



POLICE PENSIONERS ASSOCIATION OF ONTARIO

OMERS UPDATE

FEBRUARY 2008

The Police Pensioners Association of Ontario has been very active in the past few months involving OMERS issues.

In this membership update the PPAO will highlight some of the more important issues affecting our membership and all retirees.

OMERS Inflation Protection

On November 28, 2007 the OMERS Sponsors Corporation announced some changes to the OMERS pension plan. These changes included the following issues:

1. Providing more stable inflation protection to OMERS pensioners
2. Contribution rate decisions
3. Pension transfer values, and
4. Shortened life expectancy.

PPAO members will recall at the 2007 AGM hosted by the York Retirees Association we discussed inflation protections with representatives from the Sponsors Corporation. This issue came to the forefront when OMERS published the 2006 inflation increase at 0.7%. This was considerably different than the 3.34% increase in 2005. At the 2007 AGM we expressed our concerns to the OMERS representatives and expected to be consulted prior to any changes to the inflation protection formula.

The Sponsors Corporation decided to change the methodology of the formula, saying the change would reflect a more stable approach, similar to the approach used by the Canada Pension Plan (CPP).

Effective January 1, 2008 the Sponsors Corporation approved a different method that takes into account the monthly average of the Consumer Price Index (CPI) for a 12-month period ending in October.

This means the new inflation adjustment increase effective January 1, 2008, will be 1.99%, based on the new methodology. What the Sponsors Board failed to advise retirees is that had they used the same indexing methodology from previous years our inflation increase would have been approximately 2.48%.

The PPAO and other retiree organizations met with the Sponsors Corporation outlining our concerns about the changes to the methodology and offering alternative suggestions. The Sponsors Corporation listened to our concerns and went ahead with the changes without further consultation.

As a result the PPAO, MROO, PRO and Fire retiree groups launched an appeal to Financial Service Commission of Ontario, the regulator who approves changes to pension plans. We collectively urged FSCO not to approve OMERS application to change the method of calculating the CPI increases for 2008. As of this date we have had no response back from FSCO.

The PPAO will be bringing this issue to the membership at the May 2008 EBM being hosted by the Hamilton Retirees.

Contribution Rate Decisions

Previously, the OMERS Administration Corporation (AC) had the right to make contribution rate changes. This right was set out in the old OMERS Regulations. With OMERS autonomy the right to make changes to contribution rates now falls under the authority of the Sponsors Corporation.

Pension Transfer Value

OMERS have transfer agreements with many other pension plans, allowing members to transfer their benefits. This amendment affirms that the member is not entitled to any excess amount if there is a difference between the transfer value and commuted value (unless specified in the transfer agreement). This ensures consistency and fairness in the way transfers are administered.

Shortened Life Expectancy

This plan amendment allows a "deemed termination" to occur in the case of an employed OMERS member who has applied for a shortened life expectancy (SLE) benefit. Previously, OMERS could not pay the benefit until the member had officially ceased employment. Under the amendment, OMERS deems that a termination has occurred for pension purposes and can pay the SLE benefit.

Statistics Canada-Inflation Tracking Error

At the York 2007 EBM the PPAO brought to the attention of the membership the issue of Statistics Canada making an error in they way the calculate the inflation figures.

The members will recall that the PPAO learned that from early in 2001 to 2006, Statistics Canada miscalculated the one component of the Canada's Consumer Price Index (CPI), which tracks the prices of goods and services to determine the inflation rate. The CPI, in turn, is used to help set such statistics as interest rates, wage increases and pension inflation protection, which is why this incident has raised concerns with the PPAO and other retiree groups.

At the York 2008 AGM the PPAO requested Mr. David Kingston, Chair, Administration Corporation assist the retirees and provide a legal opinion on how to correct this injustice to OMERS pensioners. Mr. Kingston agreed to obtain a legal opinion on the issue on behalf of OMERS pensioners.

The federal NDP party and the PPAO met to discuss this issue as it would have a detrimental affect on all retirees, not just OMERS members. The NDP has raised this issue with the government however the federal government has refused to correct the injustice.

Recently, the OMERS Administration Corporation advised they had carefully considered the whole issue, including obtaining legal advice. They decided no further action will be taken against the federal government, as it would be expensive to do so and there would be little likelihood of success. What this means is the error would not be challenged by OMERS.

This issue will be the subject of considerable discussion at the 2008 EBM being hosted by the Hamilton Retirees in May 2008.

OMERS Investments

The PPAO monitors the investments OMERS makes on a regular basis to ensure all retired members are aware of the status of our fund. OMERS invest in four major investment areas. They include:

Public Markets

Public market investments include OMERS investments in bonds, other interest bearing assets and public traded equities.

Infrastructure

Infrastructure investing involves direct investments in inflation sensitive assets, that are critical to the long-term success of a modern industrial economy. As of December 31, 2006 OMERS had \$5.585 million an increase of \$1.866 million over the previous year.

Real Estate

Oxford Properties Group is responsible for executing OMERS strategies in developing a global enterprise on the real estate sector. Oxford is overseeing and managing approximately \$15 billion.

Private Equity

Through OMERS Capital Partners, OMERS will invest up to 10 per cent of its assets in private equity. Private equity is the ownership of equity or equity-like securities on companies that do not generally trade publicly.

All PPAO members are encouraged to visit the OMERS website at www.omers.com for further information about issues such as investments, governance, media releases and other important issues affecting our plan.