OMERS member news

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OMERS plan to manage funding deficit

There may be indications that the recession is coming to an end, but its effects are still being felt. At the end of 2008, the OMERS Fund posted a -15.3% total rate of return, and reported a $279 million funding shortfall. This funding deficit could grow to more than $6 billion over the next few years, as the full impact of 2008 is reflected in the funding balance sheet (OMERS will report 2009 results in 2010).

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An OMERS pension will provide you with retirement income for life and includes inflation protection, early retirement options and survivor and disability benefits. *Member News* keeps more than 248,000 members up to date on plan news and benefits.

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The main reason why the deficit continues to grow is due to the pension industry practice of actuarial "smoothing," which helps to cushion a plan's funding from volatile market conditions. Instead of the losses from 2008 being applied immediately, they are factored into OMERS funding over a longer period of time.

Like all pension plans, OMERS is required to eliminate any funding deficit. Typically, there are three options available to a pension plan to deal with a funding deficit: reduce benefits on a go-forward basis, raise contribution rates, and increase investment returns.

OMERS is reviewing all options in light of the experience we gained during previous periods of surplus, when Plan surplus was spent on the required contribution holiday on the one hand, as well as decisions to make improvements to Plan benefits. Both of these actions eroded the cushion that would have allowed OMERS to weather the market downturn we experienced last year. Additional factors being considered include the growing liability and the resulting funding pressure caused by the aging Plan population.

Some pension plans have already implemented benefit reductions on a go-forward basis and increased their contribution rates to help reduce their funds' future costs. OMERS must consider all available options.

Benefits

"It's important to note that, even if OMERS benefits change, they would not affect retirees currently receiving pensions, nor would they affect pension benefits accrued to date," said Jennifer Brown, OMERS Chief Pension Officer. "Changes would only affect pension benefits earned after the date of any change."

Contribution rates

To address the existing funding shortfall, OMERS Sponsors Corporation (SC) has approved an increase to both member and employer contribution rates, effective with the first full pay period in 2010. See the reminder elsewhere in this issue.

"These contribution rate increases will help address the initial $279 million part of the overall funding shortfall. More significant contribution increases or changes to benefits, or a combination of both, will be required in the next several years as the remaining $6 billion is recognized on the balance sheet of the Fund," said Marianne Love, SC Co-Chair.

"OMERS invests for the long-term, the Plan remains stable, and we are taking steps to address funding. We've weathered poor economic conditions in the past."

– Jennifer Brown, OMERS Chief Pension Officer

Investment strategy

From an investment perspective, OMERS had taken steps, before the market downturn, to change our investment strategy – moving more of the Fund's assets from public markets to less-volatile private markets. This move helped to offset some of the market losses, and it continues to place the Fund in a good position to face the current storm, and to take advantage of opportunities that present themselves – both now and down the road.

"Many pension plans continue to face funding challenges, and OMERS is no exception," said Ms. Brown. "But, as we've stated before, OMERS invests for the long-term, the Plan remains stable, and we are taking steps to address funding. We've weathered poor economic conditions in the past."

The next OMERS Plan valuation is due in December 2009.

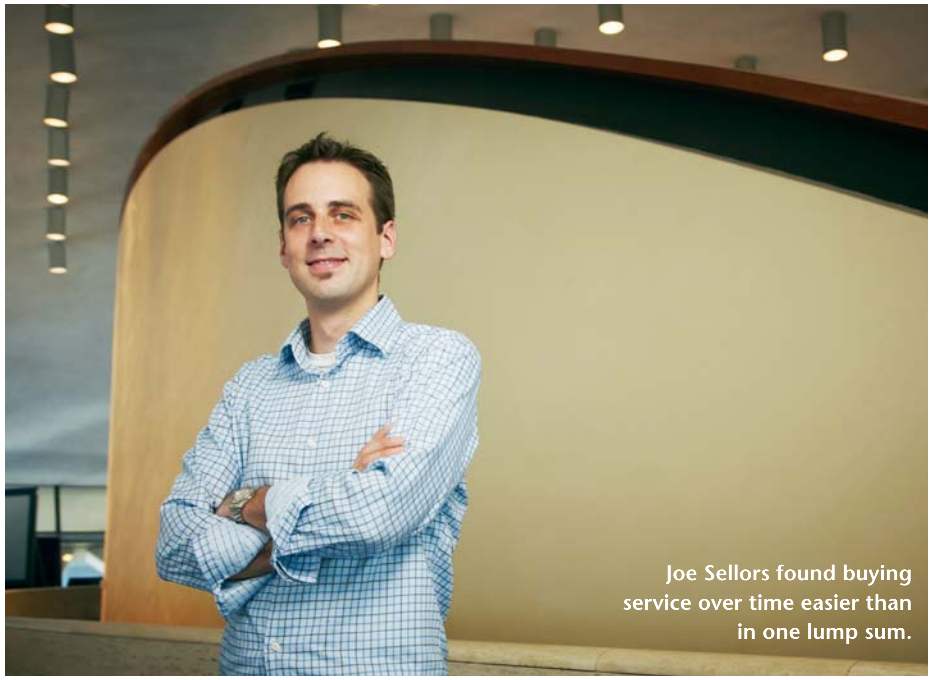
"The results of that valuation will give a clearer picture of the Plan's funded status," said Brian O'Keefe, SC Co-Chair. "This will help us to determine the extent of any required changes. We will communicate any news in this regard."

Positive outlook

These are challenging times, and OMERS remains confident we have the expertise, strategy and staff to help us weather today's economic climate, and to continue searching for opportunities to grow stronger in the future.

Buy-backs become budget-friendly

For some OMERS members, the deciding factor in whether to buy back service was the option of paying in monthly instalments, rather than one lump sum.



Joe Sellors found buying service over time easier than in one lump sum.

OMERS started the monthly payment option for buy-backs in May 2009, and members say it's easier to work into the household budget.

"It's way more manageable from a money point-of-view," says Joe Sellors, Supervisor, City of Toronto, Department of Special Events. "If you're saving for the future, and putting money away in smaller amounts, it's easier than through a lump sum, especially with a young family."

OMERS contacted members who were in the process of a buy-back, to offer them the new monthly payment option. Joe was, in fact, the first member to opt for the monthly plan.

"It took a little bit of time to get to it, to read the [info] package, but I'm glad I did," Joe says.

Anne-Marie Nickason, a Resource Teacher at a City of Hamilton daycare centre, says the monthly payment option – and a thumbs-up from her financial adviser – sealed the buy-back deal for her.

"I talked to my financial adviser," Anne-Marie says. "I have no clue about things like that. He looked at [the info package] and he said it was a good thing to do. He said, 'Yes. Do it.'"

Members requesting buy-back estimates are often surprised at the cost. While it is an investment in the future, paying for it in one lump sum can be difficult. The monthly payment option separates it into smaller pieces.

"You get an estimate with this huge amount and it's scary," Anne-Marie says. She was looking into buying back a maternity leave. "A big amount of money can go somewhere else. I can decide if I need to do this to the house, or pay for a buy-back. But $120 a month I can do."

About buying back service

OMERS pensions are based on a formula using earnings and years of service. A member may be able to buy back service periods – for example, a leave period that was not previously purchased. Buying back service increases a member's credited service in the Plan, and increases the amount of pension.

The member's overall cost will be higher under the monthly payment plan than if the payment was made in one lump sum, due to the interest charge. The additional service is credited as the monthly payments are received.

Buy-back payment options include:

- Monthly pre-authorized withdrawals over 12, 24, or 36 months, with an option for renewal based on a new costing; or
- Lump sum (by cheque, RRSP transfer, etc.); or
- A combination of a lump sum and monthly payments.

For more about buying back service, visit **www.omers.com** and click on the link for the Member Handbook; see Chapter 3, Service.

2010 brings secure member online access

As we've previously reported, OMERS state-of-the-art online member pension system is coming soon. myOMERS will give you online access to your OMERS information. myOMERS is the latest addition to our line of successful online systems.

Where we're at…

The site has been tested, and will be ready for you when you receive your *Pension Report* in 2010.

Key features…

The **RETIREMENT INCOME ESTIMATOR** and **BUY-BACK ESTIMATOR** will be accessible through myOMERS. These tools will be able to access your OMERS information, so you no longer have to enter this yourself. This enables you to get estimates even faster.

Through **MYINFO** and **MYREPORTS**, you will be able to quickly and easily access your OMERS service and earnings information. You will also be able to view your *Pension Report* and other personal documents – including buy-back and pension estimates you've requested.

With the **e-subscription** feature, you can sign up to receive just an electronic copy of your annual *Pension Report* – helping OMERS to reduce our use of paper. And, myOMERS will notify you when your *Pension Report* is ready to view online.

Next steps…

You'll notice a reminder about myOMERS is your next *Pension Report* – encouraging you to register to use myOMERS. (You will need information contained in your *Pension Report* when you register, such as your OMERS membership number.)

As we continue to develop myOMERS, it will become available to our retirees and deferred members (those who left their pension in OMERS when they left their employer.)

myOMERS…

…will give you safe and secure access to your OMERS information. Stay tuned for more news on this exciting new OMERS service development.

myOMERS: the key to your pension

The RETIREMENT INCOME ESTIMATOR and the BUY-BACK ESTIMATOR will produce estimates based on membership information pulled from our database.

Through e-subscription, members can sign up for e-only delivery of their *Pension Report*.

Highest chartered accountancy designation awarded to OMERS President and CEO

OMERS is pleased to announce that Michael Nobrega, President and CEO, has been named a 2009 Fellow of the Institute by the Institute of Chartered Accountants of Ontario.

Fellowship is the highest designation the Institute confers and recognizes outstanding career achievements as well as excellence in service to the community and the profession. Ontario's Chartered Accountants work in public practice, industry, academe, government and the not-for-profit sector. Only about three per cent of CAs have earned the FCA designation.

"To be recognized in this way by your peers is a great honour," said John Sabo, Chair of the OMERS Administration Corporation Board of Directors. "Michael is a team builder and a visionary who connects with employees and business partners alike. We are proud of Michael's accomplishments and this designation. This award reaffirms the Board's confidence in his continued leadership and vision for OMERS."

A graduate of the University of Toronto, Mr. Nobrega has more than 30 years experience as an investment executive. He was appointed President and CEO of OMERS in March 2007, following his successful eight-year leadership of Borealis Infrastructure, the infrastructure investment arm of OMERS, from 1998 to 2007. Mr. Nobrega has also been a partner at a major international accounting firm. In 2002, he received the University of Toronto's Arbor Award for outstanding community service.

In 2009, a total of 75 Ontario Chartered Accountants were named as Fellows, earning the designation FCA. Fellowship elections are held every three years.

"Being elected an FCA by their peers is an indication of the esteem these CAs enjoy in their profession and communities," said Gerald Mills, FCA, Chair of the Institute. "It is also testimony to how much each has contributed to both the CA profession and their respective communities."

OMERS backs new wireless cell phone carrier

OMERS Private Equity recently announced a $50-million investment in low-cost wireless carrier Public Mobile (formerly BMV Holdings). Public Mobile is getting set to launch a flat-rate cell phone service in Ontario and Quebec in late 2009. Public Mobile plans to offer wireless voice and data service with unlimited talk for a flat monthly fee.

The company was created in July 2008, with the purchase of the "G Band" in Industry Canada's wireless spectrum auction, covering the Windsor-to-Quebec City corridor.

"We believe the company has great potential in the Canadian wireless market," said Paul Renaud, President and CEO of OMERS Private Equity. "In addition, we are impressed by the leadership and experience of their management team and investment partners."

Plan for the future – with OMERS

Learn about your pension at an OMERS member information session. The sessions are fun, informative and free of charge. Topics include early retirement options, inflation protection, survivor benefits and investments.

Information sessions scheduled for January to June 2010 (5:30 to 7:30 p.m.)

Date	City	Date	City
January 21	**Toronto (OMERS)**	April 14	**London**
January 28	**Scarborough**	April 27	**Ottawa**
February 4	**Mississauga**	April 28	**Belleville**
February 11	**Vaughan**	May 11	**Sault Ste. Marie**
February 18	**Toronto (OMERS)**	May 11	**Thunder Bay**
March 11	**Hawkesbury (French)**	May 20	**Toronto (OMERS)**
March 24	**Peterborough**	May 25	**Perth**
March 31	**Markham**	June 2	**Stratford**
April 13	**Sarnia**	June 16	**Hamilton**

In the remainder of the year, meetings will be held in Ajax, Brantford, Burlington, Cambridge, Cornwall, Fort Frances, Kincardine, Kingston, Kitchener, Newmarket, Niagara, Orangeville, Oshawa, Ottawa, Sudbury, Toronto and Windsor. Dates, locations, and the ability to register for the remaining sessions will be available in the summer of 2010.

For meeting locations and to register, contact OMERS Client Services or visit OMERS website under Members/Information sessions. Register early; the sesions fill up quickly.

OMERS 2010 Spring Information Meeting

The Spring Information Meeting will take place on April 21, 2010, in Toronto.

Hear the latest update on OMERS operations and an overview of our 2009 results.

Please mark your calendar and check **www.omers.com** early in the new year for registration details.

You will also be able to tune in to the live webcast via OMERS website.

OMERS will host a member information session in Stratford in June.

Reminder – contribution rate increase in 2010

Beginning with the first, full pay period in 2010, the rates paid by active members and matched by their employers will be as follows. (For comparison, we have also listed the current contribution rates.)

Normal retirement age 65 members	2009	2010
On earnings up to CPP earnings limit	6.3%	6.4%
On earnings over CPP earnings limit	9.5%	9.7%
Normal retirement age 60 members	**2009**	**2010**
On earnings up to CPP earnings limit	7.7%	7.9%
On earnings over CPP earnings limit	12.8%	13.1%

OMERS
Plan for the Future

If there is any discrepancy between the information in this newsletter and the *Ontario Municipal Employees Retirement System Act, 2006 (OMERS Act, 2006)* and the Plan text, the *OMERS Act, 2006* and Plan text will govern.

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