

OMERS UPDATE: February 9, 2011

**Approval of a Statement of Plan Design Objectives and Strategy (SPDOS)
for the OMERS Primary Plan**

The approved OMERS SPDOS document is the first of its kind to guide the operation of a public jointly sponsored pension plan. As the approved SPDOS was negotiated within the deadline established, the matter did not go to arbitration.

In 2010, the Primary Plan was faced with a huge funding deficit, arising largely from the 2008/09 financial crisis. From the employer perspective, it was clear that contribution increases as well as significant benefit reductions would be necessary to address the problem. However, the employee representatives on the OMERS Sponsors Corporation (SC) would agree only to modest benefit reductions effective in 2013 and, accordingly, under the Pension Benefits Act (PBA) requirements, the SC had to authorize increases in contribution rates for 2011, 2012 and 2013. In the face of approximately a 35% increase in total contributions, the employer representatives were successful in getting the SC Board to agree to a mandatory review of the mechanisms, which would in the future, be employed in the face of plan deficits or surpluses.

SPDOS Approval

The OMERS Sponsors Corporation (SC) has recently unanimously approved an OMERS Primary Plan Strategic Plan Design and Objectives Statement (SPDOS). It sets out the general parameters of what measured actions should occur when various funding levels are reached, related to deficit management, the establishment of a contribution stabilization reserve and surplus management. When plan deficits occur, total contribution increases in excess of 19.5% and temporary benefit reductions should be approved to offset at least 32.5% (or up to 50% depending on the size of the contribution increase otherwise required) of the total contribution increase. In times where there is no plan deficit, a reserve of 10% of Fund liabilities will be established before any new benefits can be introduced or contributions decreased below normal costs. Once the Reserve exceeds 10%, contribution reductions equal to new benefits may be implemented. The OMERS SC website contains links to the SPDOS by-law and supporting information.

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Municipal Employer Pension Centre of Ontario

Municipal Interests

The SPDOS reflects MEPCO's interest in seeing improved predictability, cost containment and a commitment to prudent, long term planning. Until the 2010 Specified Plan Change (SPC) process, employees did not have a strong interest in these objectives. Support from both employee and employer sponsors was critical to developing and negotiating a structure for decision making to secure the continuing health and sustainability of the Primary Plan. The key outcome of these negotiations was the commitment to building a reserve with a requirement for 110% funding before new plan benefits can be considered.

For More Information

More information about OMERS, the Sponsors Corporation and these pension matters is available on both the MEPCO website (www.mepco.ca) and the OMERS SC website (www.omerssc.com).

The Municipal Employers Pension Centre of Ontario (MEPCO)

MEPCO is a not-for-profit corporation, created by AMO, to ensure that its employer representatives on the OMERS Sponsors Corporation and Administrative Corporation are informed, well-resourced and supported by leading pension expertise. MEPCO can raise and manage funds, hire experts who will provide appropriate research and information, and share insights with others as needed.