OMERS
Plan for the Future

Employer Update

Number 39, Spring 2006

A newsletter for administrators of the OMERS pension plan

Bill 206: new OMERS Act gets official nod; set to become law

Mandatory retirement ends this year
See page 3.

What's inside

It's official: Bill 206 (*An Act to Revise the Ontario Municipal Employees Retirement System Act*) received royal assent in the Legislature on February 23, 2006. The new OMERS Act becomes law after proclamation, likely to take place this summer.

Under the new OMERS Act, a Sponsors Corporation replaces the Ontario government as plan sponsor, and will have final say on issues such as plan design and contribution rate changes. Its Board will have an equal number of member and employer representatives. The OMERS Board continues as the Administration Corporation, responsible for plan administration and investments.

In March, special editions of *Employer Update*, *Member Update* and *Pension News* focused on OMERS and Bill 206. Briefly, under the new OMERS Act:

- The features and benefits of the OMERS plan are unchanged: normal and early retirement pensions, inflation protection, termination options, and disability and survivor benefits.
- There is nothing in the new OMERS Act that puts pensions at risk.
- There is no change in the pension formula.
- It is business as usual for OMERS investment practices and customer service.

Supplemental plans for police, firefighters and paramedics

Supplemental plans are separately funded, stand-alone plans distinct from the primary plan. The Administration Corporation must establish a supplemental plan for police officers, firefighters and paramedics within 24 months of proclamation of the new Act.

Under the new OMERS Act, an employer's consent is required for participation in the supplemental plan and the benefits offered. The new Act is silent on how consent is determined.

Continued on page 2...

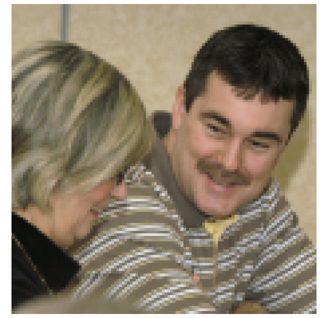
...continued from page 1

Bill 206: New OMERS Act gets official nod; set to become law

Member eligibility for supplemental plan options

	Police & Fire	Police civilians	Paramedics
2.33% pension accrual rate (2.33% x service x earnings)	✔	✗	✔
80 Factor (Age + service = 80 or more)	✔	✗	✗
85 Factor (Age + service = 85 or more)	N/A	✔	✔
4-year average annual earnings used in pension calculation	✔	✔	✔
3-year average annual earnings used in pension calculation	✔	✔	✔

Notes:
- Police and firefighters are eligible for all options listed, with the exception of Factor 85 which they already have in the primary plan under normal retirement age 60.
- Police civilians are eligible for the 85 Factor and enhanced earnings options. They are not eligible for 2.33% accrual rate or the 80 Factor, which are available only to public safety occupations under normal retirement age 60.
- Paramedics are eligible for all options listed, except the 80 Factor, which is available under normal retirement age 60; under the new OMERS Act paramedics retain a normal retirement age of 65.


Employers at recent information sessions on the OMERS pension plan and Bill 206

However, in many cases, members and employers would locally bargain their participation in a supplemental plan and the benefits offered. One supplemental benefit may be bargained at a time, at three-year intervals.

Public safety occupations

The *Income Tax Act* recently changed to include paramedics in public safety occupations, along with police officers, firefighters, air traffic controllers, correctional officers, and commercial airline pilots. Members of public safety occupations are permitted to have a maximum pension accrual rate of 2.33% and better early retirement opportunities.

Paramedics in the OMERS plan currently have a normal retirement age of 65. Under the new OMERS Act, paramedics, police and firefighters are treated the same. But the Sponsors Corporation would have to vote to amend the Plan to include paramedics under normal retirement age 60.

Other occupations

The Sponsors Corporation has the authority to create supplemental plans for other OMERS members (by a two-thirds majority vote).

Costs

- Each supplemental plan is responsible for its own liabilities and expenses. Each supplemental plan is paid for entirely by its participating members and employers; the Act does not permit cross-subsidization.
- Current primary plan assets cannot be used to fund any supplemental plan benefits.

The cost of a supplemental plan for a specific employer is difficult to predict. In 2005, OMERS actuaries developed some preliminary cost estimates of various benefit improvements to employers and members. These estimates are available on OMERS website under Bill 206/OMERS Act/Supplemental plan information.

Note: the Provincial Minister of Finance has said he will exempt supplemental plans from solvency funding requirements; public sector pension plans are funded by government so are at minimal risk of insolvency.

Information sessions

This spring OMERS hosted a number of OMERS Act information sessions across the province. Topics included:

- Details of the new governance model – Sponsors and Administration Corporations
- Sponsors Corporation decision-making protocols
- Supplemental plans: how they work; how much they cost
- Key messages for employees

For a copy of the presentation, please visit our website under Bill 206/ OMERS Act.

Mandatory retirement ends this year

Ontario will end mandatory retirement at age 65 as of December 12, 2006. While the new provincial legislation prevents employees from being *forced* to retire at age 65, it does not *prevent* them from retiring at or before age 65, and protects their existing rights to pension plans.

For an OMERS member who stays working past age 65:

- Member and employer contributions to the plan must continue to be deducted and reported until the member reaches 35.00 years of credited service or age 69, whichever comes first.
- After 35.00 years: continue to report the annual contributory earnings on the *Form 119 - Annual reporting of membership information*. These contributory earnings may be used to calculate the member's pensionable earnings.
- After age 69: the *Income Tax Act* (and OMERS Act) states that a member must start their pension in the year they reach age 69, and therefore cannot continue to accrue benefits in the plan, whether or not they are working.

An employee cannot be forced to retire at 65, unless there is a bona fide occupational requirement allowable under the *Human Rights Code* due to the nature of employment (e.g., police officers, firefighters, bus drivers, etc.).

Collective agreements will not be able to contain age provisions for mandatory retirement for unionized employees. But employers will not be required to extend health, disability and life insurance coverage to employees over age 64. (See the Ontario Ministry of Labour website at www.labour.gov.on.ca)

Ontario joins Manitoba, Alberta, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Yukon and the federal government in ending mandatory retirement.

Phased-in retirement comes of age

The concept of phased-in or gradual retirement is generating a lot of interest: from employers who want to encourage older, experienced employees to continue working, at least part of the time, and from older employees who want financial security and a slower transition from full-time employment to full retirement.

- Phased-in retirement can help retain skilled, older employees, especially if there are few entry-level job applicants. This is becoming more of an issue as the oldest of the baby boomers will reach age 65 in 2011.
- Phased-in retirement can help employers plan attrition in an organizational restructuring.
- Older employees can gradually reduce their working hours and better balance work and home responsibilities.

A legislative perspective

Currently, the *Income Tax Act* does not permit a member of a defined benefit pension plan to receive a pension and accrue service in the plan at the same time. Alberta, Manitoba and Québec have introduced legislation to allow eligible employees to work part time while receiving a partial pension. The Ontario Municipal Human Resource Association (OMHRA) has said it plans to lobby the province to make similar amendments to the Ontario *Pension Benefits Act*.

Continued on page 4...

These are possible options for members who are "not-full-time" but "not-yet-fully retired"

Broken service purchase	A member reduces their working hours while protecting their pension entitlement: • The member works three days per week instead of five, and could elect to purchase the two days of broken service by paying both member and employer contributions. • The *Income Tax Act* limits this type of arrangement to five years.
Job sharing	Two members "share" one full-time job, including salary, benefits and holidays. • Each member could accrue credited service and eligible service in the plan. • Or as above, each member could elect to purchase the broken service.
Voluntary part-time work	Members choose to work less than a standard 40-hour work week, for a specified period or on a permanent basis. • Can accommodate members with health or disability issues; lets them maintain a link to the work place. • Can help employers during periods of heavy or fluctuating workload. • The member's best five years of earnings would still be used to calculate their pension. • The member continues to accrue credited service and eligible service in the plan. • The time not worked could be considered broken service and available for member purchase.

...continued from page 3

Phased-in retirement comes of age

According to the *MetLife Employee Benefits Trend Study* conducted in the U.S. in 2005, 34% of employers agree that an aging workforce will have a significant impact on their company, yet more than 79% **have not** taken any steps to accommodate older workers.

- 58% of employees age 41-50 worry that they will have to continue working either full or part time to live comfortably during retirement; 61% said their biggest retirement-related fear is outliving their retirement money.
- 67% of workers age 61-69 reported high levels of job satisfaction; 75% said they were very loyal to their employers.
- Older workers are also more likely to cite benefits as an important reason for staying with their employer.

The MetLife study polled employees and employers separately; the employer survey polled 1,514 Human Resources/ Benefits executives.

Your views

What are your opinions or experience with phased-in retirement programs? We'd like to hear from you; e-mail us at feedback@omers.com.

Value and trust drive satisfaction: poll

Value, security and trust in OMERS are key factors influencing satisfaction among employers and members, according to a market research poll* conducted by Millward Brown on behalf of OMERS.

"This is great news for OMERS," said Ruth Abbott, Vice President, Strategy and Marketing. "This tells us that stakeholders understand that their OMERS pension is strong and secure."

Highlights from employers:

- Overall satisfaction with OMERS remains fairly high among employers, but it has slipped slightly in the past two years.
- There continues to be a widespread opinion of value in the OMERS pension.
- Employers tend to have a lot of trust in OMERS to manage the plan effectively.
- Employers believe OMERS is committed to improving the financial well-being of its members.

Highlights from active members:

- Satisfaction is driven by the opinion of value and security of the plan, trust in the management of OMERS, and feeling informed about the plan.
- The closer a member gets to retirement, the more interested and better informed they become about their pension plan.
- Active members age 55 and over are more likely to have contacted OMERS and are more likely to read OMERS publications, than those age 35-54.

Highlights from retired members:

- Retired members have the highest overall satisfaction score.
- They feel they get good service from OMERS.
- They see OMERS as a pension leader, and have a high level of trust in OMERS.

* The research was conducted in late 2005 and included random telephone interviews with 400 active members, 400 retired members, 100 employers and 100 local government elected officials. Focus group sessions were also conducted with these key stakeholders.

Our service leads public sector plans

We're very proud of our service record, and that our service performance statistics make us a leader among public sector pension plans.

In 2005, we met or exceeded all of the detailed measures we monitor to ensure we are meeting the needs and living up to the expectations of our members and employers.

We now serve a total active and retired membership of almost 364,000, an increase of 2.6% from year-end 2004.

As at year-end 2005:

Pension Services

- received more than **3,900** retirement claims; more than **8,200** termination claims; and more than **8,900** pension estimates;
- continued to turn around the majority of benefit applications and pension estimates within a **three-day** target; and
- reduced pension administrative expenses by **16%** from 2004.

Client Services

- received more than **94,000** phone calls;
- more than **90%** of inquiries were resolved in the first phone call;
- handled more than **10,000** e-mails, letters and faxes;
- in a Client Services survey, **89%** of callers polled said they were satisfied with the level of service and the promptness of the response.

Staying in touch at meetings and seminars for our employers

Annual regional meeting

OMERS will host its annual regional meeting in Hamilton on May 18, 2006. The annual meeting gives the OMERS Board and senior management the opportunity to meet with local employers and members, to review OMERS year-end results, share highlights of the past year and outline OMERS future priorities and initiatives. Videos from the meeting and the question-and-answer period will be available on our website.

Seminars and support visits

OMERS Presentations and Training team kept up a solid pace in 2005, hosting information sessions, seminars and visiting employers across the province.

Member information sessions	131	Employer seminars	27
Pre-retirement sessions	55	Employer support visits	699

Learn about OMERS at an employer seminar

Plan to join us at an administration seminar where you can learn the basics about OMERS and meet other administrators who may share your experiences and questions.

"I think it's vitally important as a new administrator to attend an OMERS session," said Victoria Landrigan, Payroll and Benefits Administrative Assistant, Corporation of the Town of Deep River. "It's informative to initiate the process of administering OMERS. The instructors were well prepared and professional. It was extremely well done."

Seminars consist of three sessions; select which session(s) you would like to attend.

Session 1 - OMERS administration basics (9:00 a.m. - 12:00 p.m.): enrolments; contributory earnings; credited service; omission periods.

Session 2 - Leave periods (1:00 p.m. to 2:15 p.m.): pregnancy/parental leave; scattered days; leave period data.

Session 3 - Disabilities (2:30 p.m. to 3:45 p.m.): elimination periods; Form 143; WSIB and OMERS; rehabilitation periods.

Attendees at an employer seminar in Toronto took part in a comprehensive review of plan administration plus special sessions on leave periods, disabilities, and e-access.

Seminars are free of charge, but travel and accommodation costs are up to you. Be sure to register early as seating is limited. Register online or contact OMERS Client Services.

Continued on page 6...

2006 Employer administration seminar schedule

Dates	City	Place
May 18, 2006	Perth/Smiths Falls	Lanark County Administration Building, Sunset Boulevard, 99 Christie Lake Road, Perth
May 24, 2006	Toronto	OMERS, 1 University Avenue, 7th floor (Employers with more than 200 members)
May 25, 2006	Toronto	OMERS, 1 University Avenue, 7th floor (Employers with less than 200 members)
June 1, 2006	Dryden	Best Western Motor Inn, 349 Government Street
June 1, 2006	Whitby (Durham)	Le Gala, 65 Sunray Street, Whitby (near Thickson & Consumers Road) (For school boards only)
June 8, 2006	Owen Sound	Days Inn & Conference Centre 950 6th Street East

Dates	City	Place
June 15, 2006	New Liskeard	Quality Inn (Francesco's) Highway 11 North
July 20, 2006	Newmarket	Region of York, 17250 Yonge Street (Yonge Street & Davis Drive)
Aug. 24, 2006	Belleville	Hastings and Prince Edward District School Board, 156 Ann Street
Sep. 14, 2006	Kitchener-Waterloo	Delta Kitchener-Waterloo 105 King Street East, Kitchener
Sep. 20, 2006	Parry Sound	Children's Aid Society Building 25 Church Street
Sep. 28, 2006	St. Catharines	Four Points by Sheraton St. Catharines Niagara Suites 3530 Schmon Parkway, St. Catharines

October to December 2006: sessions are scheduled in Barrie, Ottawa (English and French), Sault Ste. Marie, Chatham, Kincardine, Markham, and Halton (school boards only). Details will be posted on our website.

...continued from page 3

Staying in touch at meetings and seminars for our employers

Member information seminars

Information seminars are available for all members (check dates and places on our website). You can also have OMERS contact you about setting up a session for your staff. In the online employer seminar registration form, go to Section 2, General meetings and pre-retirement seminars, and select the seminar that would best suit your staff:

- **General information session:** covers contributions, retirement pensions, survivor benefits, termination options, and inflation protection; OR
- **Pre-retirement seminar:** offers in-depth review of normal and early retirement pensions, survivor benefits and inflation protection.

Transfer agreement helps temporary teachers

An amendment to the reciprocal transfer agreements between the major Ontario pension plans (MOPPs) could prove beneficial for a member who has temporary teaching status.

If a member works in a temporary teaching position (under a Letter of Permission), they must contribute to Ontario Teachers' Pension Plan (OTPP) for that period. Once the Letter of Permission expires, the member is no longer eligible to contribute to OTPP, and must re-enrol with OMERS. The benefit they earned in OTPP can now be transferred to OMERS, without the member terminating their employment.

Example: an OMERS member working for a school board in a non-teaching position earns their teaching qualifications and works temporarily as a teacher, contributing to OTPP until the teaching assignment ends. The member then goes back to their OMERS position with the school board and resumes contributions to OMERS.

If the member transferred their OMERS benefit to OTPP while they were teaching, they can now transfer their OTPP benefit back to OMERS.

Transferring OTPP service into OMERS – keeping it together under one plan – may help the member retire earlier with a higher pension. The member should get an estimate of the transfer amount to help them make an informed decision.

Important transfer deadlines

Pre-Dec. 31, 2005 OTPP service: members have until June 30, 2006 to apply for the transfer.
Post-Dec. 31, 2005 OTPP service: members have six months from the date they begin contributing to their new plan to apply for the transfer.

Please contact OMERS Client Services for more information.

OMERS Fund earns 16.0% in 2005

OMERS earned a total fund return of 16.0% in 2005, a top quartile performance that exceeded the benchmark return of 13.2%, led by investment gains in real estate, private equity and infrastructure.

"The exceptional returns from our private market investments in real estate, infrastructure and private equity, combined with the continued strength of global equity markets contributed to another strong year," said OMERS president and CEO Paul Haggis. "Our asset mix strategy is working. And we remain committed to increasing our asset allocation in private market investments, which are expected to outperform traditional stocks and bonds over the long term."

OMERS will gradually increase its holdings in private equities, real estate and infrastructure to 37.5% of net investment assets (from the current 19.8%).

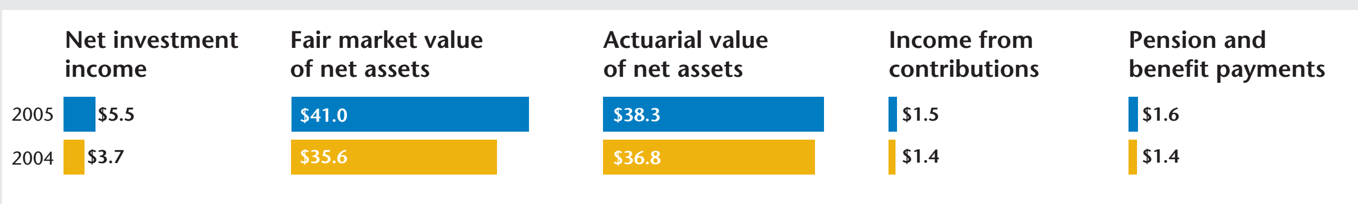
Funding status

Investment returns exceeded the funding requirement, but the actuarial deficit in the basic plan increased to $2.8 billion, based on actuarial assets of $38.3 billion minus an actuarial liability of $41.1 billion.

This increase is partly due to the actuarial smoothing of investment returns: a portion of the losses from 2001 and 2002 are recognized in 2005 actuarial assets; a significant portion of the gains over the past three years are deferred to the future. Wage adjustments, demographic factors and inflation adjustments for pensions also contributed to a higher-than-anticipated liability.

Mr. Haggis is confident that OMERS investment strategy and the 2006 increase in contribution rates will eliminate the deficit and return the plan to fully funded status.

Investment returns and funding status ($billions)



OMERS four investment groups focus on specific areas with specialized expertise: public markets, private equity, infrastructure and real estate. All four groups have delivered superior returns over the past couple of years.

Rates of returns for OMERS investment groups

Quick analysis: The higher return in 2005 is attributable to significantly higher returns in the Canadian public equity markets and the strength of global equity markets.

Quick analysis: The increased return in 2005 is due to strong market value appreciation on several investments that saw improved financial performance as the businesses matured.

Quick analysis: The second straight year of strong returns in the energy sector contributed to another successful year for infrastructure investment.

Quick analysis: Returns in 2005 increased dramatically with the strong rental operating income plus favourable market value appreciation.

Take note... administration updates

e-Form 119 - Annual reporting

By the end of March 2006:

- 77% of employers had submitted their e-Form 119 information;
- *Pension Reports* have been produced for more than 56,000 members.

The success of e-Form 119 – launched just last year – is due to employers quickly adopting the new reporting system, and this year being even more prompt in submitting their data.

On the *Pension Report* reply card, many members said they appreciate having current information; many also said they liked receiving their report at home.

News from e-access

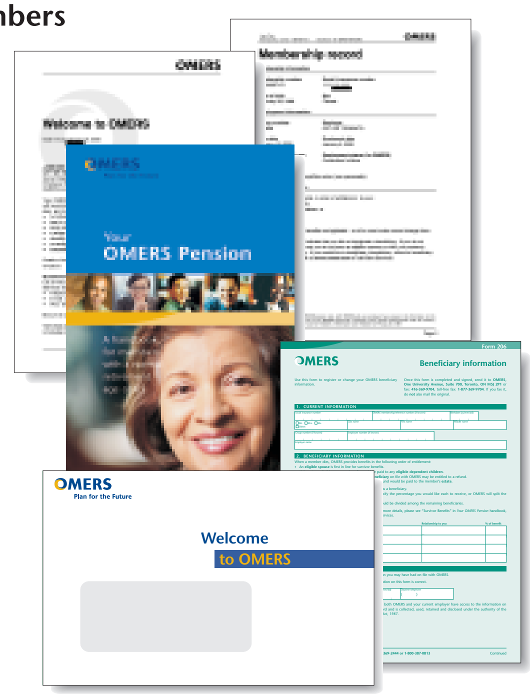
Work continues in developing our online administration tools.

- In January we launched the *e-Form 106 - Changing member information*.
- We're working on the *e-Form 164 - Disability elimination period reporting/election*, with the launch scheduled for this summer. We'll e-broadcast the announcement and feature sheet.

Signing up staff members for e-access

To register a member of your staff for e-access, please ensure that your OMERS agent approves the application. (Keep in mind that access is being granted to employees' confidential files.) Complete the e-access registration form on the e-access home page. OMERS cannot register staff for e-access by e-mail.

Welcome packages for new members



In February, we launched the *Welcome to OMERS* package for new members. This meets the *Pension Benefits Act* requirement that new plan members be provided with information about the plan and a record of their membership. The package includes:

- A welcome letter; a personalized *Membership record; Your OMERS Pension* member handbook; and a *Form 206 - Beneficiary information*.

Enrolment process changes

- If you normally print the *Membership record* from e-access, please enclose it in a pre-stuffed welcome package. (Order pre-stuffed packages online or via Client Services.)
- If OMERS provides you with a hard-copy *Membership record* for new members, we will send it to you in a pre-stuffed welcome package.
- If the member does not register a beneficiary at enrolment (via the *e-Form 102 - Enrolling a member*), you can enrol them without it, and the member can complete the Form 206 later. (If there is no eligible spouse and/or children, and no named beneficiary, any residual refund would default to the member's estate.)

"I think the member is more likely to read the information because instead of getting different pieces here and there, it's all together in one package. And OMERS sends the handbook so I know the employee is getting the most recent edition."

Kathy Koskinen,
Benefits and Pension Analyst, Region of Halton

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.
Our service hours are Monday to Friday, 8:00 a.m. to 5:00 p.m.

Phone 416-369-2444 1-800-387-0813

Fax 416-369-9704 1-877-369-9704

Mail One University Ave. Suite 700 Toronto ON M5J 2P1

E-mail employer@omers.com (en français ou anglais)

Web www.omers.com e-access.omers.com

Disponible en français

Print ISSN 1499-3007 (Online ISSN 1499-3015)

Publications Mail Agreement No.: 40010368

While the information in this newsletter is accurate, the *OMERS Act* and *Regulation* is the governing source for all plan provisions.