Protecting the pensions and enhancing the quality of life for all OMERS pensioners.

MROO Municipal Retirees ORGANIZATION ONTARIO

MARCH 2014

NEWSLETTER FOR MEMBERS

IN THIS ISSUE...

REMINDER!

IF YOU MOVE, please let us know your new address (and where you are moving from). Just leave a message at 1-800-595-4497 or mroo@istar.ca.

Remember, telling OMERS is not the same as telling MROO. OMERS can't give us your personal information.

MROO is keeping you informed – for a lifetime.

PRESIDENT'S MESSAGE

The question of trust

I read recently that - as we age - our brains gradually lose some of their ability to evaluate who we can trust. For us seniors, that means that - on average - we are more susceptible to scams and con-men. At the same time, as we become less confident about who we can trust, we oldsters gradually become more prone to suspicion.

No question: a **healthy** dose of suspicion is often justified. We all have stories of family members we thought we could trust letting us down. Or mayors who we thought we could trust finally admitting their lies. Or e-health consultants expecting to be paid for thinking about their job on the subway ride home!

But **unhealthy** suspicion ruins both our private lives and our society. It can make our private lives hard and bitter. It can crumble the foundations of our nation, which has evolved from Confederation's leap of faith in 1867 to become one of the finest in the world.

> I read recently that - as we age - our brains gradually lose some of their ability to evaluate who we can trust.

The phrase: " bigger isn't always better" reflects the fact that we are a bit suspicious of things we can't see or understand. We don't know the President of Bell Canada or Canada Post or even OMERS. We can't see the whites of their eyes or hear the tone of their voice or be sure that they have lived honourable lives. And vice-versa. "Faceless bureaucracy" we call it: Rogers or Revenue Canada don't know me and I don't know them. Who can I trust?

I trust the CPP

Which brings me to the recent public debates about pensions. The federal government recently rejected the idea of expanding the Canada Pension Plan, despite the fact that several provinces had supported a CPP expansion and put forward some good ideas to get us there. Some of the nay-sayers roared that we couldn't/shouldn't trust our money to a "big CPP". Don't trust "Big government", they said, appealing to our suspicions.

Hogwash, I say.

The CPP is big ($190 billion or so) and thank heavens it is. It can make rewarding worldwide investments that we individual mutual-fund-dabblers and GIC-holders can't

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touch. It earns long-term rates of return that we as ordinary individuals can only dream about. It costs the CPP a tiny fraction to invest one of our savings dollars compared to what we individually would pay mutual fund managers to invest that same savings dollar. The CPP ensures that we as younger people put some money away for our later years; individually Canadians now have a lamentable tendency to postpone that need to save.

Yes, I even trust government!... sometimes

Furthermore, the Canada Pension Plan fund is not even managed by government. Since 1997, our money has been managed by a high-powered and independent board, whose **only** purpose is to grow the fund and make sure that Canada Pensions can be paid when promised. It has succeeded. I trust the CPP.

I trust OMERS

OMERS is big too. Like the CPP, it invests all over the world, in shopping centres and high-tech industries and airports and electrical grids. It gets good returns **because** it is big. The Japan version of the CPP has decided to invest with OMERS; OMERS is **that** good. It pays our pensions reliably and on time. It always has. Sometimes bigger **is** better.

The OMERS Sponsors Board has to make difficult decisions, but who are those people? They are OMERS employers, OMERS employees and OMERS pensioners, that's who they are. I trust them to make decisions. And through our retiree rep on the Board - Paul Bailey - I know that we can talk to them and be heard.

Yes, I even trust government!...sometimes

2013 saw some foolish behaviour and some foolish decisions that shake our faith in government at all levels. But what is government after all? It is us.

It is our way of acting collectively to do things we can't do for ourselves individually. We can't build a Highway 400 for ourselves, we can't maintain a police force for ourselves, we can't operate a hospital for ourselves. We can't individually defeat child pornography or inspect restaurants or build ice-breakers or offer unemployment insurance for less fortunate Canadians.

Think about municipal government. Most of us, if we made the effort, **can** see the whites of our Council members' eyes and hear the tone of their voices. We **can** pick up the phone and say our piece. Of course there are bad apples in the barrel, but before we get too suspicious, let's remember that most of them are just like us, with homes and families, memories of the past and hopes for the future. Most of them mean the very best, listen carefully, and try their very hardest.

There will be municipal elections across Ontario in 2014. It's not good enough just to say you don't trust anyone. Find out for yourself. There are trustworthy people out there, who believe in the same kind of fair and progressive community you do, and who will do their darndest to work with you to achieve it.

There is very likely to be a Provincial election in Ontario in 2014. The provincial level is harder to comprehend. It gets mixed up in party politics; it's bigger and more distant than municipalities; both the damage it can do **and** the good it can do are more widespread.

But every party will have its local candidates in your area. Read about them; go to hear them speak. Again, it's not good enough just to say you trust no-one. Even at the Provincial level, there will be trustworthy candidates, who believe in the same kind of fair and progressive Ontario you do, and who will do their darndest - even in a party system - to say what they mean and do what they say.

Question? yes. Give up hope? no.

Absolutely we need to hold our governments accountable, to know what is going on, to be a bit skeptical, to get honest answers even if we don't like what we're hearing.

But sometimes, we need to trust. Just as it would ruin our lives if, after suffering family disappointments, we refused to trust anyone ever again, the same is true for government. If we don't look for and support the people we can trust, we will end up with the people we shouldn't trust. And then we will end up with the kind of society we **don't** want for ourselves, for our families, and for our neighbours.

It has become fashionable to say "you can't trust any of the ** anymore". Fashionable but not functional. Even if our brains are changing, we retirees are too smart to give up hope.**

PENSIONS PLANS ACROSS CANADA FACE NEW FACTS

All over Canada, Defined Benefit pension plans are facing both predictable and unpredictable challenges. Governments are worrying that the pension plans will not be sustainable in the long-term... over say 60 years. Actuaries (i.e. the specialized type of accountants who advise governments and pension plans about this kind of thing) are predicting that many pension funds in 60 years won't have enough in the account to cover the cost over the next 60 years of paying the pensions that have been promised to all the people who will be relying on those pensions.

Governments are worrying that the pension plans will not be sustainable in the long-term... over say 60 years.

Governments do not want to be in a position where - in 40 or 50 years - they have to say to their employees and taxpayers: "Sorry but we didn't collect enough from employees and taxpayers 40 or 50 years ago to meet the promises we made way back then; so, now you people *(some of whom aren't yet born)* will have to contribute more than ever to make up the difference". Companies don't want to have to say to say to their pensioners, as Nortel did: " Sorry, we didn't contribute enough years ago, and nor did you, to meet the promises we made way back then; so, now we are bankrupt and your pension will be a fraction of what we promised."

So what's new that's causing anxiety for the actuaries? On the investment side,

- stock markets have been unstable. A bad year like 2008 can wipe out years of previous gains
- interest rates are at historical lows and seem to be staying there. Safe investments are not growing fast enough
- an outdated Income Tax Act forced pension plans with a healthy surplus 15 years ago to take a contribution holiday, instead of saving for the rainy day that came just a few years later

On the cost side of the equation:

- legions of baby-boomers have been retiring for the past few years and will keep retiring for a decade or more to come. That much was predictable.
- employees are retiring at an earlier age and with fewer years of contributions than was predicted
- some of the promises made during good years , such as early retirement incentives, are costing more than predicted
- retirees are living longer than predicted

OMERS is not immune to these anxieties although it is far better shape than some company pension plans and some pensions plans in poorer parts of Canada.

Pensions are usually a boring topic. Not any more. The newspapers are full of pension stories and political campaigns will be fought over pensions. Best-selling books (such as "The Third Rail" by Jim Leech, the former President of the Ontario Teachers Pension Plan) explore the problems with pensions . Pension experts appear on the National News. Virtually every Province, led in 2008 by Ontario, has commissioned an expert review of its Defined-Benefit pension plan framework.

So with this issue of the MROO newsletter, we will try to give you more information about some of the pension plan challenges and how other Provinces are reacting to them.

2014 PAYMENT DATES: OLD AGE SECURITY AND CANADA PENSION PLAN

If you have signed up for direct deposit, your Old Age Security (OAS) and Canada Pension Plan (CPP) payments will be automatically deposited in your bank account on these dates:

January 29
February 26
March 27
April 28
May 28
June 26
July 29
August 27
September 26
October 29
November 26
December 19

LONGEVITY

Good News and Bad News ... We are living longer

On July 31, 2013, the Canadian Institute of Actuaries (CIA) released a draft of a new study on how long Canadian pensioners are living, and how long pension plans should expect pensioners to live in the future.

The study concludes that, for example, the life expectancy of a 60 year old pensioner today has increased by almost 3 years compared to the pension mortality tables currently being used by pension plans. (The life expectancy of a 60 year old male has increased by 2.9 years from 24.4 to 27.3 years; that of a 60 year old female has increased by 2.7 years from 26.7 to 29.4 years). In other words, on average, pensioners are living longer.

Take care of yourself and you are likely to live longer than was predicted 8 or 10 years ago.

This is good news. Take care of yourself and you are likely to live longer than was predicted 8 or 10 years ago. Enjoy.

But for pension plans, not so good. If a 60 year old pensioner lives on average 3 years longer than the pension plan had predicted, he or she will be collecting a pension for 3 years longer. The pension plan needs more money than it predicted it would need, in order to pay 3 more years of pension per pensioner.

The CIA's final report is expected in 2014, and will help OMERS' actuaries to calculate the long-term costs facing our pension plan.

"Pooling" the impact of longevity

Despite the "bad news" for pension plans that pensioners are living longer, a defined benefit pension plan (like OMERS and the CPP) is uniquely equipped to deal with longevity. Being able to predict that, on average, a 60-year old male retiree will live to age 87, OMERS knows that it needs the money to pay 27 years of pension to its 60-year old members.

BUT, as individuals, very few of us can predict when we will die. A few of those 60-year old retirees will die at age 67, a bunch will die at age 87, and a few will live to age 107. IF they were not part of OMERS (or another defined-benefit pension plan), those 60 year old retirees would have to rely on their own individual savings to last them. Because we can't predict when our own time will come, and because those who live longer don't want to suddenly run out of money when they are 87, everyone as individuals would have to try to save enough to last to age 107.

CONCLUSION: As individuals we would be trying to save a lot more money for retirement than we did by contributing to OMERS. Or we would have to spend less in retirement than we do as OMERS pensioners, in order to make our individual savings stretch longer.

Better to be in OMERS

So, saving for retirement is more efficient in OMERS, CPP, and other defined-benefit pension plans...more efficient than individual savings or a defined-contribution plan (which is much the same thing as individual savings). Via OMERS, we can all comfortably save for an average longevity of age 87. We don't have to fret about living past that. We can comfortably spend our pension, knowing it will keep coming even if we live past age 87.

Yes, it will be a long-term challenge for OMERS to face the fact that pensioners are living longer. But we are better off living longer with OMERS.

MROO MEMBERSHIP MEETINGS SPRING 2014

DATE	LOCATION
April 8	London
April 9	Windsor
April 15	Hamilton
April 16	Barrie
April 22	Newmarket
April 30	Belleville
May 1	Ottawa
May 7	Thunder Bay

Please see the detailed informaton enclosed with this newsletter.

Best Cures

A good laugh and a long sleep are the two best cures for anythng...Irish Proverb

INTERGENERATIONAL EQUITY

Intergenerational equity is a phrase often heard in discussions about pensions these days. It may sound like a hereditary horse disease, but in pension terms it simply means fairness between different generations of pension plan members.

In OMERS, during our working careers, we retirees contributed what we were told we had to contribute, in order to get the good pensions we now enjoy. The pension promise made to us is the promise we expect to be kept. And it has been.

Intergenerational equity ... in pension terms it simply means fairness between different generations of pension plan members.

But the next generation - those still working - is getting restless. Based on the ongoing analysis by OMERS actuaries, OMERS now requires active members, on average, to contribute almost twice as much of their annual paycheque as we did, in order to get the same pension. In other words, what we retirees contributed when we were working appears not to be enough to pay for the pensions we are getting.

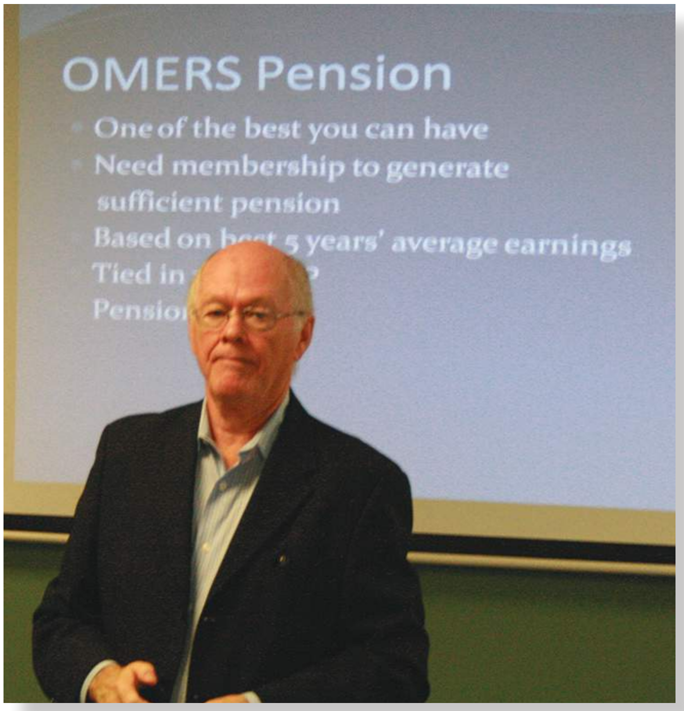
Why? To varying degrees:

- a disastrous (although legally required) contribution holiday "back in the day"
- heavy stock market losses in 2001and 2002 and the financial disaster of 2008
- historically low interest rates
- retirees living (and therefore collecting pensions) longer on average than anticipated, and active members expected to live at least as long
- members taking their pensions earlier than anticipated (and therefore collecting longer)

It is no-one's fault, and these factors are affecting pensions everywhere. Other provinces and even some large pension plans in Ontario have not only raised contribution rates from members, but also actually reduced the promised pension benefits from this point onward (by reducing or removing the guaranteed inflation indexing, for example). So, younger employees may be wondering: "How fair is this? We are contributing more and from now on we may even be getting less. We are not only supporting a pension for ourselves, but we are supporting the pensions for retirees who - through no fault of their own - did not contribute enough." In the private sector, many younger employees have been reduced to no pension at all, while their company's retirees continue to collect (unless the company declares bankruptcy, in which case everyone may be out of luck).

Here's an irony: if you retired before 1998, you already know something about intergenerational equity. That's when OMERS had a large actuarial surplus and all active members got a contribution holiday. That's when OMERS retirees, led by MROO Past-President Don MacLeod, said: "How fair is this? It is our contributions that funded that surplus; we retirees should be getting some benefit." That's how OMERS pensioners got a guarantee of 100% inflation indexing.

That experience contains another lesson about intergenerational equity. Things change. OMERS went from a substantial actuarial surplus in 2000 to an actuarial deficit a dozen years later. While the factors listed above may continue to weigh heavily on OMERS and other pension plans for the foreseeable future, the future is, at best, a "best guess".



MROO retirement planning facilitator Phil Hollins in Wasaga Beach

Average Length of Working Lives vs Average Length of Retired Lives in Canada

Source: “Pension Sustainability”, Government of Prince Edward Island, October 2013

RETHINKING PENSIONS - QUEBEC

Like other provinces, Quebec appointed a committee of experts to consult and report on the pension system in Quebec. That report was released in April of 2013.

In December, 2013, the Quebec government announced a plan of action to deal with the challenges facing Defined-Benefit (DB) pension plans in Quebec. Its objectives will be to:

In the Spring of 2014, the Government of Quebec plans to table a bill to authorize this DB pension plan restructuring process.

- Consider the committee's proposal that the Province should create a supplementary DB plan that would offer a pension to all Quebec workers starting at the age of 75
- Make it obligatory that employers and employees share the costs 50/50 from now on in public-sector pension plans
- Overhaul the financing rules for pension plans in both the private and public sectors
- Negotiate an agreement between employers and participants concerning the restructuring of pension plans in both the private and public sectors.
- Show concern for intergenerational equity, the protection of retirees' income, the accuracy of the pension plans' long-term cost calculations, and the capacity of taxpayers to pay for the public-sector plans.

In order to restructure pension plans to put them on a sustainable footing, Quebec's action plan foresees a two-year negotiation process . The government would create three working groups that will comprise employers and unions: one for the private sector, one for the municipal sector, and one for the universities. Within a period of ten months, the different parties involved must reach an agreement regarding the restructuring of their DB pension plans.

If the parties do not achieve an agreement by the end of the negotiation period, a conciliator under the Quebec Minister of Labour could be named to help the parties reach an agreement. If no agreement is reached by the end of this six-month conciliation period, the Quebec Labour Relations Board could intervene to resolve the differences between the parties. In the Spring of 2014, the Government of Quebec plans to table a bill to authorize this DB pension plan restructuring process.

Ralph Luhowy

Ralph Luhowy - MROO director for zone 1 from 2002 to 2007 - died suddenly on Dec. 19, 2013 in Windsor at the age of 73.

After completing his career in Water Quality/Conservation and Waste Management with the City of Kitchener and Regional Municipality of Waterloo, Ralph and Darlene retired to Kingsville on Lake Erie. Ralph was a firm believer in the value of MROO, a keen-eyed and tactful director, and an unfailing gentleman.

Despite periods of ill health in recent years, Ralph and Darlene travelled the world and enjoyed life. The MROO Board expresses its sincere thanks to Ralph and heartfelt best wishes to Darlene and his family.

Ralph and Darlene Luhowy

ALBERTA ANNOUNCES CHANGES TO PUBLIC SECTOR PENSION PLANS

In September 2013, Alberta's Minister of Finance released a discussion paper on changes to Alberta's public sector pension plans. After a period of consultation, legislation is expected in the spring of 2014. The changes will affect Alberta's Local Authorities Pension Plan (LAPP), the Public Service Pension Plan (PSPP), and the Management Employees Pension Plan (MEPP), in total roughly 200,000 active members and over 120,000 retirees and deferred retirees.

- The legislation will put a cap on future contribution rates, which will continue to be shared 50/50 by employees and employers. No benefit improvements, regardless of the plans' funded status, will be permitted until after 2021
- Inflation indexing is now guaranteed at 60% of Alberta inflation. This guarantee will remain for retirees. For active employees, it will continue to apply for all service earned before 2016.
- For service earned after 2015, inflation indexing will not be guaranteed but the plans' funding rules will target annual inflation adjustments equal to a 50% of Alberta inflation. However, if the plans' funded status in any year is not positive, no inflation adjustment will be made that year.
- Members whose age plus service equals 85 are now allowed to retire without a reduction to their pension anytime after age 55. After 2015, members will still be able to retire at age 55, but for service after 2015, the pension will be actuarially reduced for those who retire before age 65.
- After 2015, employees who continue to work after 35 years of service will continue to pay into the plans and continue to earn more pension

Lunch at a zone meeting in Mississauga

Farewell and Thanks: Ted Stephens Retires

After 55 years in the insurance industry, a pioneer of the MROO Health Insurance plan has retired.

In 1984, no sensible insurance executive thought it made sense to offer health insurance to retirees! Not just health insurance but insurance which automatically accepted retirees without medical exceptions and with premiums that did not increase as a retiree aged or experienced ill health.

Ted Stephens was not daunted. At that time, Ted was President of the Citadel Insurance Company. Don MacLeod was Chair of CUPE Ontario's Pension Committee, and soon to become MROO President for the next 25 years. Aided by the ENCON Group, today the managers of the MROO Health Insurance program, Don approached Ted with the wild idea to start a brand-new retiree health insurance program under the MROO banner. Fortunately, Ted responded, "Let's give it a try".

Today, 30 years later, the MROO Health Insurance plan insures over 14,000 OMERS pensioners and their spouses.

Over the past 15 years (i.e., after his first "retirement" from ENCON), Ted has been working as an insurance consultant for ENCON. He has continued to be an invaluable source of advice for the MROO Board of Directors and a tireless advocate for MROO's value to OMERS pensioners. Since the annual tradition of all-day MROO Spring zone meetings across the province began, Ted has never failed to attend every meeting from Ottawa to Thunder Bay and everywhere in between. Thousands of past and present MROO members have seen him handing out door prizes at the end of each meeting.

Ted Stephens now lives back where he began, in Prince Edward County. On behalf of all MROO members, we wish him many more years of health and a heartfelt THANK YOU.

RETHINKING PENSIONS IN NEW BRUNSWICK

In November 2013, the New Brunswick Minister of Finance introduced legislation to overhaul public sector pensions, which will apply to the Provincial public service and the health sector, in total 17,000 employees and 13,000 retirees. Municipalities in New Brunswick do not have a pooled municipal sector pension plan like OMERS. However, like the Province, cities such as Fredericton and Saint John have significant long-term under-funding in their employee pension plans and have already made similar changes to their pension plans.

Municipalities in New Brunswick do not have a pooled municipal sector pension plan like OMERS.

- The funding rules of the plans will be set to target an annual inflation index equal to 75% of inflation. However, the inflation adjustment would not be guaranteed but would only be made if the funding status of the plans was positive

ENCON's Ted Stephens and Zone Director Francine Delcourt hand out a door prize at a zone meeting in Barrie

- This "conditional inflation indexing" applies to retirees as well as to active employees
- Employee contributions will rise from 6.6% of annual earnings to 8.25%. Provincial contributions will rise from 9.5% of an employee's earnings to 12.5%
- The normal retirement age will increase by five years, phased in over several decades
- The pension will be based on career average earnings rather than on the final few years

New Provincial legislation permits any existing DB pension plan to switch to a new "target-benefit" type of pension plan. The Province will regulate this new type of pension plan so that the pension fund has a 97.5 % chance of meeting the pension "base benefits" (pension rights earned before the switch plus any that are earned after the switch) and a 75% chance of being able to pay for "enhanced benefits" such as inflation indexing.

MROO's largest 2011 zone meeting, in Thunder Bay

Former colleagues chat after lunch at a zone meeting in zone 3

PRINCE EDWARD ISLAND ANNOUNCES PENSION PLAN RESTRUCTURING

In October 2013, the PEI Finance Minister put out a proposal entitled "Pension Sustainability" to change the public service and teachers' pension plans. The proposals are expected to become law in January 2014 and apply to more than 8,900 active plan members and 4,900 retirees.

- Both Plans will continue as DB plans
- The amount of pension that retirees and employees are currently receiving, or have earned until the end of 2013, will not be altered or reduced.
- Inflation indexing will not be guaranteed for service after 2016
- For retirees
  - the same basic pension as of the end of 2013
  - the inflation index (i.e. the % increase) will be frozen at 2013 rates for 2014-16 inclusive
  - beginning in 2017, inflation indexing will not be guaranteed
  - inflation adjustments will be made only if the long-term actuarial funded status is at least 110% (i.e. the ratio of long-term projected pension plan assets over long-term projected pension plan obligations excluding inflation indexing)
  - the Province projects that, by eliminating guaranteed inflation indexing and by making a large one-time Provincial contribution, the plans should show an actuarial surplus over 110% , and therefore make an inflation adjustment to pensions about four years out of five.
- For active members
  - promised benefits for active employees on service until end-2013 remain guaranteed
  - pension on retirement will be frozen at the best-five years as of the end of 2013 plus an inflation adjustment for very year after that. However inflation adjustment in any year will be contingent on the pension plan showing at least 100% funded status
  - eligibility for unreduced pension is now age 60 or 30 years of service, whichever comes first. All service in 2019 and afterward will earn the right to an unreduced pension at age 62 or after 32 years of service, whichever comes first
- Contributions
  - additional contribution of 1% of earnings will be required from employees and 2% from employers, if the funded status of the plan drops below 110%

Friendly conversation after a good lunch at zone meeting in Niagara

MROO President Bill Harford and Past-President Don MacLeod speak on pensions to members of Durham CUPE Council

THE BENEFITS OF DEFINED BENEFITS

Governments that support a strong economy will support and expand a system of Defined-Benefit pension plans like OMERS

Together with a number of other large Canadian pension plans, OMERS commissioned the Boston Consulting Group to explore the benefits of Defined-Benefit (DB) workplace pensions for the Canadian economy.

Released in October 2013 and funded by OMERS, Healthcare of Ontario Pension Plan (HOOPP), OPSEU Pension Trust (OPTrust), and Ontario Teachers' Pension Plan (OTPP), the study revealed the strong economic impact of Defined Benefit pension plans (Defined Benefit pension plans are those - like OMERS or the CPP - which provide a specified, predictable pension upon retirement, based on the employee's earnings, years of service and age).

- DB pensioners spent $56-63 billion each year on goods and services
- DB pensioners paid $14-16 billion in income, sales and property taxes
- DB pensions comprised on average 9% of the total earnings in small communities, compared to about 6% of total earnings in metropolitan areas
- In Ontario alone, DB pensioners spent $27 billion and paid $6 billion in taxes
- Only 10-15 % of DB pensioners collect the Guaranteed Income Supplement (the supplementary payment to the federal government's Old Age Security pension available to lower-income seniors). By comparison, an estimated 45-50% of other Canadian retirees collect the GIS. Therefore, DB pensions reduce the federal government's annual GIS payout by about $2-3 billion per year.
- While both taxpayers and employees contribute to public-sector pension plans, the vast majority - up to 80% - of each DB pension fund is investment income earned on those contributions

In the October 22 Globe and Mail, the CEOs of the four pension plans that funded the research drew the conclusions for the debate between Defined-Benefit plans and defined-contribution plans (which operate more like a group RRSP):

It would be tragic to see the past 30 years of progress jeopardized by the unintended consequences of ill-conceived pension system changes – especially calls for the wholesale shift from defined benefit to defined contribution plans....

The benefits paid to retired DB plan members boost national and local economies. DB pensioners spend an estimated $56-billion to $63-billion annually on consumable and durable goods, shelter, recreation and services while saving only $2-billion to $3-billion, according to a recent study by Boston Consulting Group. ***They have the opportunity to spend at a higher rate because they can rely on a steady and stable income through their defined benefit plan.*** *They pay $14-billion to $16-billion in taxes annually – money sorely needed to deliver health care, connect our communities and educate our children. As well, it is estimated that only 10 to 15 per cent of DB beneficiaries collect the Guaranteed Income Supplement (GIS) versus 45 to 50 per cent of other retirees. This saves the federal government between $2-billion and $3-billion annually in GIS payouts, freeing up funds for other social spending priorities.*

It would be tragic to see the past 30 years of progress jeopardized by the unintended consequences of ill-conceived pension system changes

This is not a zero sum game where one group benefits at the expense of the other. Most pension plan members in fact make mandatory contributions of 10 to 14 per cent of their total income throughout their working years. Canada's public pension funds offer financial security to millions of Canadian retirees while providing a major source of patient, long-term capital that funds vital infrastructure projects – roads, bridges, hydro dams, airports and hospitals – in Canada and around the world. They are famous for their independent governance structure that allows them to invest solely in the best interest of their members, for their highly professional management and investing expertise, and for their strength and stability through good times and bad.

Canada's defined-benefit pension funds do more than contribute to a retirement income system that is the envy of the world and offers us a competitive advantage; they are also a key driver of prosperity in Canadian communities large and small, and a cornerstone of our national economy. As we continue to explore options in the face of growing challenges, let us not turn our backs on a true Canadian success story.

NEW YEAR, NEW PLAN ENHANCEMENTS FOR MROO BENEFITS PLAN POLICY HOLDERS

It has been 30 years since MROO first began offering hospital, health and dental care benefits to OMERS pensioners and public service retirees. From the beginning, our goal was to ensure that the coverage we offer meets the diverse and evolving needs of Ontario retirees. With this goal in mind, every fall we review these benefits to ensure that we continue to offer the most comprehensive benefits possible while keeping rates affordable for our members. Last year was no different and we are happy to announce the following benefit enhancements to the health care plan, effective January 1, 2014:

- **Psychologist** – in addition to the per visit benefit of $20 per half-hour for the initial assessment we will increase the subsequent visit maximum from $20 to $40.
- **Accidental Dental** – the overall annual maximum will increase from$2,000 to $3,500 per calendar year

Year after year, health costs have risen, but your MROO insurance program remains financially stable. Over the years, we have made every effort to minimize rate increases to the program and maximize your value. This year, there will be no rate increase for the MROO Annual Travel plan, the Convalescent Care plan or to the Guaranteed Issue Life Insurance. There will be a 4% increase in the Hospital, Health and Dental plan rates in order to keep pace with higher costs in claims.

MROO Director Eloise Clare presents one of many door prizes

For MROO policyholders - New online claims submissions service!

Did you know that you can now register to access your retiree benefits information and services on Manulife's plan member secure site? When you sign up for online services, you will have the ability to:

- Receive your claim payments up to 70% faster with direct deposit
- Submit your claims online
- View your claims history and the status of your claims
- And much more!

To learn more, simply go to **www.manulife.ca**, click the sign-in button located at the top of the screen and select **Plan members** under the **Group benefits** button on the top panel. Follow the simple on-screen prompts to register your account. You'll need your policy number and your plan member certificate number – all found on your benefits wallet card or certificate of insurance.

If you have any questions please visit www.encon.ca/mroo or call ENCON Group Inc., MROO's insurance program administrator, at 1-800-363-7861. You can also email us at mroo@encon.ca.

OMERS presenter Jolene LeConte updates MROO members on the status of our pension plan

WATER IS THE NEW FIRE

TOM GRAVES, VICE-PRESIDENT, MITCHELLABBOTT GROUP, MROO HOME AND AUTO INSURANCE BROKERS

Weather patterns are changing across the country: extreme weather events are becoming more frequent and severe. The summer of 2013 was a record-breaker; both Calgary and Toronto were hit by storms causing major flooding and damage surpassing all previous years. The combined cost of the damage was $2.85 Billion.

The Insurance Bureau of Canada has documented a rise in property losses due to extreme weather. At a minimum, it estimates that $1.7 billion is paid out each year in Canada. In 2012, an estimated 40% of all property losses were caused by water.

Water is the leading cause of property damage in Canada.

For insurers, water has become the new fire. It is the leading cause of property damage in Canada. In addition to extreme weather events, insurers realize that aging infrastructure and the continued expansion of paved surfaces are making the situation worse and posing new challenges to the Insurance industry.

Further complicating the situation is the increasing number of renovated basements. Homeowners are investing significantly in their basements, spending thousands (if not hundreds of thousands) of dollars to create that perfect living space. However, in Canada, it is not possible to purchase flood insurance. Instead, homeowners can only purchase sewer backup coverage to protect property found within basements. Prior to the prevalence of basement renovations, this type of insurance coverage was generally sufficient. When most of us think back to our childhood homes, the basement recreation room was probably just a painted concrete floor, knotty pine panelling, and a bar made out of a wine barrel sawed in half and a piece of plywood for the top.

Homeowners Beware! Before making that big investment into our basement sanctuary, homeowners need to be aware that some Insurers are introducing sub-limits to this coverage. You may not have enough to protect your below grade "Man Cave". Sub-limits can be as low as $10,000, which wouldn't do much to repair damage from a sewer backup. You may be able to increase these limits by paying a greater premium; however, check with your insurance company.

The Insurance Bureau of Canada states the solution for ever-increasing insured losses caused by sewer back-ups is not for Insurers to hike premiums and/or slash coverage, but rather to use innovative tools that help cities and their overburdened infrastructure to handle water runoff.

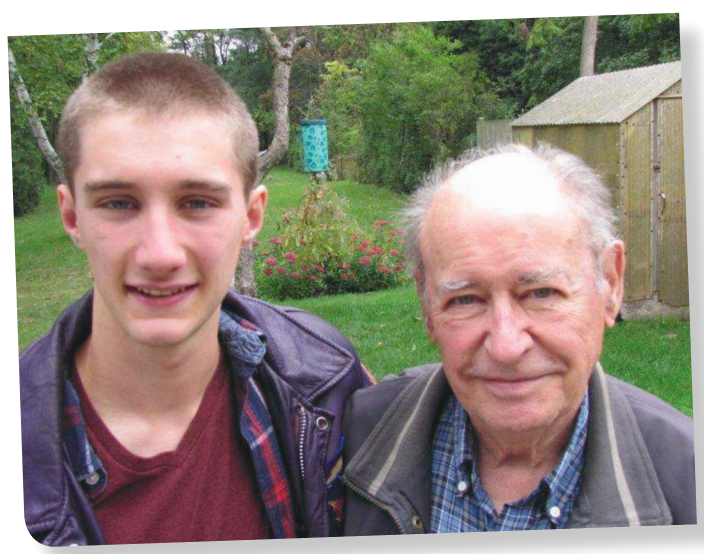
Also the industry is developing a "Municipal Risk Assessment Tool" (MRAT), to help insurance underwriters to calculate the risk of municipal sewer backflows. These results will be used to calculate premiums for sewer backup coverage, or in fact whether coverage for sewer backup will be available in a particular area at all.

Insurers are also increasing deductibles when water damage occurs. For example, one major insurer has just introduced a $2,000 water damage deductible as well as a substantial rate increase for 2014.

There are some things that we all can do to minimize the effects of severe weather on our property:

1) Direct downspouts away from foundations so water doesn't pool near the home.
2) Install backflow prevention devices on the sewer line coming into the home.
3) Keep eavestroughs clear of debris.
4) Implement Low Impact Development landscaping in front & backyards to reduce rain runoff into storm sewers.
5) Don't use washing machines or dishwashers during rainstorms as this adds water to an already-full sewer system.

MROO 2013 Scholarship Recipient



2013 MROO scholarship recipient Martin Keyes of Ottawa with grandfather George Spencer of Brantford

NOTICE OF THE ANNUAL MEETING OF THE BOARD

The 2014 Annual Meeting of the Municipal Retirees Organization Ontario Board of Directors will take place on:

DATE: Monday, June 9, 2014
TIME: 9:00 AM
LOCATION: Westin Bristol Place Hotel
950 Dixon Road, Toronto ON

Guest Speaker

Jo-Ann Hannah, Director of Pensions and Benefits, UNIFOR

"The Canada Pension Plan and workplace Defined-Benefit Pensions: Why they matter to Canadians"

The following items of business will be dealt with:

(i) Receipt and approval of the audited financial statements
(ii) Approval of the appointment of the Auditors for the next fiscal year
(iii) Receipt and approval of the report of the Board of Directors for the preceding twelve (12) month period.
(iv) Consideration and approval of amendments to the Constitution, if any
(v) Confirmation of amendments, if any, made during the year to Bylaws
(vi) Consideration and approval of Bylaws or amendments to By-Laws, if any
(vii) Election of Executive
(viii) Such other business as may be introduced and is in accordance with the Letters Patent of the Organization
(ix) Questions and answers

Note 1: Any item of business presented by a member other than the Board of Directors must be provided to the Secretary, to the Head Office or to any zone Director, in writing, containing a proposed motion, not later than ten (10) days before the annual meeting.

Note 2: Members are invited to hear the guest speaker and to observe the discussion of business at the annual meeting of the Board. The MROO Constitution provides that members other than directors do not vote on matters presented at the meeting.

NOTICE ELECTION OF DIRECTORS - ZONES 1, 2, 3, 5 AND 6

In accordance with the provisions of the Constitution of the Municipal Retirees Organization Ontario, elections for the positions of Zone Director and Alternate Director will take place at the 2014 annual zone meetings in zones 1, 2, 3, 5, and 6. The dates of these meetings are as follows:

Zone 1 – April 9, 2014 - Place Concorde, Windsor ON

Zone 2 – April 8, 2014 – Four Points by Sheraton, Wellington St., London ON

Zone 3 – April 15, 2014 – Michelangelo Conference Centre, Hamilton ON

Zone 5 - April 30, 2014 - Maranatha Church Hall, Belleville ON

Zone 6 - May 1, 2014 - RA Centre, Riverside Drive, Ottawa ON

The Directors and Alternate Directors elected at the meetings in zones 1, 3, and 5 will hold office for a period of three years, until the next regular election in those zones in 2017. The Directors elected in zones 2 and 6, and the Alternate Director elected in zone 6, will hold office for a period of one year, until the next regular election in those zones in 2015.

NOTE: Nominations for Director or Alternate Director must be submitted in writing and received in the MROO office no later than 21 days prior to the annual Zone Meeting at which the election will be held.

Nominations must be signed by the nominator and a seconder who must both be full members of MROO residing within the boundaries of the zone in which the election is to take place, as well as by the nominee. Nominees must have been full members of MROO for at least two years prior to the nomination. A map showing zone boundaries is available on the MROO website: http://www.mroo.org/mroo/index.php/the-organization/zone-maps

If only one person is validly nominated for either Director or Alternate Director, that person shall be deemed to be elected.

If no valid nominations are received by the deadline, the Board may appoint any MROO member residing within the zone.

If there is more than one valid nominee for either the Director or Alternate Director position, then an election will be held by secret ballot among the members attending the relevant zone meeting.

For a nomination form, or for more information, please contact mroo@istar.ca or 1-800-595-4497

2014 MROO SCHOLARSHIP APPLICATION CRITERIA

NOTES:

1. This Program offers $2000 scholarships for students entering their second year of a Canadian university or community college or similarly recognized post-secondary institution.
2. Two scholarships are available for students from each of the nine zones.
3. The applicant with the most promising and demonstrated leadership experience will receive the $5000 Don MacLeod Leadership Award for 2014.

ELIGIBILITY:

1. Relatives of MROO life members (which include surviving spouses) are eligible: children, grandchildren, nieces, nephews, grand-nieces, grand-nephews.
2. Applicants must have a home address in Ontario. The Board will identify two applicants per zone according to the students' home addresses.

CRITERIA:

1. Applicants must have demonstrated the following:
   - leadership, such as on sports teams, school bodies, business ventures, musical groups, cultural organizations, community groups, political or religious organizations, charitable bodies, farm organizations, etc.
   - a commitment to volunteer service and helping others.
   - a clear vision for the future, i.e. how they intend to make a difference in the world and in their communities.
2. Submission of a 300-400 word essay, which summarizes extracurricular activities, their plans to "make a difference" in the future, and the role of their current program in meeting their future goals. The quality of the essay and the information in it are all-important.
3. Submission of a detailed resume showing employment history, volunteer roles, and leadership positions
4. Submission of all necessary attachments (refer to the Application Form).

DEADLINE:

1. Complete written applications with all attachments must be received in the MROO Office (4094 Tomken Rd, Mississauga, ON L4W 1J5) by 1:00 P.M., Tuesday, July 15, 2014.
2. Complete scanned applications with all attachments will be accepted by Email (mroo@istar.ca) if received no later than 1:00 P.M., Tuesday, July 15, 2014

MROO 2013 Scholarship Recipients

2013 MROO scholarship recipient Hilary Lajoie, with grandmother Barbara Thompson of Peterborough

2013 MROO Scholarship recipient Maggie Braido, with grandfather Fred Konkin of Sault Ste Marie

Municipal Retirees Organization Ontario
4094 Tomken Road
Mississauga, Ontario
L4W 1J5

Toll-Free: 1-800-595-4497
Fax: (905) 602-6710
Email: mroo@istar.ca
Website: www.mroo.org

Office Hours: Tuesday, 9:30 a.m. to 3:30 p.m.

Publications Mail Registration Number: 40041589

MROO

Protecting the pensions and enhancing the quality of life for all OMERS pensioners.

2014 SCHOLARSHIP APPLICATION FORM

MROO MEMBER SECTION:

NAME: ______________________________

ADDRESS: ______________________________

RELATIONSHIP TO STUDENT: ______________________________

STUDENT SECTION:

NAME: ______________________________

HOME ADDRESS: ______________________________

PHONE #: ______________________________

EMAIL ADDRESS: ______________________________

NAME OF COLLEGE OR UNIVERSITY: ______________________________

FIELD OF STUDY: ______________________________

ATTACHMENTS REQUIRED:

1. Proof of successful completion of a full course load in the first year.
2. Proof of acceptance into second year.
3. 300-400 word essay outlining the following: leadership positions; service to others; vision of your future; and how your post-secondary school studies will assist you in realizing your goals.
4. Resume outlining the following: employment; volunteer roles; and leadership positions.

PLEASE ENSURE THAT YOUR APPLICATION WITH ALL ATTACHMENTS IS RECEIVED AT THE MROO OFFICE NO LATER THAT 1:00 P.M., TUESDAY, JULY 15, 2014