Pension Fund Has Huge Losses Due to Poor Investing During COVID

Description

The Ontario Municipal Employees Retirement System, also called Omers, is one of Canada's largest pension funds. It recently posted one of its worst results since the global financial crisis of 2008 after suffering substantial losses through its private equity and real estate holdings.

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The losses for this pension fund could have severe long-term implications for Canadians who rely on the pension.

Canada's largest pension funds

Omers lost 2.7% on its investments from last year, pushing its assets to $105 billion. While it is not as drastic as the 15.3% loss in 2008, it is the second-biggest loss this pension fund has seen. The economic fallout from COVID-19 had a significant impact. President and CEO Blake Hutcheson said the pension fund accepts the responsibility for the losses due to bad investing during the pandemic.

The pension fund fell far short of its 6.9% return benchmark and trailed the average 10% increase of Canadian pension plans. Hutcheson believes that the pension fund still has a very strong future ahead of it, and Omers has done a lot to set itself up for success in the future.

The pension fund's portfolio consists of "old economy" public equities that include allocations to financial services and energy companies. The investments weighed down on the fund's performance due to the economic impact of COVID-19.

The pension fund's focus will be increasing allocation to new-economy stocks and expand its investments in other markets to provide better returns and greater stability to its performance.

Setting up a secondary retirement fund in your TFSA

The significant decline in Omers and the overall impact of COVID-19 on various pension plans like the Canada Pension Plan (CPP) has highlighted the importance of creating multiple revenue streams to supplement your retirement income. Using your Tax-Free Savings Account (TFSA) to buy and hold a portfolio of reliable dividend stocks that can increase payouts over the years could be an excellent alternative revenue stream for you to consider.

A stock like **Fortis Inc.** (TSX:FTS)(NYSE:FTS) could be an ideal way of building a passive income portfolio. Fortis is a utility sector operator with a 49-year dividend growth streak. The Canadian Dividend Aristocrat can comfortably finance its growing dividends due to its essential nature.

Utilities are a crucial service for all industries and individuals, which means that Fortis can continue generating income regardless of the economic environment. The company earns income through highly regulated and contractual assets. It means that Fortis already knows its revenues at the beginning of the year, and it can comfortably allocate funds to its growing dividends to shareholders and growth plans.

Foolish takeaway

Creating alternative revenue sources that can offset any losses in your other pensions could be vital to living a more comfortable retired life. Buying and holding the stock in your Tax-Free Savings Account (TFSA) virtually guarantees you growing dividend income through a recession-resistant stock. Fortis could be an ideal foundation for a tax-free income source in your TFSA.

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