OMERS
Plan for the Future

Member Update

Number 71, December 2004

A newsletter for members of the OMERS pension plan

OMERS Board: contribution rates will increase in 2006

Actual rates to be determined after funding status review; 2005 rates stay the same

We reported in *Member Update* #70 that OMERS will most likely be increasing contribution rates for members and employers in 2006. The OMERS Board advised stakeholders at a special meeting in November that the increase being considered is between 1% and 2% of earnings. (Contribution rates for 2005 will not be changing.)

The OMERS Board regularly reviews the Plan's funding status and periodically adjusts contribution rates to make sure they reflect the actual cost of benefits. While increasing rates is a difficult decision for the Board to make, it ensures that the Plan remains well funded. OMERS pensions remain secure; there are enough assets available to pay current pensions.

OMERS is anticipating a Fund deficit by 2004 year-end of about $650 million. OMERS is not alone in this; a number of major pension plans currently have deficits. Some plans have had to reduce the benefits available to future retired members, but the OMERS Board has ruled out that option.

The Board's actuary will conduct a funding valuation in February 2005 and further analysis in March/April. The valuation projects the Plan's future costs relative to its assets and contributions. It's essentially a long-term snapshot of the Fund 20 or 30 years from now.

The OMERS plan continues to grow: the number of active members and especially the number of retired members is increasing. OMERS pays out about $1 billion in pensions every year. About 70% of the money comes from investments. The remaining 30% is from contributions.

OMERS contribution rates are very competitive with other major pension plans. OMERS members will continue to receive valuable benefits, including 100% inflation protection. This means a member who retired with an annual pension of $15,000 in 1995 now receives a pension of more than $18,000.

More information will be provided once the valuation and analysis are completed in the spring and the actual amount of the contribution rate increase has been determined.

What's inside

Words to the Wise: members sharing retirement advice

We asked OMERS members for their best tips for retirement planning, such as how they prepared for life after work, and the advice they would give someone who is thinking about leaving their job. Current and former police officers, bus drivers, administrative assistants, and others completed our online questionnaire. Here's what some of them had to say:

The smartest thing I did to prepare for retirement was… *"Checking the OMERS Retirement Income Estimator to plan how much I needed to contribute to my RRSP and balance my enjoyment today with my future security."*
John, project manager, age 45

The best advice I received… *"Keep busy. Volunteer, or join a sporting group, get a part-time job. [I] love my home, but life can get antsy doing nothing."*
Ron, retired police officer, age 59

The smartest thing I did to prepare for retirement was… *"Besides contributing to OMERS, I am contributing to RRSPs and paying off all my debts."*
Deb, supervisor, age 55

OMERS helped me with… *"Peace of mind – the confidence in knowing that my pension cheque will always be there and not be eaten away by inflation."*
Steve, retired police officer, age 49

Retired librarian Ingrid Weniger returned to work at the Ottawa Public Library on an on-call basis.

You can find these and more than 100 other tips from other members like you on our web site at **www.omers.com** in *Words to the Wise*. While there, take a moment to fill in the questionnaire and share your best advice; it might be used in the next *Words to the Wise* update.

Ingrid Weniger made sure she was debt-free before retiring as a librarian from the Ottawa Public Library. But she knew that working part-time would be part of her retirement plan. She now works at the library's public information desk on an on-call basis.

"I love the flexibility and convenience of being able to pick and choose when and how often I work," Ingrid says. "I still have lots of time for leisure activities and learning opportunities."

CPP sets 2005 earnings ceiling

The Canada Revenue Agency announced that its earnings ceiling for 2005 (the year's maximum pensionable earnings or YMPE) under the Canada Pension Plan (CPP) will be $41,100. This is the maximum amount of earnings for which CPP contributions are deducted. The YMPE for 2004 is $40,500. The new ceiling was calculated using a CPP formula that accounts for growth in average weekly wages and salaries in Canada.

OMERS also uses this earnings ceiling to calculate the amount of contributions deducted. OMERS members pay a lower contribution rate on earnings up to the YMPE.

2005 OMERS contribution rates

	Earnings up to $41,100	Earnings over $41,100
Normal retirement age 65	6.0%	8.8%
Normal retirement age 60	7.3%	9.8%

High marks for OMERS service

Ongoing surveys confirm OMERS delivers outstanding service

Recent service statistics and survey results for members, retired members and employers demonstrate how OMERS continues to meet its high service targets while delivering exceptional service.

OMERS regularly surveys active and retired members. Members are asked to evaluate everything from timeliness of service, satisfaction with written information and politeness of OMERS staff.

When asked about overall satisfaction with service, members gave OMERS an average score of 4.4 to 4.6 out of 5.

Survey highlights of some key areas

Members reported satisfaction on a scale of 1 to 5 (1 = completely dissatisfied; 5 = completely satisfied)*	Average score
Timeliness of first pension payment (members who used advance election option)	4.8
Clarity of written materials	4.3
OMERS Client Services staff:	
• Politeness	4.7
• Responding promptly	4.5
• Knowledge level	4.5
Overall satisfaction with OMERS service:	
• Active members	4.4**
• Retired members	4.6**

*This is the average of the 2004 third quarter survey.
**This is the average of a three-part, quarterly survey.

Service statistics for October 2004:

- **Phone calls:** OMERS Client Services answered 7,321 phone calls in October. The total number of phone calls for year-to-date October 31, 2004 was 81,011.
- **Web site visits:** 38,845 people visited the OMERS web site, or about 1,253 per day, a total of 395,181 visits for year-to-date October 31, 2004.
- **e-mails:** OMERS Client Services received 900 e-mails, a total of 8,575 for year-to-date October 31, 2004.
- **Information seminars and meetings:** By year-to-date October 31, 2004, OMERS communication officers held 994 member information sessions, pre-retirement sessions, employer seminars and on-site visits across the province.

"We're very pleased that our hard work is paying off and members are getting excellent customer service from OMERS. We continue to look for ways to improve our service. To everyone who participated in the survey and gave their feedback, we want to say 'Thank you.' Your input helps us serve you better."
Graham Hills, Vice President, Pension Policy and Client Services

Buying back service made easier

Starting in 2005, if you are eligible to **buy back past service**, you will be able to make your payment directly to OMERS. (Currently, members pay their employer, who then sends a cheque to OMERS.) If you deal directly with OMERS, we will issue you a tax receipt for the payment made.

For a quick buy-back cost estimate, use our *Buy-back Estimator* on our web site under *Members/Estimators*. To see how much the extra service would increase your pension, use the online *Retirement Income Estimator*. Deciding whether buying back service is right for you will be easier once you know the cost and the potential increase to your pension.

The employer can continue to send the member's payment to OMERS if they prefer, but the new method can make the process more efficient.

Early retirement window closing

When the enhanced early retirement factors end on December 31, 2004, the early retirement window will close. On January 1, 2005, the standard early retirement factors return.

Early retirement factor

If you meet the minimum retirement age* you can retire with an **unreduced pension** if your age + years of service = the early retirement factor (the Factor).

2004	• **85 Factor** for normal retirement age 65 • **80 Factor** for normal retirement age 60
2005	• **90 Factor** for normal retirement age 65 • **85 Factor** for normal retirement age 60

The Factor = your age + years of **service**
Service = credited service + eligible service

***Minimum retirement age:** You must be within 10 years of your normal retirement age to retire with an OMERS pension:

- at least 55 for normal retirement age 65 (most members);
- at least 50 for normal retirement age 60 (most police officers and firefighters).

30 years of service: If you meet the minimum retirement age and you also have 30 years of service, you can retire with an **unreduced pension**. In this case, you don't need the Factor.

Reduced early retirement pension: If you meet the minimum retirement age but don't have the Factor or 30 years of service, you can retire early with a **reduced pension**. Your pension is reduced by 5% for each year you're short of the least of:

- Early retirement factor minus your actual age + service;
- 30 years of service minus your actual years of service; or
- Normal retirement age minus your actual age.

This three-point test maximizes your benefit.

If you would like an estimate of your OMERS pension, submit a *Form 190 – Request for a pension estimate* (available on our web site under *Members/Forms* or call Client Services). You can also try our online *Retirement Income Estimator*.

Gas distribution bid: $7.5 billion

OMERS investment entity, Borealis Infrastructure, and the Ontario Teachers' Pension Plan (OTPP), each hold 25% of a consortium that recently announced an agreement to acquire the Scotland and the South of England gas distribution networks from National Grid Transco plc. Scottish and Southern Energy plc (SSE) holds the remaining 50%.

"We're very pleased to be part of this consortium and look forward to a profitable partnership," Borealis Infrastructure CEO Michael Nobrega said. "This is a significant milestone as OMERS begins the process of realigning its asset mix, shifting a portion of capital from publicly traded investments to infrastructure and private equity assets, as OMERS announced earlier this year.

"We expect it will generate the long-term, stable returns we seek. We would welcome the opportunity to pursue similar opportunities in Canada and look forward to seeing the results of government efforts to bring about positive change to energy regulations here at home."

The total value of this investment is about $7.5 billion, with OTPP and Borealis each investing about $665 million, SSE investing $1.2 billion, and the balance coming from third party debt. The acquisitions should be completed in the spring of 2005.

Photography: Marc Turner

A gas holder that is part of the distribution network in Britain.

Borealis Infrastructure and OTPP also have a strategic alliance in an investment in the Express pipeline that transports oil from Western Canada to markets in the U.S.

SSE is one of the largest energy companies in Britain, involved in the generation, transmission, distribution and supply of electricity to industrial, commercial and domestic customers; the storage and supply of gas; electrical and utility contracting; domestic appliance retailing; and telecoms.

Member information sessions

If a member information session is coming to your area and you'd like to attend, be sure to book early. These sessions are a popular way to learn about the OMERS plan and how it provides a secure financial benefit for your future.

You can register online at **www.omers.com** or call OMERS Client Services. The sessions are free of charge, but any travel and accommodation costs are up to you.

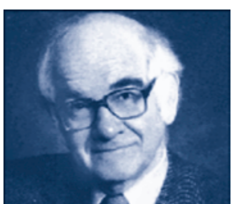
Date and time	Location
April 13, 2005 5:00 p.m. – 7:00 p.m.	OMERS 1 University Avenue, Suite 700, **Toronto**
May 4, 2005 5:30 p.m. – 7:30 p.m.	Region of York 17250 Yonge Street, **Newmarket**
May 11, 2005 5:30 p.m. – 7:30 p.m.	Holiday Inn Hotel Sudbury 1696 Regent Street, **Sudbury**
May 25, 2005 5:30 p.m. – 7:30 p.m.	Holiday Inn Waterfront 2 Princess Street, **Kingston**
June 8, 2005 5:30 p.m. – 7:30 p.m.	Thames Valley District School Board Education Centre, 1250 Dundas Street, **London**
June 21, 2005 5:30 p.m. – 7:30 p.m.	Travelodge 900 Pembroke Street East, **Pembroke**
July 13, 2005 5:00 p.m. – 7:00 p.m.	OMERS 1 University Avenue, Suite 700, **Toronto**

OMERS will also host member information sessions in the following locations in 2005. Once dates and venues are confirmed, they will be posted on our web site.

Month	Location
April	Thunder Bay
August	Oshawa, Timmins
September	Toronto, Windsor, Collingwood
October	Burlington, Cornwall
November	Ottawa, Mississauga, North Bay (French)
December	Peterborough, Toronto

OMERS members at an information session in Whitby in October (left to right): Leo Larkin, Brian Cordick, and Ginny Lock of the Town of Whitby, and Gary Carroll, City of Vaughan.

OMERS pioneer dies



Paul Hickey

On October 26, 2004, Paul Hickey died at the age of 82. While Paul was not an OMERS member, he would have liked to be one. After all, he was the driving force behind the creation of OMERS.

For many years, Paul served as treasurer of the City of Hamilton. He then entered the service of the Ontario government, and while with the Ministry of Municipal Affairs, he brought OMERS into being.

During his tenure with the City of Hamilton, Paul amalgamated the city's many pension plans. This experience, and a study of many state-wide plans in the U.S., gave Paul the idea for OMERS. He believed a pension plan for municipal workers in Ontario would:

- result in better pension benefits at a reasonable cost;
- provide pension portability that would allow employees to work in different areas of the province; and
- make it more affordable for smaller municipalities to provide pension benefits.

Bringing OMERS into being was not easy, but Paul persisted. In this vision he was right, as the OMERS of today attests: it is a widely respected and highly regarded pension plan, in Ontario and elsewhere.

Paul maintained an active role in OMERS after its creation in 1963, serving on the first OMERS Board and as the first Board chair from 1968 to 1970. He also wrote the groundbreaking report that led to OMERS current sophisticated, investment program. Today, OMERS is the third largest pension fund in Canada.

Al Reeve, former OMERS President and CEO said, "He was very determined and somewhat of a visionary, and fought hard for everything in which he believed. He managed to get [OMERS] started against all odds. He was always amazed that this public sector retirement plan he had created and hoped for actually succeeded so well and grew to the size it did."

Over the years, we've all benefited from Paul's vision and determination. Many local government workers live a more comfortable retirement because of it. We, at OMERS, want to recognize his achievements, and publicly pay our respects.

A message from Paul Haggis, OMERS President and CEO

This has been a year of many changes at OMERS as we strive to provide our members with better and better products and services. We intend to continue on this chosen path in the coming year, and continue to look for areas where we can improve.

Although we face funding challenges, we are taking the necessary steps to ensure that your OMERS pension will be there for you when you retire. It is a secure, valuable financial asset for your future.

I would like to take this opportunity to wish all of our OMERS members a safe and happy holiday season and all the best in the New Year.

Your 2004 *Pension Report*

When you receive your annual *Pension Report* depends on when we receive the year-end information about earnings and contributions from your employer. And first, we have to verify the information. Once that's done, we start producing and sending out the *Pension Reports* (usually spring through summer).

Just in time for the 2004 *Pension Reports*, OMERS is launching an online version of the system employers use for year-end reporting. Many OMERS employers will be using the new system, but not all employers send us the information at the same time, so some members will still get their *Pension Report* before others.

- If you're an **active member** (currently working) your *Pension Report* will either be distributed through your employer or mailed to you directly.
- If you're an **inactive member** (you left your employer but kept your pension in OMERS, or you're in the process of transferring your pension to another plan), your *Pension Report* will be mailed directly to you.
- If you're on an OMERS **disability waiver**, your *Pension Report* will be mailed directly to you.

The *Pension Report* you receive in 2005 will reflect your information on our records as at December 31, 2004.

We received a lot of feedback from members about the 2003 *Pension Report*, including comments that the reports were delivered late in the year, and that members would prefer to get them earlier. Again, it depends when we receive the year-end information from the employer. We're confident our new system will help streamline the year-end reporting process.

OMERS

Plan for the Future

Your OMERS pension is based on your earnings and service. It will provide you with guaranteed retirement income for life, and it includes:
- inflation protection
- excellent survivor benefits
- disability benefits
- early retirement options.

It is also portable to many other public sector plans.

Member Update keeps more than 217,000 members of the OMERS pension plan up to date on plan news and benefits.

We value your views and comments. Send us an e-mail or write to us.

For more information on your OMERS pension, please contact Client Services.

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