OMERS
member news

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AVC auto contributions available year-round

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OMERS member Lisa Palmer

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OMERS funding strategy right on course

OMERS is on course with a three-part strategy to return the Plan to a surplus position over the long term. Strong returns and temporary rate/benefit measures are key to this multi-year plan. "Our members have asked whether contribution rate increases are still necessary, given that the Plan had such strong investment results over the past two years since the 2008 market downturn," said Andrew Fung, OMERS Chief Actuary.

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OMERS Plan for the Future

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 259,000 members up to date on Plan news and benefits.

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"The bottom line is that all three parts of the OMERS funding strategy – temporary contribution increases, temporary benefit changes, and OMERS investment strategy – are necessary to return the Plan to surplus over the long term," he said. Surplus means that a pension plan's investment assets exceed its pension benefit obligations to members.

Investment markets are volatile by nature and performance can fluctuate from year to year. The three-part strategy ensures we stay on course. OMERS two governing boards – the Sponsors Corporation (SC) and Administration Corporation (AC) – announced the strategy last year in a joint message to OMERS plan members and employers.

OMERS implemented the strategy with solid progress on all three fronts:

1. **Temporary contribution increases**
   Contribution rate increases averaging 2.9% of a member's pensionable earnings (matched by the employer) are being phased in over three years. The three increases average 1%, 1%, and 0.9%. When the full increase is in place, this will generate close to $1 billion each year on the asset side of the balance sheet, helping the Plan move towards surplus. The contribution rate increases are temporary and are intended to be in place until the Plan regains a surplus position. The first increase of 1% was implemented in January 2011. The exact rates for 2012 will be announced later this year.

2. **Temporary benefit changes**
   These will only affect members who leave employment before being eligible for early retirement, and will only affect service earned after 2012. OMERS is preparing to implement these changes and will provide additional details and examples in future communications. For more information, see the member handbook – *Your OMERS Pension* – at **www.omers.com**. The benefit changes are intended to be temporary until the Plan regains a surplus position. It's estimated these changes will save approximately $100 million each year in benefit costs. The benefit and contribution rate changes were announced by the OMERS SC in 2010.

3. **Investment strategy**
   OMERS delivered a 12.01% return for 2010, the second year of strong returns since the 2008 global credit crisis hit. (The net return after all investment expenses for the year ended Dec. 31, 2010 was 11.37%.) OMERS continues to shift capital into private market assets that can generate predictable and sustainable returns. These assets include high-quality real estate properties and private equity holdings, as well as infrastructure investments that are typically government-regulated in regard to rates and/or service delivery levels. Private market assets fit well with OMERS obligation to pay pensions for the long term, and are even more important as global markets navigate through the recent events in Japan, North Africa and the Middle East. In addition, OMERS actively manages a diversified global public markets portfolio that can capitalize on market growth. More on OMERS investments and strategy is in our Annual Report at **www.omers.com**.

Addressing a funding deficit is like turning a ship around. "The strategy has momentum and is working well. This kind of correction takes time," said Andrew.

"We know for a fact that the deficit will continue to increase for a couple of years before it begins to shrink." OMERS Primary Plan has $53 billion in net assets and its current funding deficit stands at $4.5 billion. Current projections show the funding deficit peaking at around $8 to $9 billion by 2012 before it starts to decrease (see chart). Compared to initial estimates a year ago of a peak funding deficit of $8 to $12 billion, the funding picture has already improved.

"The strategy has momentum and is working well. This kind of correction takes time."

- Andrew Fung,
OMERS Chief Actuary

Why is the funding deficit expected to grow until 2012?

Some losses from the 2008 market collapse are still to be reflected in the funding deficit. That is because the Plan uses a "smoothing" method to spread losses or gains over a five-year period. This buffers the impact of year-to-year investment peaks and valleys, and therefore protects the pension plan from having to make sudden drastic changes to contribution rates or benefits in a given year. Secondly, OMERS is ensuring that retirement and demographic trends that increase the Plan's obligations are taken fully into account in the assumptions used to assess OMERS benefit obligations. These trends include retirement patterns of the baby boom generation, members' earnings, and other factors.

How did the 2008 market collapse affect Plan funding?

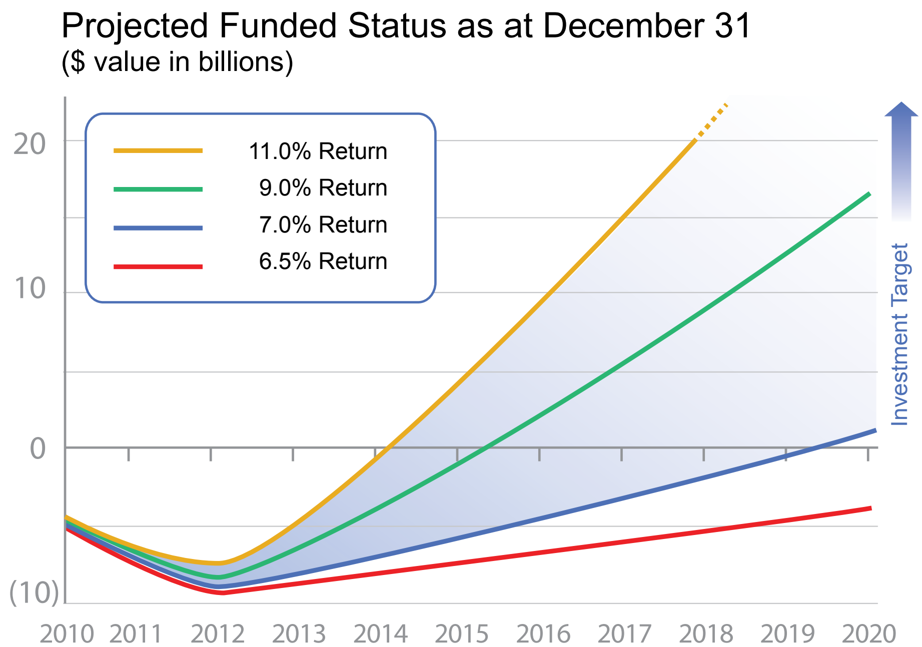
Consider that the Plan must deliver a 6.5% return annually to meet the basic funding requirement. The Plan ended 2007 with $51.5 billion in net assets. If we had earned 6.5% in each of 2008, 2009 and 2010, the Plan would have approximately $62.2 billion in net assets today. Instead, with the actual losses in 2008, and the strong gains in 2009 and 2010, the Plan has net assets of $53.3 billion, less than what is required to meet the long-term obligations.

So we still have some ground to make up, and like many other pension plans and institutional investors, OMERS is still in a recovery phase following the 2008 global market events.

When will the deficit be eliminated?

OMERS objective over the long term is to deliver strong annual average returns in the 7% to 11% range. The chart above shows different investment return scenarios. For example, assuming all contribution increases and benefit changes are implemented:

- with a 7% average return, the plan would reach full funding by 2020;
- with a 9% average return, the deficit would be eliminated by 2016.



"OMERS ultimate goal is to pay pensions and generate surplus, including a funding cushion, for the Plan and its membership," said Jennifer Brown, Chief Pension Officer. "When OMERS eliminates its deficit and achieves surplus in the future, there is a clear policy to address how these gains are managed."

In December 2010, the OMERS SC adopted the *Statement of Plan Design Objectives and Strategy* (SPDOS).

"The statement provides a structure to support Plan decisions during future cycles of both deficit and surplus," said SC Executive Director John Poos. The statement outlines strategies for:

- **Deficit management** – Plan less than 100% funded: generally results in contribution rate increases, or a combination of rate increases and benefit reductions
- **Reserve management** – Plan 100% to 110% funded: generally requires reinstatement of past benefit reductions; eliminate any contributions relating to deficit funding
- **Surplus management** – Plan more than 110% funded: generally an equal split between contribution rate reductions and benefit improvements.

The statement is available on the Sponsors Corporation website at **www.omerssc.com.**

OMERS is on course with a clear strategy to return the Plan to full funding, and a comprehensive policy to address future gains and deficits. OMERS closely examines the Plan's funded status each year. "We appreciate the interest of our members and employers in the health of the Plan's funding," said Jennifer. "We will continue to update our membership on the strategy now in place and the results as we move forward."

The joint AC/SC message on the funding strategy is at **www.omers.com**.

Note: Additional Voluntary Contributions (AVCs) are invested in the OMERS Fund and are not affected by the funded status of the defined benefit (DB) plan. AVCs are members' retirement savings separate and apart from the DB plan funding.

Update on restatement of OMERS Plan text

The OMERS Primary Pension Plan text is the legal document that governs how the Plan is administered.

Since the Primary Plan was last officially "restated" in April 2007, the OMERS Sponsors Corporation (SC) has made a number of amendments to the Primary Plan (previously communicated in *Member News*). Recently, the SC approved an amended and restated Plan text which consolidates these amendments along with several new housekeeping amendments. The new housekeeping amendments:

- reflect that the latest age of enrolment in the Primary Plan is 71 years of age or at such other time as prescribed under the *Income Tax Act*
- reflect that payments to minors (survivor child pension, beneficiary payments) will be according to the *Children's Law Reform Act*
- reflect that *Employment Standards Act* protected leaves (e.g., pregnancy, parental leave) require employer matching contributions
- clarify the indexing provision to reflect parts of years
- clarify pre-retirement death benefits so that indexing is addressed for deferred members who die prior to retirement
- clarify the timing of the indexing of deferred pensions and disability benefits, and
- clarify the definition of a Continuous Full-Time (CFT) employee to clearly provide that an employee who is on a fixed-term contract and fills a full-time permanent position with an OMERS employer is a CFT employee.

These housekeeping amendments help maintain the integrity of the Primary Plan and reflect compliance with the applicable governing legislation. Corresponding changes have been made to the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics.

The amended and restated Primary Plan – effective January 1, 2011 – also included a technical amendment to clarify the distribution of assets under administration by the OMERS Administration Corporation in the unlikely event that the Primary Plan is wound up. View the Plan text at **www.omers.com**.

If you have any questions or comments about these changes, please write to OMERS at One University Ave., Suite 800, Toronto ON M5J 2P1 and to the Superintendent of Financial Services at FSCO, 5160 Yonge Street, P.O. Box 85, Toronto, ON M2N 6C9.

New AVC option is a hit with long-time OMERS member

Like many OMERS members who have signed up for the Additional Voluntary Contributions (AVC) option, Lisa Palmer was impressed with how convenient the process was.

"OMERS made it so easy," Lisa says. "They came to us and set up meetings with interested employees and OMERS staff answered all my questions. I liked what I heard and signed up right away."

Lisa, who has been with the City of Barrie for almost 30 years, decided on automatic contributions to AVCs through pre-authorized debit. Lisa likes that AVCs give her the flexibility to adjust her contributions in a fast, efficient manner.

"It feels good to be building additional retirement savings in one of the biggest and most diversified pension funds in the country," Lisa says. "I'm pleased with OMERS history of rates of return and I believe this will be a positive addition to my retirement."

AVC automatic contributions: convenient option is available year-round

"Easy to set up," is what we hear a lot from members who started automatic contributions to their AVC (Additional Voluntary Contributions) accounts.

The AVC option was launched in January 2011, and the response by members has been enthusiastic. As of May 9, AVC contributions were over $75 million.

The AVC transfer window closed on April 30 and will reopen in January 2012. But you can still make automatic contributions to an AVC account through pre-authorized debit from a bank account any time, as long as you're: (1) currently contributing to the OMERS Primary Pension Plan, or (2) on a disability waiver or authorized leave of absence, or (3) employed beyond 35 years of credited service.

Your automatic contributions begin to earn the OMERS Fund rate of return, less investment management expenses, from the date they are received. For example, in 2010, the Fund earned a return of 12.01% and the investment management fee was 0.64%; if AVCs existed last year, they would have netted 11.37% (pro-rated depending upon time of deposit). The annual administration fee for 2011 is $23.

You can start, stop or modify automatic contributions to your AVC account at any time through myOMERS member access site or using the *Form 401 – Automatic Contribution Plan*, available at **www.omers.com**.

To start automatic contributions, log in to myOMERS, select **MY AVC ACCOUNT**, then **Start Contributions**. To register for myOMERS, see page 8.

A minimum automatic contribution of $20 every two weeks or $40 monthly is required. Contributions are tax-deductible in the year they are made.

You do not need RRSP room to make automatic contributions to an AVC account in 2011. But your automatic AVC contributions will reduce the amount you can contribute to an RRSP in the following year.

If you start automatic contributions halfway through the year at your maximum monthly amount, you cannot double your payments to catch up to the annual maximum allowable for your salary range.

On the other hand, if you were contributing less than the maximum, you could increase your payment, but still only up to your monthly or biweekly maximum.

AVCs are an attractive option to build retirement savings. The AVC option is voluntary and may not be right for everyone's savings plan or life stage. See the guide – *Consider the AVC Option* – and Terms of Participation at **www.omers.com**.

Note: AVCs are invested in the OMERS Fund and are not affected by the funded status of the defined benefit (DB) plan. AVCs are members' retirement savings separate and apart from the DB plan funding.

"My automatic AVC contributions are tax-deductible.

Financial literacy comes into focus

Task force recommends strategy to improve Canadians' financial awareness

More than ever, Canadians need to strengthen their financial literacy, according to a report from a federal task force. Financial literacy is defined as "having the knowledge, skills and confidence to make responsible financial decisions."

In its February 2011 report, the Task Force on Financial Literacy proposed a national strategy and identified priorities for helping Canadians learn about their finances:

- Lifelong learning, from formal education through life stages and key events, such as joining an employer pension plan; seeking financial advice; buying financial products; and understanding government programs and benefits.
- Shared responsibility among stakeholders: individuals and families, government, the education sector, financial services sector, employers, and labour and community organizations.
- Leadership and collaboration: a program leader tasked with implementing the national strategy, guided by a council of stakeholders, and accountable to the federal Minister of Finance.
- The delivery and promotion would include a public awareness campaign, supported by a website providing unbiased information, self-assessment tools and retirement calculators.

An important life event singled out by the task force is the decision to join a company pension plan. For most members, being part of the OMERS Plan is a condition of employment. As a member, you're contributing toward an important part of your future pension income.

A National Financial Literacy Index identified five key areas in managing personal finances:

1. Making ends meet;
2. Keeping track of money;
3. Choosing financial products;
4. Planning ahead; and
5. Staying informed/seeking advice.

The task force noted that for young adults, making ends meet, choosing products, and planning ahead is a struggle. Seniors do better at making ends meet, but struggle with keeping track and planning ahead. High-income households do better at choosing products and staying informed.

We make financial decisions every day; improving upon our financial literacy will help us make better decisions.

More information about the task force can be found at **www.financialliteracyincanada.com**.

OMERS has programs and tools to help you plan ahead and stay informed.

✓ If you would like to learn more about your pension, attend one of our free information sessions. We cover the building blocks of retirement income including OMERS, federal income from CPP and OAS, and personal savings. See the schedule on page 8 for dates and locations.

✓ OMERS members have shared their own ideas and experiences around financial planning and literacy. Visit the Pensions section at **www.omers.com** and select "Our Members Speak."

✓ We also offer tools to help you estimate your retirement income or the cost of buying service (both are available in myOMERS).

✓ And now, OMERS offers AVCs, a retirement savings opportunity for Plan members (see page 5).

British Land, Oxford Properties are building new tower in London

British Land, one of the U.K.'s largest real estate investment trusts, is partnering with Oxford Properties, OMERS real estate arm, to develop the Leadenhall Building in London, England. Construction started in January on the new 47-storey tower, formally known as the Leadenhall Building, but dubbed "the Cheesegrater" due to its tapered shape.

Artist's impression of how the new Leadenhall Building will appear upon completion.

When it's completed in mid-2014, it will be one of the tallest buildings in London's Square Mile district.

Paul Brundage, Oxford Properties Executive Vice President and Senior Managing Director, Europe, said, "We are delighted to be partnering with British Land on the Leadenhall project. In terms of both strategy and approach, British Land is strongly aligned with Oxford Properties' own objectives, making us well placed as partners to ensure that 122 Leadenhall meets its potential to become one of the most successful developments in London."

The Leadenhall Building will include nearly half an acre of landscaped open space, stores and dining facilities, and flexible office space. The building's shape allows for larger floor sizes in the lower section, and tapering off at the top of the tower. All floors will have spectacular views of London. There is already strong interest in the building from the insurance and financial sectors.

Oxford Properties manages a global real estate portfolio of about $17 billion, including investments on behalf of its co-owners and investment partners.

Real estate is a key component of OMERS private markets portfolio. Together with the private equity and infrastructure portfolios, real estate generates stable income and delivers long-term returns to pay pensions.

You can read more about OMERS investments in OMERS Annual Report, available at **www.omers.com**.

British Land

OXFORD

MEMBER & AVC INFORMATION SESSIONS

Be pension savvy

These information sessions are for active OMERS members. If you'd like to learn more about your pension and chat with OMERS knowledgeable staff, register for one of these free sessions. (Travel and accommodation costs are up to you.)

Topics include:

- Your options to retire sooner with an OMERS pension
- How OMERS and CPP are integrated to provide you with steady retirement income
- How inflation protection preserves the value of your OMERS pension
- How survivor benefits can give you peace of mind.

Sessions run from 5:30 p.m. to 7:30 p.m. Please register early as the sessions tend to fill up quickly. Visit www.omers.com to view the calendar and to register. Or contact OMERS Client Services at 1-800-387-0813.

June 8 **Collingwood**	August 17 **Peterborough**	October 12 **Mississauga**	November 23 **Ottawa (French)**
June 22 **Dryden**	August 25 **London**	October 20 **Newmarket**	November 30 **Toronto (OMERS)**
July 13 **Sault Ste. Marie**	September 14 **Huntsville**	November 9 **Scarborough**	

AVCs, buy-backs and transfers…

Make the most of your retirement income – featuring AVCs, the new savings and investment opportunity exclusive to OMERS members (see page 5).

Information sessions are from 5:30 p.m. to 7 p.m.

October 18 **Ottawa**	October 27 **Stratford**	November 22 **Cambridge**	December 13 **Guelph**
October 19 **Orillia**	November 8 **Windsor**	November 24 **Hawkesbury (French)**	December 15 **Oshawa**
October 25 **Brockville**	November 10 **Owen Sound**	November 24 **Sarnia**	
October 26 **Toronto (OMERS)**	November 17 **Sault Ste. Marie**	December 8 **Toronto (OMERS)**	

myOMERS is the key to your OMERS pension

More than 45,000 members have secure online access to their pension information through myOMERS.

As a registered myOMERS user, you can take advantage of the convenient online tools to estimate your retirement income, estimate the cost of buying service, register for e-only delivery of your annual Pension Report, and now, you can set up an Additional Voluntary Contributions (AVC) account. (Read more about AVCs on page 5.)

Three easy steps to register…

1. Have your information ready: you need your OMERS membership number (found on your annual *Pension Report*), your social insurance number, date of birth, and a valid email address.
2. Go to **www.omers.com**, click on the myOMERS link and follow the online registration process.
3. Complete the registration: an activation link will be sent to you by email. Click on this link and enter myOMERS secure site to complete the registration process.

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.

Phone
Monday to Friday
8 a.m to 5 p.m.
416-369-2444
1-800-387-0813

Mail
One University Ave.
Suite 800
Toronto, ON M5J 2P1

Fax
416-369-9704
1-877-369-9704

Email
client@omers.com
(en français ou en anglais)

Web
www.omers.com

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