OMERS
member news

NUMBER 98 • SPRING • 2013

OMERS Net Assets Surpass $60 Billion

Strong cash generation and continuing “AAA” credit rating mark solid 2012 for OMERS and progress against our strategic goals. The OMERS Plan generated a positive investment return of 10% in 2012, and net assets grew to $60.8 billion – rising by $5.7 billion in 2012 and by over $17 billion since the 2008 global credit crisis.

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* Fund return for 2012 (10.03%) less 0.53% investment management expenses

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 266,000 members up to date on Plan news and benefits.

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"OMERS had a strong year in 2012. The $5.7 billion increase in our net assets demonstrates the strength and robustness of OMERS business model with the capacity to generate growing investment cash yields and more than ample liquidity to withstand market shocks under stressed financial conditions," said Michael Nobrega, OMERS President and CEO.

Progress Against Strategic Goals

In 2003, OMERS adopted its current strategic plan including an investment strategy designed to provide balance between public and private market assets and to generate long-term, stable cash flows while maintaining liquidity. The strategy has evolved to incorporate avenues for the growth of Plan assets and a "direct drive" ownership model providing OMERS with greater control of its investments at a lower cost.

One of the key drivers of the strategic plan is OMERS asset mix. OMERS ended the year with 60% of its assets in the public markets and 40% in private market assets, compared with 82% public and 18% private before the new strategy was implemented nine years ago. Our long-term goal is to achieve a mix of approximately 53% public and 47% private market investments.

A second key driver is the strategic priority to directly own and actively manage investments rather than retaining external fund managers. OMERS ended the year with 88% of the portfolio now managed in-house, up from 70% at the end of 2008. The long-term goal is to reach 95% of the portfolio managed internally.

Funding Deficit

Annually, the Plan makes a projection regarding its ability to pay pensions over the long-term. At the end of 2012, the Plan's funding deficit peaked at $9.9 billion, versus $7.3 billion a year earlier. Like many other pension plans, the funding deficit reflects the delayed, full impact of the 2008 global financial crisis.

In 2010, OMERS implemented a plan aimed at eliminating the deficit over time through measures that included a contribution increase phased in over three years, a benefit reduction impacting members who leave their employer before they're eligible to retire, and an investment program targeted to generate an annual net investment return of at least 6.5%.

"The deficit is based on a long-term projection going out several decades and in no way reflects our ability to pay pensions in the short term. OMERS has achieved solid investment returns with an annual average 8.9% return in the four years since the financial crisis. Sustained returns at this level could bring the Plan back to fully funded status earlier than anticipated," said Patrick Crowley, OMERS Chief Financial Officer.

More details of OMERS financial results are in *OMERS In Focus*.

"OMERS had a strong year in 2012. The $5.7 billion increase in our net assets demonstrates the strength and robustness of OMERS business model."

Michael Nobrega,
OMERS President and CEO

Spring Information Meeting

April 23, 2013

Join us for a presentation featuring OMERS 2012 financial results. There will also be an update on Tony Dean's OMERS Reviewer's Report.

Time
Doors open at 10:00 a.m.
Meeting starts at 10:30 a.m.

Location
OMERS, One University Avenue, 16th Floor, Toronto

To register, call 416-350-6708 or 1-866-725-6494 or email omersspringmeeting@omers.com

Live audio webcast
If you are unable to attend in person, you may listen to a live audio webcast at **www.omers.com**. A recording of the audio webcast and presentation will be available on our website April 24.

OMERS Celebrates

This year, OMERS marks 50 years of serving its members. Throughout this year, *Member News* will feature a retrospective of OMERS history, milestones and achievements from 1963 to 2013.

Members

1963	2012
9,900	429,000

Employers

1963	2012
311	968

Net Assets

1963	2012
$5 million	$60.8 billion

Were You Previously Affected by a Past Public Sector Restructuring?

The Ontario government has released a draft regulation regarding pension transfers for members affected by a past public sector divestment. If implemented, the regulation would enable eligible members of certain public sector pension plans to merge pension benefits in their former plan with those in their current plan.

OMERS will closely monitor the government's progress. We will provide future regulatory updates to members who may be affected, once the regulation is passed.

For more information, please visit **www.omers.com/divestments**

OMERS Governance Review

In the last issue of *Member News*, we announced that the Ontario government had released the final OMERS Reviewer's Report of Mr. Tony Dean. Mr. Dean was appointed under the OMERS Review Act, 2006 to review the governance of OMERS since 2006 – when OMERS became autonomous from the government.

The report confirmed the success of the OMERS model and made some recommendations on how to make the Plan even stronger. The OMERS Sponsors Corporation (SC) and OMERS Administration Corporation (OAC) continue to work collaboratively to address these recommendations. Both the SC and the OAC have committed to keep OMERS members informed of their progress, and they will post updates to **www.OMERS.com** and **www.OMERSSC.com**.

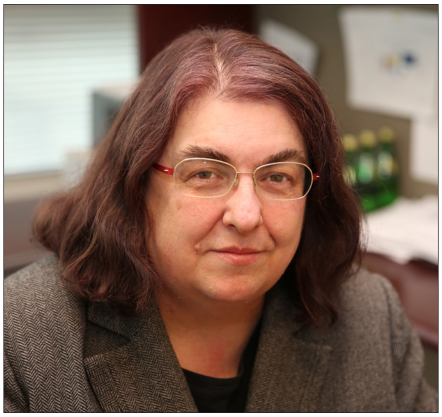
For more information, and for updates, please visit **www.omers.com/governancereview**.

Coming Soon!

Keep Your Info Current

Moving? New phone number? New email address? You will soon be able to update your information online at myOMERS (**www.omers.com/myomers**).

Client First – Staying Focused on Our Members and Employers



Janet Wilson, Senior Vice President, OMERS Pension Operations, says putting the client first is key to delivering the full value of the OMERS pension promise. Janet has been at OMERS for over ten years and presides over delivery of frontline services to 429,000 active and retired members of the OMERS Plan.

What has changed since you've been at OMERS?
OMERS is turning 50 this year, so we have a long tradition of delivering on the pension promise. Today, we are definitely more outward facing. We're more focused on members, retirees and employers – we see them as clients.

What can members expect from OMERS in the future?
Our active and retired members can expect more choices and more online options. For example, members can sign up for e-delivery of their annual statements, and they will soon be able to update their personal information online. It helps reduce paper and is convenient. Members can also expect to hear from us more at critical points in their OMERS lifecycle, for example, at enrolment and retirement. We are also looking to develop an even better and wider range of services down the road. And, we are listening to what our members have to say. Additional Voluntary Contributions (AVCs), for example, came from member requests to benefit more broadly from OMERS investment expertise.

What are your top priorities for the next year?
Building the tools and processes to make it easier for our members and employers to engage with OMERS is a critical priority. We also continue to look for cost-effective solutions. We want to have the flexibility to offer better service and greater choice in the future. As well, easy access to information and services our members and employers want, when they want it, is always a top priority for us.

What do you think is key to delivering the pension promise?
I believe focusing on our members and employers – putting them first – is key to our success in delivering the full value of the pension promise.

What keeps you up at night?
For me, personally, I sleep well because I know I have an OMERS pension.

Giving Back Helps Us All

Employees across the OMERS Enterprise share a strong feeling of responsibility towards the communities in which they live and work.

Last year, employees of OMERS and its investment entities raised over $1,200,000 in donations in support of a variety of causes and initiatives. This amount included $974,000 for United Way – raised through payroll pledges and events that included the Oxford President's Cup Golf Tournament, the Borealis Broomball Tournament, the Scotiabank Rat Race, the CN Tower Stair Climb, and ticket sales to a performance of the Wizard of Oz.

In addition, employees raised $125,000 to support Free the Children. For the third consecutive year, OMERS investment entities matched this amount.

Giving back to the community isn't just done through donations; it also includes the gift of time. In 2012, OMERS compassionate and committed employees from across the enterprise volunteered to help others through programs supporting elder care, children, the hungry, the unemployed, and disadvantaged youth, amongst others.

As in previous years, it was the combination of well-organized campaigns and the enthusiasm of employees that made 2012's fund-raising and volunteering efforts such a success.

OMERS would also like to thank our many business partners, suppliers and friends who helped support our efforts.

Q & A with the Chair...

The following are common questions members ask Rick Miller, Chair of the OMERS Administration Corporation (OAC) Board of Directors.

Is the OMERS pension plan in good shape?
Yes, the OMERS Plan is healthy and operating well: during 2012, the Plan defined benefit component collected about $3.1 billion in contributions and paid out about $2.7 billion in pension payments and still has over $60 billion in net assets.

As for the funding deficit and what impact this may have on our ability to pay pensions, keep in mind that the funding deficit is an actuarial deficit, determined from the cost of future pensions looking 70 years or more into the future. Over time, pension plans like OMERS cycle through periods of actuarial surplus and deficit. I've experienced these cycles since I first joined the OMERS Board in 1997. Taking steps to deal with the deficit provides assurance to members that their pensions will be there for them when they retire.

How will you continue to grow the Fund?
In addition to shifting the asset mix to include more private market investments, and managing all assets more directly, OMERS is also focused on raising capital. A larger pool of investment capital will enable OMERS to compete for larger global investment opportunities, which tend to deliver more stable, long-term returns. This is why OMERS is seeking to enter into long-term relationships with like-minded international investment partners.

OMERS is also offering to provide investment services and products to other pension plans, as well as offering optional retirement products to OMERS members – such as Additional Voluntary Contributions (AVCs), launched in 2011.

The AVC return for 2012 was 9.5%. Why can't I participate in the program past age 71?
I have heard time and time again that members want the right to receive an income stream from the AVC component of the Plan rather than being forced to withdraw or transfer their AVC funds after age 71. This is not currently possible under Ontario law.

I have urged all Plan members, whether over the age of 71 or younger, to contact their MPP and request their support to have this issue rectified during the review of the Regulations for *Bill 120 – Securing Pension Benefits Now and in the Future Act, 2010.*

OMERS Board Updates

David M. Beatty

David Beatty was appointed to the OMERS Administration Corporation (OAC) Board.
Mr. Beatty brings 25 years of experience in investment banking – principally, focused on equity financing and mergers and acquisitions of mining and natural resource companies. Mr. Beatty replaces Bill Aziz.

Michael Fenn

Michael Fenn was appointed to the OAC Board.
Michael is President of Fenn Advisory Services Inc. and Senior Advisor at StrategyCorp, a major Toronto- and Ottawa-based consulting firm working in the public, private and not-for-profit sectors. Mr. Fenn replaces Leslie Thompson.

Mary McConville

Ms. McConville was appointed to the OMERS Sponsors Corporation (SC).
Mary is currently the Executive Director of the Catholic Children's Aid Society of Toronto and has 29 years of experience in the child welfare sector. Ms. McConville replaces Wm. (Joe) Aitchison.

AVCs

Invest in the success of the OMERS Fund with AVCs

DIVERSIFIED GLOBAL FUND

OMERS Fund assets include **Golf Town**, **Bruce Power**, **Confederation Bridge** and **Associated British Ports**.

OMERS FUND NET RATE OF RETURN

Funds in an AVC account **earn the OMERS Fund rate of return** (less investment management expenses).

AVCs returned **9.5%** in 2012

COST-RECOVERY BASIS

OMERS AVCs operate on a **cost-recovery basis** – OMERS does not make any money from AVCs. This is why we're able to charge an administration fee of only $35 (rate for 2013).

2 WAYS TO CONTRIBUTE TO AN AVC ACCOUNT

TRANSFER funds from a registered retirement savings vehicle (e.g., an RRSP)

AUTOMATIC CONTRIBUTIONS by pre-authorized debit

Learn more at www.omers.com/avcs

Member Information Sessions

Learn more about your OMERS pension and the AVC option in two ways…

1. Member Information Sessions (across Ontario) – "Be Pension Savvy"

Learn about your OMERS pension, the bridge benefit, buying/transferring service, survivor benefits, the OMERS Fund, and the AVC option.

2. Member Webinars

"Maximize Retirement Income"
Learn about the AVC option and buying/transferring service.

NEW! "How OMERS Calculates Your Pension"
Learn how your inflation-protected OMERS pension and bridge benefit are calculated.

More Information

Please visit our website for details on dates, times and locations. You can register and view the complete schedule at **www.omers.com/infosessions**, or contact OMERS Client Services at 416-369-2444 or 1-800-387-0813. Register early, as the sessions fill up quickly.

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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Disponible en français

Printed on paper made from 100% post-consumer recycled fibre.

ISSN 1913-7400 (Print)
ISSN 1913-7419 (Online)

Publications Mail
Agreement No.: 40010368