OMERS

Plan for the Future

Employer Update

Number 35, March 2005

A newsletter for administrators of the OMERS pension plan

Plan changes
Survivor and disability benefits improved (page 2).

What's inside

OMERS investments deliver superior returns in 2004

New investment strategy pays dividends

The news is that 2004 was a very good year for the OMERS Fund. The OMERS Board has 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," says 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."

New investment strategy

To meet the needs of the future, OMERS has 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 will help 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. A significant increase in the returns of our private market investments, 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.

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. Ian Collier, OCP president and CEO, said the automotive sector is seen "as a global economic leader during the next decade with exceptional growth forecast for emerging economies."

OCP has also invested in a leading U.S. pharmaceutical company, Warner Chilcott, which

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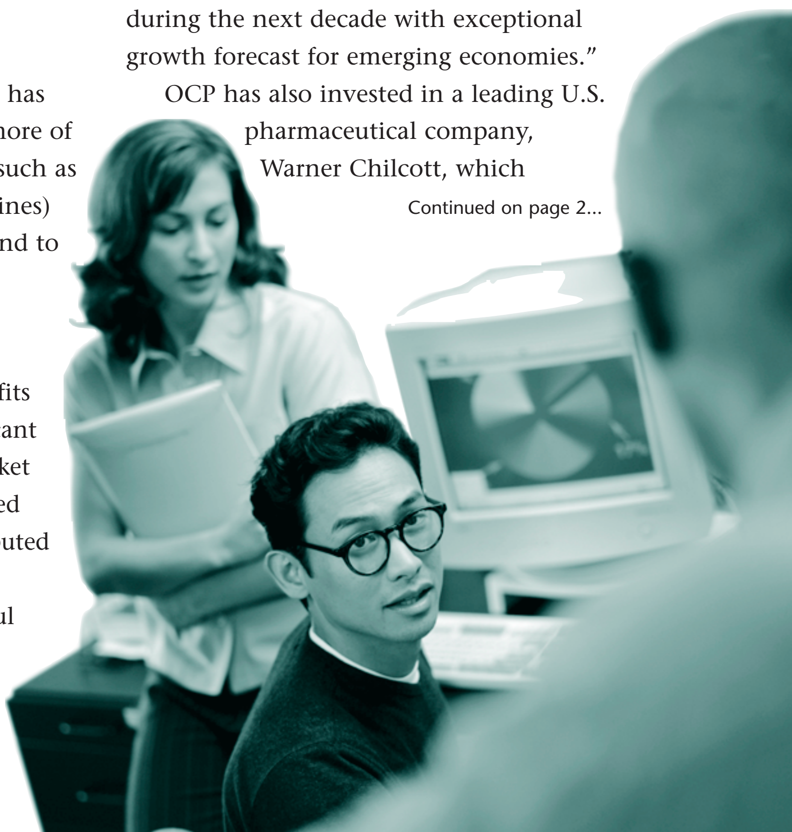

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OMERS investments deliver superior returns in 2004

focuses on women's healthcare. "We are steadily building a healthcare component in our private equity portfolio," Mr. Collier said. "These niches are generating the returns we like to help pay pensions."

2006 contributions

In March, the Board is meeting to discuss contribution rates. At the meeting, the Board will have the results of the funding valuation that projects OMERS future costs relative to its assets and contributions.

The Board will consider a contribution rate increase, which will likely be between 1% and 2% of earnings in 2006 (for both members and employers). There will be more news after the Board's meeting – to help you prepare your 2006 budget.

A rate increase seems at odds with the Fund's short-term performance, but 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.

Frederick Biro put this into perspective. "We've had excellent returns, and that will help minimize the funding contribution required. The reality is, however, that all pension funds are feeling the effect of an increase in long-term liabilities, which have grown much faster than investment returns can match.

"OMERS is in a relatively favourable position compared to our peers, but we realize that does little to alleviate the impact of the planned increase to plan members and employers.

"Increasing rates is a difficult decision to make," continued Mr. Biro. "But it's necessary to protect the long-term stability of the OMERS plan, ensuring that the plan remains well funded, and that contributions reflect the actual cost of benefits. Increasing rates on January 1, 2006 will mean less of an increase than if we waited for another year. This is a long-term commitment, and we must take a long-term view in making decisions about the plan."

Overall funding security

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

Government approves plan changes

The OMERS Board recently received approval from the Ontario government for a number of plan changes, effective January 1, 2005. The plan changes include benefit improvements to survivors and disabled members, and do not represent a major cost to the plan.

Eligible child benefit extended for full-time students

The eligible child of a member who dies on or after January 1, 2005, will see their survivor benefit extended to age 25, provided they are attending school full time. Previously this benefit ended when the child reached age 21 (unless the child was determined to be totally disabled).

This extension of the eligible child period is similar to the coverage offered by the Canada Pension Plan.

OMERS bridge benefit no longer affected by CPP disability pension

Effective January 1, 2005, a retired OMERS member who receives a CPP disability pension will also receive the OMERS bridge benefit to age 65. The OMERS bridge benefit used to end before age 65 if the member was receiving a CPP disability pension.

We will send a notice to the approximately 1,300 retired members who are affected once we have adjusted their pension. We will also give these members a one-time retroactive payment – to make up for the bridge reduction from January 1, 2005 to the date their pension is adjusted. We expect to have all affected pensions adjusted by spring 2005.

What if a member was receiving both a CPP disability pension and the bridge benefit before the change?

If under the previous regulations a member was receiving a CPP disability pension at the same time as the OMERS bridge benefit, this overpayment will have to be recovered.

Example: A member receiving an OMERS lifetime pension and bridge benefit began receiving a CPP disability pension in June 2004, and notified OMERS in December 2004. The bridge benefit paid from June to December 2004 will have to be recovered. After January 1, 2005, the CPP disability pension will not affect the bridge benefit.

Disability benefits: pre-existing condition criteria change

New rule (effective January 1, 2005) – members who become disabled due to a "pre-existing" condition (one they had before they joined the OMERS plan), may be eligible for OMERS disability benefits.

Old rule (for disabilities that occurred before 2005) – members who became disabled within the first year of their OMERS membership, due to a pre-existing condition, were not eligible for OMERS disability benefits.

Changes to dual membership administration

A dual membership occurs when a member is employed by two or more OMERS participating employers at the same time and has two separate membership records. Usually, there is one primary employer, and one secondary employer (for instance, a member has a full-time job as a firefighter and also serves as a municipal councillor).

Previously, if the member retired from the first employer, but was still working for the second employer, they could not receive an OMERS pension until they ended employment with both employers. (The *Income Tax Act* does not allow a member to accrue service in a plan and receive a pension from it at the same time.)

The new approach allows more flexibility. As of January 1, 2005, if the member retires from the first employer and wishes to receive a pension, they will have to terminate their second OMERS membership, but they can keep their second job. The member would cease contributing to OMERS through the second employer, and would receive a pension for both memberships.

Change to incentive pay reporting (Not yet approved...)

The OMERS Board has asked the Ontario government to change our definition of "contributory earnings" – the earnings we use to calculate a member's contributions – to standardize how incentive pay is reported. We haven't received government approval yet, but we expect to in 2005.

We're finalizing an incentive-pay application form to register your program with the OMERS Board. If you'd like a copy, once it's complete, please send us an e-mail to employer@omers.com, and type "Incentive pay" in the subject line of your message.

www.omers.com Whenever you have questions about OMERS administration, check the online *Employer Administration Manual* in the Employers section on our web site.

Commuted value calculation changes

In our October 2004 issue of *Employer Update*, we mentioned that new standards will be used for calculating the commuted value of pensions for members who end their OMERS membership after February 1, 2005 (whether leaving their employer, retiring, or in the case of a death). This change was prompted by the Canadian Institute of Actuaries, and relates mainly to actuarial assumptions on life expectancy and future interest rates.

The commuted value of a pension is the amount of money that must be put aside today to grow through investment earnings to fund a future pension.

The new calculation standards are based on current interest rates, and would likely result in moderately higher commuted values for members who leave the OMERS plan (it depends on their age). However, if interest rates increase, the new standards would produce only slightly higher commuted values for older members and lower commuted values for younger members. We're asking members who are considering terminating their membership to keep this change in mind as they make their plans.

NEW! Six-month guarantee period

Effective January 1, 2005, the guarantee period for commuted values is now set at six months from the date we produced the member's election form. It used to be either this limit or one year from the date the member terminated employment, whichever came later.

The change fixes a member's commuted value – guaranteeing the amount – up to the expiry date listed on their *Benefit application form*.

If a member who has a commuted-value transfer option doesn't make an election before the expiry date, we will recalculate the commuted value, and the amount could change (higher or lower).

OMERS membership for part-time, seasonal, and 10-month employees

Do you have part-time, seasonal or 10-month employees? Here are some reminders about how and when to enroll these members, and how to calculate their credited service. (Most 10- and 11-month employees work for school boards; e.g., teacher's aides, school counsellors, etc.).

OMERS enrolment criteria

Enrolment in OMERS for non-full-time employees depends on your participation by-law or resolution with OMERS. Employers have two choices:

- immediate, compulsory enrolment in OMERS for all non-full-time employees as a condition of employment on the date of hire; or
- abide by the *Pension Benefits Act* two-year rule, which essentially says that where membership is not compulsory, the employer must offer membership in OMERS when the employee meets the eligibility requirements.

Employees are eligible if during each of the two immediately preceding calendar years (while employed with one or more OMERS participating employers):

- the employee worked at least 700 hours (including overtime) with any OMERS participating employer; or
- the employee's earnings, including overtime and vacation pay, with any OMERS participating employer, were at least 35% of the Year's Maximum Pensionable Earnings (the CPP earnings ceiling, which is $41,100 for 2005).

Calculating credited service

Credited service for a non-full-time member is calculated based on the number of weeks this member worked compared to the number of weeks worked by a full-time member in the same or similar class of work.

Number of weeks worked by a non-full-time member in the year (including paid vacation)	÷	Number of weeks worked by a full-time member in the same position (usually 52 weeks)	x	12	=	Months of credited service (to 2 decimal places)

Example:

Laura is a teacher's aide who worked 40 weeks, and had 3 weeks holidays, for a total of 43 weeks.

43	÷	52	X	12	=	9.92 months of credited service

Join us for 2005 employer seminars

If you're new to OMERS administration, or just want a refresher, plan on attending one of our Employer Administration Seminars near you.

We've finalized the dates and cities where you can find our Employer Administration Seminars throughout 2005. You'll find the complete listing, and registration information, at **www.omers.com**.

A few of the locations are still being worked on – this is because, for some of the seminars, we have a choice of venue and we're deciding which best suits our needs. In the meantime, we're accepting registrations for all sessions. The seminars are free of charge (and lunch is on us). Travel and accommodation costs are up to you.

If you register for a session whose location isn't finalized, we'll send you this information once it is, but at least you can mark the date in your calendar.

Our one-day Employer Administration Seminars are a great way to learn (or refresh) the skills you need to administer the OMERS plan. We'll also discuss and demonstrate e-access throughout the day. The seminars have two parts:

- an OMERS "basics" session in the morning, followed by
- an in-depth look at leave periods and disabilities in the afternoon.

www.omers.com Visit the *Employers/Training/Employer Administration seminars and other meetings* section of our web site to check the latest news on our 2005 seminars – including space availability and locations – and to register.

e-access continues to grow

- **The latest member of the e-access family, *e-Form 119 – Annual reporting of member information*, launched successfully and employers have already begun to submit their 2004 Form 119 information!**
- **We also launched e-Correspondence, a new electronic "bulletin board" that enables employers to send and receive confidential member information through a secure web channel.**
- **There's another new tool in e-access: Membership Data Extract, which gives employers the ability to download membership information from e-access.**

e-Form 119

The new e-Form 119 enables you to report your annual member information easily, quickly and securely through e-access. It will help both you and OMERS to report, reconcile and process member information, which will mean your members get their Pension Reports more quickly.

Unprecedented support

To support the launch of e-Form 119, we have set up a campaign of seminars around the province to teach employers how to use e-Form 119. We're supplementing this with:

- online information pages, which you'll find when you log in to e-access; and
- our dedicated e-Form 119 Call Centre, which can instantly give you the answers you need. Just call OMERS Client Services – Monday to Friday, between 8:00 a.m. and 5:00 p.m., at 416-369-2444 or 1-800-387-0813. The automated message will give you the option to be put through to our e-Form 119 Call Centre.

www.omers.com For a complete list of our available e-Form 119 seminars, and to register, visit *Employers/e-access/e-119 training* on our web site.

An e-Form 119 success story

On January 5, 2005, at 8:21 a.m., Cathy Campbell, the Director of Human Resources at Bluewater Power Distribution Corporation submitted the first ever e-Form 119 request.

"The batch process is the best," said Cathy. "I just had to download my Excel spreadsheet, and there it was. No entering information twice, and this eliminated any keying errors. The e-Form 119 is excellent."

e-Correspondence

With the introduction of e-Correspondence, you can now ask questions about any e-Form you're working on – from technical issues to member information follow-ups.

Membership Data Extract and PAs

This is something employers have asked for. Now, you can download the membership information you've reported to OMERS using e-Form 119. The information is in text (.txt) format, but can easily be converted into Excel (.xls) format if you like.

Get your pension adjustments (PAs)

Remember, if you submitted your member data using e-Form 119 **before February 28**, you didn't need to enter your members' pension adjustments (PAs). We calculated them for you.

After your member data is validated, you can download your members' PAs – very helpful when you're preparing your members' T4 income-tax slips.

After February 28, we won't calculate your PAs. It will be up to you to enter the PAs you reported on your members' T4s. (We'll still check them.)

www.omers.com If you need help to calculate your PAs, don't forget our online PA calculator in *Employers/Tools/PA calculators and information* on our web site.

Coming March 2005...

Online leave-period adjustments

You can report leave periods in e-access using e-*Form 165a – Leave period reporting*. Soon, if you need to, you'll be able to make adjustments to the information you've reported, using the new *e-Form 165c – Leave period adjustment*. This new feature will apply to leaves where no election – to purchase or not to purchase – has yet been made.

Currently, once you report leave-period information through e-access, you must send any corrections by faxed form. Being able to make corrections online completes the picture, and gives e-Form 165 the versatility you need.

2004 Pension Reports...

Remember, with the changeover to e-Form 119, the earliest we will be able to produce your members' 2004 Pension Reports is **March 2005**.

Senior V.P., Pensions, retires

Michael Beswick

Michael Beswick, Senior Vice President of the OMERS Pension Division, retired in December 2004. Michael had been with OMERS for about 25 years – the last 17 as a Senior Vice President.

It seems very appropriate that the person who was largely responsible for the success of the plan's administration, policy and communications should leave while he could "still take advantage of the early retirement window."

Michael's shoes will be hard to fill. He has been a staunch advocate of public sector plans in general, and OMERS in particular. He has tirelessly fought for improvements in federal and provincial legislation to help pension plans fulfill their reason for being: providing secure retirement income to their members.

Within OMERS, he has initiated and overseen the successful developments of our current member, retiree and employer administration systems. "All of these have contributed to impressive gains in the accessibility, ease and timeliness of OMERS administration, which has ultimately improved the service we provide our members," says Graham Hills, Vice President, Pension Policy and Client Services.

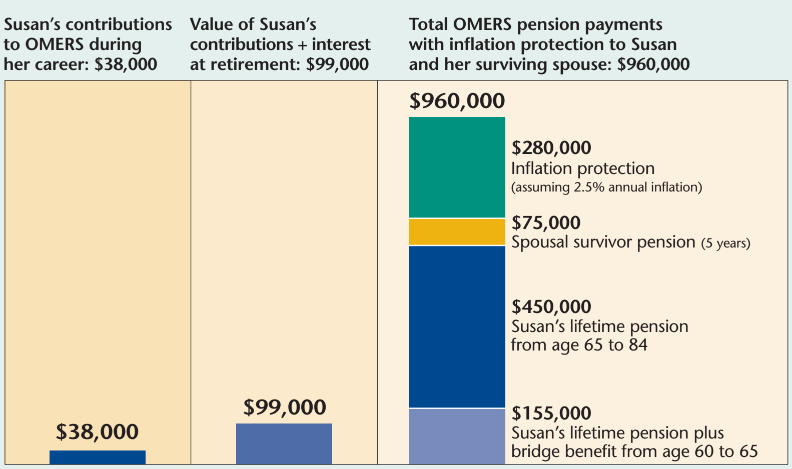
Many employers will have met or talked with Michael (he's been a mainstay at our Regional Board Meetings), and will miss his energy, drive, determination, and his heartfelt belief and confidence in the OMERS plan.

As with anyone who makes an overwhelming contribution to the growth and development of an organization, he leaves OMERS staff, active and retired members, and employers with a sense of appreciation, thankfulness, and a hole that will likely never be completely filled.

The OMERS Board and staff wish Michael all the best in this next stage of his life and career.

The search for his replacement is underway. In the meantime, Jennifer Brown has been appointed Acting Senior Vice President.

"Being an OMERS member gives me **great value**: guaranteed pension benefits, retirement security and inflation protection."



- Susan retires at age 60 with 32 years of service.
- As an OMERS member, Susan's contributions were matched by her employer.
- Susan's best-five consecutive earnings used to calculate her pension are $48,000 per year.
- Following Susan's death, her husband is entitled to a lifetime survivor benefit. In this example, he lives for five years after her death.

The OMERS difference

OMERS provides a solid financial benefit at a reasonable cost. Its value is unbeatable, and the total benefits paid can be substantial.

*To find out how your OMERS pension will pay off when you retire, try our Retirement Income Estimator at **www.omers.com**, or call OMERS Client Services at 416-369-2444 or 1-800-387-0813.*

OMERS
Plan for the Future

OMERS Board updates

Board re-appointments

The OMERS Board is pleased to announce the re-appointment of **Frederick Biro** as Chair for a second one-year term. Mr. Biro was first appointed to the Board as an employer representative in 2000. He has served as Vice Chair, and on several Board committees. He was first appointed as Board Chair for 2004.

Mr. Biro is currently the Executive Director of the Regional Municipality of Peel Police Services Board. He served as Executive Director of the Canadian Association of Police Boards from 1993 to 1996. He has considerable government experience and has worked in the private sector as a consultant and writer.

Mr. Biro is the first OMERS Board Chair in recent times to serve a second term. Electing chairs and vice chairs for more than one term allows better continuity and oversight and is one outcome of the Board's recent governance review. The review also resulted in implementing a new committee structure: in addition to the existing Investment and Pension committees, the Board has added the newly formed Audit, Human Resources, and Governance committees.

David Kingston has been re-appointed for a second term as Vice Chair of the Board. Mr. Kingston was first appointed to the OMERS Board in 2000 as a member representative. He is an officer with York Regional Police.

John Sabo has been re-appointed for a second three-year term on the Board. Mr. Sabo was first appointed in 2001 as an employer representative. He is currently the Associate Director of Corporate Services and Treasurer of the York Catholic District School Board.

www.omers.com You'll find biographies and pictures of all our Board members in the *About OMERS/Board and Senior Officers* section on our web site.

New Board appointment

Ann Mulvale

The OMERS Board is pleased to welcome Oakville Mayor **Ann Mulvale**, who has been appointed as an employer representative. Ms. Mulvale has been Mayor of Oakville since 1988.

As Mayor, Ms. Mulvale has served on the Mayors and Regional Chairs Committee for the Greater Toronto Area, the Greater Toronto Services Board, the Large Urban Mayors' Caucus of Ontario, and the Association of Municipalities of Ontario (including two terms as President).

Ms. Mulvale sits on a number of other Boards: Waterfront Regeneration Trust, Oakville Community Foundation and Oakville Hydro. She has been active as a community volunteer, including a three-year term as Executive Director of the United Way of Oakville.

Two Board retirements

Nancy Bardecki has left the OMERS Board after 14 years. She was first appointed as the Ontario government representative in 1989. **Dennis Neethling** has also left the OMERS Board after serving for more than three years as an employer representative. The OMERS Board extends sincere gratitude to Ms. Bardecki and Mr. Neethling for their guidance, hard work and dedication to OMERS.

OMERS is jointly managed by a 13-member Board appointed by the Ontario government, and is comprised of six employer representatives, six plan member representatives (including one retired member), and one government representative.

New buy-back process reminder

We're improving the process of buying OMERS service

Effective January 1, 2005, we began collecting service buy-back payments directly from members. We also prepare the members' tax slips for these payments, if needed.

Before the change, members would pay their employer, who would then remit the payment to OMERS. (You can continue do this, if you prefer.)

A service "buy-back" enables members to purchase some types of past service they wouldn't otherwise be able to buy.

Just buy-backs...

Some members have been sending us personal cheques for other types of service purchases. We can only accept direct payment from members doing service buy-backs.

A buy-back differs from other leave-period purchases in that there aren't the same time restrictions to do a buy-back, and its cost is based on an actuarial calculation – not contributions.

www.omers.com You'll find all you need to know about "buy-backs" online. Visit *Employer/Employer Administration Manual*, section 12.

Listening to you helps us

Our service is only as good as you say it is. This is why we often survey our employers and our active and retired members to find out what we do well and what we could improve.

Last fall, we contracted Millward Brown to conduct a survey of employers and active and retired members. We wanted to find out what you think about OMERS, what you need from the plan, and how effective we are in communicating to you.

What you said

On the subjects of…

- **Satisfaction –** Overall, OMERS members remain positive about their plan, and employers even more so.
- **Trust –** The trust in OMERS remains very strong amongst both our members and employers.
- **Security –** All employers and active and retired members feel that OMERS is a secure pension plan.
- **2006 contribution increase –** Most employers (91%) are well informed about the increase; about 45% of active members were aware of it last fall.
- **Priorities for OMERS –** Survey respondents want OMERS to:
  - maintain reasonable contribution levels;
  - focus on investment strategy and returns;
  - find opportunities to improve the flexibility of the plan, within its existing framework; and
  - communicate and consult more with plan members and employers.

What we're doing

With the survey results in, we have an even better idea of what you expect from your pension plan. Here is what we plan on doing to meet those expectations:

- Educate members about the value of OMERS, and why we had to have the contribution holiday.
- Explain how contribution rate increases work towards funding the OMERS plan.
- Improve communications to employers about the impact of the contribution increase.
- Continue to review our communications and stakeholder relations.
- Explore plan flexibility to meet customers' needs.

Our service levels

In addition, we also use GPC Research to conduct quarterly surveys of OMERS service. These surveys are a bit different in that they measure the satisfaction of OMERS members who have either recently:

- had a benefit (retirement, termination, disability) calculated by OMERS; or
- contacted our Call Centre (OMERS Client Services).

Our last survey of 2004 showed a high level of overall satisfaction amongst members who'd had a benefit calculated. About nine out of ten, or 89%, of respondents rated our service as a 4 or 5 out of 5.

This was much the same with respondents who'd contacted our Call Centre, where 85% or more rated their experience as a 4 or 5 out of 5.

We were pleased to note two things in particular:

- These ratings have remained relatively unchanged throughout 2003 and 2004.
- Our staff got the highest ratings for being polite and courteous. They were also praised for their prompt responses and high level of knowledge.

Thank you!

What makes a survey successful? The respondents. This is why we'd like to thank all of you who participated in the survey and helped us to complete our research. We couldn't have done it without you.

OMERS
Plan for the Future

The OMERS pension plan provides secure, guaranteed retirement income to municipal employees at almost 900 employers across Ontario.

Employer Update keeps our employer representatives up to date on plan administration, news and benefits.

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

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

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