

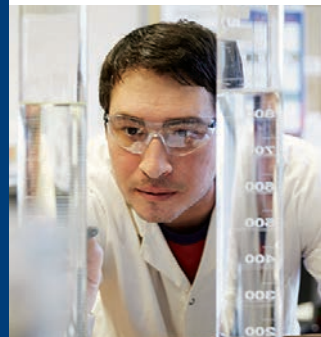
2016 OMERS Report to  
**EMPLOYERS**



Strategic

Secure

Strong



We are OMERS, the defined benefit pension plan for over 470,000 active, deferred and retired employees from nearly 1,000 municipalities, school boards, libraries, police and fire departments, and other local agencies in communities across Ontario.

**PICTURED ON FRONT COVER:**

1. Anita, member, Town of Richmond Hill
2. Jim, retiree and Joan, spouse
3. Jay, member, Regional Municipality of Durham

The interests of OMERS Plan members, employers, sponsors and other stakeholders are represented by two corporations with separate and distinct mandates:

**OMERS Sponsors Corporation (SC)** provides strategic oversight and decision-making with regard to designing benefits, setting contribution levels, and determining the composition of the two OMERS Boards.

**OMERS Administration Corporation (OAC)** provides strategic and operational management in serving Plan members and employers, collecting contributions and paying pensions, and investing the Plan funds.

This bicameral (two-part) structure provides for the effective operation of OMERS as a whole. Specifically, it helps to ensure broad input into decision-making by considering the interests of a large number of stakeholders – and focused expertise in key areas, including Plan design, member and employer service, and Plan investments.

The two corporations and their Boards work together, closely and collaboratively, to meet a singular goal: the delivery of secure, sustainable and affordable benefits that address the needs of both members and employers.

**2016 HIGHLIGHTS**



**93.4%** FUNDED



**10.3%** NET RATE OF RETURN



NO CHANGES TO CONTRIBUTION RATES



**\$85.2** BILLION IN NET ASSETS



**\$3.9** BILLION IN CONTRIBUTIONS



**\$3.6** BILLION IN BENEFIT PAYMENTS



**470,000** MEMBERS



**990** EMPLOYERS



# Update On 2020 Strategy: Driving Plan Sustainability

In 2016, OMERS continued to execute on the 2020 Strategy put in place the year before.

Our 2020 Strategy, which sets out a five-year roadmap, is advancing OMERS toward our vision of being a leading model for defined benefit pension plan sustainability.

This Strategy recognizes challenges facing OMERS in the coming years, including:

- A maturing Plan as the number of retired members increases relative to contributing members
- A challenging investment environment
- An evolving pension landscape as retirement security remains a priority for governments

Our 2020 Strategy addresses Plan maturity. In 2016, OMERS continued to assess various options for sharing funding risk more equitably in the future, across the broader population of active and retired members. One of those options is the possible introduction of Modified Inflation Indexing, following formal consultation with key stakeholder groups. While this innovative approach to managing funding risk would have no immediate impact on the Plan, including contribution rates or benefit levels, it would give the OMERS Sponsors Corporation Board some flexibility to alter future levels of indexation, if necessary, and subject to normal governance procedures and a two-thirds supporting vote.

A challenging investment environment is being addressed by continuing to strengthen OMERS investments, and also adjusting our asset mix to ensure investments are allocated in a way that maximizes our ability

to return to full funding, minimizes the need for unexpected Plan design changes, and maximizes OMERS ability to pay pensions.

The evolving pension landscape requires an expanded OMERS outreach program for developing deeper relationships with members, employers, stakeholders and government so OMERS can help shape the regulatory framework for defined benefit pension plans.

## **Our Goals:**

- Achieve full funding and protect the Plan from market volatility, with stable and predictable contribution rates and benefit levels.
- Earn a consistently high satisfaction rate – provide high-quality service to members, employers and stakeholders.
- Manage costs effectively – both our Management Expense Ratio (MER) and our Cost Per Member (CPM).

Our Strategy is working and contributed to our solid 2016 results. It is based on four pillars:

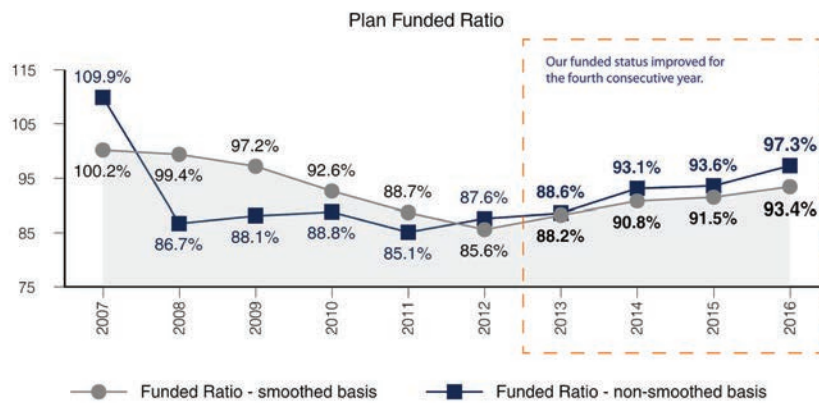
1. Protecting our funded status
2. Delivering 7-11% net annual average investment returns
3. Continuing to build quality relationships with members, employers and stakeholders
4. Evolving our capabilities and business model.



# 2016 Progress on the Strategy

## PROTECTING FUNDED STATUS

The funded ratio of the Primary Plan, a key indicator of the long-term health of the Plan, increased to 93.4% at the end of 2016, up from 91.5% the year before. The Plan's funded status improved in 2016 for the fourth consecutive year. We remain on track to achieve full funding by 2025.



To reduce funding risk, OMERS reduced the Plan's real discount rate (net of inflation) from 4.25% to 4.20%, effective December 31, 2016. A lower real discount rate can help absorb the impact of potential funding stress, such as a future financial crisis. In such a situation, OMERS could raise the discount rate to stabilize the funded status of the Plan, and mitigate the negative impact on benefits and contribution rates.

The OMERS Plan is funded through the contributions of members and employers, and through the Plan's net investment returns. There were no changes to **contribution rates** or benefits in 2016, which, **in 2017, will remain at current levels.**

Employer Contribution Rates in 2017			Average
Normal retirement age 65 members	On earnings up to CPP earnings limit*	9.0%	10.7%
	On earnings over CPP earnings limit*	14.6%	
Normal retirement age 60 members	On earnings up to CPP earnings limit*	9.2%	
	On earnings over CPP earnings limit*	15.8%	

\*The CPP earnings limit in 2017 is \$55,300.

## DID YOU KNOW?

The average annual pension for an OMERS member who retired in 2016 was \$29,600.

80%

In a survey, 80% of employers are satisfied with the service OMERS provides.

85%

In a survey, 85% of members said OMERS provides good value.

## DELIVERING INVESTMENT RETURNS

In 2016, OMERS had a net investment return of 10.3% compared to 6.7% in 2015.

OMERS continues to build a diversified portfolio of high-quality investments. Our experienced in-house teams directly and actively manage most of the Plan's investments, which allows us to maximize opportunities.

## BUILDING QUALITY RELATIONSHIPS

As part of our continuing outreach program, OMERS Senior Executive Team met directly with employers, along with sponsors and other stakeholders, throughout the year. These meetings provide an opportunity to achieve a deeper understanding of issues of importance, to build stronger relationships, and to further partner in connecting with members and our community.

We established an Employer Advisory Forum, which provides an opportunity for employers and OMERS to address pension administration matters and to exchange ideas related to areas of common interest, such as technology and Plan demographics. We also continue to work closely with employer associations to better understand the complexities our employers are facing.

OMERS believes that diverse views and perspectives should be discussed and considered when making decisions, and

dialogue with our employers through these forums will be a valuable part of the decision-making process.

## EVOLVING OUR CAPABILITIES AND BUSINESS MODEL

OMERS is highly committed to delivering value for pension dollars. In 2016, OMERS focused on initiatives that reflected this commitment, including evolving our procurement and project management processes, seeking out income streams to defray costs, and strengthening our focus on cost-awareness.

We are developing a new pension administration system and investing in information technology capabilities that will provide cost efficiencies in the long run. We expect our Cost Per Member to increase over the near term – as we invest today to achieve cost efficiencies in the long run – then come down again.

The initiatives introduced in 2016 help ensure OMERS will achieve our cost objectives by 2020, reducing our Investment Management Expense Ratio to below 50 basis points and moving our pension administration Cost Per Member to our target of \$185. The Investment Management Expense Ratio was 61 basis points in 2016, compared to 57 basis points in 2015. The Cost Per Member was \$189 in 2016, compared to \$161 the year before.



# Serving Employers

During 2016, OMERS provided 73 employer information sessions across the province, and webinars with 2,133 employer representatives attending. Our partnership with employers continues to expand, and we have established a dedicated Employer Service group focused on providing support and assisting you with your evolving pension administration needs.

Further development work continued in 2016 in support of the new OMERS pension administration system. We have heard from many of you that you are enhancing your technical capabilities and want to streamline how you provide information to us. Implementing the new OMERS pension administration system is a step in that direction. We continue to listen to your feedback and your input is important to this initiative.

As we proceed further with the development of this system, we will be keeping you informed, as some features of the current

system may be modified. OMERS will support you through this transition process.

The new pension administration system will be important in achieving OMERS goal of providing secure pensions with high-quality, value-driven service for members and employers.

- OMERS handled more than 200,000 calls in 2016.
- We anticipate more employer calls with the transition to the new OMERS pension administration system.
- OMERS provides electronic communications options, so we can all connect effectively and manage Plan costs. In 2015, 3 out of 4 members in surveys said they were willing to switch to digital. While 45% more members in 2016 requested electronic statements, compared to the previous year, the total number of members registered for e-subscription is still less than 45,000.



# How Employers Can Help

**The OMERS Pension Plan is an integral part of total compensation.**

The OMERS Plan helps you attract and retain qualified employees, while also helping to provide members with a secure retirement. Increasing OMERS membership also supports keeping the Plan sustainable.

You can help by assisting your employees to learn more about the Plan, particularly those non-full-time employees who are eligible for

enrolment. Encourage your employees to find out more by visiting [omers.com/jointheplan](http://omers.com/jointheplan).

OMERS can save pension transaction costs by having more members interact with us online and through myOMERS. You can help by encouraging your employees to sign up for myOMERS and e-subscription. Contact us if you would like to discuss ways to promote paperless pension transactions.



# Plan Value for Employers

OMERS partners with 990 employers from municipalities, school boards and other local boards across the province.

## **DID YOU KNOW?**

**OMERS is an important economic driver not only in Ontario, but also in Canada. The Plan's annual benefit payments of \$3.6 billion exceed the annual payroll of many large Canadian corporations.**

OMERS continues to be committed to delivering defined benefit pensions on behalf of the Sponsors of the Plan, at predictable costs, with efficient administration and high-quality service for our employers.

Being part of a large multi-employer pension provider allows you to benefit from economies of scale, and to leverage risk-pooling. It also provides you with access to knowledgeable pension resources and information about retirement patterns and trends across the province.

An OMERS pension continues to be a valuable part of the total compensation package. With an upcoming wave of public sector retirements, providing an OMERS pension is an important tool in attracting new employees for the future.

A secure retirement helps OMERS members remain active and contributing members of their communities. Regular pension payments also enable consumer spending that, in turn, generates the business and tax revenue that sustain healthy communities.

**OMERS 2020 Strategy will continue to guide us as we make further progress on our vision to make OMERS a leading model for defined benefit pension plan sustainability.**



# OMERS Annual Spring Meeting

## Where:

Metro Toronto Convention Centre  
North Building, Level 100, Room 105  
255 Front Street West, Toronto, ON  
Public parking available

**When:** Monday, April 10th, 2017  
Light breakfast 8:30 a.m. EST  
Meeting 9 a.m. - 11 a.m. EST

OR

Register for video webcast  
Visit [omers.com](http://omers.com) or [omerssc.com](http://omerssc.com)

**REGISTER NOW**



## Contact Us

Please send feedback about this Report to Employers or general comments to:  
[client@omers.com](mailto:client@omers.com) | 416-369-2444 | 1-800-387-0813

**Ana Caçoilo**  
Senior Vice President  
Pension Services

**Warren Bell**  
Chief Operating Officer

**Cara-Marie O'Hagan**  
Vice President  
Stakeholder & Member  
Communications

**Roberta Hague**  
Senior Vice President  
Communications &  
Public Affairs