

Sent via fax  
416-325-0374

November 10, 2009

The Honourable Dwight Duncan  
Minister of Finance  
7<sup>th</sup> Floor, Frost Building South  
7 Queen's Park Crescent  
Toronto, ON M7A 1Y7

Dear Minister:

**Re: Ontario Municipal Employees Retirement System (OMERS)  
Primary Plan Solvency Exemption**

I write again to implore you to provide an exemption for the solvency valuation requirement for OMERS in your first phase of pension legislation/regulatory changes. At a time when provincial and municipal governments are faced with fiscal challenges, yet with an eye to continuing investments for job creation and a desire to maintain service levels, it only makes sense to not saddle employers and employees enrolled in OMERS with an additional financial burden.

The OMERS Primary Plan had a net deferred investment loss in excess of \$6 billion as at December 31, 2008 that has yet to be recognized over the coming four years. This in itself will have a significant impact on OMERS employers and employees – one that the Sponsors Corporation will need to carefully manage. In addition, the Primary Plan is projected to have a solvency deficit in excess of \$3 billion. If the solvency funding rule remains, a further increase in contribution rates of about 0.4 per cent to 0.5 per cent per side will be necessitated. This solvency impact on its own represents a 6 per cent increase in actual contributions. This projection assumes that interest rates stay at their current levels and that the Primary Plan assets return 6.5 per cent per annum. If there is a further decline in interest rates and lower investment returns, the increase could be as high as 7% or 3.5 per cent per side.

Minister, the additional contributions required by the solvency rule would place an unnecessary burden on municipal taxpayers and employees at the wrong time and it would also impact provincial expenditures given its transfers to Children's Aid Societies and School Boards, which are stakeholders in OMERS.

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Once again, I urge you to provide solvency relief for the OMERS Primary Plan and put it in line with the OMERS Supplemental Plans for police, fire and paramedics, who were exempt from solvency rules through Bill 206. As a public sector jointly sponsored plan, the risks and approach for solvency can be different from private sector plans. I would be pleased to discuss this matter at an upcoming MOU meeting.

Yours truly,

A handwritten signature in black ink that reads "Peter Hume". The signature is written in a cursive, slightly slanted style.

Peter Hume  
AMO President

cc. The Hon. Dalton McGuinty, Premier of Ontario  
Hon. Jim Watson, Minister of Municipal Affairs and Housing  
Peter Wallace, Deputy Minister, Ministry of Finance  
Fareed Amin, Deputy Minister, Ministry of Municipal Affairs and Housing  
John Poos, Executive Director, OMERS Sponsors Corporation

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