Plan Funding Status – Fact Sheet

June 2014

The Current Situation

- The Plan's funding deficit was reduced by $1.3 billion—declining to $8.6 billion at December 31, 2013, compared to $9.9 billion at December 31, 2012.
- The Plan's funded status improved to 88.2% at December 31, 2013, compared to 85.6% at December 31, 2012.

What does this mean?

- The funding deficit is the difference between the Plan's accrued pension obligation, a point-in-time projection reflecting benefit payment cash flows over the next 70 or 80 years to every OMERS member, and the actuarial value of net assets. It is not an annual budget shortfall; it does not accumulate year over year into a growing debt. In a sense, it represents a very early recognition of a funding shortfall that would not otherwise be apparent for decades.
- It does not impact OMERS ability to pay pensions in the short or medium term. In fact, in 2013 OMERS collected $3.5 billion in contributions, paid out less than that in pension benefits (about $2.9 billion), and had over $65 billion in net assets at December 31, 2013.

Why does it matter?

- Pension law requires that pension plans such as OMERS take steps to return the fund assets to 100% of the long-term obligations over time.

What has been done to deal with OMERS deficit?

OMERS has a strategy consisting of three components to return the Plan to a fully funded position:

1. an investment strategy designed to generate strong and stable investment returns over the long term, and to generate stable gross returns of 7% to 11% per annum, on average;
2. contribution rate increases that were phased in over three years from 2011 to 2013. The contribution rate and benefit measures are set and reviewed annually by the SC; and
3. a benefit reduction starting in 2013 that impacts only Plan members who leave their employment before they are eligible for retirement.

The current contribution rates and benefit provisions (which reflect the changes described in points 2 and 3 above) will remain in effect until subsequently revised by the SC.

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