OMERS
Plan for the Future

Employer Newsletter

OMERS Net Assets Surpass $60 Billion

Employer News 60 - May 2013 Next Article

Strong cash generation and continuing "AAA" credit rating mark solid 2012 for OMERS and progress against our strategic goals. The OMERS Plan generated a positive investment return of 10% in 2012, and net assets grew to $60.8 billion – rising by $5.7 billion in 2012 and by over $17 billion since the 2008 global credit crisis.

"OMERS had a strong year in 2012. The $5.7 billion increase in our net assets demonstrates the strength and robustness of OMERS business model with the capacity to generate growing investment cash yields and more than ample liquidity to withstand market shocks under stressed financial conditions," said Michael Nobrega, OMERS President and CEO.

Progress Against Strategic Goals

In 2003, OMERS adopted its current strategic plan including an investment strategy designed to provide balance between public and private market assets and to generate long-term, stable cash flows while maintaining liquidity. The strategy has evolved to incorporate avenues for the growth of Plan assets and a "direct drive" ownership model providing OMERS with greater control of its investments at a lower cost.

One of the key drivers of the strategic plan is OMERS asset mix. OMERS ended the year with 60% of its assets in the public markets and 40% in private market assets, compared with 82% public and 18% private before the new strategy was implemented nine years ago. Our long-term goal is to achieve a mix of approximately 53% public and 47% private market investments. A second key driver is the strategic priority to directly own and actively manage investments rather than retaining external fund managers. OMERS ended the year with 88% of the portfolio now managed in-house, up from 70% at the end of 2008. The long-term goal is to reach 95% of the portfolio managed internally.

Funding Deficit

Annually, the Plan makes a projection regarding its ability to pay pensions over the long-term. At the end of 2012, the Plan's funding deficit peaked at $9.9 billion, versus $7.3 billion a year earlier. Like many other pension plans, the funding deficit reflects the delayed, full impact of the 2008 global financial crisis.

In 2010, OMERS implemented a plan aimed at eliminating the deficit over time through measures that included a contribution increase phased in over three years, a benefit reduction impacting members who leave their employer before they're eligible to retire, and an investment program targeted to generate an annual net investment return of at least 6.5%.

"The deficit is based on a long-term projection going out several decades and in no way reflects our ability to pay pensions in the short term. OMERS has achieved solid investment returns with an annual average 8.9% return in the four years since the financial crisis. Sustained returns at this level could bring the Plan back to fully funded status earlier than anticipated," said Patrick Crowley, OMERS Chief Financial Officer.

More details of OMERS financial results are in OMERS In Focus.

In This Issue

OMERS
Plan for the Future

Employer Newsletter

OMERS Begins to Streamline Pension Administration for Employers

Employer News 60 - May 2013 Previous Article Next Article

Employers often ask us to help them reduce and streamline their OMERS Plan administration. We want you to know we're listening and taking action. As you've already seen with last month's e-alert on address collection, we've begun to shift more of our service delivery from employers directly to clients.

Over time, a more direct relationship with OMERS will provide members with access to more choices, information and online options. For example, members can now sign up for e-delivery of their annual statements and update their personal information online. We are also looking to make a wider range of services available to members down the road. For example, tools and resources at critical points in their OMERS lifecycle, such as when they first join the Plan, or start thinking about planning for and maximizing their retirement.

What's Changing?

To start, in April, we moved to the full collection, storage and maintenance of member contact information. The removal of contact information from employer forms and processes started last month with pension estimates and leaves and it will continue to take place in phases over the coming months.

This will simplify processes for employers and allow us to communicate more directly with members, in turn allowing us to provide more choices and online options.

What's Next?

The next phase involves looking at streamlining the enrolment process so it's faster and more efficient for employers. Although we expect this work to evolve over time as we better understand enrolment pain points for both employers and members, we will be starting to make initial changes this year.

How Employers Can Help

Please encourage your members to sign up for myOMERS. Not only can they access their OMERS information, the Retirement Income Estimator, Buy-Back Calculator and AVC Calculator, they can now verify and update their mailing address, email and telephone numbers. We will also be communicating directly with members about this.

Our Commitment to Keeping You Informed

Changing our processes will take time. We're committed to keeping you updated through e-alerts, the employer newsletter, webinars and online at our Client First resource page. In this one-stop information source, upcoming changes and other information will be posted and regularly updated to keep employers informed as changes to pension administration processes take place.

We value our relationship with employers. As we look for even better ways to make Plan administration easier, we'd be interested in hearing your views. Drop us a line at employer@omers.com.

In This Issue

OMERS
Plan for the Future

Employer Newsletter

AVCs returned 9.5% in 2012

Employer News 60 - May 2013 Previous Article Next Article

On February 22, OMERS announced its 2012 results and the annual rate of return was applied to Additional Voluntary Contributions (AVC) accounts. Funds in an AVC account earn the OMERS Fund rate of return, which for 2012 was 10.03%, less investment management expenses. In 2012, the expenses were 0.53%[1].

Learn more about contributing to an AVC account

Changes to AVC Program Offer More Flexibility for Members

Transfers now available year-round. Catch-up payments coming in July. Payroll deductions coming in 2014.

In December 2012, OMERS Sponsors Corporation (SC) approved changes to AVCs. The changes provide more flexibility for participants and will also give OMERS employers the option to offer payroll deductions for AVCs.

Transfers from RRSPs, LIRAs and Other Registered Retirement Vehicles Now Available Year-round

Effective January 1, 2013, lump-sum transfers to an Additional Voluntary Contributions (AVC) account will be allowed any time throughout the year. Previously, lump-sum transfers could only be made during the annual January 1 to April 30 transfer window. The elimination of the window provides members the opportunity to move funds when they become available throughout the year.

Note: This change does not affect the March/April AVC withdrawal window.

Changes to contribution options for active members

- **Catch-up payments for automatic contributions**
  Automatic contributions are withdrawn from the member's account via pre-authorized debit on a bi-weekly or monthly basis. Currently, members cannot make up missed payments. Effective July 1, 2013, a member will be allowed to make a catch-up payment within set limits.
- **Employer payroll deductions**
  Effective January 1, 2014, OMERS employers will be allowed to offer payroll deductions for AVCs.

Details about catch-up payments and employer payroll deductions will be provided later in 2013.

[1]In addition, an annual administration fee is applied to AVC accounts. The fee for 2013 is $35.

Employer Newsletter

OMERS begins maintenance of member addresses

Employer News 60 - May 2013 Previous Article Next Article

To simplify processes for employers and to provide even better service to our members, OMERS is moving to the full collection, storage and maintenance of member contact information. The removal of contact information from employer forms and processes started last month with pension estimates and leaves and it will continue to take place in phases over the coming months.

Important! Members can now update their information online through myOMERS.
Please encourage your members to sign up for myOMERS to verify and/or update their mailing address, email and telephone numbers. We will also communicate directly with members about this.

In This Issue

OMERS
Plan for the Future

Employer Newsletter

Administration News and Reminders

Employer News 60 - May 2013 Previous Article Next Article

OMERS Employer Webinars

Do you want to delve into the details of a specific aspect of OMERS administration? OMERS webinars can help. You will learn the latest tips, best practices, and helpful hints for administrating the OMERS Plan. Upcoming webinars include enrolments, leaves, disabilities, and member events (e-Form 143).

"Thank you for making learning more efficient and easy. We don't even have to leave our desks. What a great team you have at OMERS. Thanks and have a great day!" Anita Young, Town of Richmond Hill

Webinar schedule and registration

IMPORTANT! Member's milestone birthday

The introduction of a new pension options package last year coincided with a new process for determining a member's pension options upon leaving employment – based on their exact age.

On the date a member reaches their early retirement birthday (55th birthday for normal retirement age 65, 50th birthday for normal retirement age 60), their benefit options change.

Members who leave their employer:

- **before their early retirement birthday** are eligible for termination options – including a transfer of the commuted value (CV) of their pension.
- **on or after their early retirement birthday** are eligible for retirement options only – the CV option is **not** available.

Keep the milestone birthday in mind when you report a member's termination. The e-Form 143 has a validation that flags this issue.

Contributory Earnings Change

The *Income Tax Act* was changed to include certain premiums for insurance plans in taxable income, effective 2013. **These premiums include**:

- accidental death and dismemberment insurance;
- group business travel accident insurance (including war risk and chartered/leased aircraft exposure); and
- group long-term care insurance and critical illness insurance.

If you provide these kinds of coverage to your members, the associated premiums are now considered to be taxable benefits (part of a member's regular compensation), and must be included in the member's contributory earnings.

Plans that meet the definition of a private health services plan, such as group health and dental, and wage loss replacement plans that pay benefits on a periodic basis, are not included.

2012 e-Form 119 Annual Reporting

In This Issue

Keep June 14, 2013 in mind – the deadline to submit membership data
This is the last date for OMERS to receive 2012 membership data to ensure we are able to produce and deliver Pension Reports to members within the legislated deadline of June 30.

Tip: Report all member events (enrolments, leaves, terminations, retirements, deaths, etc.) to OMERS when they happen – throughout the year. This will make your annual e-Form 119 reporting easier and quicker.

NEW in 2013. Reservist leaves

Effective January 1, 2013, you can elect to share the cost of purchasing reservist leaves with your employees. Contact OMERS Client Services for more information.

Security Reminder: Never Put a SIN in an Email

It’s crucial that both OMERS and employers take measures to safeguard members’ personal information. One way to do this is to have a policy of never putting a member’s social insurance number or any personal, financial, or sensitive information in an email text or an email attachment.

Instead, always use e-Correspondence in e-access; it’s safe, secure, and monitored by our staff.

OMERS
Plan for the Future

Employer Newsletter

OMERS Celebrates

Employer News 60 - May 2013 Previous Article Next Article

This year, OMERS marks 50 years of serving its members. Throughout this year, *Employer News* will feature a retrospective of OMERS history, milestones and achievements from 1963 to 2013.

OMERS 1963 – 2013

Members

1963	2012
9,900	429,000

Employers

1963	2012
311	968

Net Assets

1963	2012
$5 million	$60.8 billion

In This Issue

OMERS
Plan for the Future

Employer Newsletter

Surveys Help to Gauge What's Important to Members

Employer News 60 - May 2013 Previous Article Next Article

OMERS periodically uses surveys to ask members how we can improve our tools and processes to continue to meet their needs.

"Finding out what pension information and services are important to members will guide us as we move forward," says Jennifer Brown, OMERS Chief Pension Officer. "One focus this year will be our Additional Voluntary Contributions (AVC) program and maximizing retirement income."

Environics, an industry leading research company, will help us with our research. Surveys will take place throughout May and June and will be conducted by email and by telephone. If your members are contacted for a survey and they have concerns, please ask them to call OMERS Client Services.

In This Issue

Employer Newsletter

Q and A with the Chair

Employer News 60 - May 2013 Previous Article

The following are common questions members ask Rick Miller, Chair of the OMERS Administration Corporation (OAC) Board of Directors.

Is the OMERS pension plan in good shape?

Yes, the OMERS Plan is healthy and operating well: during 2012, the Plan defined benefit component collected about $3.1 billion in contributions and paid out about $2.7 billion in pension payments and still has over $60 billion in net assets.

As for the funding deficit and what impact this may have on our ability to pay pensions, keep in mind that the funding deficit is an actuarial deficit, determined from the cost of future pensions looking 70 years or more into the future. Over time, pension plans like OMERS cycle through periods of actuarial surplus and deficit. I've experienced these cycles since I first joined the OMERS Board in 1997. Taking steps to deal with the deficit provides assurance to members that their pensions will be there for them when they retire.

How will you continue to grow the Fund?

In addition to shifting the asset mix to include more private market investments, and managing all assets more directly, OMERS is also focused on raising capital. A larger pool of investment capital will enable OMERS to compete for larger global investment opportunities, which tend to deliver more stable, long-term returns. This is why OMERS is seeking to enter into long-term relationships with like-minded international investment partners. OMERS is also offering to provide investment services and products to other pension plans, as well as offering optional retirement products to OMERS members – such as Additional Voluntary Contributions (AVCs), launched in 2011.

The AVC return for 2012 was 9.5%. Why can't I participate in the program past age 71?

I have heard time and time again that members want the right to receive an income stream from the AVC component of the Plan rather than being forced to withdraw or transfer their AVC funds after age 71. This is not currently possible under Ontario law.

I have urged all Plan members, whether over the age of 71 or younger, to contact their MPP and request their support to have this issue rectified during the review of the Regulations for Bill 120 – Securing Pension Benefits Now and in the Future Act, 2010.

In This Issue