



**AMO Conference**  
**August 23, 2011**

**Jennifer Brown, CPO**  
**OMERS Administration Corporation**

- **Pension Reform**
- **Funded Status – Primary Plan  
– RCA**
- **Member Services Initiatives**

# Pension Reform

# Pension Reform

Pension Reform	Status
Federal ➤ Pension Coverage	▪ Continued consultation of proposed framework for Pooled Registered Pension Plans (PRPP)
Provincial ➤ Pension split on marriage separation	▪ New Regulations effective January 1, 2012
➤ Solvency funding relief for JSPPs	▪ Completed
➤ Facilitation of asset transfers	▪ Past Divestments: Intended content of regulations posted on Regulatory Registry

# Member Services Initiatives

# Member Services Initiatives

## AVCs

- Allows members opportunity to invest in OMERS and earn fund rate of return (less expenses)
- RRSP type investment – OMERS asset mix; restrictions on investing and withdrawal
- Launched January 1, 2011
- 5,000 participating members and over \$90 million in contributions

## Additional Voluntary Contributions (AVCs)

### Next Steps:

- Exploring expanding the AVC payout options
  - At present, AVC funds must be withdrawn in year member turns 71
  - ITA permissive, Ontario legislation in place but require PBA regulations
  - Once regulations available, a business case will be prepared for review/approval

## Buybacks and Transfers

- Members can buy back eligible services – 100% member paid
- Launched Member Awareness Program Nov. 2010
- 1,100 member elections and \$40 million in contributions

## Next Steps:

- Ongoing Awareness Program





# **Funded Status**

## **Primary Pension Plan**

# Comparison

Actuarial Valuation as  
at December 31, 2010



Projection Valuation as  
at December 31, 2010



# Starting Point

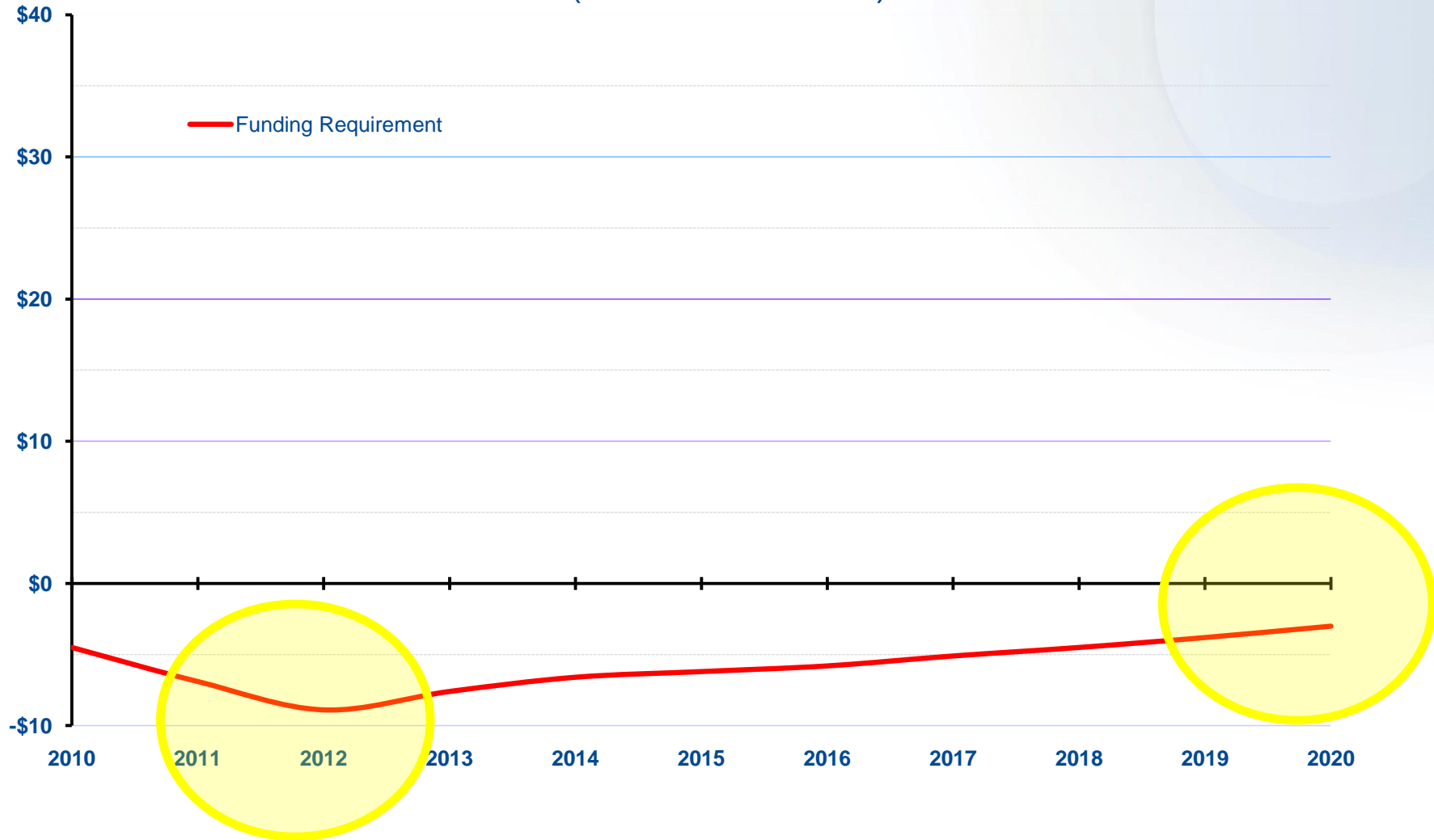
As at December 31, 2010...

Primary Plan  
Funded Position



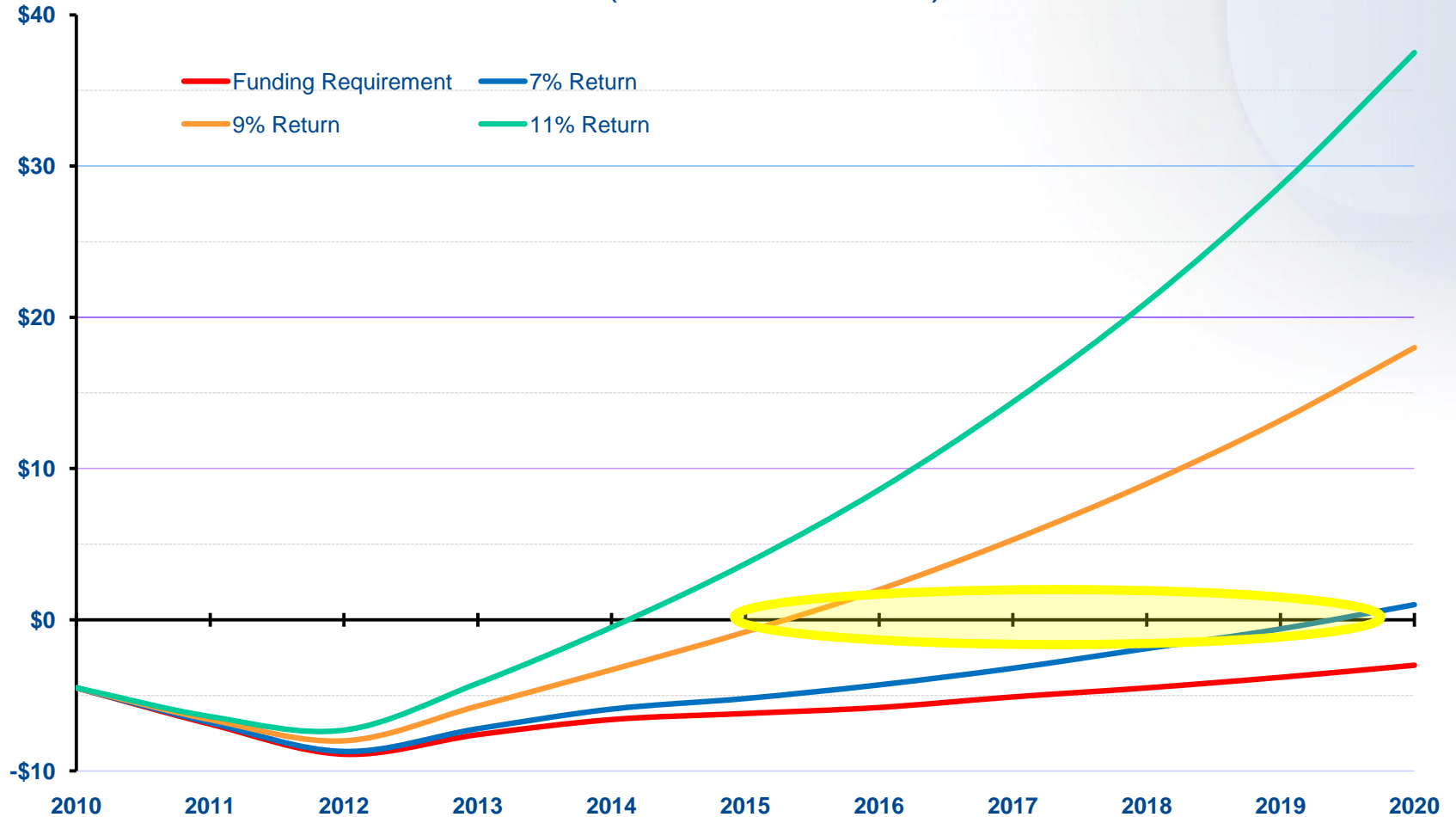
# Projection of Funded Position

Projected Funded Position as at December 31  
(\$ value in billions)



# Projection of Funded Position (cont'd)

Projected Funded Position as at December 31  
(\$ value in billions)



# Funded Status

## RCA

# Background

- *Income Tax Act* (ITA) limits amount of lifetime pension payable from Registered Pension Plan (RPP)
- ITA limit (per year of credited service) began to apply to OMERS starting January 1, 1992
  - 2010: \$2,494.44
  - 2011: \$2,552.22
  - 2012 and onwards: indexed to average wage increases
- RCA created to pay benefits over ITA limits
- Same benefits and contribution formula apply to both plans

# How The Two Plans Work Together

## Primary Plan (RPP)

- Ontario Pension Benefits Act
- Income Tax Act

## RCA

- Income Tax Act

### Earnings Threshold

\$143,912 for 2011

<< Contributions to Primary Plan

Contributions to RCA >>

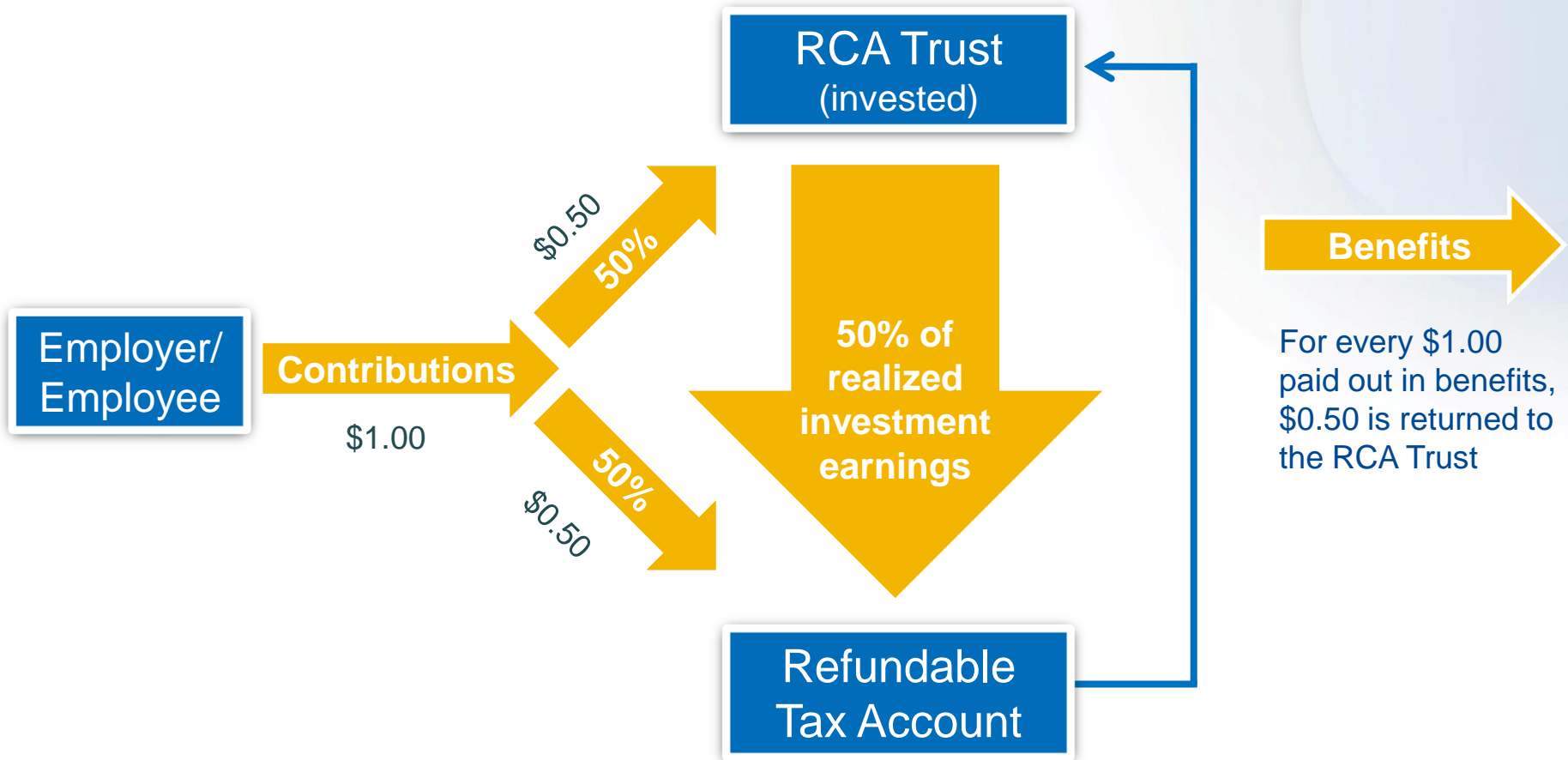
- Contribution rates intended to fully fund benefits

- Same contribution rates as Primary Plan
- Full funding not intended
- 2011 – 10.7% (NRA 65); 14.1% (NRA60)

Primary Plan benefits are limited to ITA maximum benefits and the RCA pays the excess



# How The RCA Works



# RCA Cash Flow History

<b>(in \$ millions)</b>	<b>Contributions (Employers &amp; Members)</b>	<b>Benefit Payments &amp; Admin Expenses</b>
<b>2011 *</b>	\$15.6	\$7.1
<b>2010</b>	\$13.9	\$5.5
<b>2009</b>	\$12.3	\$5.3
<b>2008</b>	\$11.7	\$4.5
<b>2007</b>	\$11.0	\$4.6
<b>2006</b>	\$11.9	\$3.7
<b>2005</b>	\$9.9	\$3.2
<b>2004</b>	\$7.5	\$2.4

\* *estimated*

# Factors Affecting Fund Projections

- Current outlook is one possible outcome: sufficient funds for approximately 22 years
- Actual RCA experience will likely be different and depend on factors such as investment return and salary experience

Factor	Impact on Depletion Date
Investment return: +1% higher than assumed	+1 year to about 2034
Investment return: -1% higher than assumed	-1 year to about 2032
Salary increase: 0.5% p.a. higher than assumed	+6 years to about 2039

Interim conclusion: RCA fund can be maintained as is (with regular monitoring) for 20-25 years.





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