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

MROO MEMBERS REPORTER

July 2012

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS JUNE 2011-JUNE 2012

IN THIS ISSUE...

ADVOCACY

1. OMERS

The Province of Ontario is undertaking the 5-year review of the OMERS Act, as required by legislation. As the largest and the only all-inclusive OMERS pensioner organization, we will make sure that the pensioner voice is heard.

In the past year, the OMERS Sponsors Corporation (SC) Board reviewed the composition of both the Sponsors Board and the OMERS Administration Board. MROO responded that both Boards should retain retiree representation, and that both "Bay Street" and "Main Street" need to be represented at the OMERS Board table.

MROO continues to encourage OMERS to investigate the creation of a revenue-neutral "partial pension/phased retirement" option for employees nearing retirement age. Provincial regulations to permit such an option have recently been adopted.

2. Retirement Income

2011/12 is another year when pensions are much in the news. Continued low interest rates, stock market volatility, and the first baby-boomers reaching age 65 have all threatened the actuarial position of all pension plans. Moreover, it is clear that Canadians are not saving enough and that the erosion of defined-benefit pension plans (only 40% of Canada's workforce has any form of workplace pension other than the CPP) jeopardizes a dignified old age for our children and grandchildren.

Pooled Registered Pension Plans

The federal government proposed the new concept of Pooled Registered Pension Plans. These PRPP's function much like a large common RRSP account, which anyone can join and to which any employer could also contribute on an employee's behalf (although both employee and employer contributions would be voluntary). The initial plan was that only banks and insurance companies would offer PRPPs.

MROO has written to the federal Minister of Finance to say that this concept does not go far enough. First, large and professional non-profit pension plans like OMERS should be permitted to offer PRPPs to the public, albeit separately from the basic existing pension plan. Second, the overhead cost of managing and investing pension funds should be capped, preferably at the low rates that large non-profit plans routinely achieve.

IF YOU MOVE...

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
Keeping you informed for a lifetime

Expansion of the Canada Pension Plan

MROO supports the Ontario Government's push for a phased-in expansion of the CPP. According to the CPP Chief Actuary, the CPP is fully funded for at least the next 75 years. But it is too small. At a time when other workplace pensions and defined-benefit plans in the private sector are nearly disappearing, the CPP has become most employees' only reliable pension hope.

Canadian Federation of Pensioners

In the past year, MROO joined the Canadian Federation of Pensioners. The CFP brings together 14 mostly private sector pensioner organizations containing 54,000 members and representing over 200,000 pensioners in defined benefit pension plans, to lobby for pensioners' rights and for defined benefit pension plans. Typically – and very differently from our situation as OMERS members - the pensioners represented by CFP have no representation in pension plan governance and receive very little information about pension plan status. Company bankruptcies threaten their retirement livelihood.

3. Home Health Care for Seniors

The Board has identified as an advocacy priority the need for greater emphasis by our health care system on home-based health care for seniors and personal supports in the home.

Before the Ontario budget we wrote to Ontario's Minister of Health to raise this issue. While we have concerns about the funding of health care generally in the 2012-2013 Ontario budget, we applaud the Province's "Seniors Care Strategy" which emphasizes home health care and community support. We will monitor progress on this issue.

SERVICES TO OUR MEMBERS

1. Retiree Health Insurance

Since 1985, MROO has partnered with the ENCON Group Inc to offer unique "by retirees, for retirees" health and dental insurance plans. In 2012, the benefits available under the MROO health and dental plan were improved for the sixth consecutive year. For the third consecutive year premium rates have not increased. The ENCON Group works hard to ensure that retirees are aware of the value of health insurance when they lose their employer group benefits. We also appreciate OMERS' support in encouraging pensioners to consider health insurance in retirement. 2011 was our best year ever for new enrolments, with a 27% increase in health care policyholders.

2. Retiree Annual Travel Insurance Option

Recognizing that more and more retirees are travelling to the USA and overseas on a regular basis, a 30-day Annual Travel insurance option was added to the MROO Health Insurance Plan in 2008. During the past year, an open-enrolment period was offered to MROO health plan policy holders who had not previously chosen the Annual Travel option. Over 30% of our policyholders with health care coverage in Ontario have added this annual travel coverage to their plans to cover them when faced with a medical emergency out of province or out of country.

3. Retiree Home and Auto Insurance

We continue to get comments about the good service and impartial advice offered by the Mitchell Abbott Group, the brokers for MROO's home and auto insurance program. Its competitive rates and exceptional service continue to be valued in a very competitive market.

4. MROO Scholarship Program

For the 2011 MROO scholarship program, the Board expanded both the number of scholarships available and the amount of the scholarships. Two scholarships were awarded to each of our nine zones. The amount was increased to $2000 per scholarship. A record number of applications were submitted in 2011.

MROO President Bill Harford delivers his report to members in Chatham

For 2012 the Board has added a $5000 Don MacLeod Leadership Award, in honour of the lifetime achievements of our Past-President.

5. Retirement Planning Seminars

In 2009, MROO instituted a new program of offering Retirement Planning Workshops for active employees aged 50+ in partnership with smaller municipalities, using MROO member and professional presenter Phil Hollins. Over the past year, workshops have been held in Port Perry (2), Waterloo (2), Newmarket, Sarnia-Lambton (3), Orangeville, and Elora.

We sincerely appreciate the support of the OMERS Education and Training specialists led by Michael Robinson, the effort of those municipalities which have volunteered to act as seminar hosts, and the participation of our members on the "Retiree Reflections" panels.

6. Zone Meetings

MROO's largest program for our members is our annual Spring zone meetings in each of our nine zones. We appreciated the participation of OMERS, of our insurance program partners, and of several excellent guest speakers. Over 1100 MROO members enjoyed a full day of information and camaderie and an excellent lunch.

7. Newsletters

The MROO Members Reporter continues to be produced and mailed in hard copy three times per year. Over the past year it expanded to 12 pages, including more information, pictures and entertainment items. The number mailed to our members and associated organizations has expanded to nearly 15,000.

MROO President Bill Harford with zone director Eloise Clare in Peterborough

During the coming year we intend to develop the additional capability to communicate news to our members via broadcast e-mails.

8. MROO Ambassadors

In recent years the Board created the concept of MROO Ambassadors in order to have more representation in locations where directors don't live and to make MROO better known to OMERS pensioners and employers. Over the past year five new ambassadors have stepped forward.

9. Website and Graphics

The Board has identified a need to refresh the look of our website and all our graphic materials. Upgrading our website's functionality, appearance and content will provide more information to current members, potential new members, employers, and partner organizations.

MEMBERSHIP

MROO is already by far the largest OMERS pensioner organization, open to all OMERS pensioners, whether formerly union, non-union, or management, whether NRA -60 or NRA-65. MROO had 1,121 new members join over the past year and a total membership as of June 2012 of 14,730.

Expanding our membership is a critical priority for the Board. Although we are growing, the total population of OMERS pensioners is over 110,000. The more members we have, the more attention elected and appointed officials will pay to our advocacy positions, and the more opportunity we will have to expand our insurance programs and to offer new services.

FINANCES

MROO continues to operate in the black and is able to support its advocacy on behalf of retirees. Copies of the most recent audited financial statements are available to members by contacting the MROO office.

MROO has established a significant reserve fund in

FOR YOUR INFORMATION

MROO
4094 Tomken Road
Mississauga, Ontario L4W 1J5
1-800-595-4497
Fax (905) 602-6710
e-mail: mroo@istar.ca
www.mroo.org
Publications Mail Registration Number 40041589

order to ensure that its services would be able to continue for many years if, for any reason, MROO ceased to realize revenue from the promotion of our insurance programs.

The Board is grateful to our Treasurer Glen Mills for his diligent attention to our financial integrity and sustainability.

THE FUTURE

Pensions and retirement income are again in the news, and health care for seniors is always there. As an active stakeholder in the OMERS plan and an informed participant on pension issues, MROO will devote considerable effort again next year to making our views known on behalf of our members.

MROO continually reviews its services. Each September, the Board sits down with our ENCON partners and our insurance carrier, Manulife, to review the MROO health and dental insurance program, and with the Mitchell Abbott Group to review home and auto insurance. After each Spring's zone meetings, the Board reviews the attendance, the program, and the accessibility of these meetings. After issuing our scholarships each summer, the Board reviews the effectiveness of the MROO Scholarship program. The Board continually seeks new ways to add value to MROO membership and to make OMERS pensioners aware of MROO

In many ways, MROO is at a crossroads. Thanks to decades of leadership by our Past-President Don MacLeod, we have an established name, a large membership, and an array of valuable services.

In 2008, the Board adopted a strategic plan which has been a useful guide for our advocacy and our services. At its June 2012 meeting, the Board again looked into the future and faced the facts. It is an important time for us as an OMERS pensioners' organization. Where to from here?

William Harford,
President, Municipal Retirees Organization Ontario
On behalf of the Board of Directors
Mississauga, Ontario
June, 2012

Zone director Carol Myles with door prize winners at Ottawa zone meeting

After lunch at the April zone meeting in Chatham

The hall fills up fast at the zone meeting in Ottawa

CUPE Local buys MROO membership for retirees

Thank you to CUPE Local 2067, the employees of the Windsor Public Library and Art Gallery, for purchasing MROO memberships on behalf of their retiring members.

MROO REACTS TO THE ONTARIO GOVERNMENT BUDGET

The Ontario Government brought down its budget in March 2012 for the 2012/13 fiscal year. This budget proposes to take a serious approach to the $16 billion Provincial deficit and recognizes that both slow economic growth and sluggish Provincial revenue have become endemic to Ontario. It therefore proposes not only significant expenditure reductions and some marginal increases in revenue, but also permanent attempts to design and deliver programs differently.

As this newsletter went to print, the budget had not yet been approved by the Ontario Legislature.

Some of the proposed budget items would have an impact on MROO's three identified advocacy priorities: the governance and sustainability of OMERS; the adequacy and reliability of Ontarians' retirement income generally; and public policies and programs for home-based health care and independent living as long as is feasible.

The MROO Board has reviewed these measures in the budget and will respond to the Ontario Government accordingly. Several articles in this newsletter deal with items proposed in the Ontario budget.

THE ONTARIO 2012-13 BUDGET AND THE EXPANSION OF THE CANADA PENSION PLAN

Budget excerpt

(Note: items in italics are direct quotes from the 2012-2013 Ontario Budget document)

CPP Enhancement

Ontario continues to support a modest, phased-in and fully funded enhancement to the CPP to help ensure adequate and predictable earnings replacement for future retirees. This change is the core element of an effective national retirement income system strategy.

Any CPP enhancement must be fully funded. Employees and their employers would pay for the additional benefits as they are earned, with full implementation occurring over a 40-year period.

Concerns have been raised about the timing and impact of an increase in contributions in the current challenging economic environment. A notice period followed by a gradual phase-in would allow time for them to adjust to changes in the contribution rate. For example, in the 1997 CPP reforms, new contribution rates were phased in over a seven-year period.

Comment

MROO is on record supporting a phased-in fully-funded expansion of the CPP to replace up to 40% of lifetime earnings up to the YMPE, with an accelerated contribution rate for employees age 50 and above (the baby-boom). In the Budget's words, the CPP:

- *provides a secure and predictable defined benefit pension plan to virtually all working Canadians;*
- *offers benefits that are fully indexed to inflation;*
- *does not carry the risk of bankruptcy or insolvency of the employer;*
- *is fully portable across Canada, supporting a modern and mobile labour force; and*
- *has very low administrative costs as a share of plan expenditures compared to most employment pension plans.*

WHY INDEED?

Why do drugstores make the sick walk all the way to the back of the store to get their prescriptions while healthy people can buy cigarettes at the front?

Why do some people order double cheeseburgers, large fries, and a diet coke?

Why do some people leave cars worth thousands of dollars in the driveway and put their useless junk in the garage?

Why do they sell hot dogs in packages of ten and buns in packages of eight?.

Why don't you ever see the headline 'Psychic Wins Lottery'?

Why is it that doctors call what they do 'practice'?

THE ONTARIO BUDGET, AND THE ONTARIO DRUG BENEFIT

Ontario Budget Excerpt

(note: italics represents direct quotes from the 2012-2013 Ontario Government budget document)

A FAIR AND EFFICIENT DRUG SYSTEM

The Ontario Drug Benefit (ODB) program helps seniors with the cost of their prescription drugs. All seniors are eligible for the ODB regardless of their income level. This means that someone with an annual income of $300,000 currently gets the same benefit as someone with an income of $30,000 per year.

Starting August 2014, high-income seniors will pay a new income-tested deductible. The change will affect only about five per cent of senior ODB recipients — those seniors with the highest incomes and greatest ability to pay their own drug costs.

Effect of Changes for Senior ODB Recipients

	Per Cent
Paying More	*5*
Paying Less	*3*
Paying the Same	*92*
Total	***100***

The new deductible will increase gradually with net income:

- *For high-income single seniors with income over $100,000, the deductible amount will be $100 plus three per cent of income over $100,000*
- *For high-income senior couples with a combined income of over $160,000, the new deductible for the couple will be $200 plus three per cent of their family income over $160,000*
- *These seniors will also continue to pay a co-payment of $6.11 per prescription after the deductible amount*
- *Income thresholds will not be indexed for inflation.*

Approximately 1.9 million seniors live in Ontario. Under this change, about 75,000 seniors with incomes over $100,000 (single) or $160,000 (couple) will pay an average of $665 a year more towards their prescription drug costs.

These changes will not increase drug costs for seniors with incomes below the $100,000 or $160,000 thresholds who already get drug benefits.

The changes will be effective beginning August 2014 to provide seniors with time to adjust to the new system.

Seniors will continue to get benefits under the ODB program by presenting their Ontario Health Cards at their pharmacies, where their pharmacists will be able to access the information they need to ensure that seniors are charged appropriately for their prescription drugs. Seniors living in long-term care homes or receiving publicly funded home care will not be affected by these changes.

Comment

MROO has a concern about the introduction of income-related criteria into an aspect of universal health care for seniors. At the same time, we recognize the serious financial deficit which the Province of Ontario faces.

This change will apply to a small number of people and is consistent with the ability to pay principle that applies to many programs, the clawback of the OAS being an example. The new 2% Ontario surtax on incomes over $500,000 is another example.

ENCON's Ted Stephens presents door prize to MROO member in Brantford

I was standing infront of the bedroom mirror. I said to my wife: "I just look old and fat and ugly anymore. What do you see in me?"

"Now, now, dear, "she said, "at least your eyesight is still fine."

And then it started...

THE ONTARIO BUDGET, OMERS, AND THE CONSOLIDATION OF SMALL PUBLIC SECTOR PENSIONS

Ontario Budget Excerpt

(Note: italics represent a direct quote from the 2012-2013 Ontario Government budget):

More Efficient, Effective Pension Asset Management

A strong pension system also means maximizing the effectiveness of asset management. Ontario's large pension plans are internationally recognized for their cost-effective, professional approach to investment....

Many studies show the benefits of scale in pension plan management. Although most public-sector pensions in Ontario are held in larger funds, a large number of pension plans lack the scale that experts say is required to optimize investment returns. For example, the 20 publicly funded universities in Ontario have more than 25 pension plans.

A recent study from the International Centre for Pension Management suggested that large plans outperform smaller plans by between 43 and 50 basis points per year.

The government intends to introduce framework legislation in the fall of 2012 that would pool investment management functions of smaller public-sector pension plans in Ontario. Under this framework, management of assets could be transferred to a new entity or to an existing large public-sector fund. The government will appoint an adviser to develop the framework, working with affected stakeholders and building on Ontario's internationally recognized model for pension plan management.

MROO Comment

"Bigger is better" in terms of pension fund management. Research has shown that large funds achieve investment returns almost a half-percentage point better over the long term than small funds.

Defined-benefit pension plans are "on the ropes". Achieving better investment returns through consolidated management, without additional cost, is an obvious route to improve the sustainability of pension plans across the province.

MROO is on record with the Ministry of Finance asking the government to encourage small pension plans without professional management – not just in the public sector but also in the private sector - to contract with large home-grown professionally managed plans like OMERS.

The wording of the budget is a concern. There would be no point in setting up a new public sector pension fund management agency, given the trend-setting success of OMERS, Teachers (OTPP), and HOOPP plans.

OMERS should have the opportunity to manage some of Ontario's small public sector pension plans.

The Ontario Government has already appointed an advisor, Mr. Bill Morneau, to get input and make recommendations about how the consolidation of smaller public sector pension plans should be accomplished.MROO will contact Mr. Morneau and the Minister of Finance to express our views.

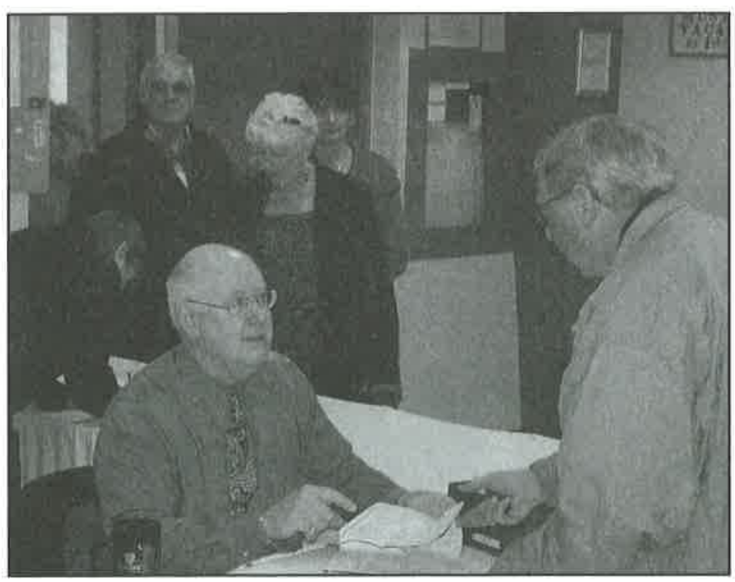
My wife and I were sitting at a table at her 30-year high school reunion, and she kept staring at a drunken man swigging his drink as he sat alone at a nearby table.

I asked her, "Do you know him?"

"Yes", she sighed, "He's my old boyfriend.... I understand he took to drinking right after we split up those many years ago, and I hear he hasn't been sober since."

"Heavens" I said, "Who would think a person could go on celebrating that long?"

And then it started...



Zone director Glen Mills welcomes members to his zone meeting in Thunder Bay

THE ONTARIO 2012-2013 BUDGET AND THE REDUCTION OF OMERS PENSION BENEFITS FOR FUTURE OMERS PENSIONERS

Ontario Budget Excerpt

(note: italics represents direct quotes from the 2012-2013 Ontario Government budget document)

(NOTE: The Budget proposes NO reduction in pension benefits for current retirees, and NO roll-back of pension benefits already earned by active employees)

Ensuring the Sustainability and Affordability of Public Sector Pensions

The Commission on the Reform of Ontario's Public Services forecast that, if no changes were made, the cost of pensions would nearly double between this fiscal year and 2017–18. Pension costs are one of the fastest-growing line items in the Budget....

The government recognizes the demographic and financial market challenges facing these plans and will consult on measures that would help make them sustainable and affordable for members as well as all Ontarians.

Following consultations, the government will introduce appropriate legislation to help achieve these objectives. The government will consult with its partners to develop a legislative framework involving the following parameters:

- *in case of a deficit, plans would be required to reduce future benefits or ancillary benefits before further increasing employer contributions;*
- *in exceptional circumstances, a limit would be set on the amount or value of benefit reductions before additional contribution increases could be considered;*
- *any benefit reductions would involve future benefits only, not those that have already been accrued. Current retirees would not be affected;*
- *where plan sponsors cannot agree on benefit reductions through negotiation, a new third-party dispute resolution process would be invoked; and*
- *the framework would be reviewed after the budget is balanced.*

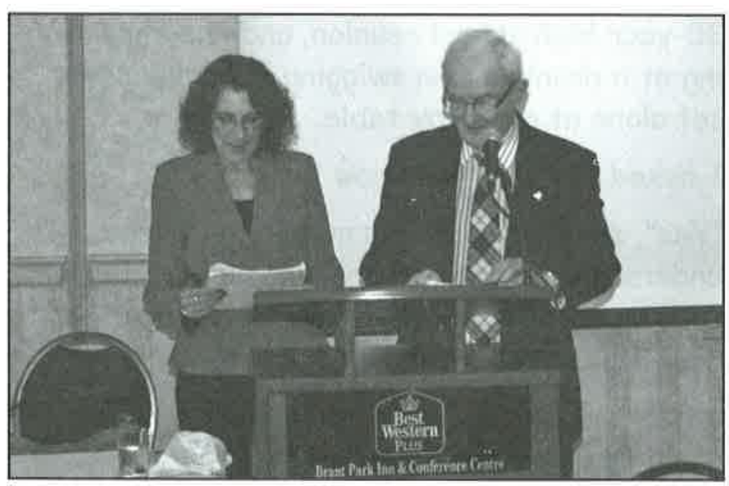
MROO Comment

The Ontario Government is saying that, from now on in the public sector, if a pension plan faces a long-term actuarial deficit (as almost all pension plans now do), the difference between a pension plan's long-term promised pension benefits and its long-term revenues will be made up by reducing the promised benefits rather than by increasing the contribution of pension plan members.

MROO accepts that, at some point, pension plan contribution rate increases become unacceptable both to employers and employees. Having read the government's March budget, we can accept that that time has come, with respect to Provincially funded pension plans. However, MROO disagrees that this decree should apply to OMERS.

Since 2007, OMERS is independently sponsored by local government employers and employees, not by the Province of Ontario. OMERS at the moment faces a long-term actuarial deficit, as do the pension plans sponsored by the Province of Ontario. However, the OMERS Sponsors Corporation has already hammered out a long-term plan to deal with it. The OMERS sponsors are quite capable of negotiating reductions in future pension benefits or ancillary benefits that will overcome OMERS' actuarial deficit in responsible fashion, if necessary.

Zone meeting about to begin in Chatham (Ralph Luhowy)



MROO Past-President Don MacLeod introduces OMERS Training and Education Specialist Lynda Reid in Brantford

THE ONTARIO BUDGET AND HOME HEALTH CARE FOR SENIORS

Ontario Budget Excerpt

(note: italics represents direct quotes from the 2012-2013 Ontario Government budget document)

Providing the Right Care, at the Right Time, in the Right Place

Ensuring patients receive the right care in the right setting is essential for high-quality patient care and for managing health care costs. For example, it costs taxpayers more to provide seniors' care in a long-term care home than it does to support seniors who live in their own home or with a family member.

Additionally, the cost of a hospital acute care bed being occupied by an Alternative Level of Care (ALC) patient is a cost the system cannot afford. Providing community care to treat these patients at home or in a long-term care home makes good health care sense, will better meet the needs of patients, and is fiscally responsible.

The community care sector includes over 800 community service agencies that help people remain independent and live with dignity in their homes and communities. Services include personal support and homemaking, meals, community transportation, acquired brain injury services, assisted-living services in supportive housing, and adult day programs.

Measures to enhance capacity in these sectors include:

- *increasing investments in home care and community services by an average of four per cent annually for the next three years or $526 million per year by 2014–15, to better support those seniors and other Ontarians who could benefit from care provided in the community;*
- *development of a new Seniors Strategy that will expand house calls, increase access to home care, and provide improved care coordination;*
- *care coordinators to provide seniors, particularly those with complex conditions, with guidance by working closely with all health care providers. Seniors will be directed to the care they need, in the appropriate setting. This will improve the coordination of care for seniors living at home and help avoid unnecessary hospital admissions;*
- *investments in chronic care services provided in the community to ease pressure on long-term care homes' waiting lists and help reduce the number of ALC patients in hospitals;*

Comment

The budget promises a daunting transformation in the health care system to bring about more effective health care for Ontario seniors. We seniors account for 14% of the Ontario population and over 50% of Ontario health care costs.

However, the system is huge and complex, the transformation will be bumpy and full of roadblocks, and overall health care funding will be seriously constrained. The last time that the government announced a major boost to home care funding (2006), little of it made its way to CCACs or home care agencies. Little was done to streamline the system to get home care where it was needed when it was needed. Then as now, the occupancy of hospital beds by patients requiring non-acute levels of care is a hugely expensive and as yet unsolved challenge.

Nonetheless, the Government is saying what MROO has wanted to hear about home health care and community support services for seniors. We need to encourage the implementation of the vision set out in the budget, while monitoring the Government's effectiveness and perseverance.

The Government has appointed Dr. Samir Sinha to lead the development and implementation of its Seniors Care Strategy. Dr. Sinha currently serves as the Director of Geriatrics at Mount Sinai and the University Health Network Hospitals in Toronto.

This summer, Dr. Sinha will consult broadly on how to support seniors at home and how to reduce hospital readmissions and pressure on long-term care homes. In fall 2012, Dr. Sinha will provide recommendations to the Minister of Health and Long-Term Care on how to help more seniors to live independently at home and in their community, and will work with the health care sector to implement the strategy, once approved.

MROO will contact Dr. Simha to make our views known.

Rapt attention to the guest speaker at Barrie zone meeting

THE GOVERNMENT OF CANADA CHANGES OLD AGE SECURITY

BEGINNING IN 2023, THE AGE OF ELIGIBILITY FOR OAS WILL INCREASE TO 67 YEARS OLD

Excerpts from the March 2012 Government of Canada Budget

(note: italics represent direct quotes from the federal government's 2012-2013 Budget document)

Old Age Security Age of Eligibility

The OAS program is the single largest program of the Government of Canada. It was put in place at a time when Canadians were not living the longer, healthier lives that they are now. It was designed for a much different demographic future than Canada faces today. In the 1970s, there were seven workers for every one person over the age of 65. There are currently four workers per senior, and in 20 years, there will be only two.

In addition, in 1970, life expectancy was age 69 for men and 76 for women. Today, it is 79 for men and 83 for women. The baby boom generation (born between 1946 and 1964) is also the largest age cohort in history. At the same time, Canada's birth rate is falling. Given these demographic changes, the cost of the OAS program will grow from $38 billion in 2011 to $108 billion in 2030....

Also, as Canadians are living longer and healthier lives, many may prefer to work longer. The OAS program should reflect this new reality and provide the option for individuals to work longer and receive higher retirement benefits.

Economic Action Plan 2012 puts the OAS program on a sustainable path by proposing legislation to raise the age of eligibility for OAS and GIS benefits gradually from 65 to 67 starting in April 2023. This will be fully implemented by January 2029.

The age of eligibility for OAS and GIS will be gradually increased from 65 to 67, starting in April 2023, with full implementation by January 2029.

An 11-year notification period, followed by a 6-year phase-in period, is being provided to ensure that individuals have significant advance notification to plan their retirement and make adjustments.

This proposed legislative change to the age of OAS/GIS eligibility will not affect anyone who is 54 years of age or older as of March 31, 2012.

Thus, individuals who were born on March 31, 1958 or earlier will not be affected. Those who were born on or after February 1, 1962 will have an age of eligibility of 67. Those who were born between April 1, 1958 and January 31, 1962 will have an age of eligibility between 65 and 67.

Some Background on the OAS program

NOTE: No senior who now receives OAS, or who will receive it before 2023, will be affected in any way by this change in legislation.

The federal Old Age Security Act came into effect in 1952.

The age of eligibility for OAS benefits was changed from 70 to 65 and phased in between 1965-1969. The Guaranteed Income Supplement (an add-on to OAS for very low-income seniors) was introduced in 1967. The Spouse's Allowance was introduced in 1975.

In 2012 the Government projects that approx. 4.9 million seniors will receive OAS at a cost of approx. $38 million (including approx. $8.4 billion for Guaranteed Income Supplement or GIS payments).

In the 2010/11 federal fiscal year, 4.74 million seniors received OAS at a cost of $28.3 billion. Of these, 1.62 million seniors received some additional support from GIS program at a cost of $7.9 billion. Of the 2010/11 total of $36.3 billion, $1.1 billion was recovered ("clawed back") by the OAS recovery tax. The total Government of Canada budget at that time was about $274 billion.

The OAS (including GIS) Program is completely tax-supported and pay-as-you-go; it is not a work-related pension. Unlike the CPP or OMERS, it does not depend on a dedicated fund or on investment returns for its viability. All taxpayers, including seniors, contribute as part of annual federal government revenues.

The age of eligibility is now 65 (and will be until 2023), provided that the individual has lived in Canada for at least 10 years. The maximum payment in 2011 was $540.12 a month for recipients with less than $69,562 in annual net income. For those with higher incomes, payments are gradually clawed back, with the benefit eliminated at an income of $112,772.

Low-income seniors who qualify for OAS may also receive additional support through the Guaranteed Income Supplement (GIS). About 30% of OAS recipients also receive the Guaranteed Income Supplement (GIS); they must receive OAS in order to be eligible for GIS if their income is sufficiently low. The maximum GIS payment for a single individual is $732.36 a month.

Demographics related to the OAS program

In 1952, men lived on average to 66 years old, women to 71. Men who were 65 that year could expect 13.3 years more years, while women would expect 15.0 more years.

In 2011, men live on average to 79 years old, women to 83. Government figures show that, for those already 65, life expectancies for those who receive both OAS and GIS benefits are 15.0 years for males and 19.0 years for females. For those with a higher income who receive reduced OAS benefits, the life expectancies at age 65 are 19.5 years for males and 22.4 years for females.

By 2036, number of Canadian seniors age 65 and over is expected to be over 10 million (now about 5 million).

MROO's CONCERNS

1. Is the change to the OAS age of eligibility neces-sary?

It does not make sense to claim that the OAS is becoming unsustainable

- Unlike CPP or OMERS, OAS payments do not rely on the sustainability of investment returns from a specific fund. They are funded by the taxes paid each year by all Canadians, including seniors. They are strictly a political choice.
- OAS is taxable income, so some of the money paid out goes straight back to Ottawa. Second, the OAS is further clawed back from higher-income seniors.
- By the Government's estimate, the changes would save $10 billion per year by 2030 (in 2012 dollars) compared to what OAS would cost in 2030 without the changes. The Government (or to be more accurate, the Government in 2023 and thereafter) can choose to spend that $10 billion of our taxes on Canadians aged 65 and 66, or to spend it on other things

The OAS Chief Actuary in 2008 reported the OAS program was sustainable

- OAS/GIS system is projected to cost Canadians $108-billion in 2030, up from $36.5-billion last year. These figures are meaningless on their own. What we need to know is whether such costs are affordable in the Canadian economy.

The Chief Actuary of the OAS system reports regularly on the system's financial health. In his 2008 report he notes that by 2050 the problem mostly solves itself. Based on some assumptions about the cost of living and growth in wages, the Chief Actuary projected that the OAS as a percentage of GDP would be 2.2 per cent in 2007; it would then peak at 3.1 per cent in 2030, then fall (as baby boomers die off) to 2.7 per cent in 2050.

We are not Greece (or even the USA)

- OECD figures show that Canada's total spending on direct support for seniors, at 3.8% of GDP in 2010, is less than that in Greece (10%) or in the USA (5.3%)
- Furthermore, unlike Canada's CPP, the US national pension scheme is not fully funded and poses a critical future drain on government revenues. Canada does not face this drain: the CPP Chief Actuary has declared the CPP to be fully funded to a 75-year horizon.

2. Is the change to the OAS age of eligibility effec-tive?

If the baby-boom is the problem, the change fails to solve the problem

- Most of the baby boomers were born before March 1958, the first group of Canadians to be affected by the delay in OAS eligibility.

During one of the informative presentations at Barrie zone meeting

- In other words, the baby boom is almost entirely exempted. Most of the baby boom will start getting OAS payments at age 65 and will get it for the rest of their lives (as they expected).
- The Government is wise to do this because those over age 50 are already counting on OAS as part of their retirement plans at age 65.
- However, doing the right thing for baby-boomers means doing the wrong thing for those who come after. Canadians now less than 50 years old will feel the full brunt of the change ....our children and grandchildren

3. Is the change in the OAS age of eligibility fair?

The Impact on poorer Canadians

- For for the less-well-off Canadians, removing the OAS makes all the difference between being able to retire or not. If a retiree were eligible for the maximum OAS payment (but not the additional GIS), he/she would receive $6480 in 2012. The average CPP payment is less than $7000 per year. So, barring other sources of income, many seniors would now be eligible for a pension of about $13,000 per year. Removing the OAS means removing almost half that person's anticipated pension. In other words, that person could not retire at age 65

MROO members always get a great Slovak Legion lunch at Thunder Bay meeting

- On the other hand, if a better-off senior reached age 65, he /she might have not only the $6480 OAS, but also a maximum CPP (about $11,800 in 2012) and a workplace pension or substantial personal savings. If that person were anticipating a retirement income of $69,000 (just short of the "clawback" threshold), he/she would only be losing less than 10% of their anticipated retirement income at age 65. In other words, that person could still retire if he/she wanted to or needed to

The changes hit hardest on those who most need to stop working

- As the Government rightly says, people are living longer. So, says the government, people should start working longer too.
- That will be fine for many people as they reach age 65. But for many occupations, the impact will be heavy. Many 64 year old heavy equipment operators, custodians, linemen, waitresses, nurses, paramedics or personal support workers in our nursing homes are more than ready to retire. In such occupations, two more years of aching backs, sore knees, and dwindling energy can have a drastic effect.
- In other words, without the OAS, millions of people will not be able to stop working at age 65, and millions of those people will be Canadians who have worked hard all their lives and dearly need to be able to stop.

The changes hit hardest at our children and grandchildren

- 60% of Canadians have no workplace pension, and defined-benefit pension plans have become rare in Canada's private sector.
- The likelihood that our children's and grandchildren's generations, on average, will be able to save adequately for retirement is doubtful, as Canada's

One year, my son-in -law bought me a cemetery plot as a Christmas gift. The next year, he didn't get me anything.

When I hinted about it, he replied, "Well, you still haven't used the gift I bought you last year!"

And then it started.....

THE GOVERNMENT OF CANADA CHANGES OLD AGE SECURITY, CON'T

industrial jobs get further reduced by global competition and corporate mobility.

On average, the OAS is likely to mean even more to those generations than it does to today's seniors, particularly those whose occupations have been physically strenuous and particularly if no measures are taken to expand the CPP.

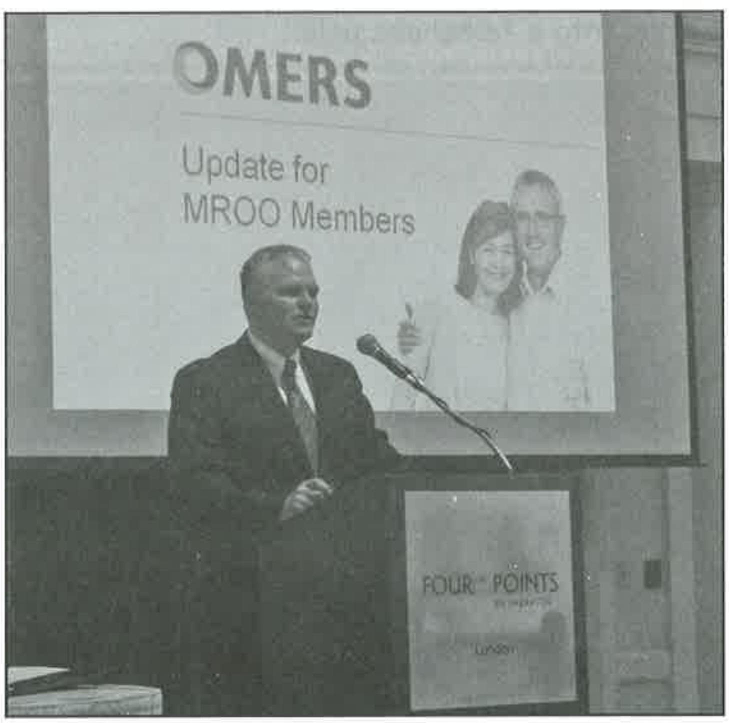
4. MROO is not necessarily opposed to some minor changes in the OAS program

- Indexing of benefits on an annual basis, as is done for the CPP pension, instead of quarterly would save millions.
- We accept that the OAS – and its companion, the GIS – are intended as our society backstop for Canada's more poorly-off seniors. The principle of the "OAS recovery tax" is that, at some level of income, better-off seniors do not need the same level of support from society. Therefore, it could be consistent with this principle to consider a change to the annual income level at which the clawback begins.
- Expand the Canada Pension Plan. The CPP's only drawback – a big one – is that it does not require enough savings by working Canadians and does not therefore pay a large enough pension. Taxpayers do not pay for the CPP, but as long as the CPP pension remains as small as it is, it puts more pressure on the OAS

HIGHER POWER

A Sunday school teacher said to her children, 'We have been learning how powerful kings and queens were in Bible times. But, there is a Higher Power. Can anybody tell me what it is?' One child blurted out, 'Aces!'

Questions to one of the speakers at the London meeting



OMERS' Michael Robinson, Manager of Education and Training, outlines the status of the pension plan for MROO members in London

Full house at April zone meeting in Peterborough

GOVERNMENT OF CANADA PROVIDES SENIORS THE OPTION TO DELAY OAS AND EARN HIGHER PAYMENTS

Excerpts from the March 2012 Government of Canada Budget

(Note: italics represent direct quotes from the federal government's 2012-2013 Budget document)

Option to Defer the OAS Pension

To improve flexibility and choice in the OAS program, starting on July 1, 2013, the Government will allow for the voluntary deferral of the OAS pension, for up to five years, allowing Canadians the option of deferring take-up of their OAS pension to a later time and receiving a higher, actuarially adjusted, annual pension. For example, individuals could continue to work longer and defer taking up their OAS pension beyond age 65, resulting in an actuarially adjusted pension starting in a subsequent year.

The adjusted pension will be calculated on an actuarially neutral basis, as is done with the CPP. This means that, on average, individuals will receive the same lifetime OAS pension whether they choose to take it up at the earliest age of eligibility or defer it to a later year.

MROO applauds the Government's proposal to allow people VOLUNTARILY to postpone receipt of their OAS pension up to age 70, in return for higher pension payments

- The financial impact is "actuarially neutral". In other words, if a person lives to the average age of death, he/she will have received as much in total OAS payments whether he/she had taken the OAS at age 65 or age 70
- Seniors have skills that remain in demand. Economists are worried that the Canadian workforce will dwindle as baby-boomers retire
- Like the 2012 changes to the CPP program, this optional OAS change provides incentives for those who want to keep working at age 65, and ensures that those who can't afford to stop working are not penalized

CELL PHONE ETIQUETTE

We all know how irritating cell phone users are when they fail to exercise discretion and think the world needs to know their business Here is one answer...

After a busy day, the young lady settled down for a rest on the commuter train home. Unfortunately, the fellow sitting across from her hauled out his cell phone and started:

"Hi darling, it's Peter, I'm on the train. Yes, I know it's the 6.30 not the 4.30 but I had a long meeting. No, not with that floozie from the typing pool, with the boss. No darling you're the only one in my life. How can you say that darling? You know what you mean to me." And so on.

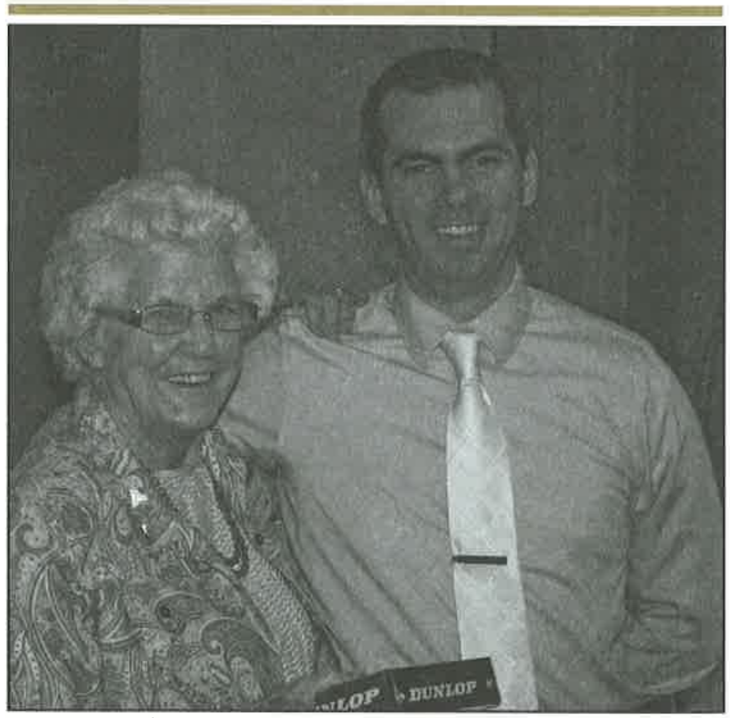
After a half hour of this, the young lady across from him, driven beyond endurance, yelled at the top of her voice,

"Hey, Peter, turn that bloody phone off and come back to bed!"

It worked.

LOT'S WIFE

The Sunday School teacher was describing how Lot's wife looked back and turned into a pillar of salt, when little Jason interrupted, 'My Mommy looked back once while she was driving,' he announced triumphantly, 'and she turned into a telephone pole!'



Zone director Eloise Clare thanks guest speaker at Peterborough meeting

PREVENTING WATER DAMAGE.

BY TOM GRAVES, VICE PRESIDENT OPERATIONS,
THE MITCHELL & ABBOTT GROUP INSURANCE BROKER LIMITED

Damage from water is one of the leading causes of property damage in Canada.

Water damage is not entirely avoidable, but by taking preventive measures you can greatly reduce the risk to your home.

Roof:

1) Your roof should be in good repair; shingles should lie flat and not curl. Missing shingles should be replaced and holes repaired. Roofs over 20 years old should be inspected by a qualified professional.
2) Eavestroughs and downspouts should be cleared of leaves and debris at least once a year.
3) Ice damming may cause water to enter your building by ice building up on your roof. This can be prevented by ensuring that attics and overhangs are adequately insulated and ventilated. If necessary have a qualified professional clear your roof of ice and snow.

Water Heaters:

Water Heaters as they age develop leaks and may cause major water damage to your property.

Water Heaters over 7 years of age should be inspected and flushed annually to see if replacement is necessary.

Watch for leaks and get repair work done as needed.

Basements and Sewer Backups:

1) Professionally install a sump pump with a battery or generator backup.
2) Backwater or check valves can help prevent sewer backup and should be installed by a plumber.
3) Keep basement drains free of obstructions.
4) Store items away from walls and off the floor. Valuables or irreplaceable sentimental items should not be stored in the basement.
5) If you have mature trees in your neighbourhood, make sure the sewer lines are not compromised by tree roots. Regular inspection of the sewer lines in neighbourhoods with older trees is necessary to avoid blockage.

MitchellAbbott Auto insurance specialist Tom Graves presents door prize to MROO member in Peterborough

During one of the informative presentations at Barrie zone meeting

Welcoming old friends at Chatham zone meeting

GETTING READY FOR A SUMMER GET-AWAY?
ADD TRAVEL INSURANCE TO THE TOP OF YOUR PACKING LIST

The long-awaited summer season is finally here. There is no more snow, no more freezing rain and no more mid-afternoon sunsets, making it a very travel-friendly time of the year. Canadians are finally booking their vacations and making more adventurous plans for their long weekends, which often lead to out-of-province and even out-of-country trips.

If you are preparing to travel this summer, remember, planning is key. Whether you're leaving for a month or a few days, ensuring that you are well prepared for any unexpected emergencies can give you a greater piece of mind and lead to a worry-free vacation.

The MROO Travel insurance Program offers a wide range of options at reasonable rates for you and your spouse. There is no age limit and you have a variety of coverage options to choose from, including:

- Multi-Trip Plans – choose from a variety of plan options
- Single Trip Daily Plans – up to 212 days
- Canada Plan
- Medical Underwriting Plan – if not eligible for the Standard Plan
- Top ups and extensions available

ENCON's Deirdre Kane speaks about the MROO Health Plan in Barrie

The program offers coverage under two main categories:

MROO Annual Travel Insurance (for policyholders in the MROO Health Care Plans II or III):

If you are currently enrolled in one of two MROO Health Care plans (Plan II or Plan III) or you are planning to enroll, you will have the opportunity to travel as often as you like during the year for up to 30 days per trip. Just keep your RSA/etfs Viator card with you at all times. If you have a medical emergency, don't forget to call the Global Excel medical assistance number right away so that they can assist in managing your health care claim for you. Enjoy and travel with confidence all year round!

For a description of coverage and rate information, or if you have any questions, please contact our insurance manager, ENCON Group Inc., at mroo@encon.ca or toll free at 1-800-363-7861.

Everyday MROO Travel Insurance (open to all MROO members):

MROO has travel plans through RSA/etfs to cover all of your travel needs. Choose a travel insurance plan that's right for you using MROO's toll free travel number 1-877-762-9207 or visit our website. These plans are available to all MROO members: you do not need to be enrolled in any other MROO insurance plan to be eligible. For more information please visit http://www.encon.ca/mroo/travelforseniors.html.

Zone director Francine Delcourt thanks guest speaker in Barrie