2002

Report to Members

OMERS

Plan for the Future

Ready for the future

Our corporate signature – Plan for the Future – was put to the test in 2002. The good news is that the OMERS Plan and your pension remain secure following the most turbulent investment year in our 40-year history.

The continued decline of equity markets in 2002 resulted in an overall decrease in investment assets. But because of our commitment to multi-year planning and ongoing surplus management, we were able to use surplus to cushion investment losses. Our long-term results continue to surpass the amount needed to pay future pensions by a healthy margin, despite the second (and consecutive) negative return since 1990. You can continue to count on your OMERS pension.

Sound, capable, competent

We recognize that we will sometimes be faced with negative short-term results, as we were in 2002. Many in the pension industry share our belief that longer-term returns from traditional investments like stocks and bonds will be lower in the near future – the double-digit returns of the 1990s were unusual. So what will we do going forward to ensure your pensions are secure?

In recent years, we have increased our investment in areas like private equities, real estate, infrastructure assets and real return bonds. These assets tend to soften the more volatile returns from stock markets. Still, public equities at home and abroad remain our largest single asset class and will serve OMERS well over the long term.

Our investment professionals are ready to take advantage of the eventual recovery in the stock markets. They will continue to further enhance and diversify our portfolio through alternative assets like private equity and infrastructure investments that promise higher, more stable long-term returns.


Rick Miller Dale E. Richmond

We have also restarted contributions at about one-third of the normal rate (as of January 2003), after the four-and-a-half year contribution holiday required by federal legislation. The Board has decided to move to full contributions in 2004, which will result in improved cash flow and flexibility in managing investments. In view of the losses of the past few years, in combination with expected single-digit returns for the next few years, we will review our asset mix in 2003 and make adjustments as necessary.

A responsive pension services team

OMERS is about more than investments. We have a strong team of professionals devoted to member and employer services. The improvements in service efficiency have been truly spectacular, thanks to technological improvements and staff retraining. We now process claims for new retirees within a few days of application, compared with 30 days just two years ago. And we continue to pay pensions on the first business day of each month, without fail.

Cost-effective provider

We remain dedicated to guaranteeing the security of pension claims by being a cost-effective provider. We have offered attractive unreduced early retirement options, our survivor benefits exceed many plans, and we offer guaranteed inflation protection. OMERS members receive exceptional value for the contributions they pay, at rates lower than other major Ontario public sector pension plans.

Working toward autonomy

Following extensive consultation with our stakeholders, the Board submitted a proposal on a new governance model to the Ontario government in March 2002. Although we await further direction from the government, our stakeholders' contributions to the process were invaluable. Regardless of the government's decisions, pensions will remain secure.

A Triple-A-Rated Plan

OMERS strengths in managing investments and paying secure pensions was recognized in late 2002 by two major credit rating agencies. Both assigned OMERS an AAA rating, the highest rating possible and a tribute to the plan sponsors, OMERS management and employees. Together, we have built a strong organization with solid benefits, a solid investment fund and a solid financial reputation.

We are confident that OMERS is well positioned to manage through any challenges that may arise in the future. In 2003 we will focus on the business of providing secure pensions, now and in the future, and ensuring we offer the best possible service to plan participants.

Dale E. Richmond
President and CEO

Rick Miller
Chair

YOUR OMERS PLAN

OMERS provides pension services for 327,000 active, retired and deferred members and more than 900 employers. It is a defined benefit pension plan that serves local government employees, funded by equal contributions from the employee and the employer.

Your guaranteed pension is based on your salary and years of service in the plan, and it will increase each year to keep pace with inflation. In 2002, OMERS paid monthly pensions totalling almost $1.2 billion to 89,157 retired members and survivors – including the 5,895 members who retired in 2002.

The four and a half year contribution holiday ended on December 31, 2002 and contributions began again in January 2003 at about one-third of the normal rates: 2.1% of salary up to $39,900 and 2.6% after that, for members whose normal retirement age is 65. For police and fire fighters, who have a normal retirement age of 60, rates will be 2.43% of salary up to $39,900, and 2.93% beyond that. Full contributions will begin in January 2004. It may seem like a bit of a shock when you open your paystub, but both employees and employers pay contributions to help fund the future pension benefit to which members are entitled. Making contributions is a part of retirement planning – whether building up a pension or an RRSP.

HERE TO SERVE YOU

OMERS continues to look for ways to serve you better and keep pace with the needs of our growing membership. Here are a few of the things we did in 2002:

- Answered 80,093 calls (up from 66,163 in 2001) and 6,400 e-mails and letters (up from 4,661 last year)
- Hosted 380,653 visits to the website
- Met face-to-face with 9,159 members and employers
- Welcomed 22,641 new members to the plan
- Created a dedicated call centre, to serve you more quickly and knowledgeably
- Paid 100% of pensions on time, on the first banking day of every month

Consolidated Statement of Net Assets

Fair value ($ millions)

As at December 31, 2002

(Includes assets of other plans managed by OMERS)		
Cash and short term	$	4,264
Fixed income		7,315
Canadian equities		5,750
Non-Canadian equities		6,530
Private placement equity		1,345
Real estate		7,747
Total Investment Assets	$	32,951
Other assets		1,019
Total Assets	$	33,970
Investment liabilities		2,999
Other liabilities		1,466
Total Liabilities	$	4,465
NET ASSETS	$	29,505

For a list of OMERS investments (as at December 31, 2002) go to www.omers.com or call 1 800-387-0813 or 416 369-2444.

quick facts

INVESTMENT ASSET GROWTH FROM 1993

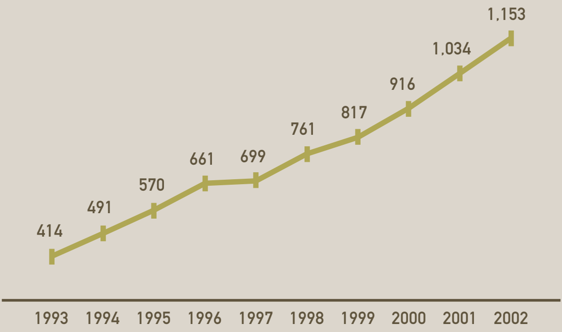
MARKET VALUE ($ BILLIONS)

Net of investment liabilities

GROWTH IN PENSION PAYROLL

($ MILLIONS)

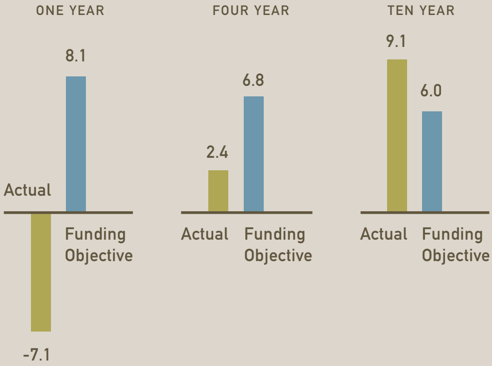
The pension payroll has grown substantially, a trend that will continue into the near future as the baby boom generation enters retirement.



RETURN VS. FUNDING OBJECTIVE

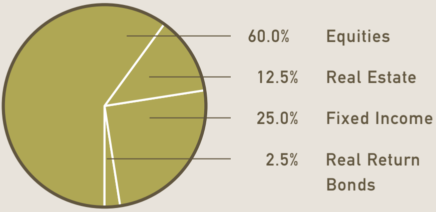
(%)

Long-term results continue to exceed our funding objective.



ASSET MIX POLICY

Our diversified investment portfolio focuses on minimizing risk and generating stable returns.



BOARD MEMBERS

Employer Representatives

➪ **Walter Borthwick, Past Chair**
Town of Wasaga Beach

➪ **Bill Rayburn**
County of Middlesex

Marianne Love
Association of
Municipalities of Ontario

➪ **Frederick Biro**
Peel Police Services Board

John Sabo
York Catholic District
School Board

Dennis Neethling
Township of East Ferris

➪ Members of Executive Committee

Employee Representatives

➪ **Rick Miller, Chair**
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Canadian Union of Public
Employees

David Carrington
Canadian Union of Public
Employees

Susan O'Gorman
Ontario Nurses' Association

Dick McIntosh
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David Kingston
York Regional Police

Government of Ontario Representative

Nancy Bardecki

SENIOR OFFICERS

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Michael Beswick
Senior Vice President
Pensions

Wayne Gladstone
Senior Vice President
Finance and Administration

Tom Gunn
Senior Vice President
Investments

Debbie Oakley
Senior Vice President
Corporate Affairs

ADVISORS TO THE BOARD

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Watson Wyatt Worldwide

Auditors
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Legal Advisor
Osler, Hoskin & Harcourt LLP

Master Custodian
State Street Canada Inc.

Medical Advisor
Dr. D. Lewis

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available upon request.