

## Looking Ahead

OMERS focus is on long-term Plan sustainability. This means managing not only for today, but for tomorrow, and for generations to come. We are focused on addressing the challenges and risks that come with a changing environment.

OMERS has long recognized the need to manage change. A statement from our 1968 Annual Report highlighted: "A pension fund, if it is to be effective, must meet a number of requirements – it must be financially sound, provide efficient and helpful service to its members, be aware of the constant demand for change and improvement and be responsive to the needs of its members. OMERS makes every effort to meet these requirements."

Looking beyond 2017, change will remain a key factor and the OMERS Plan will continue to mature. In 1997, the ratio of active members to retirees was slightly less than 3:1. In 2017, this ratio was just below 2:1. By the late 2030s, our Plan is expected to have an active member to retiree ratio of 1:1. As the Plan matures,

it becomes more vulnerable to stresses, as there are relatively fewer members to carry the cost of any impact, which, without preparation in advance, could require higher contribution rates, reduced benefits, or a combination of the two, in the future.

The makeup of Plan membership is shifting and this has an impact on determining contribution rates. In 2017, a *Membership Evolution Study* was conducted to help OMERS better understand the changing nature of work and its implications for OMERS active membership. The study identified four areas of potential workplace disruption:

- growth in non-full-time work
- privatization
- new, alternative service-delivery models
- automation and technology

We are aware of the challenges ahead and the forces at play. Through our research studies and through the *Comprehensive Plan Review*, OMERS is committed to finding the right solutions, which are essential to protecting, securing and sustaining the Plan for the benefit of us all. The following realities are driving us to assess the Plan:



### Plan Maturity

The Plan is aging, with the ratio of active members to retirees increasingly shrinking. With relatively fewer contributing members, mature plans are more vulnerable to economic downturns. As well, mature plans can expect to pay out more in pensions each year than is taken in through contributions.



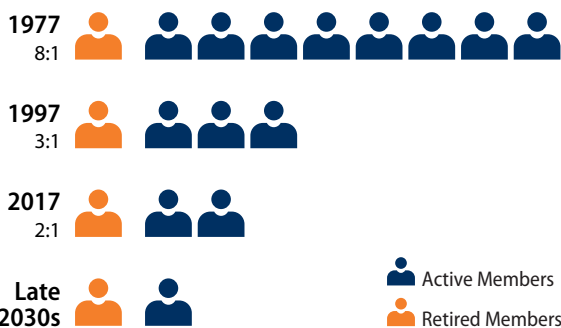
### Longevity

As with the broader demographic trend, OMERS members are living longer. This places additional financial pressure on the Plan since the Plan pays pensions for life.



### Workforce Trends

The *Membership Evolution Study* highlights potential changes to OMERS membership as the Plan continues to mature. A changing workforce could impact evolving retirement needs.



While benefits that have been earned to date are protected, we need to look ahead and examine the ability to adjust the Plan. Formal consultations with key stakeholders took place in 2017 regarding the possible introduction of Modified Inflation Indexing. During the consultations, we heard that our sponsors and other stakeholders wanted to learn more about a range of Plan design options that could be available. To this end, in 2017, the Sponsors Corporation initiated a *Comprehensive Plan Review*. This Review is a logical extension of OMERS commitment to managing and planning for change, and is an opportunity to evaluate the Plan in response to realities that are largely beyond our immediate control.

These factors are expected to contribute to OMERS active membership leveling off, or even potentially declining in the coming years. The Study's findings will be used to support planning and Plan design decisions to ensure long-term sustainability of the Plan.



### Economic Factors

In spite of recent strong investment returns, we anticipate it could be extremely challenging to generate consistently higher returns over the longer term. Any major economic setback puts greater pressure on contributions to sustain the Plan's financial health.



### CPP Enhancement

Starting in 2019, the Canada Pension Plan will begin its enhancement program. As more dollars are being directed to secure more retirement income outside of OMERS, this puts further pressure on OMERS contribution rates, decreasing the dollars members and employers have to absorb future increases. The CPP enhancement could impact OMERS membership needs in the future.