



2019

HIGHLIGHTS FOR OUR MEMBERS

TAKING STOCK | MOVING FORWARD | CREATING VALUE

WE ARE OMERS

A jointly sponsored, defined benefit pension plan, with 1,000 participating employers ranging from large cities to local agencies, and over half a million active, deferred and retired members.

Our members include union and non-union employees of municipalities, school boards, local boards, transit systems, electrical utilities, emergency services and children's aid societies across Ontario. Contributions to the Plan are funded equally by members and employers.

OMERS teams work in Toronto, London, New York, Amsterdam, Luxembourg, Singapore, Sydney and other major cities across North America and Europe – serving members and employers and originating and managing a diversified portfolio of high-quality investments in public markets, private equity, infrastructure and real estate.

The benefits OMERS provides are funded equally from active members' and their employers' contributions, combined with investment income. We estimate that, on average, active members today will have approximately 70% of their lifetime benefits funded by investment returns.

OMERS actively seeks out opportunities to engage with decision-makers to advocate the advantages of the jointly sponsored defined benefit pension model.

The OMERS Pension Plans comprise the OMERS Primary Pension Plan, the Retirement Compensation Arrangement (RCA) for the OMERS Primary Pension Plan, and the Supplemental Pension Plan for Police, Firefighters and Paramedics, which has no assets, liabilities or members. When we refer to the "OMERS Plan" or the "Plan" in our communications, it is the OMERS Primary Pension Plan that we are typically referring to, unless otherwise specified. When we refer to the "OMERS Act", it is to the OMERS Act, 2006, as amended.

500,000+ Members

97%

Funded Ratio



11.9%

Net Rate of Return



5.90%

Discount Rate



8.5%

5-Year Average
Net Rate of Return



\$109

Billion In Net Assets

\$32,491

Average annual pension for
members retiring in 2019

The current average contribution rate paid by members is 10.6% which is matched equally by employers.

Contribution rates and benefit accruals remain unchanged for 2020. Pension payments to retired members increased by a cost of living adjustment of 2.29% in 2019 and of 1.89% in 2020.



ALANNA
City of Barbie
7 years

These first few pages provide highlights from the past year, address the questions we receive most often, and look ahead as we continue with our refreshed strategy. We end with a discussion about OMERS broader impact and responsibilities.



94%
Member Satisfaction



\$32,491
Average annual pension
for members retiring in 2019



92%
Employer Satisfaction

TAKING STOCK

In 2019, we achieved an 11.9% net investment return, with positive performance across all asset classes. Public equity returns were particularly strong this year. Our 2019 performance exceeds last year’s net return of 2.3%, which was impacted by challenging stock market conditions, and also exceeds our benchmark of 7.5%. Over the past five years, our average net rate of return has been 8.5%.

This strong long-term investment performance, combined with contributions from our members and employers, improved our smoothed funded ratio to 97% – an increase of 1% from last year and the seventh consecutive year of improvement. On a fair value basis (i.e., without smoothing), our funded status is 101%.

NET RETURN HISTORY				
1-Year	3-Year	5-Year	10-Year	20-Year
11.9%	8.5%	8.5%	8.2%	6.5%

We use a discount rate to calculate the value of our pension obligations. In 2019, we reduced

our real discount rate by 10 basis points, from 4.00% to 3.90%, reflecting the increasing risks the Plan is facing. We assume annual inflation of 2.00%, so our pension obligations are discounted at an all-in rate of 5.90% at December 31, 2019.

Since we began operating under our 2020 Strategy five years ago, our smoothed funded status has improved by 6%. Over the same period, we’ve reduced our discount rate by 35 basis points, exceeding the 25 basis points target we set in 2015. During that period, we have earned \$9.8 billion of net investment income over the amount required to fund our liabilities.

Today, our long-term pension obligations are valued at \$106 billion. These obligations are backed by our global portfolio of high-quality, well-diversified assets, with a fair value of \$109 billion. As we invest and manage these assets, we apply our sustainable investing practices, which are described in later pages of our Annual Report.

For an overview of 2019 investment activity, visit www.omers.com/investing.

PENSION TERMINOLOGY

The “funded ratio” is the ratio of net investment assets to long-term pension obligations. It is an indicator of the long-term financial health of the Plan. It can be calculated on a “smoothed” or “fair value” basis:

“Fair value” uses year-end values of OMERS assets, without any adjustments. Because our investment returns vary each year, this calculation results in a funded ratio that may also vary year over year.

“Smoothed” evens out the variations in annual returns over a five-year period. In this way, contribution rates and benefits are set using a more stable, long-term view of investment performance.

The “discount rate” is the interest rate used to estimate the dollar value of OMERS long-term pension obligations. It includes two components: a “real” rate before inflation and net of a margin for risk, and an inflation estimate. Setting the discount rate is key to managing the Plan and addressing risk. Lowering it increases the dollar value of our pension obligations and therefore decreases our funded ratio but makes the Plan more resilient. Lowering the discount rate also ensures that contribution rates are set to properly fund liabilities.

“Jointly sponsored pension plans” are those in which decision-making and contributions are shared by both members and employers.



	Contribution Rates	
	Normal Retirement (Age 60)	Normal Retirement (Age 65)
On earnings up to \$57,400	9.20%	9.00%
On earnings above \$57,400	15.80%	14.60%

One of our top priorities for 2019 was to find new ways to improve how we support and provide service to our members and employers. We have made good progress.

We upgraded myOMERS, our online member portal. In addition to accessing your accrued benefit and pension information, new features enable you to update your beneficiary, address and banking information online, as well as connect with our Member Services representatives through secure online communications. Investing in a new member relationship management system is helping us work more efficiently and improves how we stay connected to you. This system's capabilities will continue to increase as we introduce more features and functionality.

This past year we also made efforts to get to know you personally:

- Our President, Blake Hutcheson, and our Chief Pension Officer, Annesley Wallace, visited five cities across Ontario, met with 700 members and retirees and answered over 100 questions. Plans are already underway for the 2020 President's Roadshow.
- 26,000 members participated in our Member Engagement Survey.
- We talked to recently retired, or about-to-retire members who volunteered to share their expectations, experience and myths about retirement. Their candid thoughts will help us improve the member experience in the years leading up to and following retirement.



200,920

Member phone calls
handled by Member Services

For employers, we launched our Employer Monthly newsletter – a collection of timely, plan-related content. We provided personalized training, aimed at enhancing employers' understanding of Plan administration. We listened to feedback on how to improve our employer web portal, which will be a focus area in 2020.

And we implemented a new method for measuring employer satisfaction, providing us more meaningful information about the employer experience. We achieved 92% employer satisfaction in 2019.

WE WANT TO CONTINUE THE CONVERSATION WITH YOU, OUR MEMBERS.

You are invited to attend

OMERS Annual Meeting Webcast:
April 8, 2020, 9:00 a.m.

For more details, visit www.omers.com/Events/Annual_Meeting

MOVING FORWARD

In May 2019, we refreshed our 2020 Strategy, setting out our key areas of focus for the next five years. This 2025 Strategy keeps us on the path to making OMERS a sustainable, affordable and meaningful Plan, while managing challenges across the pension landscape.

Similar to many pension plans across the globe, OMERS is experiencing demographic and social shifts that will make our future different from our past:

- Over time, there will be more members receiving retirement benefits from the OMERS Plan than there will be contributing to it. This “plan maturity” means that the Plan will have a reduced ability to recover from unanticipated events that could occur in the future – and the impact from those events could be more severe – especially for active members and employers.
- Members are living longer than they have in the past. This means that OMERS must be able to pay pensions for longer and we have to carefully consider how this impacts future investing, contributions and Plan design decisions.
- Work is changing. Automation is affecting many jobs and part-time employment is increasing. This means that the profile of our membership decades from now will likely be significantly different from our membership today. We need to plan today for a variety of outcomes.
- Investment markets are changing. Aging populations around the globe reduce our expectations for economic growth and point to a sustained period of low interest rates. The risks of geopolitical unrest have become high. OMERS needs to prepare for a more volatile and lower return environment.

The success of our strategy depends overwhelmingly on the strength of our people — who are strongest when they can bring their whole selves to work.

For us, inclusion means belonging. At OMERS, 92% of employees say they feel they belong, and 88% feel the OMERS environment enables them to be themselves at work. While we are encouraged by these metrics, we remain focused on fostering an environment of belonging.

We build inclusion from the ground up in several ways: we invest in programs and development opportunities to accelerate personal and professional growth. We support employees in establishing resource groups they feel are important. And we celebrate the diversity of cultures across the organization and around the world.

Here's how our 2025 Strategy addresses these challenges:



EVOLVING the OMERS Plan. We aim to ensure its continued sustainability, and to meet stakeholders' needs through exploring Plan design modernization, simplification and membership growth.



ENSURING the Plan's financial health. We will continue to manage its funded status and its discount rate, among other inputs. For example, we believe that contribution rates are unlikely to decrease in the foreseeable future, even after the Plan achieves full funding.



MAINTAINING a diverse investment portfolio. Our priorities include diversifying globally and continuing to incorporate Environmental, Social, and Governance factors into our investment decisions.



IMPROVING stakeholder trust and understanding. We are focused on enhancing stakeholder engagement, government relations and our service delivery to our members.



ADVANCING our operational capabilities. We know that talent depth, data and technology, and costs are important to executing our strategy.

In early 2020, the SC announced potential Plan design changes that it is considering; more information is available at www.omerssc.com. OMERS has scheduled Sponsor and Stakeholder Forums for April and May 2020 to discuss these potential changes, and we anticipate the SC will make and announce a final decision in June.

We will continue to share with you our progress against this strategy, in the regular communications you receive from us, at our forums and meetings with Sponsors and Stakeholders and annually in this report to members.

CREATING VALUE FOR OUR COMMUNITIES

While we focus on executing our strategy, we also know that our actions impact more than our immediate stakeholders.

We know that our direct economic impact to the province of Ontario is meaningful. In 2019, OMERS paid \$4.6 billion of pension benefits to more than 170,000 members, most of whom live in Ontario. These payments, combined with OMERS investments in the province, contributed over \$10 billion[†] to the Ontario economy. Our retired members' spending also helps support some 63,000[†] jobs in communities across Ontario.

These economic benefits are just one reason that OMERS has become an increasingly vocal advocate for the defined benefit pension model. We know that:

- Defined benefit and particularly, jointly sponsored pension plans, provide financial benefits to communities. They compel members to save for retirement. They pool risks from multiple investments and from thousands of individuals – those entering the workforce and those enjoying retirement – into one diversified, lower-risk plan. They also provide professional investment management while lowering costs.
- Defined benefit pensions benefit society: our research shows that on average, our members are healthier, more financially secure, and more likely to volunteer in their communities, than those without a defined benefit pension. These qualities reduce the demand that would otherwise be met by government services.

\$4.6 Billion pension benefits paid

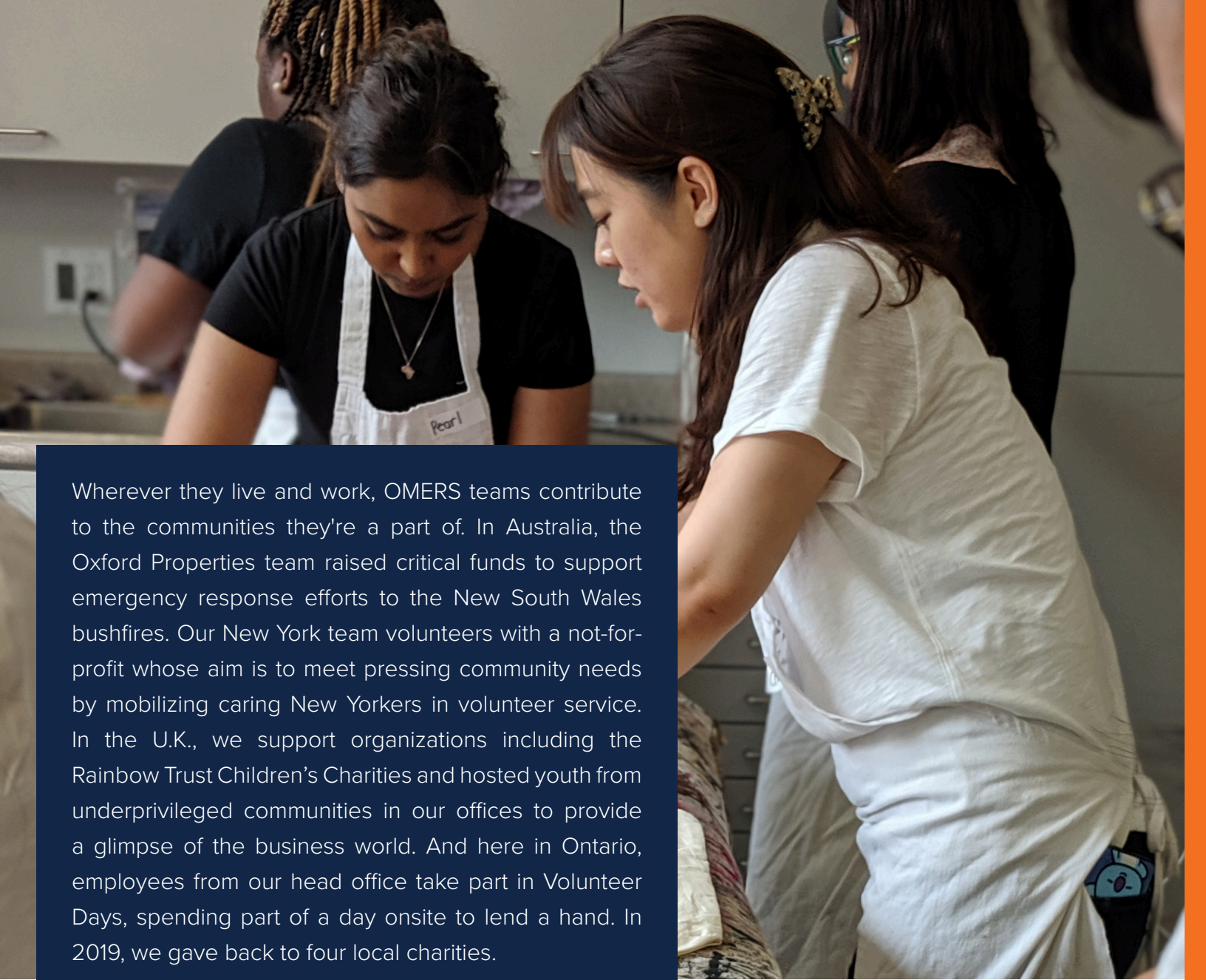
\$10 Billion contribution to Ontario's economy from OMERS activities[†]

63,000 Jobs in Ontario communities are supported through OMERS pension payments[†]

100,000+ Jobs in Ontario communities supported through OMERS activities[†]

For these reasons, we have made it a priority to promote our defined benefit pension model: our Senior Executive, government relations and communications teams actively seek out opportunities to engage with decision-makers to advocate the advantages of the jointly sponsored, defined benefit pension system.

[†] OMERS and its Members: Ontario Economic Contribution. Canadian Centre for Economic Analysis. February 2020.



Wherever they live and work, OMERS teams contribute to the communities they're a part of. In Australia, the Oxford Properties team raised critical funds to support emergency response efforts to the New South Wales bushfires. Our New York team volunteers with a not-for-profit whose aim is to meet pressing community needs by mobilizing caring New Yorkers in volunteer service. In the U.K., we support organizations including the Rainbow Trust Children's Charities and hosted youth from underprivileged communities in our offices to provide a glimpse of the business world. And here in Ontario, employees from our head office take part in Volunteer Days, spending part of a day onsite to lend a hand. In 2019, we gave back to four local charities.

Over the last few years, expectations of organizations to act responsibly, ethically and thoughtfully have increased. These expectations are not new to OMERS.

We apply high ethical standards in our investing approach and we fully comply with the laws and regulations in the communities where our controlled investments operate. We support those local communities through the proper payment of taxes.

OMERS has long believed that well-run organizations with sound environmental, social and governance practices will perform better, particularly over the long term. In 2019, we adopted a refreshed Sustainable Investing policy, and we also made new commitments to address climate change. We have become a signatory to the Task Force on Climate-related Financial Disclosures. We have begun to introduce these disclosures in this Annual Report.

Our efforts in 2019 and our ongoing goal – which we acknowledge and embrace – is to link economic value to social value. We recognize we have this responsibility to our members, employers, stakeholders, employees and our partners and communities, promoting social sustainability for generations to come.



We are pleased with our accomplishments in 2019 and over the past five years. Still, we are aware of the challenges that lie ahead. Our strategy sets out a realistic plan to face the future with optimism.

We seek the support of our members and our stakeholders as we navigate the complexities the Plan faces. Working together, we believe that we can continue to make OMERS a sustainable, affordable and meaningful defined benefit pension plan for you.





T +1 416.369.2444 +1 800.387.0813

F +1 416.369.9704 +1 877.369.9704

omers.com

EY Tower | 900 - 100 Adelaide Street West
Toronto, Ontario M5H 0E4
Canada

