OMERS
Plan for the Future

Member Update

Number 78, Winter 2006/2007

A newsletter for members of the OMERS pension plan

Contribution rates remain the same for 2007
See page 3.

What's inside

OMERS continues to build private market portfolios with major deals

Deals support strategic direction to shift the asset mix

Power plants, property and pipelines. These are the types of investments that are increasingly being found in pension fund portfolios. In fact, in the long term, OMERS expects infrastructure, real estate and private equity investments to make up about 40% of its total investments. These investments are expected to earn higher, more stable returns than traditional stocks and bonds over the long term.

Three new major additions to OMERS portfolio fit with the strategy of placing greater emphasis on private market classes. These investments are Associated British Ports Holdings, MDS Diagnostic Services, and seven properties from Fairmont Hotels & Resorts.

Associated British Ports Holdings PLC (ABP)

With 21 ports, ABP is the largest port operator in the United Kingdom. The company employs 3,000 staff. ABP handles almost one quarter of United Kingdom seaborne trade, in addition to operating a number of transport-related businesses and a property division. It also has car import services at four ports in the United States.

In August 2006, a consortium consisting of Borealis Infrastructure (on behalf of OMERS), Goldman Sachs, Prudential Insurance PLC and GIC (the government of Singapore's pension plan) successfully completed the acquisition of 100% of Associated British Ports Holdings PLC (ABP).

MDS Diagnostic Services

MDS Diagnostic Services is Canada's largest provider of laboratory services.

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OMERS continues to build private market portfolios with major deals

It provides 50 million diagnostic tests to 10 million patients and 20,000 physicians each year, and has annual revenues of $335 million.

On October 5, 2006, OMERS announced that its investment entity Borealis Infrastructure entered into an agreement to purchase MDS Diagnostic Services from its parent company MDS Inc. The purchase is a $1.325 billion transaction.

Fairmont Hotels & Resorts

Fairmont Hotels & Resorts is the largest luxury hotel company in North America. Its portfolio includes historic icons, resorts and modern city centre properties.

OMERS, through its real estate investment arm, Oxford Properties, acquired seven landmark hotels from Fairmont Hotels & Resorts.

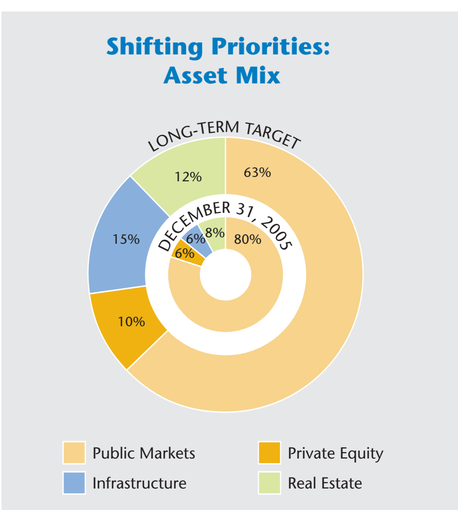
The seven properties include: The Fairmont Banff Springs, The Fairmont Chateau Lake Louise, The Fairmont Chateau Whistler, The Fairmont Jasper Park Lodge, The Fairmont Vancouver Airport, Fairmont Le Château Montebello and Fairmont Kenauk at Le Château Montebello. The properties will continue to be managed by Fairmont.

The Fairmont Chateau Lake Louise

More on OMERS investments

OMERS asset mix

An asset mix policy is the foundation for a pension plan's investment activities. Several years ago, OMERS launched a new investment strategy. A key piece of the new strategy was a shift in OMERS asset mix. 2006 is the third full year that OMERS has operated according to the revised asset mix.



"Our exceptional results over the past few years show that we're on the right track. Our strategy is proving its worth," says OMERS President and Chief Executive Officer Paul Haggis.

"We will continue to make this adjustment carefully and deliberately over the next few years and expect to meet targets by the end of the decade."

Public markets: the biggest in the mix

OMERS asset mix has four distinct investment groups. In recent issues of *Member Update*, we have focused on real estate, infrastructure, and private equity investments. In this issue, we highlight OMERS biggest asset class – public markets.

Public markets serve as the backbone of the pension plan. The portfolio consists of equities (stocks) and fixed income (for example, bonds).

The portfolio is managed by a team of about 40 in-house investment professionals including portfolio managers, investment analysts, traders and economists. For its global investments, OMERS relies on external managers with national and regional expertise in foreign markets.

Capturing growth, spreading risk

With thousands of securities available worldwide, OMERS investment professionals create diverse portfolios that capture growth and income opportunities while spreading risk. OMERS public market assets are invested in Canada, the United States, Britain, Europe and the Far East, as well as other emerging markets.

The portfolio includes stocks/equities, bonds and money market instruments. Each type of investment has a special role to play. For example, equities have high growth potential, but they can be volatile.
On the other hand, interest bearing investments – such as, federal and provincial bonds, mortgages, real-return bonds issued by governments – provide reliable low-risk returns. The low-risk returns offset the more volatile nature of publicly traded equities.

Working for success

OMERS investment professionals are value investors.

"When deciding on potential investment opportunities, we focus on more than just numbers," says Barry DaSilva, Associate Portfolio Manager,

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New and noteworthy

Contribution rates stay the same for 2007

OMERS contribution rates for 2007 are the same as the 2006 rates, but the CPP earnings limit is slightly higher. The limit increased to $43,700 – up from $42,100 in 2006.

OMERS contribution rates

For normal retirement age 65 (most members)

6.5%	on earnings up to $43,700*
9.6%	on any earnings over $43,700

For normal retirement age 60 (police and firefighters)

7.9%	on earnings up to $43,700*
10.7%	on any earnings over $43,700

*The CPP earnings limit for 2007 is $43,700. It is also called the YMPE (year's maximum pensionable earnings) and is the limit up to which members also contribute to the Canada Pension Plan. (See "OMERS pension formula" on page 4.)

Notes about OMERS contributions:

- You and your employer contribute equally to OMERS – based on your earnings.
- OMERS contributions lower your taxable income.
- Most members receive the equivalent of their contributions plus interest in pension payments within five years of retiring.

Marriage breakdown

The pension you earn during your marriage may be considered part of family property to be valued and settled in the event of a marriage breakdown.

A new information page about marriage breakdown and the effects on a member's pension is now available on OMERS website. In it, we describe OMERS role and what the member and former spouse can expect.

Also outlined below are the two approaches to handling your OMERS pension when dividing the family assets.

1. Keep your pension intact

A member and former spouse may choose to settle the pension asset on their own. For instance, your spouse may have a pension of similar value or you may trade the pension for another asset of equal value. In this case, your pension remains intact. It is not split as the result of the marriage breakdown, and OMERS is not involved.

2. Assign part of your pension

A former spouse's interest in a member's pension may be split out **once the benefit becomes payable to the member**. In this arrangement, OMERS may administer payment to a former spouse directly from the plan.

New marriage breakdown info online

Go to **www.omers.com** and click on:

1. Members
2. Details about your plan
3. Information pages
4. Marriage breakdown and your OMERS pension

Purchasing past service?

Note the expiry date. When you send us a service purchase application to purchase past service (a "buy-back"), we prepare and send you an election form. On it, you'll find your actual cost and the estimated improvement to your pension at your normal retirement age. There's also an expiry date. If you decide to buy all or some of the service, make sure the **form and the payment** are in our office by this date. After the expiry date, the cost will usually be higher.

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More on OMERS investments

Active Equities. "We look at various criteria to see whether it is a good fit with OMERS.

"How a business is managed is very important," DaSilva continues. "It can have a great product but with poor management, things will not go well over the long term."

OMERS strategy is to carefully choose companies that can produce long-term, stable results.

Public markets are reliable, liquid investments. Although they will continue to serve as the backbone of the pension plan, private equity and infrastructure investments have the potential to produce higher, more stable returns over the long term. OMERS strategy is to reduce the size of its public market portfolio while increasing investments in private markets. Regardless, public markets will remain the biggest asset class.

How your OMERS pension works

Your OMERS pension is a guaranteed, secure benefit. It includes excellent survivor benefits. It's indexed to increase with inflation every year and it's paid for life.

How the plan works

You and your employer contribute equally to the plan. OMERS invests these assets to generate the best possible returns while minimizing risk. When you retire, you receive a pension from OMERS, based on your years of service and "best five" earnings.

Over the long term, the plan is funded 30% by contributions and 70% by investment returns.

How the formula works

Your OMERS pension has two components: a **lifetime pension**, plus a **bridge benefit** if you retire before age 65.

All OMERS members are entitled to receive a lifetime pension, regardless of when they retire.

Members who retire **before age 65** will also receive the OMERS bridge benefit. This temporary benefit helps smooth ("bridge") your OMERS pension until age 65, when it is expected your unreduced Canada Pension Plan (CPP) pension will start.

OMERS pension formula

Your OMERS lifetime pension + bridge benefit to age 65				
2%	x	credited service (maximum 35 years)	x	"best five" earnings
Less bridge benefit at age 65				
0.675%	x	credited service (maximum 35 years)	x	lesser of "best five" earnings or $41,460
Equals your OMERS lifetime pension from age 65				

Terms and figures used in the pension formula

"Best five" earnings – This is the annual average of your highest 60 consecutive months (your best five years) of contributory earnings. It does not include any overtime pay or most lump-sum payments. If you have less than five years of credited service, we use your actual service to calculate your average earnings.

Credited service* – the number of years during which you contributed to (and have not had a refund of contributions) or purchased in the OMERS plan.

$41,460 – the current five-year average (2003-2007) of the Canada Pension Plan's (CPP) annual earnings limit. You contribute to the CPP up to its earnings limit ($43,700 in 2007).

*Credited service is calculated in years to two decimal places and includes service you earned during OMERS contribution holiday. It also includes years during which you purchased leaves or past service, transferred funds from another pension plan, and earned pension while on an OMERS-approved disability leave.

"Financial and retirement planning is very important. My wife and I recently reviewed our financial plan and realized survivor benefits are a big part of the process. With OMERS survivor benefits, my family will be taken care of."

OMERS: For you and those you care about

OMERS provides benefits to your eligible spouse, children, beneficiary or estate.

The OMERS difference

Excellent survivor benefits are a key feature of the OMERS pension plan. It's part of OMERS commitment to provide you and your survivors with a secure future.

*To find out how the powerful protection of survivor benefits can help you while you're working and after retirement, visit **www.omers.com** or call OMERS Client Services at 416-369-2444 or 1-800-387-0813.*

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OMERS financial planning series

Protecting your loved ones

OMERS member Jane Stevenson and her parents pooled their money and bought a house together in Holland Landing. The house is in Jane's name, and her parents live in the walkout basement apartment. Jane is newly single after 30 years of marriage, and is the primary breadwinner in her household. She decided to consult a lawyer to draw up a will to protect her parents in case anything happened to her.

What would happen if you were in an accident and seriously injured, or worse? Is your family prepared? While we all try to look on the bright side for the future, disaster can strike without warning. That's why estate planning is important to your family's financial and emotional security.

Estate planning is a difficult subject to discuss, because it forces individuals and their families to come to terms with their own mortality. But it can give family members less to worry about upon your death or mental incapacity. An estate plan should ensure your affairs will be handled according to your wishes and that your family will be looked after.

An estate plan typically includes preparing a will, tax planning and signing a power of attorney. You should discuss these matters with professional legal and financial advisers.

Preparing a will

A will is for everyone, not just the elderly. If you died without a will (intestate), your estate would be settled according to Ontario's intestate succession law, and not necessarily according to your wishes.

OMERS member Jane Stevenson

Be prepared to change and revise your will, especially if there is a change in your marital status. A will made just two years ago may not reflect your current personal wishes or financial situation.

You must appoint an executor to administer your will. The executor's duty is to carry out your wishes and take care of tasks such as tax returns, protecting your property and paying expenses. It is important that the executor is aware of their commitment.

Tax planning for estate purposes

There are several ways to reduce estate taxes, such as making charitable donations or setting up RRSPs for spouses or dependent children. Distributing assets to heirs while you are still living may reduce the value of your estate and subsequent taxes. One way to do this is through a family trust. Trusts may also be used to keep inheritances in a separate delineated account.

If any part of your estate must go through probate (a legal process) to validate the will, then the entire estate value may be subject to probate taxes. Estate planning involves complex issues, and it is best to discuss these options with a financial adviser or lawyer.

Power of attorney

A power of attorney is a legal document, signed by you and a witness, which may be used to authorize a person(s) to make decisions on your behalf.

Jane says her children were involved in the process of preparing her will and power of attorney. Her daughter and son are co-executors together with her sister. "They've discussed all the details and know what my wishes are."

Many financial advisers say that the worst thing you can do is hope everything works out. Estate planning is ongoing, and should be reviewed every few years.

More online

Visit **www.omers.com** for the full version of this article, "Your financial plan: protecting your loved ones." It covers more estate planning as well as risk management and insurance coverage. Also, be sure to check out Words to the Wise, a special online forum (under Members/Details about your plan) where many OMERS members have shared their retirement planning ideas.

Join the conversation

Our financial planning series continues in the spring *Member Update*. We'll focus on tax planning. If you would like to take part in a phone or e-mail interview and share your financial planning ideas, please send your contact information to feedback@omers.com.

Plan for the future – with OMERS

Learn about your pension at an OMERS Member Information Session. The sessions are fun and informative, and offered free of charge. Topics covered include early retirement options, inflation protection and survivor benefits.

OMERS will host member information sessions in various locations across Ontario in 2007, including Thunder Bay in May.

To the right is The Sea Lion at Silver Islet in Sleeping Giant Provincial Park, Thunder Bay, Ontario. OMERS will host a Member Information Session in Thunder Bay in May.

Information sessions scheduled for 2007 (5:30 to 7:30 p.m)

Date	Location
January 18	**Toronto** OMERS, 1 University Avenue, 7th Floor
January 25	**Toronto East** Cedarbrae Library – Auditorium, 545 Markham Road
January 31	**Toronto West** Eatonville Library meeting room, 430 Burnhamthorpe Road
February 8	**Toronto North** Centennial Library – Auditorium, 578 Finch Avenue West
March 12	**Toronto Central** Toronto Reference Library – Beeton Room, 789 Yonge Street
March 28	**Peterborough** Thomas A. Stewart Secondary School, 1009 Armour Road North
April 5	**Hamilton** Courtyard by Marriot, 1224 Upper James Street
April 10	**London** Best Western Lamplighter, 591 Wellington Road

Date	Location
April 10	**Sarnia** City of Sarnia – Council Chambers, 255 North Christina Street
April 30	**Ottawa** Travelodge – Ottawa West, 1376 Carling Avenue
May 2	**Belleville** Hastings and Prince Edward District School Board - Education Centre, 156 Ann Street
May 7	**Sault Ste. Marie** City of Sault Ste. Marie, 99 Foster Drive
May 8	**Thunder Bay** Best Western Nor'Wester, 2080 Highway #61
May 16	**North Bay** Nipissing University, 100 College Drive
May 30	**Kingston** Travelodge, 2360 Princess Street
June 13	**Guelph** Ramada Hotel and Conference Centre, 716 Gordon Street
June 20	**Newmarket** Location to be determined

To register and to confirm the meeting location, contact OMERS Client Services or visit www.omers.com/Members/Information sessions.

What OMERS members say about the sessions…

"Great speaker... I learned a lot."

"The presenter knows his stuff."

"Used everyday life experiences, adding humour to the mix, making it very interesting…the session went by very quickly."

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 230,000 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. Our service hours are Monday to Friday, 8:00 a.m. to 5:00 p.m.

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Disponible en français

ISSN 1192-4268

Publications Mail Agreement No.: 40010368

While the information in this newsletter is accurate, the *OMERS Act, 2006* is the governing source for all plan provisions.