OMERS employer news

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Karen Brown (left) and Sharen McDowall, City of Kenora

"Point person" consolidates OMERS expertise

OMERS administration is just one of many tasks that cross the desks of staff at the City of Kenora. Karen Brown, Manager, Finance and Administration, Sharen McDowall, Manager, Human Resources, and Gwen Gall, Payroll Administrator share responsibility for OMERS. They also have numerous other responsibilities and tasks. "Because OMERS administration is only a small part of our job, it's a challenge to keep current," says Sharen.

Continued on page 2

Continued from page 1

Kenora's strategy is to designate an OMERS point person to consolidate OMERS expertise. Both Karen and Sharen are quick to point out how well this works for them. Gwen is the OMERS point person on both the human resources and financial side of the business. She is the OMERS expert for most tasks, including Form 119 annual reporting, enrolments and leave reporting.

Karen and Sharen provide backup and support for special circumstances. "Last year we had a divestment for the sale of our local telephone company. This was a first for us. We looked to Gwen for her expertise. We also worked closely with OMERS. As a result, the divestment went relatively smoothly," says Karen.

For Kenora administrators, it's important to keep up to date and knowledgeable. "Both Gwen and I make an effort to attend OMERS workshops regularly," says Sharen. "This has helped to keep us current and in touch with what's happening in the OMERS plan."

"Over the past few years, access to information has improved greatly," notes Sharen. "A combination of easier access to information through OMERS website and more workshops in our area has been very beneficial for us."

OMERS pension in today's financial climate

Investment results released in February show that the economic downturn that affected markets around the world also had an impact on OMERS. Jennifer Brown, OMERS Chief Pension Officer, answers your questions.

What should employers tell members who ask about the security of their OMERS pension?

Jennifer Brown

"OMERS provides a defined benefit plan that continues to provide secure benefits for members in their retirement in spite of the current global economic downturn. An OMERS pension is based on a formula that takes into account years of service and earnings. Short-term market volatility does not affect the stability of OMERS defined benefit plan."

How do market fluctuations affect OMERS pension promise?

"OMERS funding structure is designed to see the Plan through difficult times. OMERS invests for the long term and has strict guidelines and criteria for balancing risks and returns. We have weathered economic downturns in the past, and we have the experience to make it through this one. We will continue to work hard to continue to build wealth to secure the pension promise for current and future retirees."

What's in the short-term forecast?

"At the end of 2008, OMERS Primary Plan had a funding shortfall of $279 million. In the short term, the funding shortfall is expected to increase. A funding shortfall means that the Primary Plan's assets are less than the amount required to pay accrued pension benefits to all current and future retirees."

Why is the funding shortfall expected to increase?

"Our current funded position reflects an actuarial smoothing adjustment, which holds back a portion of investment losses that will be recognized over the next four years. 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."

What is OMERS doing to secure pensions?

"On the investment side, OMERS will continue to shift its asset mix to have more exposure to the less volatile private markets. OMERS move towards private investments over the past few years helped to temper the impact of the 2008 economic downturn.

"On the benefits side, OMERS Sponsors Corporation (SC) 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. Keep in mind, a benefit change cannot reduce a benefit accrued before the effective date of the change."

Any final comments?

"We have a clear strategy and the right team to deliver on our pension promise and to grow investments. OMERS pension will be there for future and current retirees."

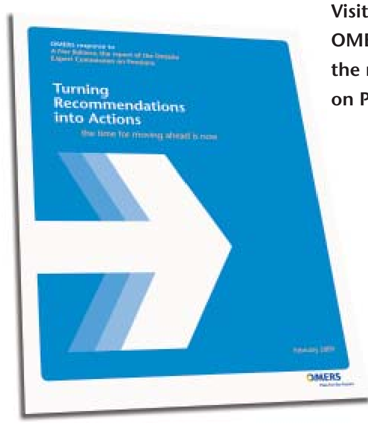
Strengthening Ontario's pension system

The report from the Ontario Expert Commission on Pensions was released on November 20, 2008. The Government of Ontario set up the Commission more than two years ago in order to review the province's pension system.

OMERS response to the Commission's report

On February 27, 2009, OMERS submitted *Turning Recommendations into Actions* – its response to the report from the Commission.

"Overall, we're pleased with the Commission's direction and with many of the individual findings and recommendations aimed at strengthening the security, affordability and fairness of pension plans in Ontario," says Evelynn Funston, Senior Vice President, OMERS Corporate Projects. "The Commission's report represents a positive and long-awaited first step in the crucial task of reforming the current pension system in Ontario.



Visit www.omers.com under What's New at OMERS for a copy of OMERS response to the report of the Ontario Expert Commission on Pensions.

"We also agree with the report's findings that maintaining momentum is crucial to the initiative's success. We believe that the time for action is now and the Ontario government must move quickly to prioritize and execute the first phase of pension reform," she adds.

The OMERS response highlights recommendations where action can and should be taken immediately. The five key priority actions are summarized below. For a detailed analysis as well as additional specific responses that address a number of technical issues see *Turning Recommendations into Actions,* which is available at **www.omers.com.**

Update and what's next

The Ontario budget introduced on March 26, 2009 contained some temporary measures for solvency funding relief, but not a long-term solution.

"We understand that the Ontario government is continuing to address the report's findings and consider broader measures and long-term solutions, and we are ready to assist with this important initiative," says Michael Nobrega, OMERS President and CEO.

Immediate priority actions

1 Exempt public sector, jointly-sponsored pension plans from the Quantitative Investment Restrictions by immediately amending the *Pension Benefits Act* (PBA) regulations.

- This recommendation supports the Ontario government's commitment to introduce legislation to address the challenges that pension plans face. It is also supported by other Canadian jurisdictions.

2 Exempt public sector, jointly-sponsored plans from the solvency funding requirement by immediately amending the PBA.

- The exemption would ease the potential unnecessary burden of additional contributions, caused by a solvency deficiency, on OMERS stakeholders and ultimately, on taxpayers.

Other priority actions

3 Make change happen by establishing an effective regulatory framework – begin the creation of an effective structure for pension reform by establishing the Pension Champion and the Ontario Pension Regulator.

4 Adopt a principles-based approach, wherever possible, to drafting legislation – starting with a principles-based "prudent person" approach for investment of pension funds.

5 Implement the Commission's recommendations supporting consolidation of the pension industry. Consolidation can bring significant and widespread benefits to Ontario's pension system. The current economic crunch is putting pressure on small plans. There is an immediate need for consolidation to allow smaller pension plans to remain sustainable and larger plans to grow.

Plan changes approved by OMERS SC

On February 19, 2009, OMERS Sponsors Corporation (SC) approved the following plan changes.

Active membership extended from age 69 to age 71 in OMERS Primary Pension Plan and OMERS Supplemental Pension Plan

Old rules

(apply to active members who turned 69 on or before February 28, 2009)

Active OMERS members who worked past their normal retirement date had to start their OMERS pension no later than the first of the month following their 69th birthday. Active members who turned 69 started to receive their OMERS pension whether or not they continued to work, and would no longer make contributions.

New rules

Effective March 1, 2009, active OMERS members who continue to work past their normal retirement date must start their OMERS pension no later than the end of the year in which they turn 71. Since OMERS pensions are paid at the beginning of each month, the pension must start no later than December 1 of the year in which the member turns 71. This applies even if the member's birthday is in December. The member's pension will start on December 1, whether or not he/she continues to work, and the member will no longer make contributions. Note: Employers must stop deducting contributions as of November 30 or when the member has 35 years of credited service, whichever is earlier.

Example: If John turns 71 on March 12, 2014, his OMERS pension must start by December 1, 2014. In December, John will receive his OMERS pension whether or not he continues to work, and he will no longer make contributions or earn credited service.

Transition period rules

(apply to members who turn 69 on or *after* March 1, 2009 and on or *before* February 28, 2014)

An active OMERS member who turns 69 on or after March 1, 2009 and on or before February 28, 2014 may elect, despite ongoing employment, to start his/her OMERS pension on the first of any month up to the earlier of:

- December 1 of the year he/she turns age 71, and
- March 1, 2014.

After February 28, 2014, an active OMERS member who works past his/her normal retirement date will continue to make contributions and earn credited service (to a maximum of 35 years) until retirement or until November 30 of the year in which the member turns age 71, whichever is earlier.

Important: The transition period rules are **not** retroactive – active members who turned 69 on or before February 28, 2009 must have started their pension no later than the first of the month following their 69th birthday.

What this means for employers

If an active member turns 69 on or after March 1, 2009 and on or before February 28, 2014, advise the member of the transition period rules.

- **If the member wants to start his or her pension,** submit a *Form 143 – Request for OMERS plan benefit* along with the *Advance Election Option* for the member. Note: You can submit a Form 143 with the *Advance Election Option* up to 60 days in advance; otherwise, the pension will begin the month following the month we receive the Form 143.
- **If the member wants to continue active membership,** deduct and remit contributions and report credited service (to a maximum of 35 years) and other membership information until the member retires or until November 30 of the year in which the member turns 71, whichever is earlier. Note: While continuing to work, these members have the option to elect to start their pension at any time after turning 69 by submitting a request to their employer. The employer would then submit a Form 143 along with the *Advance Election Option.*

If an active member turns 71 and continues to work past November 30 of the year in which he/she turns 71, submit a Form 143 with an *Advance Election Op-*

tion (retirement date of November 30) for the member.

Members immediately affected

Active members who turned 69 in March 2009 through to December 31, 2009 were notified that their pension will not automatically begin once they turn 69.

Housekeeping amendment to the OMERS Primary Pension Plan

Effective March 1, 2009, a housekeeping amendment has been made to clarify the language in the wind-up provision to better reflect the *Pension Benefits Act* requirements that apply to the Plan.

Option for fire associations and police associations to continue normal retirement age 60 for former firefighters and police officers

This plan change applies only to participating fire and police associations, not to other OMERS employers.

Effective March 1, 2009, fire associations and police associations now have the option to provide normal retirement age 60 benefits to all or a class of members who:

- cease to be employed as firefighters or police officers;
- had a normal retirement age of 60 before ceasing to be employed as firefighters or police officers; and
- subsequently become employed by a participating fire or police association within 90 days of ceasing to be employed as a firefighter or police officer.

To provide normal retirement age 60 for all or a class of members who meet the above criteria, the fire or police association would establish normal retirement age 60 as part of their participation bylaw.

Changes to CV calculation rules approved

As we reported in our last issue of *Employer News,* the Actuarial Standards Board (ASB) was reviewing the rules governing the calculation of commuted values (CVs). Since then, the new rules have been published by the Canadian Institute of Actuaries and adopted by the Ontario government in the *Pension Benefits Act* (PBA) Regulations. The changes took effect on April 1, 2009.

The new rules do not affect the pension benefit members continue to earn in OMERS. They could, however, lower the commuted values of members who leave the plan by about 5% (for older members) to up to 20% (for younger members).

Note that members who choose to keep their pension in OMERS are not affected by the new rules.

The commuted value of a pension is the amount of money that must be put aside today to grow with tax-sheltered investment earnings to provide a pension at a future date. It is one of the options available to members who cease employment and who are not yet within 10 years of their normal retirement date.

These changes have been communicated in OMERS *Member News,* and directly to members eligible for a commuted value.

For more information, please see our FAQs on this subject at **www.omers.com** [Employers/Frequently asked questons/2009 Commuted Value changes].

Marriage breakdown rules may be changing

The Ontario government is proposing changes to family law in Ontario *(Bill 133 – Family Statute Law Amendment Act).* Included in the proposed changes are new rules on how to divide pension assets in the event of a marriage breakdown. These rules are designed to “clarify and speed up the division of assets when a family breaks up,” said Attorney General Chris Bentley.

Bill 133 passed second reading on February 25 and was referred to the Standing Committee on Social Policy. We’re watching this issue and will keep you updated.

Taking steps to protect members' information

OMERS takes the protection of members' personal information seriously and as our administrative partners, employers also have this responsibility. Both OMERS and employers must have procedures in place to safeguard membership information.

Give sealed packages directly to the member – please do not open first.

If there is a situation where the privacy of a member's personal information may have been compromised, we investigate, we contact the member and we review our processes to ensure it won't happen again.

Below are two ways OMERS and employers can help to keep membership information safe and secure.

Sealed packages protect private information

In April, we started to seal some member communications including the OMERS enrolment packages and the *Change to membership record.* Previously, the enrolment packages were delivered unsealed so employers could insert additional materials. However, we have recognized the need to adjust this procedure to meet best practices for protecting personal information.

Correct address information ensures mail is sent to the right address

When member address information is provided – for example, on the *Form 143 – Request for an OMERS plan benefit* or through the annual reporting process for the Pension Reports – we send the *Benefit application form, Pension Report* or other personal documents to this address. Providing current and complete address information helps to safeguard the member's personal information by ensuring these documents are sent to the right address.

Annual reporting update

As the result of your hard work and dedication, another successful employer reporting year is winding down.

By April 13, 2009:

- **Information was submitted for over 215,000 members which represents almost 85% of our membership data.**
- **We produced over 140,000 Pension Reports.**
- **There was approximately 45% of the membership records left to complete.**

We are committed to printing and mailing the remaining Pension Reports before the legislated deadline of June 30. To meet this deadline, employers need to submit Form 119 data by June 15, which allows time for processing and mailing the Pension Reports. We will be contacting the employers who haven't yet submitted their Form 119 to see how we can help with completing the process.

Transfers from other pension plans

When a member is enrolled in OMERS, Section 4 of the enrolment form – *Request for transfer information* – includes a field for requesting information about combining OMERS service or transferring service from another public sector plan.

OMERS has formal transfer agreements with more than 25 other pension plans in Canada.

Members may also be able to transfer their pension from any other Canadian registered pension plan (RPP) – even if there is no formal reciprocal agreement with the other plan.

The plan can be defined benefit or defined contribution and public or private sector. There are, however, a couple of restrictions:

- the pension benefit must still be in the prior plan (e.g., the member did not transfer out the commuted value); and
- before the funds can be transferred into OMERS, we must first confirm that the funds are administrable under Ontario pension rules.

The transfer of funds, if permitted, will allow the member to be credited with some or all of their former pension service, but under the OMERS pension formula. **Note:** If full service is not credited, the member can make up all or part of the difference.

How it works

The member's former plan provides the member with details about their termination options. If one of the options is to transfer to another RPP, OMERS may be able to accept the funds.

If a member is interested in transferring service into OMERS, have the member contact OMERS Client Services. We can then look at where the funds are coming from and determine whether the service can be transferred into OMERS. We will send the member a letter outlining the service that will be credited, if any, and an option form to approve or decline the transfer.

More info

Section 2.1.7, Transfer-in service from another registered pension plan has been added to OMERS Employer Administration Manual available online at **www.omers.com.**

Offer of OMERS membership

Be sure to offer membership to part-time employees when they become eligible and immediately enrol members who elect to join.

Employers must offer membership each time an employee qualifies to join. A *Form 104 – Offer of OMERS membership (part-time employee)* signed in the past may not protect you with respect to an employee's right to claim an omission period for the current period. Keep copies of these documents indefinitely to ensure you have proof that you fulfilled your responsibility.

An omission period can occur if a part-time employee should have been offered membership in OMERS, but the employer did not make the offer. Omission periods disadvantage members and can be very expensive for employers. For more information about offering membership and omission periods, see the OMERS Employer Administration Manual available online at **www.omers.com.**

EMPLOYER WORKSHOP SCHEDULE

OMERS administration workshops

Need a refresher on pension administration? Do new HR or payroll staff need training? Our one-day workshop has something for everyone. It covers all aspects of OMERS administration; enrolments, leave periods and disabilities, and year-end reconciliation.

2009 Employer Administration Workshop Schedule

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

Date	Location
May 26	**Kingston** Portsmouth Olympic Harbour, 53 Yonge Street
June 9	**Timmins** Cedar Meadows, 1000 rue Norman Street
June 23	**Collingwood** Georgian Manor Resort and Country Club 10 Vacation Inn Drive
July 14	**Dryden** The Riverview Lodge, 148 Earl Avenue
August 11	**London** Best Western Lamplighter Inn & Conference Centre, 591 Wellington Road South
August 20	**Toronto** OMERS, 1 University Avenue, 16th Floor
September 15	**Belleville** Ramada Inn on the Bay, 11 Bay Bridge Road
September 22	**North Bay** Holiday Inn Express, 1325 Seymour Street
October 6	**Orillia** Best Western Mariposa Inn & Conference Centre 400 Memorial Avenue

Workshops are free, but travel and accommodations is up to you. Please check out our website for additional information and to register. Visit **www.omers.com** under Employers/Training for more workshops in October, November and December.

Coming soon…

Monthly payment option for buy-backs

Currently, there are several ways a member can pay for a buy-back, including a lump-sum cash payment, transferring a registered pension plan (RPP) benefit from another plan or transferring funds from an RRSP.

Starting this May, a member will also be able to pay for a buy-back through a monthly payment plan. Monthly payments will be made directly to OMERS by pre-authorized withdrawals from the member's bank account. Service is credited as monthly payments are received. Employers won't be affected because the payment plan will be set up and paid through OMERS.

Three payment plans will be available: 12-month, 24-month and 36-month.

A member may also combine a monthly payment plan with a lump-sum payment. Additional details will be posted on **www.omers.com** and in the OMERS Employer Administration Manual.

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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