of OMERS members. If you are a surviving spouse and would like to register, please call OMERS Client Services first. This is temporary while we work on updating the system. Thank you for your patience.

New savings option popular with retired members

In January, OMERS launched a new retirement savings and investment option available exclusively to OMERS members. Additional Voluntary Contributions (AVCs) are similar in some ways to RRSPs, but are part of the OMERS Primary Pension Plan.

AVCs allow eligible members* to invest in the OMERS Fund returns and are offered on a cost-recovery basis. Eligible retired OMERS members up to age 70 can contribute to an AVC account by transferring funds from a registered retirement arrangement. The transfer-in window is from January 1 to April 30 each year.

"We have over 4,000 members participating in this new savings option," says Ian Kinross, Director, OMERS Pension Communications and Education. AVCs are popular with retired members – 26% of fund transfers are from retired members. "We're encouraged by the number of retired members who think AVCs are a good savings and investment option for them," says Ian.

**The AVC option is available exclusively to members with service in the OMERS Primary Pension Plan. It is not available to spouses, surviving spouses or other beneficiaries who are not also members.*

Next transfer-in window opens on January 1, 2012

"Stay tuned. We'll be in touch with retired members before the 2012 window opens," says Ian.

AVC information sessions are scheduled in the fall (see page 8 for details). At these sessions, you can find out how AVCs may fit your retirement savings and investment plans. Online registration for these sessions is available through our website.

OMERS funding strategy right on course

OMERS is on course with a three-part strategy to return the Plan to a surplus position over the long term. Strong returns and temporary rate/ benefit measures are key to this multi-year plan.

> *"The strategy has momentum and is working well. This kind of correction takes time."*
> *- Andrew Fung, OMERS Chief Actuary*

"Our members have asked whether contribution rate increases are still necessary, given that the Plan had such strong investment results over the past two years since the 2008 market downturn," said Andrew Fung, OMERS Chief Actuary.

"The bottom line is that all three parts of the OMERS funding strategy – temporary contribution increases, temporary benefit changes, and OMERS investment strategy – are necessary to return the Plan to surplus over the long term," he said. Surplus means that a pension plan's investment assets exceed its pension benefit obligations to members.

Investment markets are volatile by nature and performance can fluctuate from year to year. The three-part strategy ensures we stay on course. OMERS two governing boards – the Sponsors Corporation (SC) and Administration Corporation (AC) – announced the strategy last year in a joint message to OMERS Plan members and employers.

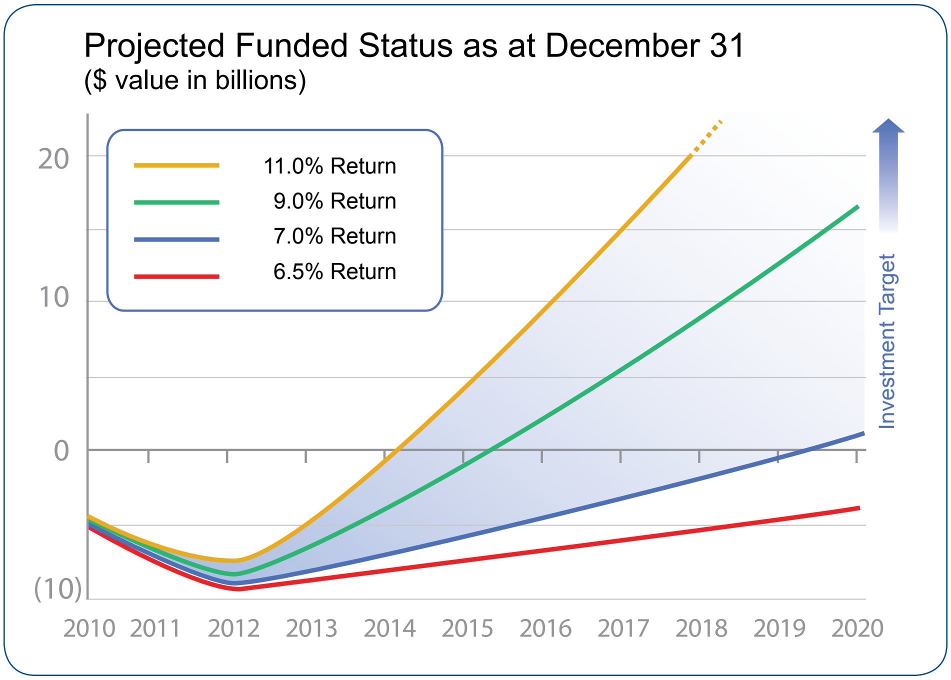
OMERS implemented the strategy with solid progress on all three fronts:

1. **Temporary contribution increases**
   These increases affect active members and do not affect retirees. Contribution rate increases averaging 2.9% of a member's pensionable earnings (matched by the employer) are being phased in over three years. The three increases average 1%, 1%, and 0.9%. When the full increase is in place, this will generate close to $1 billion each year on the asset side of the balance sheet, helping the Plan move towards surplus. The contribution rate increases are temporary and are intended to be in place until the Plan regains a surplus position. The first increase of 1% was implemented in January 2011. The exact rates for 2012 will be announced later this year.

2. **Temporary benefit changes**
   These will only affect active members who leave employment before being eligible for early retirement, and will only affect service earned after 2012. These changes do not affect current retired members. The benefit changes are intended to be temporary until the Plan regains a surplus position. It's estimated these changes will save approximately $100 million each year in benefit costs. The benefit and contribution rate changes were announced by the OMERS SC in 2010.

3. **Investment strategy**
   OMERS delivered a 12.01% return for 2010, the second year of strong returns since the 2008 global credit crisis hit. (The net return after all investment expenses for the year ended Dec. 31, 2010 was 11.37%.)

OMERS continues to shift capital into private market assets that can generate predictable and sustainable returns. These assets include high-quality real estate properties and private equity holdings, as well as infrastructure investments that are typically government-regulated in regard to rates and/or service delivery levels. Private market assets fit well with OMERS obligation to pay pensions for the long term, and are even more important as global markets navigate through the recent events in Japan, North Africa and the Middle East. In addition, OMERS actively manages a diversified global public markets portfolio that can capitalize on market growth. More on OMERS investments and strategy is in our Annual Report at **www.omers.com**.



Addressing a funding deficit is like turning a ship around. “The strategy has momentum and is working well. This kind of correction takes time,” said Andrew.

“We know for a fact that the funding deficit will continue to increase for a couple of years before it begins to shrink.” OMERS Primary Plan has $53 billion in net assets and its current funding deficit stands at $4.5 billion. Current projections show the funding deficit peaking at around $8 to $9 billion by 2012 before it starts to decrease (see chart). Compared to initial estimates a year ago of a peak funding deficit of $8 to $12 billion, the funding picture has already improved.

Why is the funding deficit expected to grow until 2012?

Some losses from the 2008 market collapse are still to be reflected in the funding deficit. That is because the Plan uses a “smoothing” method to spread losses or gains over a five-year period. This buffers the impact of year-to-year investment peaks and valleys, and therefore protects the pension plan from having to make sudden drastic changes to contribution rates or benefits in a given year. Secondly, OMERS is ensuring that retirement and demographic trends that increase the Plan’s obligations are taken fully into account in the assumptions used to assess OMERS benefit obligations. These trends include retirement patterns of the baby boom generation, members’ earnings, and other factors.

How did the 2008 market collapse affect Plan funding?

Consider that the Plan must deliver a 6.5% return annually to meet the basic funding requirement. We ended 2007 with $51.5 billion in net assets. If we had earned 6.5% in each of 2008, 2009 and 2010, the Plan would have approximately $62.3 billion in net assets today. Instead, with the actual losses in 2008 and the strong gains in 2009 and 2010, the Plan has net assets of $53.3 billion, less than what is required to meet the long-term obligations.

So we still have some ground to make up, and like many other pension plans and institutional investors, OMERS is still in a recovery phase following the 2008 global market events.

When will the deficit be eliminated?

OMERS objective over the long term is to deliver strong annual average returns in the 7% to 11% range. The chart on page 4 shows different investment return scenarios. For example, assuming all contribution increases and benefit changes are implemented:

- with a 7% average return, the plan would reach full funding by 2020;
- with a 9% average return, the deficit would be eliminated by 2016.

"OMERS ultimate goal is to pay pensions and generate surplus, including a funding cushion, for the Plan and its membership," said Jennifer Brown, Chief Pension Officer. "When OMERS eliminates its deficit and achieves surplus in the future, there is a clear policy to address how these gains are managed."

In December 2010, the OMERS SC adopted the *Statement of Plan Design Objectives and Strategy* (SPDOS).

"The statement provides a structure to support Plan decisions during future cycles of both deficit and surplus," said SC Executive Director John Poos. The statement outlines strategies for:

- **Deficit management** – Plan less than 100% funded: generally results in contribution rate increases, or a combination of rate increases and benefit reductions
- **Reserve management** – Plan 100% to 110% funded: generally requires reinstatement of past benefit reductions; eliminate any contributions relating to deficit funding
- **Surplus management** – Plan more than 110% funded: generally an equal split between contribution rate reductions and benefit improvements.

The statement is available on the Sponsors Corporation website at **www.omerssc.com**.

OMERS is on course with a clear strategy to return the Plan to full funding, and a comprehensive policy to address future gains and deficits. OMERS closely examines the Plan's funded status each year. "We appreciate the interest of our members and employers in the health of the Plan's funding," said Jennifer. "We will continue to update our membership on the strategy now in place and the results as we move forward."

The joint AC-SC message on the funding strategy is at **www.omers.com.**

Note: Additional Voluntary Contributions (AVCs) are invested in the OMERS Fund and are not affected by the funded status of the defined benefit (DB) plan. AVCs are members' retirement savings separate and apart from the DB plan funding.

www.omers.com gets new look

Earlier this year, we launched a new **www.omers.com**. We have made it easier to read and navigate. The new Pensions Homepage is designed to better serve members and retired members.

Please take the time to explore your new site. Go to **www.omers.com** and click on "Pensions" then "Members."

Update on restatement of OMERS Plan text

The OMERS Primary Pension Plan text is the legal document that governs how the Plan is administered.

Since the Primary Plan was last officially "restated" in April 2007, the OMERS Sponsors Corporation (SC) has made a number of amendments to the Primary Plan (previously communicated in *Retired Member News*). Recently, the SC approved an amended and restated Plan text which consolidates these amendments along with several new housekeeping amendments. The new housekeeping amendments:

- reflect that the latest age of enrolment in the Primary Plan is 71 years of age or at such other time as prescribed under the *Income Tax Act*
- reflect that payments to minors (survivor child pension, beneficiary payments) will be according to the *Children's Law Reform Act*
- reflect that *Employment Standards Act* protected leaves (e.g., pregnancy, parental leave) require employer-matching contributions
- clarify the indexing provision to reflect parts of years
- clarify pre-retirement death benefits so that indexing is addressed for deferred members who die prior to retirement
- clarify the timing of the indexing of deferred pensions and disability benefits, and
- clarify the definition of a Continuous Full-Time (CFT) employee to clearly provide that an employee who is on a fixed-term contract and fills a full-time permanent position with an OMERS employer is a CFT employee.

These housekeeping amendments help maintain the integrity of the Primary Plan and reflect compliance with the applicable governing legislation. Corresponding changes have been made to the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics.

The amended and restated Primary Plan – effective January 1, 2011 – also included a technical amendment to clarify the distribution of assets under administration by the OMERS Administration Corporation in the unlikely event that the Primary Plan is wound up. View the Plan text at **www.omers.com**.

If you have any questions or comments about these changes, please write to OMERS at One University Ave., Suite 800, Toronto ON M5J 2P1 and to the Superintendent of Financial Services at FSCO, 5160 Yonge Street, P.O. Box 85, Toronto, ON M2N 6C9.

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As soon as we post *Retired Member News* on our website, we'll send you a newsletter by email. Get the latest news about your pension plan instantly.

To sign up, go to **www.omers.com**, click on **Pensions** then **News and Newsletters** and select any issue of *Retired Member News*. On the right side of the page under **Tip!**, click on **Sign up to receive Retired Member News by email** and follow the instructions.

OMERS retired member gives back through volunteerism

Gloria McCartney knew early on that volunteering would be a big part of her life. "I am 15-year cancer survivor and I was grateful for the transport services offered by the Canadian Cancer Society," says Gloria. "Without these services, it would have been very difficult for me to get to London from Sarnia for my cancer treatments. That's when I decided I would volunteer for the Cancer Society and give back."

After working for 22 years for Sarnia Transit, Gloria began to receive her OMERS pension when she retired nine years ago. She immediately went back to work as a volunteer driver for the Cancer Society and then as a dispatcher. "After 22 years of driving bus, I couldn't just go cold turkey and stop driving completely," says Gloria. "With my interest in the Cancer Society, working as a volunteer driver was a perfect fit for me."

About three years ago, Gloria moved to Kingston. "Shortly before moving, I hit the proverbial wall after driving for so many years," Gloria says. After the move, Gloria took a part-time job and continues to volunteer for the Cancer Society. "I help coordinate the Cancer Society's driving and driver training program. I recruit and screen volunteer drivers, do statistics on rides for the unit, and work from home finding and coordinating rides for clients. With my part-time job, some days are really busy, but the Cancer Society is always my top priority," says Gloria.

Gloria's advice for retirees: "Volunteer." Gloria notes that volunteers play an important role in the community. "The Cancer Society is volunteer-driven," says Gloria. Volunteering is a great way to share your experience. It's worthwhile and fulfilling. It gives me the ability to pay back. It's also a great way to meet people."

When asked about OMERS, Gloria says, "OMERS allows me to live the way I do today. If membership in OMERS hadn't been mandatory while I was working, I wouldn't be in the financial position that I am. It makes my life easier knowing that I have income that I can count on."

OMERS Jennifer Brown speaks on pension reform

OMERS Chief Pension Officer, Jennifer Brown, is a key player in pension reform as a member of Ontario's Advisory Council on Pensions and Retirement Income. Last November, at the Canadian Pension and Benefits Institute Pension Summit, she gave the viewpoint from a jointly sponsored pension plan and offered OMERS support for Canada's ideas on ways to improve retirement income and the Canada Pension Plan.

"We are encouraged by the momentum of pension reform," Jennifer said. "We see the reforms as positive changes that address the current challenges in Canada."

Visit **www.omers.com/ Corporate/Pension Reform** for more about pension reform.

Be pension savvy – Understand the benefits of your OMERS Plan

If you would like to attend a meeting, be sure to sign up promptly. Please visit **www.omers.com** or contact OMERS Client Services to register for a session or for full details on a date and location.

Pension information schedule

Topics include pension basics, inflation protection, and survivor benefits.

Pension information sessions are from 2:30 p.m. to 4 p.m.

June 22 **Dryden**	August 17 **Peterborough**	October 12 **Mississauga**	November 23 **Ottawa (French)**
July 13 **Sault Ste. Marie**	August 25 **London**	October 20 **Newmarket**	November 30 **Toronto (OMERS)**
July 21 **Niagara Falls**	September 14 **Huntsville**	November 9 **Scarborough**	

Special AVC information schedule

Learn about AVCs (Additional Voluntary Contributions), a savings and investment opportunity exclusive to OMERS members. See *New savings option popular with retired members* on page 2.

AVC information sessions are from 2:30 p.m. to 4 p.m.

October 18 **Ottawa**	October 27 **Stratford**	November 22 **Cambridge**	December 13 **Guelph**
October 19 **Orillia**	November 8 **Windsor**	November 24 **Hawkesbury (French)**	December 15 **Oshawa**
October 25 **Brockville**	November 10 **Owen Sound**	November 24 **Sarnia**	
October 26 **Toronto (OMERS)**	November 17 **Sault Ste. Marie**	December 8 **Toronto (OMERS)**	

Moving? New information? Let OMERS know…

Be sure to notify OMERS of any change in your address, banking information, extra tax deduction, or beneficiary information.

- If you are a registered myOMERS user, you can make most of these changes conveniently online.
- Complete and submit a *Form 108 – Changing information (retired member/survivor)*.
- You can also send a letter to OMERS with your new information. Be sure to include your OMERS reference number and sign the letter.

Important! Please do NOT send your new information by email. To protect your information, we cannot process requests made by email.

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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