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# Employer Newsletter

## OMERS Funding Strategy Right on Course

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

"Our members have asked whether contribution rate increases are still necessary, given that the Plan had such strong investment results over the past two years since the 2008 market downturn," said Andrew Fung, OMERS Chief Actuary. "The bottom line is that all three parts of the OMERS funding strategy – temporary contribution increases, temporary benefit changes, and OMERS investment strategy – are necessary to return the Plan to surplus over the long term," he said. Surplus means that a pension plan's investment assets exceed its pension benefit obligations to members.

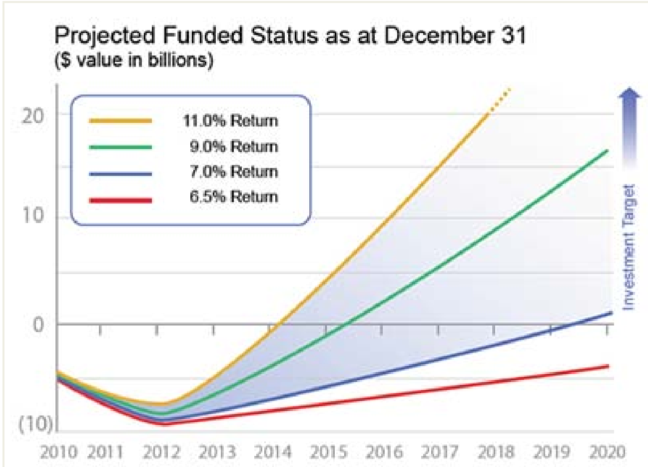
Investment markets are volatile by nature and performance can fluctuate from year to year. The three-part strategy ensures we stay on course. OMERS two governing boards – the Sponsors Corporation (SC) and Administration Corporation (AC) – announced the strategy last year in a joint message to OMERS plan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

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

1. **Temporary contribution increases**
   Contribution rate increases averaging 2.9% of a member's pensionable earnings (matched by the employer) are being phased in over three years. The three increases average 1%, 1%, and 0.9%. When the full increase is in place, this will generate close to $1 billion each year on the asset side of the balance sheet, helping the Plan move towards surplus. The contribution rate increases are temporary and are intended to be in place until the Plan regains a surplus position. The first increase of 1% was implemented in January 2011. The exact rates for 2012 will be announced later this year.
2. **Temporary benefit changes**
   These will only affect members who leave employment before being eligible for early retirement, and will only affect service earned after 2012. OMERS is preparing to implement these changes and will provide additional details and examples in future communications. For more information, see the member handbook – *Your OMERS Pension*. The benefit changes are intended to be temporary until the Plan regains a surplus position. It's estimated these changes will save approximately $100 million each year in benefit costs. The benefit and contribution rate changes were announced by the OMERS SC in 2010.
3. **Investment strategy**
   OMERS delivered a 12.01% return for 2010, the second year of strong returns since the 2008 global credit crisis hit. (The net return after all investment expenses for the year ended Dec. 31, 2010 was 11.37%.) OMERS continues to shift capital into private market assets that can generate predictable and sustainable returns. These assets include high-quality real estate properties and private equity holdings, as well as infrastructure investments that are typically government-regulated in regard to rates and/or service delivery levels. Private market assets fit well with OMERS obligation to pay pensions for the long term, and are even more important as global markets navigate through the recent events in Japan, North Africa and the Middle East. In addition, OMERS actively manages a diversified global public markets portfolio that can capitalize on market growth. More on OMERS investments and strategy is in our Annual Report.

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

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




## Why is the funding deficit expected to grow until 2012?

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

## How did the 2008 market collapse affect Plan funding?

Consider that the Plan must deliver a 6.5% return annually to meet the basic funding requirement. The Plan ended 2007 with $51.5 billion in net assets. If we had earned 6.5% in each of 2008, 2009 and 2010, the Plan would have approximately $62.2 billion in net assets today. Instead, with the actual losses in 2008, and the strong gains in 2009 and 2010, the Plan has net assets of
$53.3 billion, less than what is required to meet the long-term obligations.

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


## When will the deficit be eliminated?

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

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

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

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

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

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

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

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

For greater detail, please see the joint AC/SC message on the funding strategy.

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

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# Employer Newsletter

## AVCs – Window Closed, Door Open

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The 2011 AVC transfer window may have closed April 30th, but the automatic-contribution option remains open year-round.

Additional Voluntary Contributions (AVCs) are similar in some ways to registered retirement savings plans (RRSPs), but they are part of the OMERS Primary Pension Plan. AVCs enable members to take advantage of the same investment expertise, strategy and diversified fund they rely on for their OMERS pension.

Although the window for transferring funds from a registered retirement savings vehicle to an AVC account is open from January 1 until April 30 each year, the automatic-contributions option is available anytime to active members.

Active members can use this option to make pre-authorized debit payments into their AVC account every two weeks (minimum of $20) or monthly (minimum of $40).

To begin, members simply complete and submit Form 401 – AVC automatic contribution plan [429 KB].

**myOMERS the key to AVCs...**

Members can use their myOMERS account to manage their AVCs – including setting up automatic contributions.

myOMERS is the secure, online pension portal for members. myOMERS participants can monitor their AVC accounts, set up and modify their automatic contributions, or start the process to transfer funds (during the transfer window).

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

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# Employer Newsletter

## www.omers.com Gets a New Look

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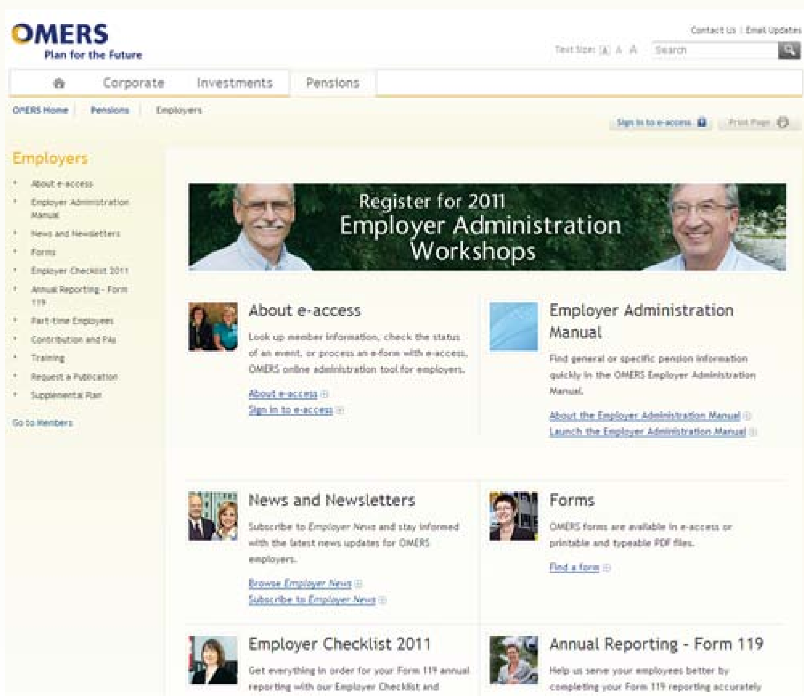
Earlier this year, we launched a new www.omers.com. We've given it a fresh, open design and made it easier to navigate.

The new Pensions homepage is designed to better serve both members and employers, and gives you quick links to the most frequently accessed parts of the site. We suggest that you bookmark the Employer homepage, along with other frequently needed resources and tools like e-access.

Check out the redesigned menu, which we will continually update to reflect employer needs.




## About e-access

Enrol employees, submit Form 119 data, report leave periods, and ask questions through our secure e-correspondence feature – just some of the reasons why 882 out of 935 OMERS employers use e-access. If you're already a convert, be sure to bookmark the e-access login to save time. If you're one of the other 53, give e-access a try!

## Employer Administration Manual

Check out the essential reference for all OMERS administrators. Also see our Manual update article in this issue of Employer News.

## News and Newsletters

Stay informed through our newsletters. Our e-news feature delivers updates to your desktop.

## Forms

Access forms specifically designed for employer use. We've clearly identified which forms are typeable and which are PDF.

## Employer Checklist 2011

Refer to this section for information, tools and tips to keep your OMERS Plan administration on track throughout 2011.

## Annual Reporting - Form 119

Get some handy tips to make your Form 119 annual reporting easier, or find help if you're new to the Form 119 process.

## Part-time employees

Access information about OMERS part-time enrolment rules to ensure that all your employees are enrolled when eligible.

## Contribution and PAs

Use our contribution tables and pension adjustment (PA) calculations to save time.

## Training

Sign up for an Employer Workshop or request an information session for your employees.

## Request a Publication

Choose from our range of booklets and newsletters, including our recently revised member handbook, Your OMERS Pension.

## Supplemental Plan

Learn the details about our Supplemental Pension Plan for Police, Firefighters and Paramedics.

# Go to Members

Quickly jump to the Members section, which is also redesigned, anytime you need to. When you enrol new employees, we encourage you to invite them to visit the site to see how easy it is to find answers to their questions.

Did You Know? Lately, OMERS has been receiving an unprecedented number of requests for pension estimates. Please let your members know that they can obtain an estimate through myOMERS, using their most current data, with just a few clicks. It will be delivered to them online more quickly than if they contact OMERS Client Services to request one. And the results will be exactly the same!

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# Employer Newsletter

## City of Ottawa: an e-Form 119 Success Story

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OMERS secure, online e-Form 119 reporting process, coupled with knowledgeable OMERS staff, enable employers to quickly report and reconcile the annual information about their members. The City of Ottawa's Christine Hélie, Program Manager, Pension and Benefits, and her team share their experiences with the e-Form 119.

Christine Hélie and David Picard, City of Ottawa

## Combination for success

This has been an exceptional year for the e-Form 119 reporting for the City of Ottawa. "At the end of the day we had minimal exceptions to deal with, which was a first for us. I attribute our success to the whole team at OMERS and the City of Ottawa. We all worked very hard together to get things accomplished," says Christine.

David Picard, Pension Officer, agrees. "Our 2010 e-Form 119 reporting process was a success when compared to previous years. Since combining our new system with OMERS, we have been able to get our pension adjustments in time and to achieve our deadlines the last two years. We are grateful to OMERS for accommodating our needs throughout the process, which has been fantastic."

## Teamwork and communication

In addition to the City of Ottawa, Christine and her team are responsible for the year-end reconciliation process for five other employer groups: Regional Municipality of Ottawa-Carleton Police Services Board, Ottawa-Carleton Economic Development Corporation, Ottawa Public Library Board, Ottawa-Carleton Regional Transit Commission and the Village of Rockliffe Park. Collectively, these comprise the third largest employer group of OMERS members – approximately 14,300.

Christine attributes the success of their Form 119 reporting season to open communication. Her extended family works well together and the camaraderie is evident. "Good record keeping, being organized from the onset, and open communication within the team is vital," she says. "And, of course, a sense of humour always helps us get through stressful times."

Another factor in their success is having one OMERS representative to help them throughout their 119 process. "With one point of contact, I know exactly what is happening with any issue I

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bring forth," says Christine. "And, when I call about specific issues, my designated OMERS contact always puts priority on them and lets us know when they are resolved. It's all about communication."

Christine believes that OMERS communicates very well with its membership and appreciates the steady flow of information they receive. "In addition, this year we have started sending out our own pension and benefits newsletters, in which we promote myOMERS. The promotion was obviously enough to raise interest, and the response from people after logging in was very good."

## Building relationships

Any good relationship strengthens over time. David Picard's 16 years with the City of Ottawa gives him a broad perspective of improvements in the 119 process. "Our membership annual reporting process now aligns perfectly with OMERS needs, which has brought us to where we are today. We enjoy the way we work with OMERS towards getting things done; and our members benefit."

# Employer Newsletter

## Getting More Out of the Administration Manual

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When we updated www.omers.com, we took some steps to make the Employer Administration Manual easier for you to use, and we're working on many more enhancements to launch next year.


With the changes to our website, the Manual now opens in its own separate window, so you can view it full-screen. It will launch with the table of contents fully expanded to reduce the number of clicks you need to find information.

By 2012, we hope to have a whole new Manual that's easier to search and navigate, where you can bookmark your most-used pages.

Right now, we're working on a section designed specifically for new administrators. It will summarize the key points from our well-attended Employer Workshops and provide tip sheets and a list of pitfalls to avoid. Of course, we still encourage you to attend a Workshop if you can, because you'll have a chance to network with other employer representatives and hear answers to your specific questions.

To make this new content as useful as possible, we'd like to ensure it reflects real-world experience…

Send us an email with the subject line "Ideas for Admin Manual" and tell us what you wish you had known more about when you first started to administer the OMERS Plan. We will gladly acknowledge your contribution in our Contributors note when we publish the new section of the Manual, or if you'd prefer to be anonymous, just let us know.

As always, we encourage you to visit the "What's New" section of the Manual at least quarterly, so you're aware of any changes or enhancements.

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## Pension Reports Go "Green"

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Consider this amazing fact – as of early April, 91% of you had started reporting your Form 119 information for 2010. For the 63% of you who had completely finished, we thank you, but we are still 8% shy of where we were last year. If you're not done yet, we have a "green" request…

The very last step in the 119 process is requesting Pension Reports for your members. When you reach this point, we'd like you to think of one more thing: the environment. Did you know that of the 264,217 Pension Reports we produce, only 1% is sent electronically? With your help we can change that – please encourage your members to request electronic copies of their Pension Reports.

Members can switch to electronic copies instead of paper copies by signing up for myOMERS and selecting e-only delivery for their Pension Reports. In choosing this option, your members are making a difference in three important ways:

- Saving trees – an average Pension Report contains 10 pages. This means that if we were to print these reports, we will need 2,642,170 pages, which is about 30 trees, and that's not counting envelopes.
- Receiving their copies faster, therefore making the process more efficient.
- Cutting administrative costs - keeping administrative costs down ensures more money in the Plan for members.

As an added bonus, members who select e-only delivery can view their Pension Report online anytime, and we will notify them by email every year when their report is processed.

We appreciate your help in spreading the word about this eco-friendly option.

# Employer Newsletter

## Oxford and Borealis Enter Into UK Joint Ventures

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### Oxford Properties, British Land are building new tower in London

Artist's impression of how the new Leadenhall Building will appear upon completion.

Oxford Properties, OMERS real estate arm, is partnering with British Land, one of the U.K.'s largest real estate investment trusts, to develop the Leadenhall Building in London, England. Construction started in January on the new 47-storey tower, formally known as the Leadenhall Building, but dubbed "the Cheesegrater" due to its tapered shape.

When it's completed in mid-2014, it will be one of the tallest buildings in London's Square Mile district.

Paul Brundage, Oxford Properties Executive Vice President and Senior Managing Director, Europe, said, "We are delighted to be partnering with British Land on the Leadenhall project. In terms of both strategy and approach, British Land is strongly aligned with Oxford Properties' own objectives, making us well placed as partners to ensure that 122 Leadenhall meets its potential to become one of the most successful developments in London."

The Leadenhall Building will include nearly half an acre of landscaped open space, stores and dining facilities, and flexible office space. The building's shape allows for larger floor sizes in the lower section, and tapering off at the top of the tower. All floors will have spectacular views of London. There is already strong interest in the building from the insurance and financial sectors.

Oxford Properties manages a global real estate portfolio of about $17 billion, including investments on behalf of its co-owners and investment partners.

Real estate is a key component of OMERS private markets portfolio. Together with the private equity and infrastructure portfolios, real estate generates stable income and delivers long term returns to pay pensions.

### Borealis, Teachers' acquire UK high-speed rail link

Borealis Infrastructure (an OMERS company) and Ontario Teachers' Pension Plan have partnered for the purchase of

High Speed 1 (HS1), Britain's only high-speed rail link to the Channel Tunnel, an acquisition valued at £2.1 billion.

Britain's state-owned railway sold the 30-year concession to own and operate the 68-mile HS1 rail network, connecting St. Pancras International Station in London, through southeastern England to the Channel Tunnel.

"This acquisition supports OMERS long-term strategy to diversify internationally and we view the UK and Europe as primary markets in meeting this objective," said Michael Rolland, President and CEO of Borealis Infrastructure. "HS1 operates in an attractive and stable regulatory environment with good long-term visibility on inflation-linked cash flows."

Borealis Infrastructure's portfolio includes Associated British Ports and The Detroit River Rail Tunnel. The HS1 purchase also fits OMERS long-term strategy of increasing private market investments (e.g., private equity, infrastructure and real estate) to 47% of the Fund's asset mix.

You can read more about OMERS investments in OMERS Annual Report.

# Employer Newsletter

## Update on Restatement of OMERS Plan Text

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

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

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

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

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

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