OMERS
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Teamwork pays off: City of London

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OMERS SC announces Plan amendments

A decision by the OMERS Sponsors Corporation (SC) provides a more stable annual increase to OMERS pensions.

The SC also made three additional plan changes related to contribution rate decisions, pension transfer values, and shortened life expectancy. Two proposed changes relating to the normal retirement age of paramedics, and a cap on contributory earnings, did not go forward. Plan changes must receive a majority (two-thirds) vote of the SC.

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Julie Kovacs and Gary Bridge, City of London

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Approved plan changes

Inflation protection

Inflation protection is a powerful feature of the OMERS pension, protecting the value of future benefits for members and retirees. Each year, OMERS increases all pensions by 100% of the Canadian Consumer Price Index (CPI).

In the past, OMERS increased pensions by the September-over-September CPI increase. This method provided 100% inflation protection over the long term – but in the short-term it has led to some volatility in the annual increases.

Specifically, over the past two years, the amount of the increase ranged from 3.36% in 2006 to a much lower amount of 0.7% in 2007. OMERS has heard from its retired members that they are concerned about this.

In the SC's decision, which will be applied to the January 1, 2008 increase, the SC approved a different method:

- The new method takes into account the monthly average of the CPI for a 12-month period ending in October.
- This figure is compared to the average of the previous 12-month period, and OMERS will increase pensions by the percentage difference.
- This smoothed approach is intended to result in a more stable and less volatile annual increase.
- Effective January 1, 2008, OMERS inflation adjustment will be 1.99%.

The new inflation increase method aligns with the way the Canada Pension Plan increases pensions. Many retirees also receive CPP benefits and they will see annual increases consistent between OMERS and CPP.

The new method and the old method both deliver 100% inflation protection over the long term. The new method is intended to provide that benefit in a more stable manner. OMERS inflation-protects all pensions including normal and early retirement pensions, survivor, deferred and disability pensions. If you have questions or comments, please send them to client@omers.com and to the Superintendent of Financial Services at FSCO, 5160 Yonge. St., Toronto ON M2N 6L9.

Plan changes not approved by SC

Plan changes must receive a majority (two-thirds) vote of the Sponsors Corporation. Two proposed changes were not approved and will not go forward at this time:

1. Extend normal retirement age 60 to paramedics – the normal retirement age for paramedics remains at 65 in the OMERS plan.
2. Cap on contributory earnings – The proposal was to create a mechanism for employers to cap a member's total contributory earnings, for example at 150% of salary. Bonus earnings over that amount would not be contributory.

These two plan changes can be revisited by the SC in future.

Contribution rates

Previously, the OMERS Administration Corporation (AC) had the right to change contribution rates. This right was set out in the old OMERS Regulation, and carried over into the updated plan text, the legal document that now governs pension administration. This provision will be deleted from the plan text – essentially affirming that the Sponsors Corporation makes ultimate decisions on contribution rates, as set out in the *OMERS Act, 2006.*

Pension transfer values

This plan amendment confirms an OMERS administrative practice regarding pension transfer values. OMERS has transfer agreements with many other pension plans, allowing members to transfer their benefits. The amendment affirms that the member is not entitled to any excess amount if there is a difference between the transfer value and commuted value (unless specified by the transfer agreement). This ensures consistency in the way transfers are administered.

Shortened life expectancy

This amendment allows a "deemed termination" for OMERS members who apply for a shortened life expectancy benefit. Previously, OMERS could not pay the benefit until the member had officially ceased employment. Under the change, a member can continue to work and may be entitled to other employment benefits, such as medical benefits. OMERS deems that a termination has occurred for pension purposes and can pay the shortened life expectancy benefit. The benefit gives members with a shortened life expectancy the option to receive a lump-sum payment of their OMERS benefit.

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Phased retirement moves a step closer

The federal government recently introduced measures designed to encourage older workers to stay working longer. One of these is legislation to amend *Income Tax Regulations* to allow pension plans to offer phased-retirement programs. The legislation received first reading in November 2007 and is expected to go into effect in 2008.

The legislation would allow pension plans to pay up to 60% of accrued pension to members who are at least age 55 and eligible for an unreduced pension, while the member continues to work and accrue further benefits.

"We see these changes as a significant step in addressing the phased-retirement needs of Canadians," said Jennifer Brown, Senior Vice President, OMERS Pension Division. "We've given the Ministry of Finance some feedback and asked for latitude in the eligibility rules with regard to public safety occupations." (Police and firefighters could be eligible for an unreduced pension at age 50.)

Phased-retirement highlights

- Phased retirement applies only to defined benefit pension plans.
- The employee must be at least 55 and eligible for an unreduced pension.
- The maximum pension payable is 60% of the employee's unreduced pension (including bridge benefits).
- It is not mandatory for plan sponsors to offer a phased-retirement program.
- Individual pension plan texts would have to be amended.

Plan sponsors need to consider:

- the percentage of full pension up to the 60% maximum that will be available to eligible employees;
- when and how phased pension payments are recalculated with the additional accrued benefits and pensionable earnings.

OMERS told the Ontario Expert Commission on Pensions that the *Pension Benefits Act* should be changed to allow phased retirement. If the PBA is changed, OMERS Sponsors Corporation would then have to amend the Plan text.

Wrapping up 2007, getting ready for 2008

Year-end is a busy time on many fronts, including OMERS pension administration.

Annual Form 119 reporting

If you need help with Form 119 reporting, please don't hesitate to contact OMERS Client Services or the Employer Services Coordinator for your group.

Important dates for Form 119 annual reporting

- **January 2, 2008:** e-Form 119 reporting function available for submitting 2007 membership information.
- **February 15, 2008:** you can submit member data before this date without PAs; we will calculate them for you. Once the data is validated, you can extract the PAs and upload them to your system for completing T4 slips.
- **March 31, 2008:** submit Form 119 data by this date to give OMERS enough time to review, print, package and send members their *Pension Reports* within the legislated deadline.
- **June 13, 2008:** this is the last date for OMERS to receive 2007 membership data to ensure we are able to produce and deliver *Pension Reports* to members by June 30, as set out in the Ontario *Pension Benefits Act* (i.e., six months after OMERS year-end at December 31).

Online tools

- 2007 Year-end checklist: tasks to be completed by year-end
- 2008 Contribution tables
- 2008 Retirement compensation arrangement (RCA) tables
- 2008 PA Calculator and PA tables
- e-Form 119/Form 119 reporting guidebooks

2008 basics

Contribution rates remain stable for 2008; they were set in 2006.	Up to YMPE	Above YMPE
Normal retirement age **65**	6.5%	9.6%
Normal retirement age **60**	7.9%	10.7%

2008 Year's maximum pensionable earnings (YMPE) = $44,900

5-year average YMPE (2004-2008) = $42,460

2008 benefit entitlement (BE) maximum = $2,333.33

2008 maximum pension adjustment (PA) = $20,400

Maximum registered pension plan (RPP) earnings for 2008 = $131,820.25

London bridges communication gaps

The City of London can certainly attest to how teamwork led to success in their annual 119 reporting.

For the first time in 9 years, the City was able to complete and sign off its Form 119 well in advance of the reporting deadline.

Employer News spoke to City staff in Human Resources and Payroll about how they developed a "united front" to streamline the reporting process for their 3,000 members. These quotes are from that group interview.

Our thanks to City of London staff for sharing their experiences: (left to right) Allison Snyder, Pension and Benefits Administration; Charlene Bell, Payroll Systems Coordinator; Joanne Blair, Pension and Benefits Specialist; Gary Bridge, Manager, Rewards and Recognition; Cathy Van Aarsen, Payroll Systems Coordinator; Julie Kovacs, Manager, Payroll Systems and Development; and Patty Borthwick, Pension and Benefits Specialist.

Getting started

"It really started with coordinating our efforts between our HR and Payroll groups. A big part of it was communicating, making sure both sides understood the deadlines."

"We had a lot of face-to-face meetings to map out what pieces of the work need to be done by a particular timeframe to eliminate a bottleneck at the end of the year."

"We have a lot of employee events and with the volumes of exceptions, we need to coordinate with the two departments and set some parameters for us to work within timelines so we can get all those exceptions addressed."

On time-saving steps…

"On the payroll side, we set up a validation-reconciliation process that we run every pay period. It saves a lot of time and we catch things quickly, so there are fewer exceptions."

"We have OMERS mail out our [members' annual] statements. The fact that all the statements don't come back to us for distribution is a benefit we're taking advantage of."

On the payoff…

"For the 2005 reporting year, we finalized our 119 entries in October 2006. And for the 2006 reporting year, we signed off in May 2007. We went from not meeting the deadline at all to meeting it in advance, which is a great feat for us."

"We've come a long way and worked really hard. We've made a big improvement in communication and that's why we're having the success that we seem to be experiencing."

On advice for other employers…

"Don't leave everything till the last minute. The year-end is bad enough as it is, and if everything is put in and sent to OMERS on a timely basis as it happens, it makes things a lot smoother."

OMERS recommends changes in pension system to provincial Expert Commission

In October, Michael Nobrega, President and CEO, presented the joint submission of OMERS Administration Corporation and OMERS Sponsors Corporation to the Ontario Expert Commission on Pensions.

"At OMERS, our commitment is to optimize investment returns without incurring undue risks, thereby delivering pension benefits at affordable costs to our current and future retirees," Mr. Nobrega said. "In pursuit of this goal, we have several suggestions for regulatory reform. We believe these reforms are not controversial and will strengthen the pension system in Ontario."

Background

November 2006: Ontario's Minister of Finance appointed an Expert Commission on Pensions.

February 2007: the Commission released a discussion paper of issues.

June 2007: the Commissioner met with public sector pension plans, including OMERS, to review the discussion paper.

October/November 2007: The Commission held public hearings across Ontario.

October 19, 2007: OMERS presented its submission to the Commission.

OMERS recommendations

1 Amend the *Pension Benefits Act* to consist of the fundamental principles applicable to all pension plans in Ontario.
A principle-based approach to legislation is more flexible and enables regulation to evolve in step with industry best practices.

2 Exempt public sector jointly sponsored plans from the quantitative restrictions on pension fund investing.
Rules restricting how much pension funds can invest in certain assets are outdated and impose complexities and ultimately can cost billions of dollars of lost investment income.

3 Exempt public sector jointly sponsored plans from the solvency funding requirement.
"Solvency funding makes sense in the private sector where there is a risk of employer bankruptcy," Mr. Nobrega said. "It makes no sense in the public sector where the likelihood of plan windup with a government sponsor is negligible."

4 Enhance the regulatory relationship by moving to a more co-operative model and providing the regulator with additional tools and resources.
The Financial Services Commission of Ontario should be proactive in advising the industry and issue comprehensive policy statements for industry consultation; and should have the power to issue binding rulings in advance of a pension plan's proposed course of action.

"OMERS and other large public sector pension plans are experts at pension administration and pension fund investing," Mr. Nobrega said. "We are passionate about doing the right thing for plan members."

OMERS submission is on our website. Information about the Ontario Expert Commission on Pensions is at **www.pensionreview.on.ca**

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OMERS Plan amendments

Filing and registration

The four plan amendments have been filed with the Financial Services Commission of Ontario and the Canada Revenue Agency for registration.

Protocol for plan changes

The SC has established a protocol for proposing changes to the OMERS pension plans. Proposed plan changes will be considered by the SC according to this protocol, and in compliance with SC bylaws.

For more information, visit www.omers.com and select the Sponsors Corporation link.

Plan now to attend an OMERS workshop

Our one-day employer workshop is a great way to learn about OMERS administration: enrolments, leave periods and disabilities, leaving employment, and year-end reconciliation.

The workshop includes case studies and group exercises. If you need a refresher course or training for new staff, our workshop is an excellent option.

2008 employer administration workshop schedule

Workshops run from 9 a.m. to 4 p.m.

Date	Location
March 13	**Toronto** OMERS, One University Avenue, 7th floor
March 25	**Lindsay** Location to be confirmed
April 17	**Windsor** Giovanni Caboto Club, 2175 Parent Avenue
April 30	**Ottawa** Location to be confirmed
May 13	**Sudbury** Holiday Inn Sudbury, 1696 Regent Street
May 20	**Niagara Falls** Sheraton Fallsview Hotel & Conference Centre, 6755 Fallsview Boulevard
May 27	**Brampton** Holiday Inn Select, 30 Peel Centre Drive
June 10	**New Liskeard** Quality Inn (Francesco's), Highway 11 North
June 24	**Orangeville** Best Western Orangeville Inn, 7 Buena Vista Drive

To register, please go to Employers/Training on our website, or contact OMERS Client Services.

Workshops are free and include continental breakfast, lunch and snacks. Travel and accommodation costs are up to you.


John Sabo

AC Board appointments

John Sabo has been named Chair of the OMERS Administration Corporation (AC) Board for 2008. The Board, responsible for administering the OMERS plan and investing funds to pay pensions, also welcomes new member **John Goodwin,** whose appointment was effective November 15, 2007. OMERS says farewell and thank you to departing Board Chair David Kingston and Board member Frederick Biro. Please visit **www.omers.com** for more information on these and other appointments to the AC Board.


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