OMERS Proposed 2004 Contribution Rates Approved by Province

The Ontario government has approved the OMERS Board's proposed contribution rates beginning with the **first full pay period in 2004.**

- The new rates are slightly higher than OMERS full rates were before the contribution holiday (August 1998 to December 2002).
- After a review of the plan's funded status, and because of poor returns from investment markets over the past three years, the OMERS Board determined that contribution rates needed to be adjusted to guarantee retirement benefits.
- At the same time, however, the Board was mindful of the importance of keeping the costs to members and employers at a reasonable level.
- The Board's approach to setting the new contribution rates ensures that rates reflect the actual cost of benefits. This approach is one that many other pension plans currently use.
- Former federal pension laws stated that when the OMERS plan surplus was greater than 110% of the plan's future costs, OMERS had to have a contribution holiday. During this surplus period, OMERS also improved benefits, including full inflation protection, better survivor benefits and increased pensions.
- Federal pension laws were recently changed to allow the OMERS plan surplus to reach 125% before a contribution holiday becomes mandatory.

Contribution Rates for 2004		
Normal Retirement age 65	On earnings up to the YMPE*	6.0%
	On any earnings over the YMPE	8.8%
Normal Retirement age 60	On earnings up to the YMPE	7.3%
	On any earnings over the YMPE	9.8%

* Year's Maximum Pensionable Earnings, set annually by the Canada Pension Plan. The 2003 YMPE is $39,900; the 2004 YMPE will be set later this year.

Sample contributions for 2004*						
Earnings	**Normal retirement age 65**			**Normal retirement age 60**		
	2004 Rates	Previous Full Rates	Difference	2004 Rates	Previous Full Rates	Difference
$30,000	$34.62/week	$34.62/week	$0.00/week	$42.12/week	$40.38/week	$1.74/week
$40,000	$46.21/week	$46.18/week	$0.03/week	$56.20/week	$53.88/week	$2.32/week
$50,000	$63.13/week	$60.60/week	$2.53/week	$75.05/week	$70.22/week	$4.83/week

*Calculated using the 2003 YMPE ($39,900).

For more information about your OMERS pension, please visit the OMERS Web site at **www.omers.ca**

2004 Contributions FAQs

Q. What will contribution rates be in 2004?

A. The OMERS Board has set rates that reflect the actual cost of benefits, as follows:

	Retirement age 65	Retirement age 60
Up to YMPE	6.0%	7.3%
Above YMPE	8.8%	9.8%

The Board has reviewed the plan's funded status and is taking a course of action to ensure the plan remains well funded for the future. Pensions remain secure, and the plan continues to deliver competitive benefits at a reasonable cost.

YMPE = Year's maximum pensionable earnings. OMERS contributions are reduced on earnings up to the YMPE, for which members also contribute to the Canada Pension Plan.

Q. When will the rates be effective?

A. For the first full pay period in 2004. Members' contributions are matched by the employer.

Q. How will this affect my paycheque in 2004?

A. OMERS contributions will be deducted from your paycheque at the new rates. Here are some examples:

Sample contributions for 2004*

Earnings	Normal retirement age 65	Normal retirement age 60
$30,000	$34.62/week	$42.12/week
$40,000	$46.21/week	$56.20/week
$50,000	$63.13/week	$75.05/week

* These contributions were calculated using the 2003 Year's Maximum Pensionable Earnings (YMPE): $39,900. We won't know the 2004 YMPE until later this year.

Remember, your OMERS contributions are tax deductible. They are deducted from your gross income, reducing the amount of tax you pay.

Q. Why are the 2004 rates higher and different than the previous, full rates?

A. Previously, surplus helped cover the gap between OMERS contribution rates and the actual rates required to support future benefits. The Board wants to ensure that the plan's contribution rates precisely reflect the actual cost of members' benefits. The 2004 OMERS rates remain competitive with other major public sector plans.

Q. Why did OMERS have a contribution holiday and improve benefits if it now has to increase the standard contribution rates even more?

A. The Board made prudent decisions during the surplus period to improve benefits for active and retired members, and to provide short-term contribution relief for members and employers. Improvements included full inflation protection, better survivor benefits and increased pensions.

During the surplus period, OMERS had to shut off contributions once investments exceeded 110% of future costs. OMERS and other pension plans asked the federal government for better flexibility on setting rates during surplus periods. The government has indicated support for this proposal. So in future, OMERS and other pension plans would have greater flexibility - for example, to keep contributions at 75% of the standard rate. This would provide better funding stability during market fluctuations.

Q. Why is there a bigger split in the two-part contribution rate?

A. The Board wanted to ensure a precise link between current contributions and the actual cost of benefits. The bigger gap between the rate above and below the YMPE is a more precise reflection of this actual cost. OMERS contributions are reduced on the amount up to the Year's Maximum Pensionable Earnings - for which members also contribute to the Canada Pension Plan.

Q. Why are police and firefighters (normal retirement at 60) hit harder by the increase?

A. The Board wanted to ensure that contribution rates precisely reflect the actual cost of benefits, as determined by the plan's actuaries. The change to the NRA 60 rates reflects that. Previously, NRA 60 rates were exactly 1% above NRA 65 rates. That's still the case for rates above the YMPE. For rates up to the YMPE, the difference is now 1.3%, reflecting the actual cost of police and fire members' benefits.

Q. The markets are terrible. How is the pension fund doing?

A. The plan is fully funded, and your pensions are protected. OMERS invests for the long term. The fund recorded a 10-year return of 9.1%, well above the amount needed to pay current and future pensions. Current markets remain volatile. The Board is taking steps to review its investment asset mix to ensure the Fund continues to earn the returns necessary to pay pensions now and in the future. OMERS will release its Annual Report in April, and distribute a highlights brochure to all members, retired members and employers.

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