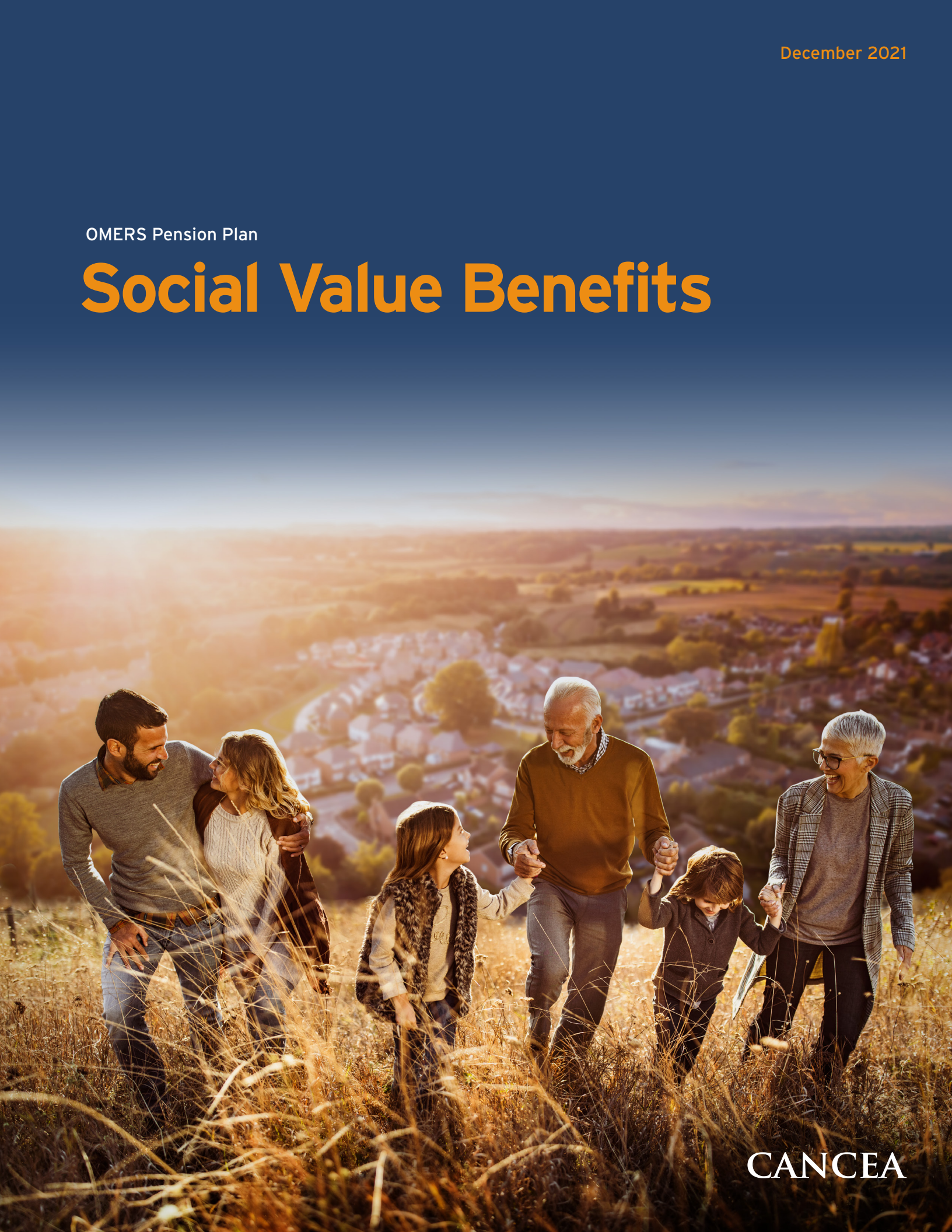


OMERS Pension Plan

# Social Value Benefits



# The Canadian Centre for Economic Analysis

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# Executive Summary

Organizations around the world are seeking to better understand and measure their value and impact beyond strictly economic and financial metrics. With the shift in the financial markets towards environmental, social, and governance drivers of value, it is increasingly incumbent upon organizations to understand their value beyond strictly economics and finance and explore their role in generating social value.

The common theme throughout the history of social value is that it accrues from the significance that people place on events and developments in their lives. There are many aspects of social value that could be considered, of which *well-being* and *satisfaction with life* are primary drivers. There are increasing examples of organizations adopting this way of measuring performance. New Zealand has moved towards measuring well-being as a national benchmark instead of relying on purely economic metrics. The United Kingdom uses social value and well-being to shape policy decisions and evaluate procurement. There is also an increasing body of data that demonstrates that businesses publicly perceived as behaving responsibly perform better financially.

OMERS is a defined benefit pension plan established to provide a secure retirement to over half a million active, deferred, and retired municipal employees across Ontario. With 1,000 participating employers, individual OMERS members work for municipalities, school boards, transit systems, electrical utilities, emergency services, libraries, conservation authorities, and children's aid societies across Ontario. OMERS invests in Ontario and around the world on behalf of its members to deliver long-term, stable returns to provide retirement income for members. In 2020, there were just over 463,000 OMERS members residing in Ontario, of which 292,900 were employed, active members, and 170,300 were retired members<sup>1</sup> and form the basis of this study.

**Providing a secure and stable pension delivers value beyond pure monetary benefits. It can improve the lives of OMERS members and benefit communities. This research explores the direct and indirect impact of having a secure and stable pension on the life satisfaction of individuals and other social value benefits for employers and wider communities.**

## Key findings:



**Members:** retirees with a secure and stable retirement income have higher life satisfaction, attributed to increased financial security, lower stress, and better health.



**Communities:** OMERS members with retirement security play an increased role in their communities through volunteering and charitable giving, and support local employment and businesses.



**Employers:** access to a secure and stable pension provides a stronger bond between employees and employers that supports retention and productivity.

<sup>1</sup> This excludes the 63,000 OMERS members who reside outside of Ontario, or who have deferred pensions.

## Social Value and Pensions

This research seeks to understand the social value generated by pension plans that provide a secure and stable source of income in retirement, such as OMERS, by examining reported satisfaction with life among OMERS and non-OMERS populations. The reasons for any differences are investigated, such as the role of financial security, health, stress, and community engagement. A specific analysis of the OMERS defined benefit pension plan (the “OMERS Plan”) membership investigates other aspects of social value benefits that may accrue from stronger relationships with employers and community participation, such as volunteering. There are also much wider socio-economic contributions stemming from OMERS pension operations, investments, and retiree spending that touch every community in Ontario.

For pension plans, social value is generated among two main groups:

- Members (both active and retired), and
- The community (including employers and wider communities)

The Canadian Centre for Economic Analysis (CANCEA) was commissioned to analyze the social impacts of pension plans, with a particular focus on OMERS members living in Ontario. The data for the research is generated from a survey of a representative sample of the Ontario population and the OMERS membership that live in Ontario. Reported findings compare OMERS members to those with no pension coverage unless indicated otherwise. Methods of analysis and interpretation from the literature are then employed to yield the findings.




## Social Value and OMERS Members

Social value for both active and retired members manifests through impacts on reduced stress and improved quality of life. In Ontario, it was found that people with pension plans are consistently more satisfied with life. While this is consistent with the idea that saving for retirement is a good thing, the strength of the relationship between life satisfaction and having a pension is high. People with a pension plan are 47% more likely to be more or much more satisfied with life. This is largely due to the reported positive impacts on their long-term financial security, positive impacts on physical and mental health, less stress, and higher community involvement and leisure time. It also demonstrates the potential value of extending access to pensions to more people across society.

Members of OMERS show a stronger relationship between satisfaction with life and having a defined benefit pension plan. **Retired OMERS members** are 54% more likely to be either more or much more satisfied with life. These benefits showed persistence across income groups, ages, genders, and geographic regions. The reasons for this higher life satisfaction are attributed to a 20% higher feeling of financial security, 48% more likely to feel they have saved well for retirement, and 22% noting they feel lower stress levels, among other indicators.

### Social Value Impacts for Retired OMERS Members



 <p><b>54%</b> more likely to be more/ much more satisfied with life*</p>	<p><b>90%</b> attribute higher life satisfaction to being part of a defined benefit pension plan</p>
 <p><b>20%</b> higher feeling of financial security*</p>	<p><b>48%</b> more likely to feel they saved well or extremely well to meet their retirement income needs*</p>
 <p><b>15%</b> higher satisfaction with their health*</p>	<p><b>42%</b> rate their physical health as very good or excellent</p>
 <p><b>22%</b> more likely to report lower levels of stress*</p>	<p><b>29%</b> less likely to attribute stress to financial concerns*</p>
 <p><b>38%</b> more likely to volunteer time in their community*</p>	<p><b>94%</b> donate to charities and not-for-profits</p>

\*All figures compared to people without pension coverage refers to retirees living in Ontario



OMERS **active members** are those who are yet to retire and still making pension contributions. Active members were 73% more likely to be either more or much more satisfied with life. Though there are other factors besides pension plans contributing to satisfaction with life, such as job security.

Both active and retired members reported greater financial security and satisfaction with health and significantly lower financial concerns as a source of stress. Active members are also more likely to feel a sense of belonging to their employer given their participation in a defined benefit pension plan, which has positive impacts on employee retention. Research has also shown that happy employees can be over 10% more productive in the workplace, which provides additional value to employers and the community.

When retirees report higher satisfaction with life and attribute it to the secure and stable pension they receive, they are essentially reporting the usefulness and enjoyment they are getting from their pension or the value they perceive. In economics, this is the concept of utility, which can be used to estimate worth.

Existing economic research demonstrates a strong relationship between the level of income a person receives and their satisfaction with life. This relationship is also confirmed by the survey data generated in this study. Using this relationship and the well-being methodology described within this report, we can calculate the utility of the pension for each individual retiree to determine an annual aggregate social value benefit expressed in dollars. The social value benefit represents the relative importance that OMERS retirees place on the security and stability of their retirement income.

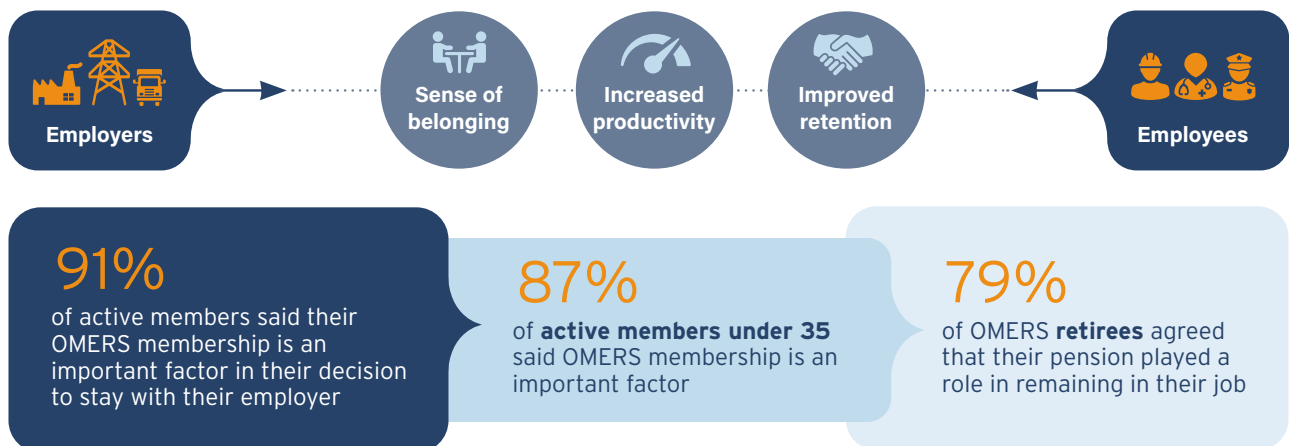
## Social Value and Ontario Communities

Secure and stable pensions paid to retirees, and the process to generate pension income, provides value to participating employers and the wider community. For employers, the value is seen through increased productivity and retention of satisfied workers and the resulting value to the communities served. From our research, OMERS members also tend to play a more active role in volunteering and donating in their communities and rely less on government services. Spending by OMERS retirees and investments made in the province also create a large number of jobs, supporting families in every community in Ontario.

### Social Value Benefit and Employers

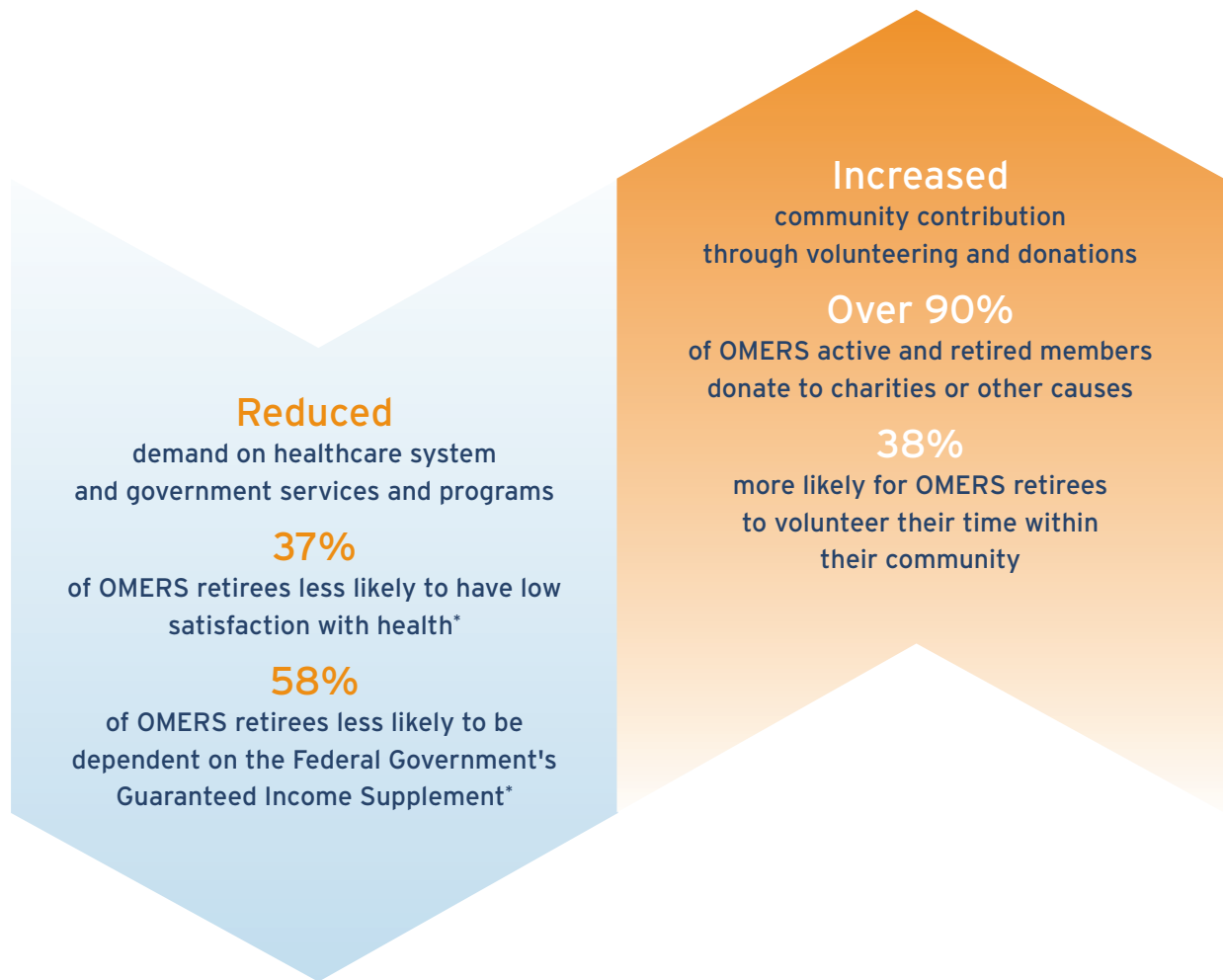
Employers participating in the OMERS Plan experience indirect social value benefits. These benefits can include lower employee turnover rates and greater productivity of employees. Approximately 91% of active OMERS members agreed that their OMERS Plan plays a role in them remaining at their current place of employment.

The increased employee-employer bond resulting from a secure and stable pension plan is consistent from younger plan members through to those approaching retirement. For governments and employers, investments made in education and training of employees pay back over careers, which makes retention of young talent particularly important. The impact of pensions on retention begins early, with approximately 87% of members under 35 years of age stating that their OMERS pension was a key factor in remaining with their employer. Among retirees, 79% of members agreed that their pension played a role in remaining at their place of employment during their careers.



## Related Social Value Benefits for Communities

Being financially secure also indirectly enables OMERS members to provide social value to community members. This includes elevated levels of volunteering and donations, reduced use of government services, and supporting Ontario jobs through retirement income spending and Ontario investments made by OMERS.



**Less Reliance on Government Services:** OMERS retired members are 45% less likely to experience low satisfaction with life, 37% less likely to be in a low satisfaction with health category, and 24% less likely to be in a high-stress category. The avoidance of these factors is associated with lower future healthcare utilization and costs. The higher satisfaction with life amongst OMERS members, particularly retirees, potentially saves the health system costs and makes resources available to treat others in the community.

Compared to people with no pension coverage, OMERS retired members 65 years or older are 58% less likely to be dependent upon the Federal Government's Guaranteed Income Supplement. The lower likelihood of relying on such a program saves the government and taxpayers' costs that can be redirected into other areas.

**Volunteering and Donations:** OMERS members are more than 1.6 times more likely to volunteer than their counterparts with no pension coverage. This elevated level of volunteering grows with retirement, with OMERS retirees being 30% more likely to volunteer than before retirement. While these outcomes are not a direct result of OMERS membership, given that the pension plan exists to provide greater certainty of retirement income, the improved financial security, better health, and less stress identified in our analysis allow members to get more involved in the community. In addition to the time volunteering, over 90% of OMERS members donate financially to charities, not-for-profits, or other causes, which is 1.2 times more likely than for those without pension coverage.

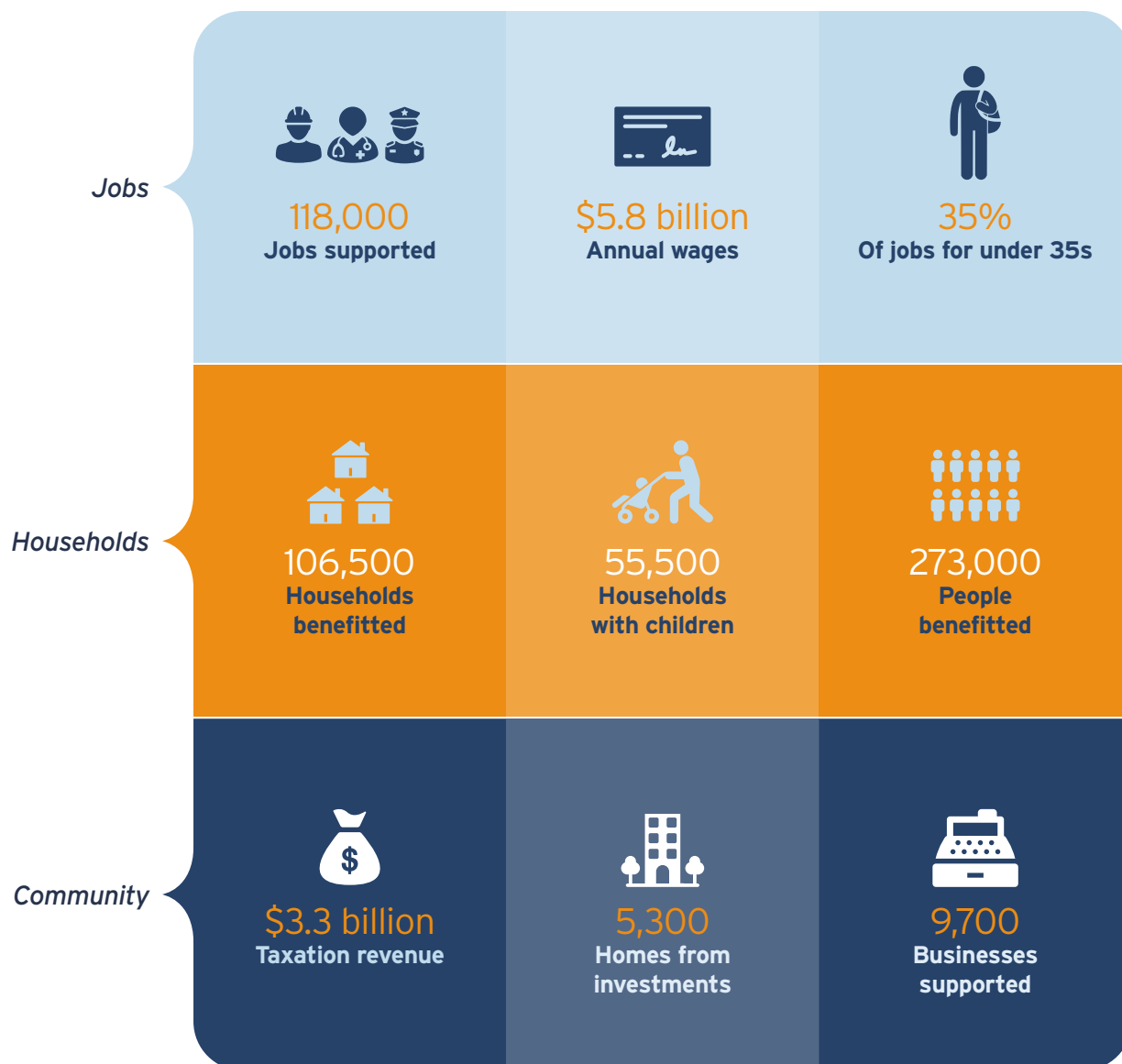
\*All figures compared to people without pension coverage refers to retirees living in Ontario

**Support of Ontario Jobs:** The support of jobs in the province also provides a potential source of social value. Through spending retirement incomes in Ontario and investments made by OMERS in the province, OMERS operations and its members collectively support almost 118,300 Ontario jobs. These jobs are held by individuals ranging in age and family composition and are spread across every community in the province. Over 40,000 (35%) of these jobs are held by people under the age of 35 years, and 54,000 (46%) jobs support rural economies.

The primary contribution to employment by OMERS is pension spending, which supports 66% of the total jobs supported by OMERS. The balance of 34% of Ontario jobs supported accrues from OMERS investments within Ontario in healthcare, energy, real estate, and building services, technology, financial services, industrial, and transportation.

These jobs and economic activities support the satisfaction with life that is generally associated with employment, while the tax revenue helps support the government services aimed at improving the quality of life in Ontario.

### Contribution of OMERS Payments, Operations, and Investment



## Summary

Most would agree that there is a value to people being more satisfied with life. The analysis has identified statistically significant associations between pension plan participation and satisfaction with life in addition to a range of other social impacts. People with pension plans have higher levels of satisfaction with life. This is consistent with the idea that saving for retirement is a good thing.

For **OMERS members**, the conclusion on the social value of pension plans is even more pervasive. OMERS members' greater satisfaction with life primarily accrues from a greater sense of financial security and knowing they will not outlive their pensions. Other contributing factors include better self-assessments of physical and mental health, less stress (particularly financial), and higher satisfaction with community involvement and leisure time.

For the **community**, value is seen via improved retention rates and productivity for employers serving communities, with OMERS members of all ages reporting that their pension plays an important role in remaining in their jobs. Financial security enables OMERS members to more actively volunteer and donate to local causes, and members report lower usage of public services and government programs. OMERS retiree spending and investments also contribute significantly in terms of jobs supported in every community and demographic across Ontario.

The identified impacts of a secure and stable retirement income on people's well-being should support a discussion on the wider implications of pension plans, and the value of receiving a secure and stable income in retirement could have more broadly.



# 1.0 Introduction

## 1.1 Background

### 1.1.1 Objectives

A primary aim of public policy is to maximize the well-being of society [1, 2]. Identifying key factors that influence well-being is vital to informing policy decisions to achieve this [3]. Beyond government, with the shift in financial markets towards environmental, social, and governance drivers of value, it is increasingly incumbent upon organizations to understand their value beyond economics and finance and to evaluate their role in generating social value. Pension organizations in Canada play a key role in generating economic [4] and social [5] benefits for society. However, the relationship between pension plans and the different facets of social value that arise through the provision of retirement income has yet to be well researched. Many of the social benefits are difficult to measure and can get neglected or completely ignored in discussions about the value that pensions bring to people.

This research aims to understand if and how the OMERS Plan and pension plans more widely provide value to members, employers, and Ontario communities beyond payment of retirement benefits and investments made. While the economic contribution of OMERS has been investigated, the appraisal of the full value of the pension plan should account for both social and economic value drivers. In particular, it is useful in the broader policy discussion on retirement to consider wider social benefits, such as financial security [6, 7], physical health, stress and mental health [8, 9], employment [10], and civic participation [11], which may come about from specific policies encouraging participation in pension plans.

This work provides new evidence of the link between pensions and the social value for plan members and the employers, and communities.

### 1.1.2 OMERS Plan

In Canada, pensions can broadly be classified into two common categories [12]:

- **Defined benefit (DB) pension plan:** A pension plan that defines the benefits by a formula stipulated in the plan text. The employer contributions are not predetermined but are a function of the cost of providing the promised pension, taking into consideration employee contributions, if any. Defined benefit plans can be subdivided into unit benefit and flat benefit plans.
- **Defined contribution (DC) pension plan:** A pension plan that specifies the employee's (if the plan is contributory) and the employer's contributions. Members' benefits are provided from accumulated contributions plus the return on the investment of these monies.

In 2020, defined benefit pensions across Canada, both in the public and private sector, had 4.4 million employees in 9,000 pension plans. Defined contribution plans had 1.2 million employees in 6,200 plans. In Ontario alone, there are over 1.6 million active members of defined benefit pension plans.

OMERS Plan is a defined benefit pension plan. In 2020, there were just over 463,000 OMERS members residing in Ontario, of which 292,900 were employed, active members, and 170,300 received OMERS retirement benefits<sup>2</sup>. This makes 1.7 active members per member who received retirement benefits in the province.

In Ontario, OMERS retirement benefits represent an important source of retirement income [4]. In 2020, they accounted for 9.6% of private retirement income, which comprises all formal retirement savings vehicles used by Ontarians, including defined benefit and contribution plans, Tax-Free Savings Accounts, and Registered Retirement Savings Plans. OMERS retirement benefits also accounted for 5.2% of total retirement income, which includes public supports such as the Canada Pension Plan, Old Age Security, and the Guaranteed Income Supplement, as well as all private retirement income.

<sup>2</sup> This excludes the 63,000 OMERS members who reside outside of Ontario, or who have deferred pensions.

In this report, pension plan members are referred to collectively as 'members', 'retired members', 'retirees', and 'active members':

- **Retired members** have stopped working and are receiving retirement income from their pension plan.
- **Active members** are generally still working for an employer that participates in a plan or is on an approved leave of absence.

## 1.2 What is Social Value and Why Measure It?

The term *social value* is a nascent concept that continues to evolve. The general theme throughout existing academic literature on the topic is that the essence of social value accrues from the significance that people place on events and developments in their lives. [13, 14, 15, 16]. Unlike economic value, which has a well-defined utility across the economy, social value depends upon individual values and preferences. For example, if a government policy were to change the amount of leisure time available for people to spend with their family and friends, individuals may value that change differently depending upon how important leisure time is to them. There is no standard economic measure of this value (unlike wages paid or business revenue), but many individuals would still associate increased importance to the additional free time. The relative importance across all individuals and across all preferences reflects the aggregate social value of the policy. While there are many social value metrics, satisfaction with life is a common measure [17, 18, 19] that captures people's overall feelings about a range of well-being benefits such as financial security, health, leisure time, and stress.

To understand the impact policy decisions may have on social value outcomes, it is necessary to measure and quantify social values. Without a measure of how a person's satisfaction with life might differ under various policy scenarios, it is impossible to determine which policy is more favourable. Unlike economic metrics, which can be quantified in terms of dollars and measured by simply accessing financial records, there are no standard social value 'currencies', or accounts to access.

For many organizations, both government and corporate, it is becoming more important to understand and measure the positive and negative outcomes on individuals, society, and the environment. In financial markets, as concerns about environmental and societal changes and inequalities are increasing, many investors are eager to generate both business and social returns—to "do well by doing good." [20]. As a result, the reporting of environmental, social, and governance impacts is now standard practice for a bulk of the world's large and mid-cap companies and is common in many government mandates [20, 21]. Unfortunately, it is usually confined to information about commitments and processes and rarely measures or quantifies the actual impact on individuals or society.

One country leading the field in quantitatively incorporating social value into their policy decisions is the United Kingdom. The Green Book [22] provides guidance on how to appraise policies, programmes, and projects with a focus on both economic and social value outcomes. Within the framework, social value and its measurement play a holistic role for authorities to optimize the social and public value produced by using public resources. The appraisal of social value used in The Green Book is based on the principles of welfare economics and concerns overall social welfare efficiency, not simply economic market efficiency. Social or public value includes all significant costs and benefits that affect the welfare and well-being of the population, not just market effects. Environmental, cultural, health, social care, justice, and security effects are all included. This welfare and well-being consideration applies to the entire population that is served by the government, not simply taxpayers.

A key challenge is once the social value outcomes are measured in their own units, the wide variety of social value metrics that may be affected by different policies makes a direct comparison difficult. For example, it is not possible to directly compare changes in satisfaction with health due to a healthcare policy to the quality of leisure time due to labour regulations. Therefore, it is necessary to convert social value metrics into a common scale for comparison.

The Well-being Valuation Approach [23], adopted by The Green Book, and described in more detail in Section 2.2, provides a robust methodology to convert social value metrics into financial terms to allow comparison between policy outcomes. The expression of social value outcomes in financial terms allows measures to be incorporated into traditional cost/benefit style investment evaluations. That is, when a cost is in financial terms, it is necessary to have the variety of social benefits converted to financial terms as well.

The use of satisfaction with life metrics along with the Well-being Valuation Approach has successfully been used to incorporate social values outcomes in a wide variety of fields, including:

- Cost-benefit analyses of policies promoting participation in sport, culture, and volunteering which includes social values [24]. For example, a cultural policy may not have a positive economic business case, but given the social value of such activities, the Well-being Valuation Approach provides a means to incorporate the positive social value into the cost-benefit evaluation.
- United Kingdom water infrastructure evaluation where the relationship between flooding and roadworks incidents and life satisfaction is measured to determine the monetary compensation required to fully offset (both economic value and social value) any negative impacts such as increased stress in flood-prone regions [25].
- Valuation of the impact of work disruptions and supply interruptions using the well-being valuation method applied to the negative social value aspects of disruptions and the positive social value impacts of the infrastructure that had caused the disruptions in the first place [26]. This helps policymakers to fully understand the cost-benefit analysis of an infrastructure project, including any short-term social value disruptions with the long-term social and economic benefits.
- The negative social value due to healthcare access barriers [27]. Barriers to healthcare access can cause a welfare loss to patients in need of care. A well-being valuation method is used to determine the monetary value of the loss, which was found to depend upon the severity of the illness and its effect on the patients' well-being and ability to work. This provides the basis for investment into eliminating barriers to access.
- The social value to communities of housing and local environmental improvements using the well-being valuation method [28, 29] to capture the full range of positive social outcomes (such as improved health, less stress, and resulting in greater satisfaction with life) beyond the traditional economic case. While some housing and environmental improvements may have a small or negative economic business case, without capturing the social value of the improvements, the full benefits are not accounted for.

One area that has not yet been investigated is the social value outcomes associated with membership in pension plans using the Well-being Valuation Approach.

### 1.3 Why Measure Social Value for Pension Plans

While social value approaches have been applied to many kinds of investment activities, it has yet to be applied holistically to understand the social value of pension plans. The value of pension plans historically focused on financial returns for members that have saved (including employer contributions) throughout their working lives. The impact of pension plans is limited to strictly financial metrics that do not account for other benefits that may arise for participants in these pension plans. Consistent with shifts in financial markets and the evaluation of government policies, organizations are setting out to understand the social value they generate, which this report sets out to investigate for OMERS.

The investigation of the social value of OMERS activities articulates the social value impact for its members and for Ontarians. The investigation into social value can be vast and complicated, which involves additional research to build an understanding of how various pension activities affect people. While the social value of OMERS can encompass the investments it makes, as an initial foray into the social value realm, the focus was upon members as the core mandate of pension plans is to provide secure and stable retirement benefits. Future analysis can expand the understanding of the social value across investments and community impact.

## 2.0 Framework for Measuring Social Value

Due to the subjective nature of social value, there is no single agreed-upon definition or metric [30, 31, 32]. Depending upon the focus of the research, social value could be measured in terms of health, community engagement, amount of stress, or even leisure time. Fortunately, there is considerable literature to support using changes in satisfaction with life as a good basis for analysis [23, 33, 34, 35]. Changes in satisfaction with life is a measure that most people can identify with, and most would agree that there is a value to people being more satisfied with life than less satisfied [36, 33]. In addition, many of the more focussed metrics are subsumed into overall satisfaction with life. As such, a key objective of this research is analyzing the role of pension plans in supporting member satisfaction with life and examining the factors which contribute to it.

A well-structured framework is required to ensure consistency and rigor of social value analysis. The following sections outline the framework used to measure social value.

- Section 2.1 considers how the activities of OMERS can be dissected into possible social value drivers.
- Section 2.2 considers the Well-being Valuation Approach as it would apply to certain OMERS activities.
- Sections 2.3 and 2.4 outlines the methods of data collection and the approach for analysis.

### 2.1 Establishing the Framework

There are four key steps to building a robust framework for any social value analysis [30, 37]. In the context of a pension plan, the process includes:

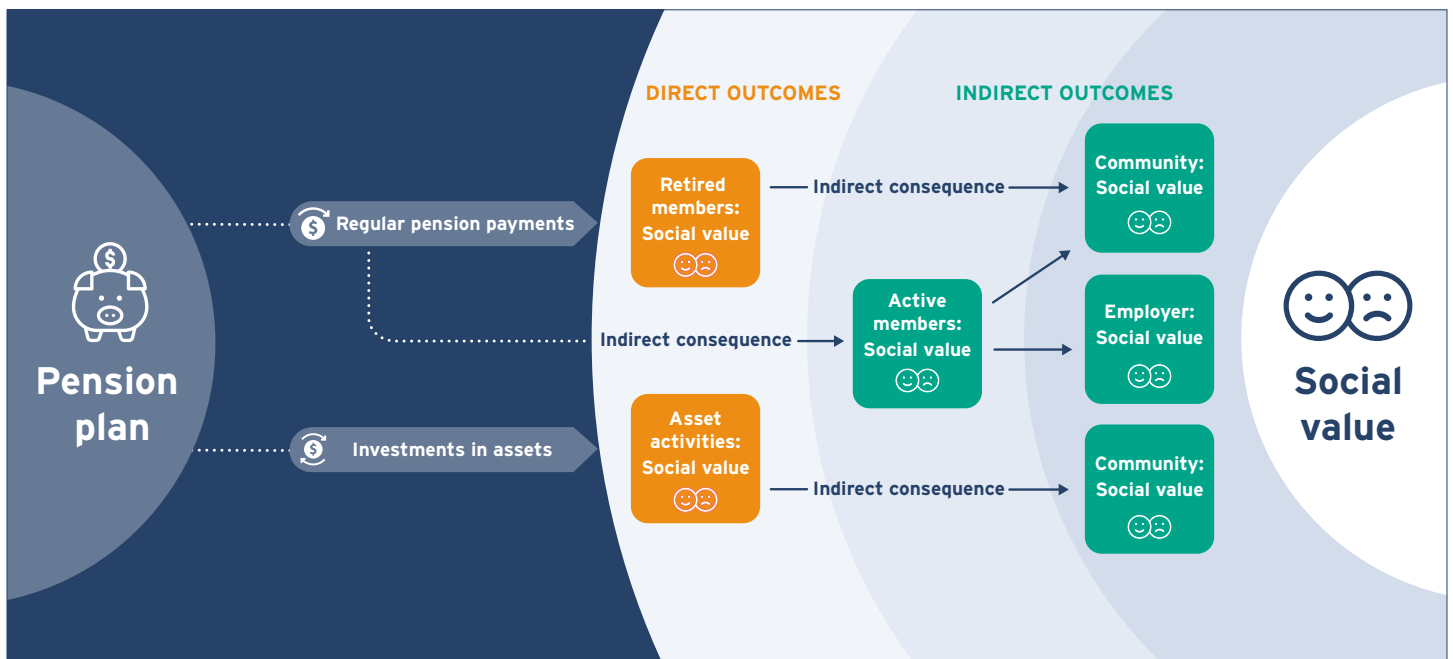
- 1. Identifying Stakeholders:** Stakeholders are people, organizations, and communities that experience positive or negative change due to pension plan activity. For pension plans, stakeholders include members (both active and retired), participating employers, and regional communities and their economies (as supported by the ideas behind social accounting [38, 39]).
- 2. Defining Inputs:** Inputs are financial, or capital flows provided to an organization from others. For pension plans, the key inputs are the pension contributions made by pension plan members and their employers.
- 3. Defining Outputs:** Outputs are the direct result of the activities of the organization. For pension plans, outputs are the investments made by the pension plan and the provision of retirement benefits. In the case of defined benefit pension plans, these benefits, and therefore outputs, are the defined, secure, and stable pension payments to retired members.
- 4. Defining and Identifying Outcomes:** Outcomes are the observed effects of the outputs. These outcomes could be directly connected to the output of the organization (pension payments, asset investment) or as indirect outcomes, which are the follow-on consequences of outputs and other outcomes.



Figure 1 takes a closer look at the steps required to identify the direct and indirect social value outcomes for pension plans. The outcomes include:

<p><b>Direct outcomes from pension plan outputs:</b></p> <ul style="list-style-type: none"> <li>• Any sense of financial security provided to retired members [40]</li> <li>• Unique aspects of the pension’s investments in local communities that deliver social value. For example, investments that provide energy security, rental security [41, 42, 43], and/or jobs in regional economies [44]</li> </ul>	<p><b>Indirect outcomes are associated with member activities that accrue from the perceived importance of future pension payments and can include:</b></p> <ul style="list-style-type: none"> <li>• Employer productivity and turnover benefits [45]</li> <li>• The spending of pensions by retired members [46]</li> <li>• Members’ community participation (such as volunteering and donations) [47]</li> </ul>
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**Figure 1** Framework for social value outcomes

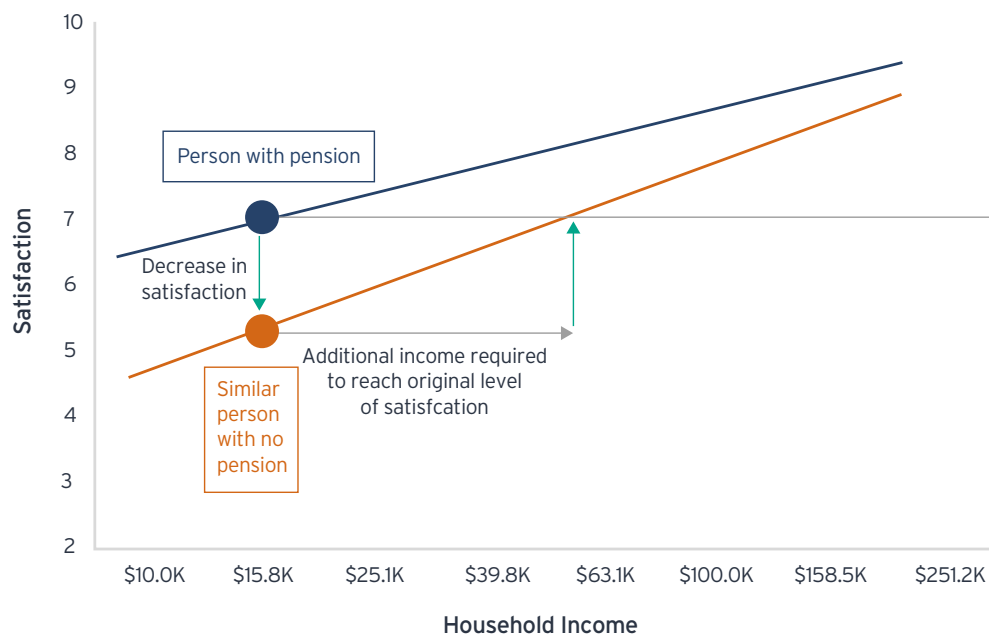


## 2.2 Well-being Valuation Approach

Social value outcomes can be measured using a wide variety of subjective metrics. While this flexibility is important to understand how policies affect individuals, it makes it difficult to compare and contrast the social outcomes of different policies. The Well-being Valuation Approach [47, 23], which has been used extensively across a variety of fields (see Section 1.2), establishes a consistent approach to convert changes in social value outcomes to financial terms. The basis of the method relies on the fact that social value metrics can depend on a variety of factors, one of which is the income of the individual. In particular, two people with the same income may have different satisfaction with life for a variety of personal or financial reasons, which includes membership in a pension plan. The Well-being Valuation Approach uses the relationships between incomes and satisfaction with life to convert the subjective satisfaction with life scale to financial terms.

Figure 2 illustrates the approach. The lines show the relationship between satisfaction with life and household income for a person with and without a pension plan. If two similar people with the same household income are identified, but one with a pension (green dot) and one without (orange dot), there may be a difference in satisfaction with life between the two. In this example, the difference is about 2. For the person with the pension to maintain the same satisfaction with life, but without the pension and keeping all other variables constant (gender, geography, etc.), their income would have to be about \$48K higher. This is the social valuation of the pension plan for that specific individual.

**Figure 2** Satisfaction-Income Relationship



Since social value outcomes are subjective and depend upon the circumstances of the individual, the analysis should be performed at an individual level. For example, a young person in a high-income job with no dependent family members, living in a lower-cost region of the province, may feel quite different about pension plan membership than a recent retiree with dependents living in a higher-cost region. To accurately capture the variety of potential social value outcomes, data on the unique circumstances of individuals is required. In this regard, CANCEA's agent-based modeling platform that models individuals over time is well-equipped to quantify the social values that can be attributed to an activity. With the individual-level modeling, aggregate results are summed from the experiences of individual people. In addition, instead of a single satisfaction-income curve (as shown in Figure 2 to illustrate the concept of the approach), every individual has their own relationship depending upon their unique circumstances.

The steps to calculate the social valuation in the analysis are:

1. For every individual retiree in OMERS (in Ontario), calculate the difference in satisfaction of life for OMERS defined benefit members and a matched no-plan retiree (same age, gender, region, income, etc.)
  - Agent-based analysis can model individuals in both the OMERS group and no-plan retirees and match similar individuals
2. For *each* retiree, calculate the decrease in life satisfaction that would occur without a pension plan, then determine the additional income required to increase their satisfaction with life back up to the initial level
  - Since the relationship depends on age, gender, and region of the OMERS retiree, there are thousands of different relationships in the form of Figure 2 for different individuals
3. The total social valuation is the sum values over all OMERS retirees

Once the financial equivalent of the social outcomes is calculated, there is the question of how to interpret the value. In the Well-being Valuation Approach, the financial value represents the additional benefit (or cost) that arises due to the policy under consideration in terms that is compatible with traditional cost-benefit analysis. For example, consider two hypothetical policy interventions:

- **Policy 1:** Costs \$10M to implement, has \$9M in economic returns, and \$5M in social valuation returns
- **Policy 2:** Costs \$5M to implement, has \$6M in economic returns, and \$0.5M in social valuation returns

With a traditional cost-benefit analysis, policy 2 might be preferable since the benefit-to-cost ratio is 1.2 compared to 0.9 for policy 1. However, with the addition of the social valuation, policy 1 becomes more favourable with a benefit-to-cost ratio of 1.4 (compared to 1.3 for policy 2).

In the context of pensions, the primary economic benefit is the pension payment to retirees. The financial value of the social outcomes, as measured by the difference in satisfaction with life of retirees, could be added to their pension payment dollar value to obtain the total benefit which retirees receive.

### 2.3 Data Collection and Survey

To investigate OMERS social value, it is necessary to understand the differences in satisfaction with life between OMERS members (active and retired) and those without pension plans. As with many socio-economic questions, it is not possible to conduct randomized experimental studies to test hypotheses. Instead, the strategy is to conduct surveys, and after correcting for other social outcome determinants such as age or income, attempt to identify cause and effect relationships [33]. A survey of the Ontario OMERS membership and the general population was conducted to investigate the social value of pension plans, with a particular focus on OMERS.

The survey was designed around Statistics Canada General Social Survey (Cycle 30) [48] that covers life satisfaction results associated with demographic and economic characteristics. The survey was extended with additional pension-specific questions and included, for consistency testing, some questions from OMERS previous social value study [5]. It was conducted from July 29th and August 9th, 2021. A total of 4,008 OMERS members responded, which were combined with 1,057 responses from the general Ontario population. Survey responses were weighted to ensure accurate representation of the underlying populations, which had yielded a final sample of 2,500 respondents by gender, age, region, employer type, membership status, and income/pension level. The margin of error for the overall sample is +/- 1.96%, 19 times out of 20. Refer to Appendix A for more details on the survey methodology.

## 2.4 Analysis of Results

The survey and subsequent analysis look at the impacts of pension participation on the social outcome measure of satisfaction with life and the key factors that drive this. It examined financial security, health and stress, and civic participation (volunteering, donations). A subset of the general population survey respondents had no pension plan, which formed the baseline of comparison. People with pension plans, whether within the general population or within OMERS, were contrasted with those with no pension coverage. A particular focus was placed on examining the differences between OMERS members and the general population with no pension coverage to understand the social value of OMERS.

The 'No Pension' or 'None' category refers to people who reported having no pension plan coverage. The Canada Pension Plan is not considered a plan for the purpose of this study. The 'Any Pension' category refers to any person, either OMERS or non-OMERS, who reported membership in either a defined benefit or defined contribution pension plan.

Throughout the analysis, we control for as many of the determinants of the main outcomes as possible in regression analysis to gain a better understanding of cause-and-effect relationships. We look at the impacts on different groups in the population broken down by gender, age, region, employer type, membership status, and income/pension level<sup>3</sup>.

Questions relating to satisfaction were surveyed on a scale of 0 to 10, with 0 being "Not at all satisfied" and 10 being "Completely satisfied". Since the scale of satisfaction is arbitrary, it is useful to compare the results to the median level of satisfaction. The survey results are divided into five groups:

- **Much less satisfied:** The people in this group are the least 20% satisfied portion of the population
- **Less satisfied:** The people in this group are in the 20th to 40th percentile of satisfaction in the population.
- **Neither more nor less satisfied:** The people in this group are around the median level of satisfaction in the population in the 40th to 60th percentiles.
- **More satisfied:** The people in this group are in the 60th to 80th percentile of satisfaction in the population.
- **Much more satisfied:** The people in this group are in the top 20% satisfied people in the population.

For retired OMERS members, the social value is quantified using the Well-being Valuation Approach. Given the primary focus was upon the direct differences in satisfaction with life, the necessary data for valuing these results for retirees was available. Turning these results into dollar equivalents is useful when attempting to understand the meaning, significance, and cost-effectiveness of changes in well-being measures such as satisfaction with life.

When retirees report higher satisfaction with life and attribute it to certain aspects of their pension, they are essentially reporting the usefulness and enjoyment they are getting from their pension. In economics, this is the concept of utility, a concept in economics that is used to model the worth or value for an individual [49]. The concept can be used as a measure of pleasure or happiness, or as an individual's preference over different choices, which is personal and not comparable across different individuals [50]. An example of utility would be a person purchasing a meal to alleviate hunger.

<sup>3</sup> Refer to Appendix B for definitions of the regions

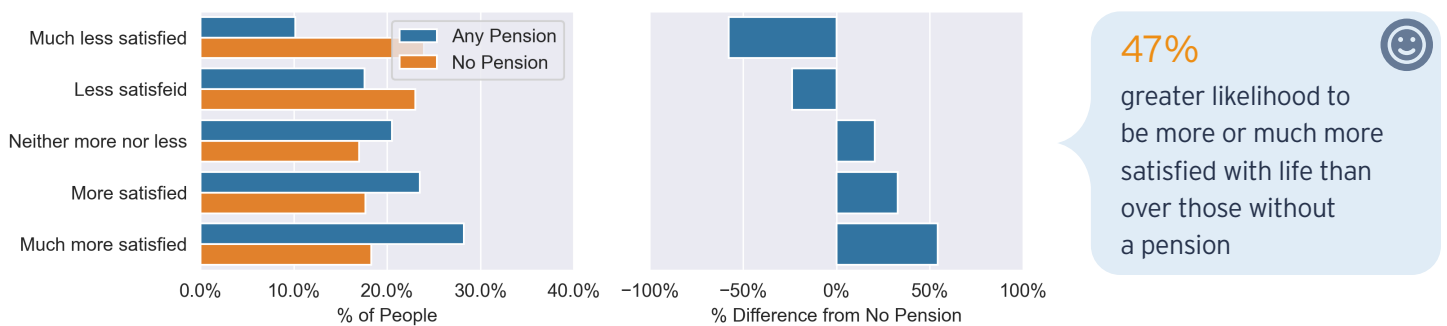
## 3.0 Social Value of Pension Plans

The first section examines the general social value of any pension plan (public or private), while the remaining sections take a closer look at the social value of OMERS to its members, its employers, and the broader community.

### 3.1 General Observations

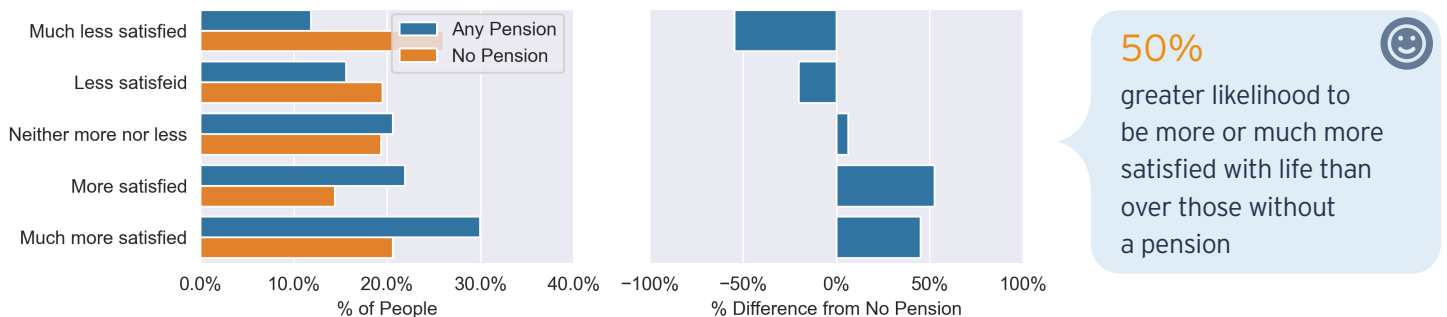
The results of the survey show a stark contrast in satisfaction with life for those with any pension plans and those with no pension coverage. On average, across Ontario, those with pension plans are 20% more satisfied with life than those without. This group includes anyone with a pension (defined benefit and defined contribution), highlighting the value of pension plans to satisfaction with life. As shown in Figure 3, those with a pension are over 50% more likely to be much more satisfied with life than their peers with no pension coverage.

**Figure 3** Life satisfaction of active and retired members of any pension plan



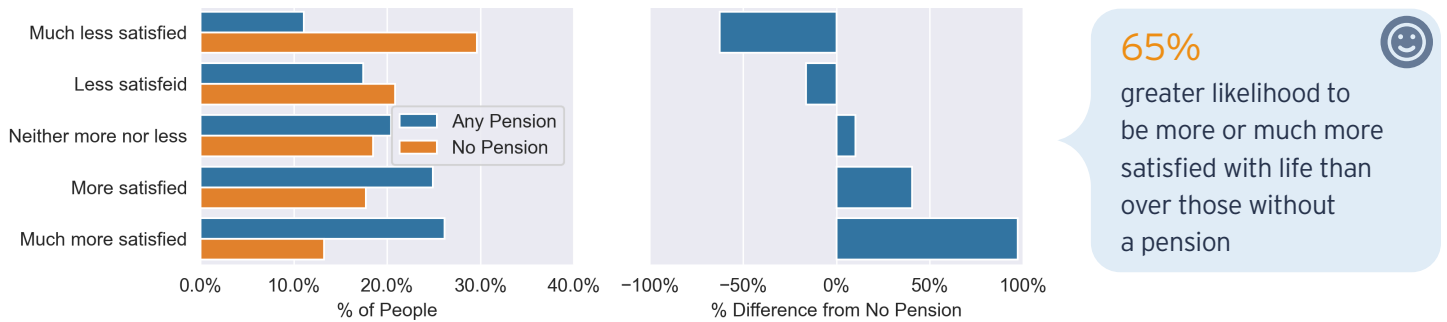
Taking a closer look at only those retired, Figure 4 shows the differences with a high likelihood of a retiree with a pension being more or much more satisfied than a retiree without one. On average, retirees with any pension plan have a 14% higher life satisfaction than retirees without.

**Figure 4** Life satisfaction of retired members of any pension plan



Surprisingly, for people who are not retired, the correlation between having any form of pension coverage and satisfaction with life is more pronounced. Those with a pension are almost twice as likely to be much more satisfied with life than those without. On the other end, those without a pension are over 60% more likely to be much less satisfied. The net result is that non-retired members of any pension plan are 27% more satisfied with life than those with no pension coverage.

**Figure 5** Life satisfaction of non-retired members of any pension plan



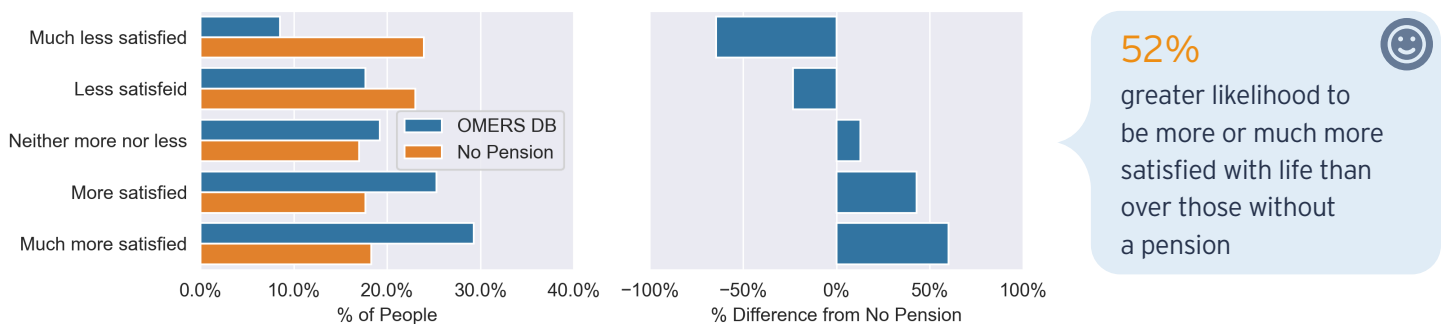
The many factors which contribute to the relationship between pension members and satisfaction with life will be investigated in the following sections. The positive impact of any form of pension on life satisfaction across both retired and non-retired people highlights the social value that pension plans of any type can generate.

### 3.2 OMERS Members Generally

Those with any form of a pension plan, whether defined benefit or defined contribution, report higher satisfaction with life than those without. This section takes a closer look at OMERS members and the connection between life satisfaction and membership in OMERS Plan.

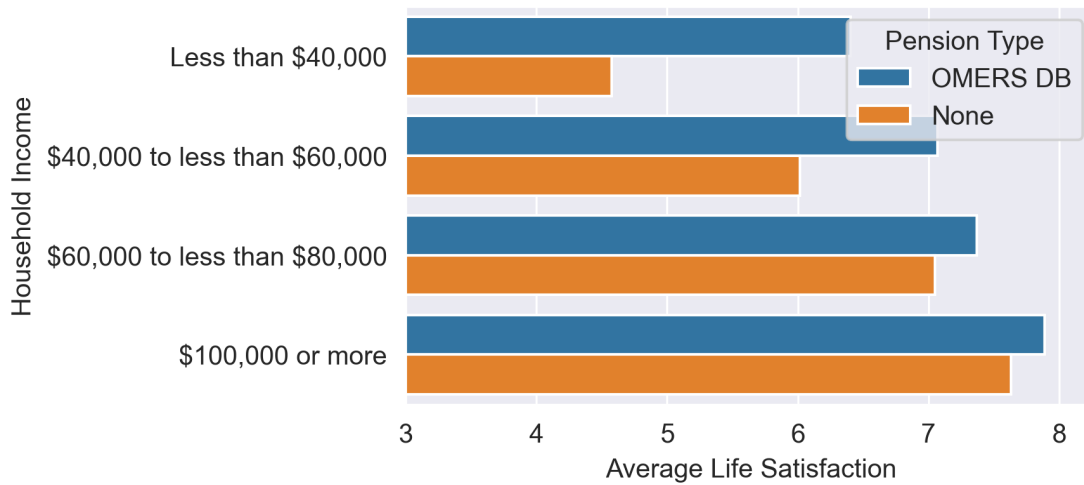
Across all OMERS members, both active and retired, they are 21% more satisfied with life than those with no pension coverage and over 50% more likely to be more or much more satisfied with life.

**Figure 6** Life satisfaction of OMERS members



As shown in Figure 7, this higher level of satisfaction exists across all household incomes and is more pronounced at lower income levels. While the effect does decrease as incomes grow, it remains significant even at high household incomes.

**Figure 7** Life satisfaction of all OMERS members



This indicates that while income does play a role in the connection between OMERS membership and life satisfaction, there are other factors contributing to life satisfaction that are significantly different for retired and active members. For active members in the labour force, in addition to their pension plan, the terms and conditions of their employment, or family status, can play an important role in life satisfaction. Depending upon the age of the employee, concerns about saving for retirement or sufficient leisure time can also impact life satisfaction. In contrast, without current employment affecting the happiness of retirees, the association between satisfaction with life and membership of OMERS Plan is more direct.

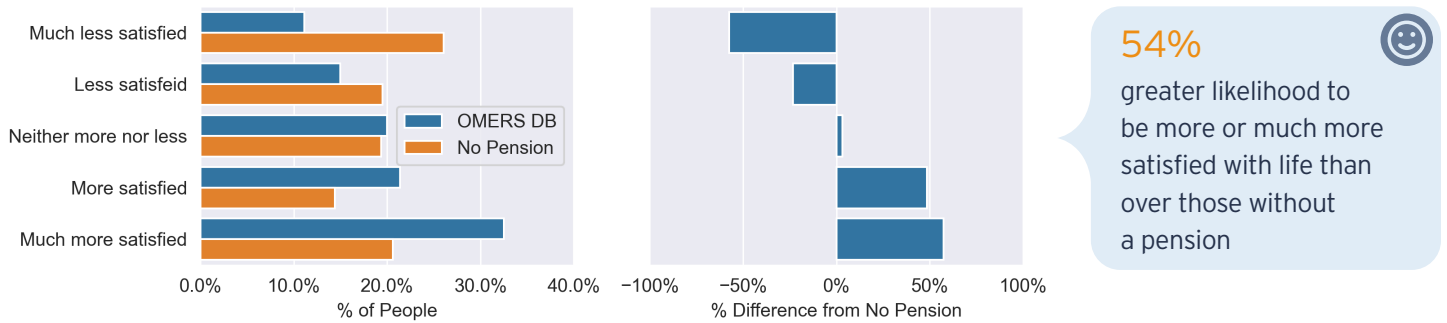
In Section 3.3, we take a closer look at the connections between having an OMERS pension and satisfaction with life for retirees. In particular, we examine how financial security, health, stress, and community engagement contribute to a retiree's overall happiness. In Section 3.4, we examine the same factors with a focus on active members.

### 3.3 OMERS Retirees

#### 3.3.1 Overall Life Satisfaction

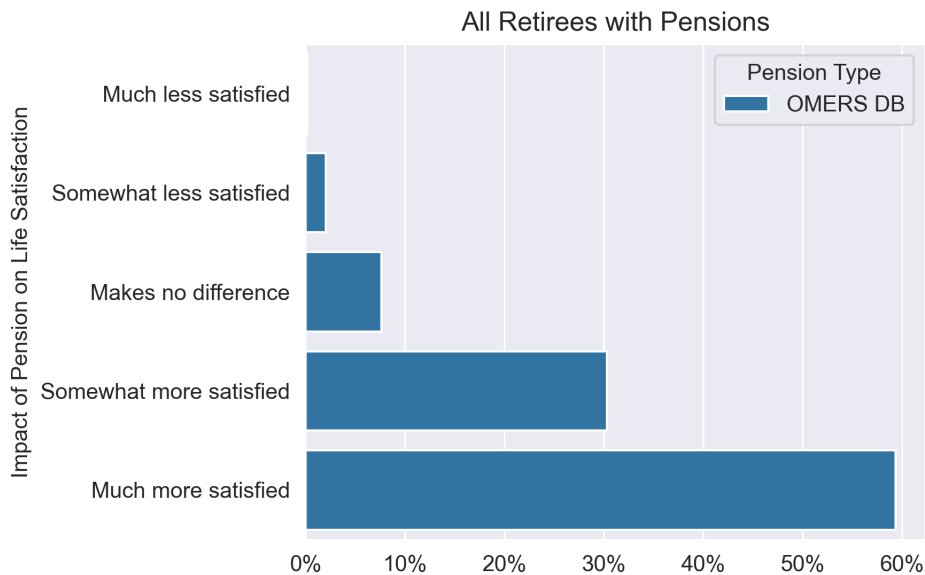
Among all retirees, based on the survey scale of 0 to 10, OMERS members are 16% more satisfied with life than those with no pension coverage. Expressed differently, an OMERS retiree is 54% more or much more likely to be satisfied with life relative to those with no pension coverage (Figure 8).

**Figure 8** Overall life satisfaction for OMERS retirees



The connection between satisfaction with life and membership in the OMERS Plan was confirmed directly from the survey results. Approximately 90% of OMERS retired members stated that their pension plan made them somewhat more or much more satisfied with life (Figure 9).

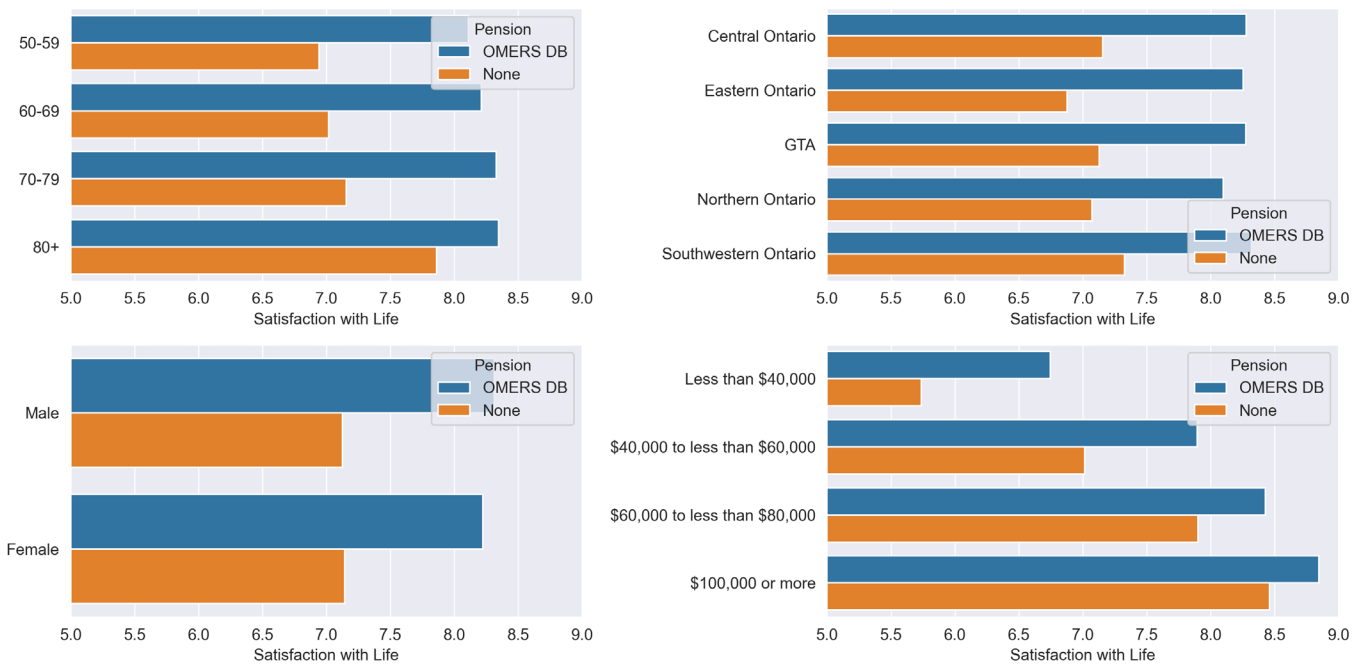
**Figure 9** Impact of pension plan on life satisfaction for OMERS retirees





As shown in Figure 10, a deeper dive into the results reveal that additional social value persists across all ages, gender, incomes, and regions<sup>4</sup>. An important aspect to note is that for both OMERS retirees and those with no pension coverage, satisfaction with life increases with household income. This is consistent with other studies which examine well-being and incomes [15, 33]. However, the difference between those with OMERS pensions and those with no pension coverage does decrease with increasing income.

**Figure 10** Overall life satisfaction of OMERS retirees by age, gender, region, and income

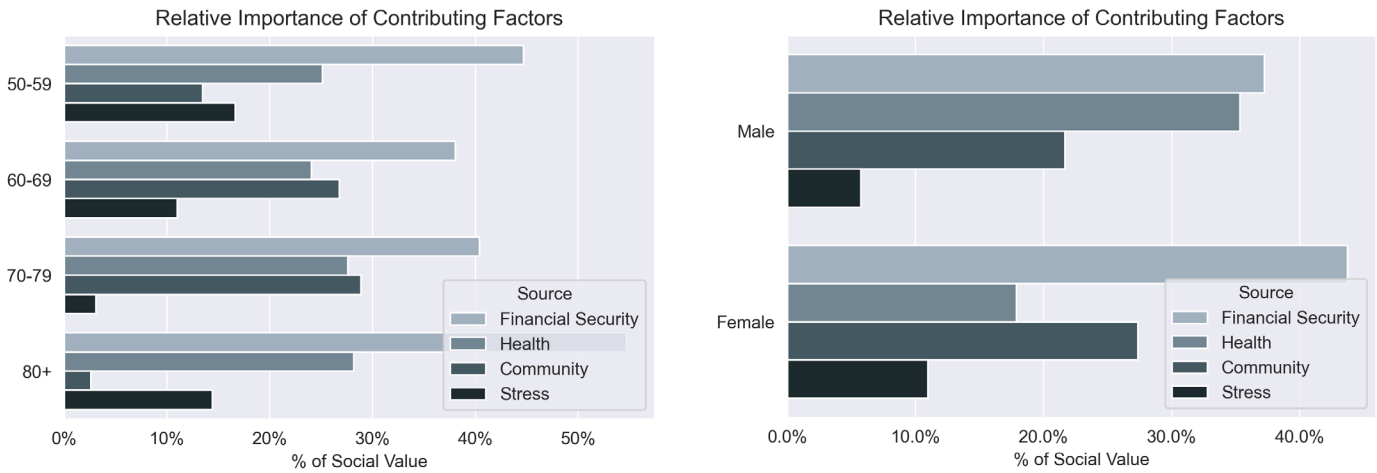


While overall satisfaction with life provides a strong indication of the social value arising from OMERS Plan membership, many factors contribute to it. In particular, four key interconnected factors that influence overall satisfaction with life and well-being include financial security, health, community engagement and leisure, and stress [33]. While each of the contributing factors are not independent, the relative significance of each can be calculated. The total social value for retirees arises from a combination of contributing factors, including:

- Financial security responsible for about 45% of the social value benefits
- Health responsible for about 26% of the social value benefits
- Stress, particularly financial stress, is responsible for about 11% of the social value benefits
- Community/Leisure responsible for about 18% of the social value benefits

<sup>4</sup>Refer to Appendix B for the definitions of each region

**Figure 11** Relative contributions by age (left) and gender (right)

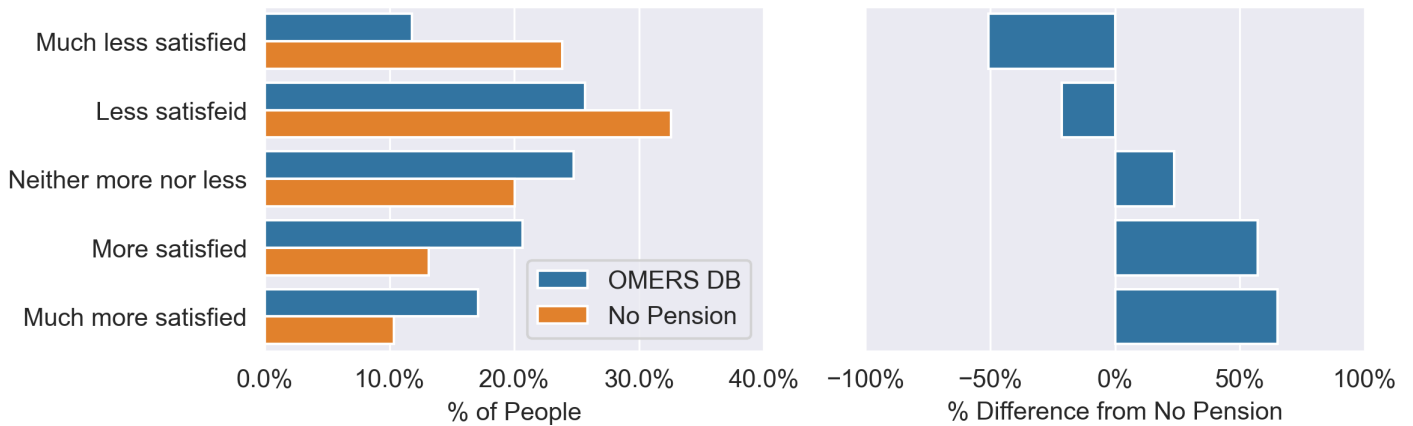


The following sections examine each of the components in more detail.

### 3.3.2 Financial Security

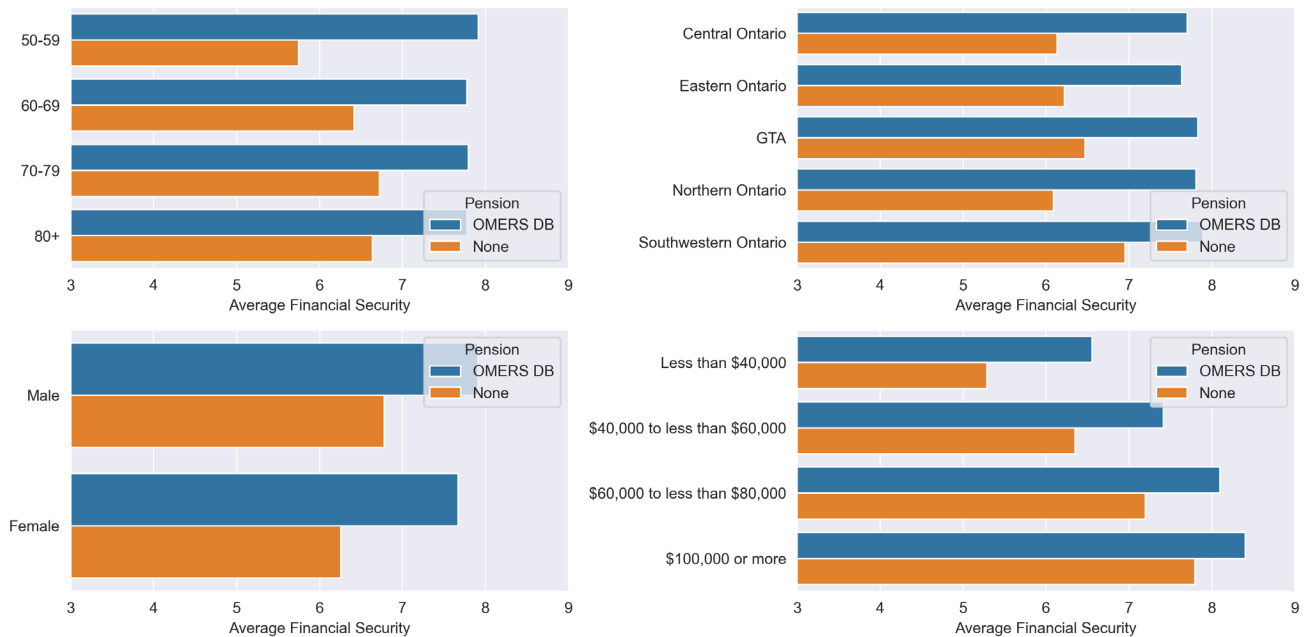
Many studies have found that the sense of financial security is a key factor that contributes to overall satisfaction with life [51, 52, 53]. With predictable, regular pension payments, defined benefit pensions provide retirees with a much higher sense of financial security than those with no pension coverage (Figure 12).

**Figure 12** Financial security of OMERS retirees, relative to the median of all retirees



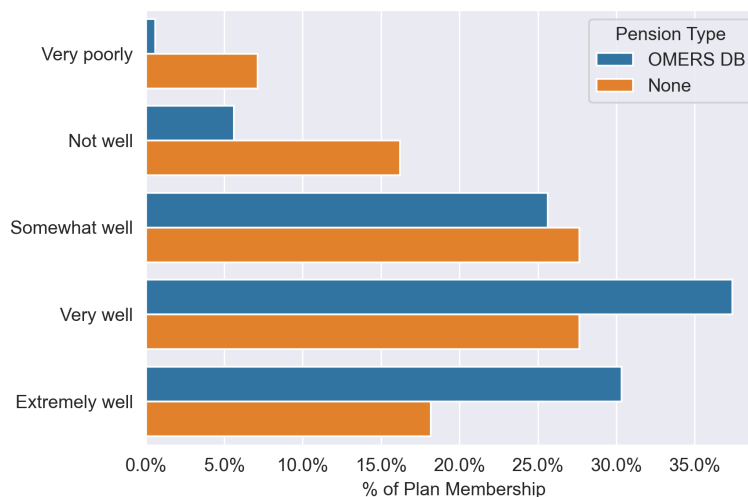
Unlike overall well-being, the differences in the sense of financial security between retirees with an OMERS Plan and no pension coverage depend strongly on age and income, as shown in Figure 13. The additional sense of financial security of OMERS retirees is most pronounced when compared to younger retirees and those with lower incomes. Across all incomes, for both OMERS retirees and retirees with no pension coverage, men reported a higher sense of financial security than women. However, the difference between men and women is 2.5 times smaller for defined benefit pensioners (3.0% difference) than for those with no pension coverage (7.8% difference).

**Figure 13** Financial security of retirees by age, gender, geography, and income



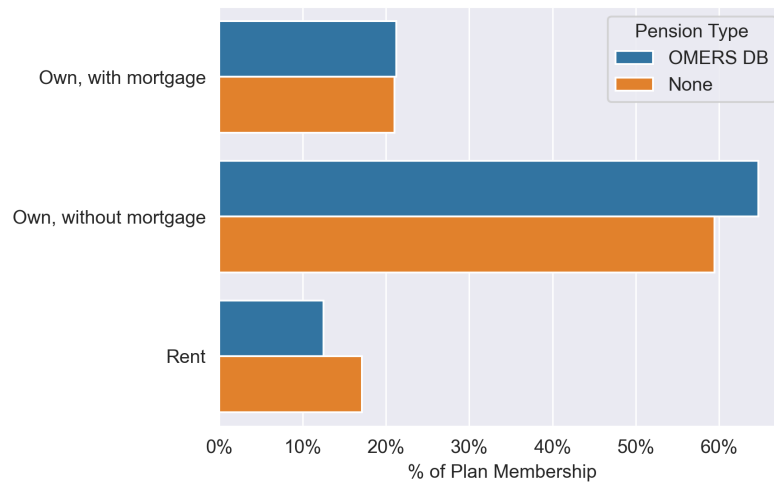
Driving this greater financial security is the ability of OMERS members to be able to readily meet their financial needs in retirement. Figure 14 highlights the extent to which OMERS members are able to meet their needs in retirement, with 68% of OMERS Plan members reporting that they meet their needs very or extremely well compared to only 46% of those without pension plans.

**Figure 14** Ability of retirees to meet financial needs in retirement



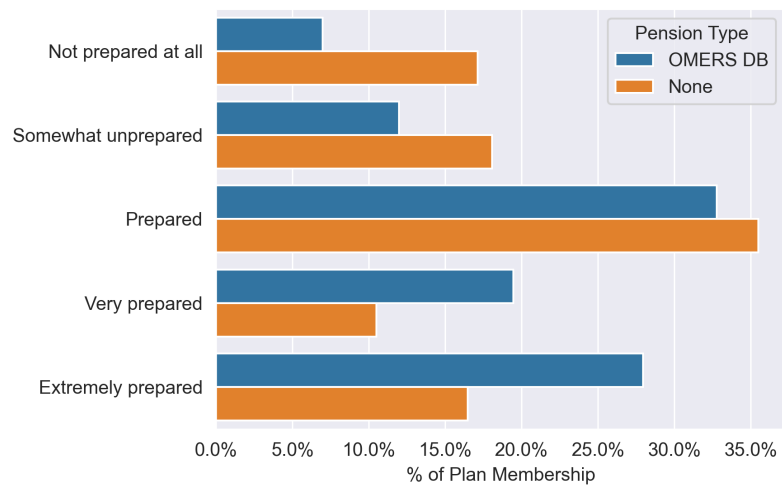
In addition, OMERS retirees tend to own their own homes without a mortgage at a slightly higher rate, Figure 15, than those without pensions. This provides a level of additional financial security both through the investment aspect and lower monthly expenses (when mortgage-free) compared to renting.

**Figure 15** Housing ownership and renting among retirees



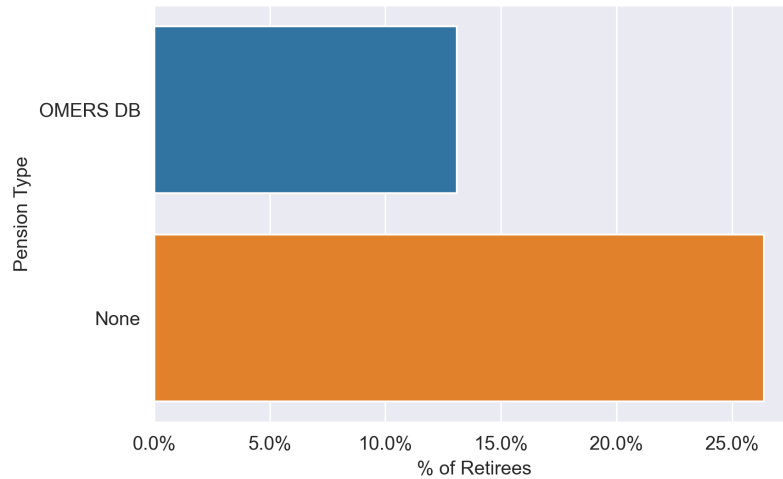
Another measure of financial security is the ability to handle unexpected expenses such as car repairs, house repairs, or medical expenses. Almost 50% of OMERS retirees are either very prepared or extremely prepared for unexpected expenses, compared to 27% of retirees with no pension coverage.

**Figure 16** Readiness of retirees for unexpected expenses



The COVID-19 pandemic highlighted the additional social value that the financial security of a defined benefit pension provides. With the rapid fluctuations in the economy and the stock markets, many retirees were concerned about how their retirement income might be affected. However, retirees with OMERS defined benefit pensions experienced only a small loss in the sense of financial security during the pandemic relative to those with no pension coverage. While over 26% of people without pension plans experienced a decrease in financial security, only 13% of retirees with defined benefit pensions did.

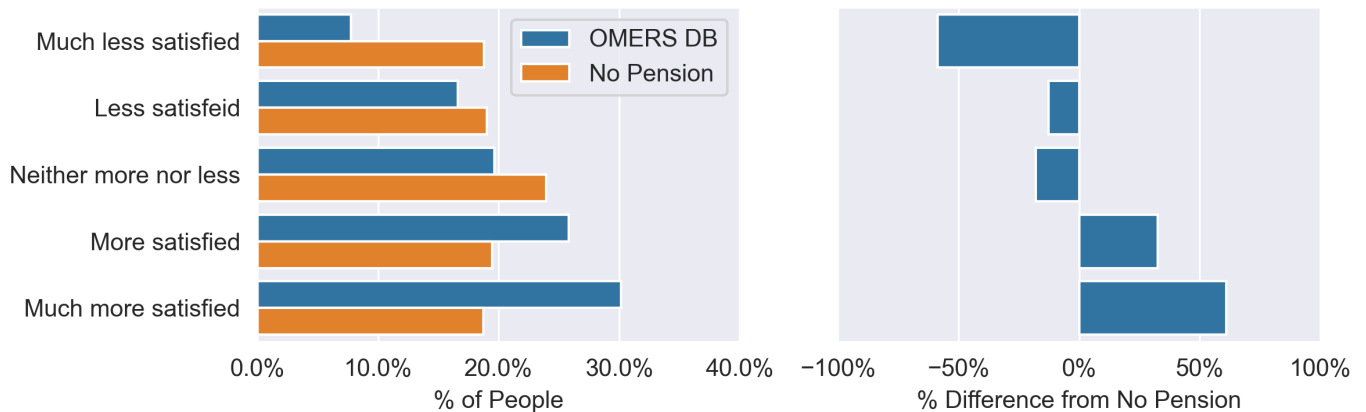
**Figure 17** Percent of retired members experienced a decrease in financial security during the pandemic



### 3.3.3 Health

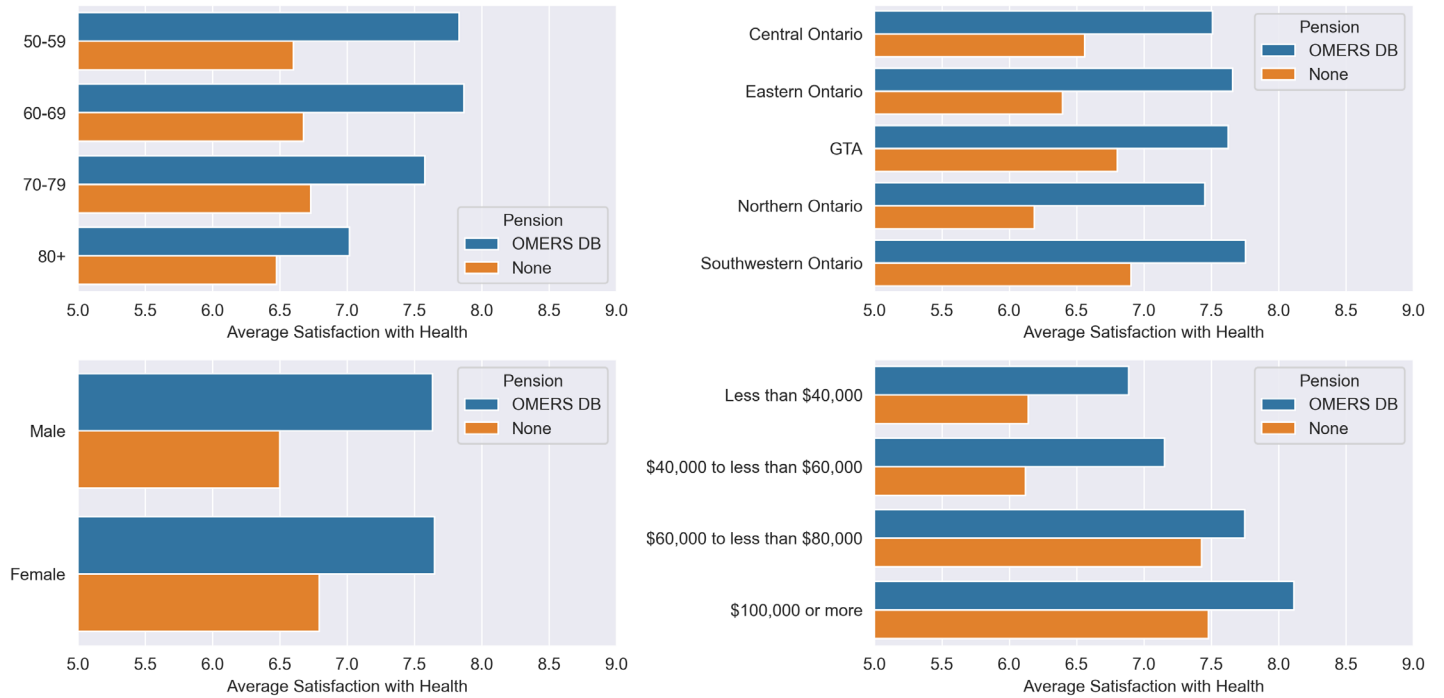
In addition to financial security, physical and mental health play a key role in satisfaction with life [1, 3, 54, 55]. A reduced ability to lead an active life or conduct daily activities, or the impact of living with chronic conditions, will have a negative impact on overall well-being. As shown in Figure 18, OMERS Plan retirees are more satisfied with their health.

**Figure 18** Overall satisfaction with health of retirees



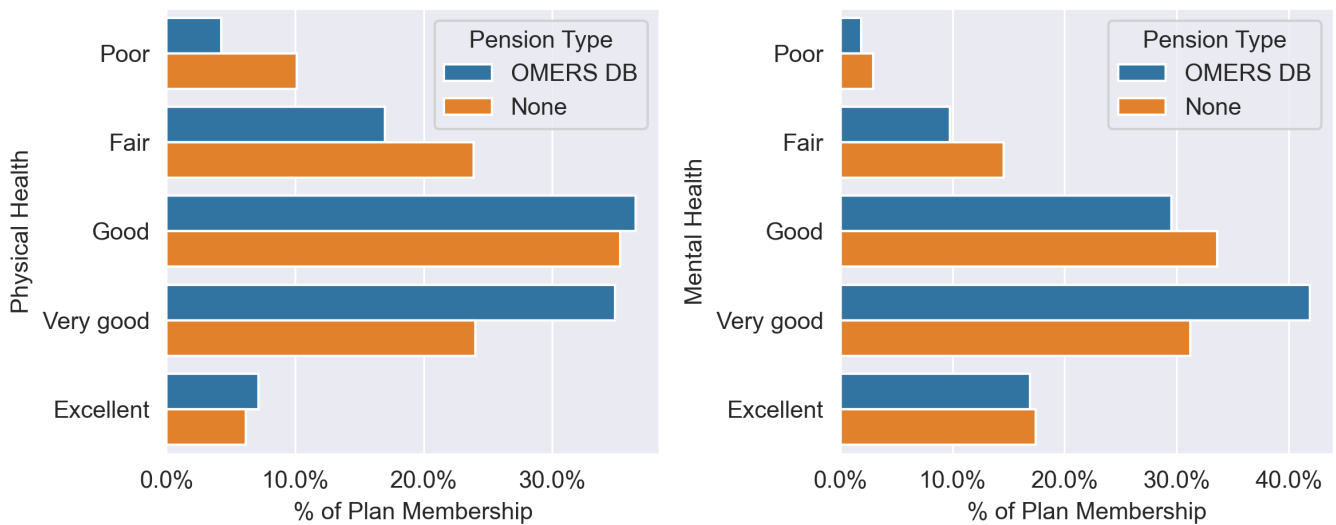
The increased satisfaction with health for OMERS retirees persists across age groups, gender, regions, and incomes (Figure 19).

**Figure 19** Satisfaction with overall health for retirees by age, gender, region, and income



Separating overall health into physical and mental health (Figure 20) shows that 42% of OMERS retirees rate their physical health as very good or excellent - about 1.4 times higher than those with no pension coverage. Similarly, 59% of OMERS retirees rate their mental health as very good or excellent.

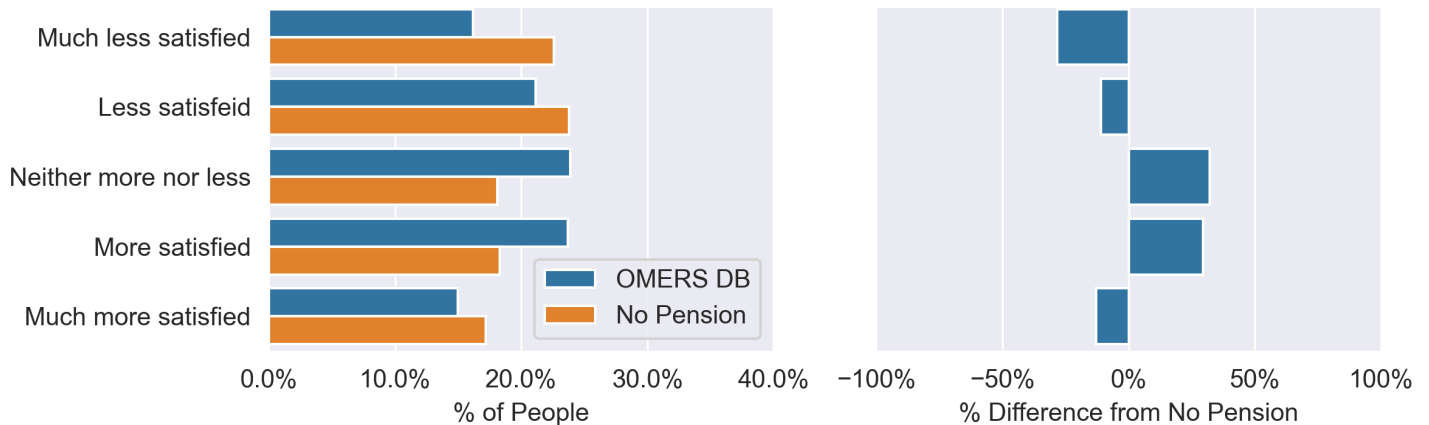
**Figure 20** Physical and mental health of retirees



### 3.3.4 Stress

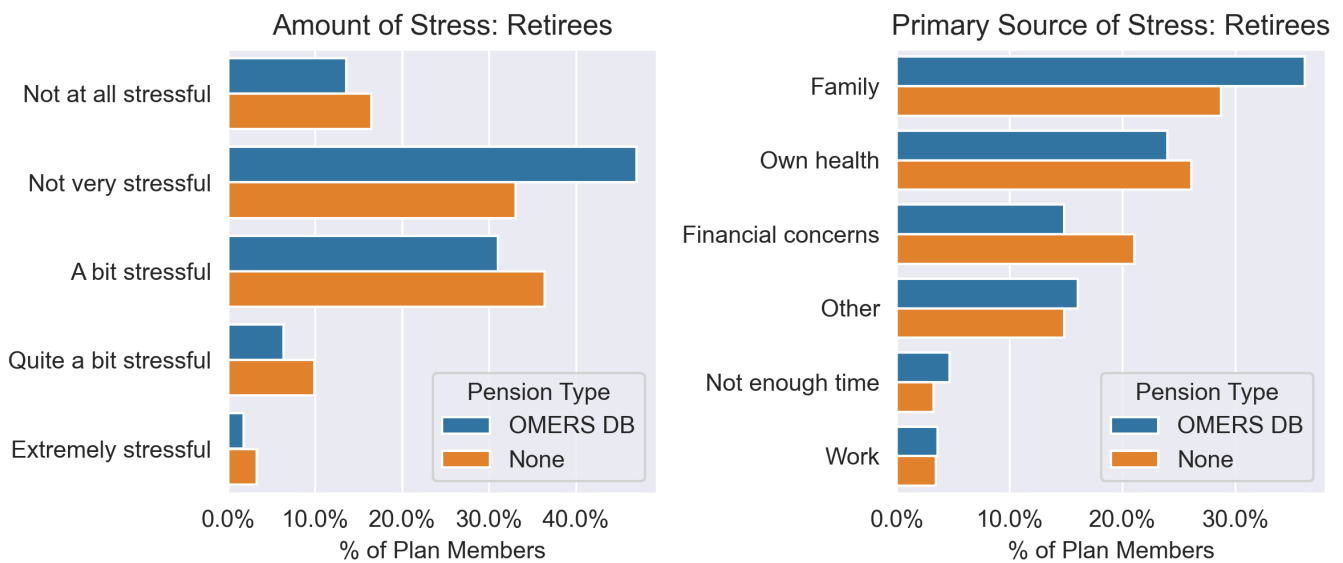
Interconnected with both health and financial security, the amount of stress a person experiences also contributes to overall satisfaction with life. Stress can arise from many sources, including financial concerns, work, or family. As shown in Figure 21, among retirees, defined benefit retirees have a slightly greater satisfaction with their level of stress compared to those without pensions, though the average difference is less than was found for financial security or health.

**Figure 21** Overall satisfaction with stress for retirees (lower is greater stress)



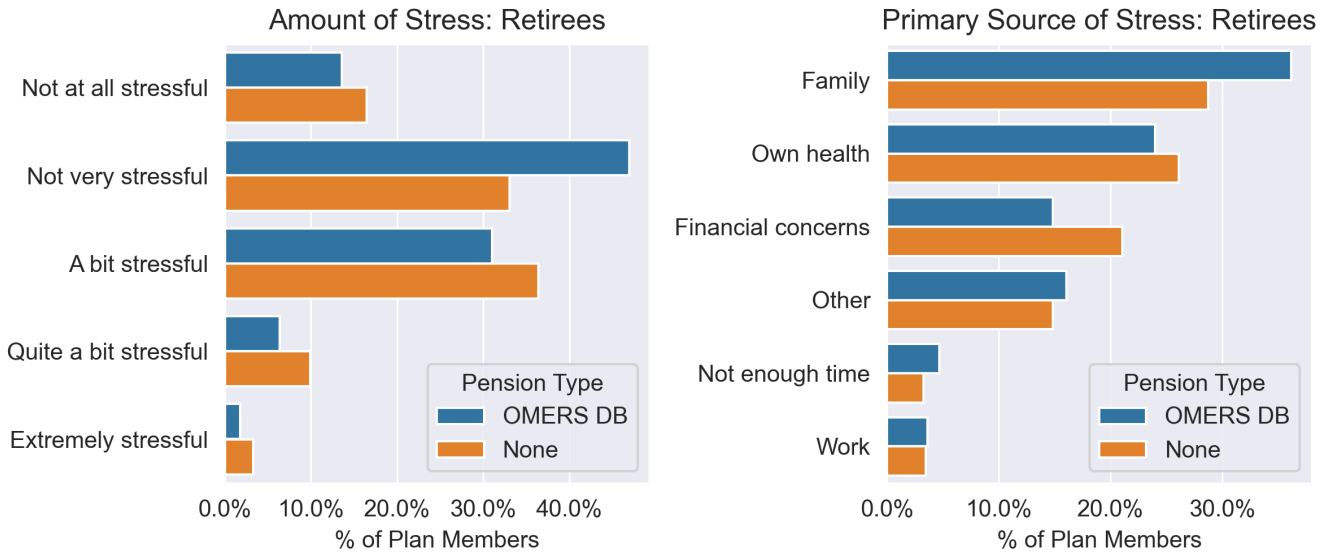
Looking more closely at those who experience stress reveals more significant differences across sub-groups. In particular, men and those in higher-income households tend to have less stress. Among retirees, younger retirees with no pension coverage tend to have the highest level of stress.

**Figure 22** Stress of retirees by age, gender, income, and region (lower is greater stress)



With regard to the levels and sources of stress, over 60% of OMERS retirees report life as either not very stressful or as not at all stressful. Among those with stress (a bit, quite a bit, or extremely stressful), financial concerns are significantly greater for those without a pension.

**Figure 23** Levels and sources of stress for retirees

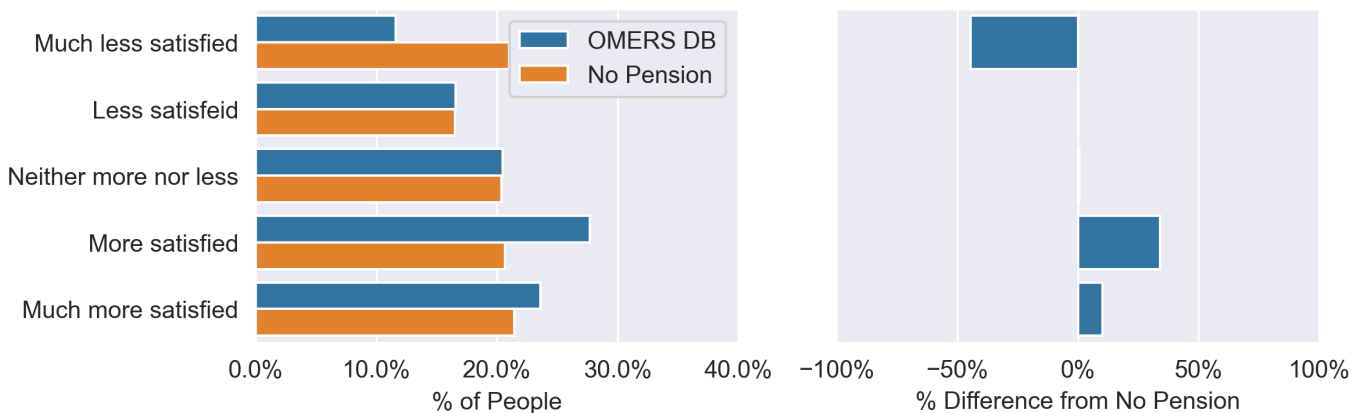


The financial security provided by a defined benefit pension plan helps to reduce overall levels of stress and minimize financial sources of stress.

### 3.3.5 Community Engagement and Leisure

The ability of people to engage with their community and enjoy recreation and leisure activities can contribute significantly to an individual's overall well-being and satisfaction with life [33, 47]. As with the other factors contributing to overall satisfaction with life, community engagement is interconnected with health, financial security, and stress. For example, if a person is in poor health or is financially insecure, they may be less likely to be involved in their community and leisure activities. The survey results show that OMERS retirees are more satisfied with their community engagement than those with no pension coverage (Figure 24).

**Figure 24** Overall satisfaction of retirees with community engagement





Interestingly, as shown in Figure 25, by gender, women without a pension plan are the least satisfied with their community engagement, but those who are OMERS members are among the most satisfied. In addition, unlike health or financial security, the difference between those with OMERS pension and no pension coverage is independent of incomes.

**Figure 25** Key differences between groups for retirees



Contributing to their satisfaction with community engagement, OMERS retirees reported greater involvement in recreation and hobbies and higher satisfaction with their leisure time (Figure 26).

**Figure 26** Involvement of retirees in recreation and hobbies (left), satisfaction with leisure time (right)



It is important to note that all of the factors discussed are tied together:

- Better health allows for more community involvement and recreation;
- Financial security allows retirees to invest in their own health and activities with less stress;
- Lower stress is connected to better health.

### 3.3.6 Social Value Outcomes

The calculation of an equivalent financial value for direct social values outcomes has been well established in the literature. Using the Well-being Valuation Approach, it is possible to express the social value benefits in monetary terms. While this approach has been used in other fields, such as valuing the impact of participation in culture and sport or volunteering [26, 24, 56, 47], it has not been applied in the context of pensions and retirement income.

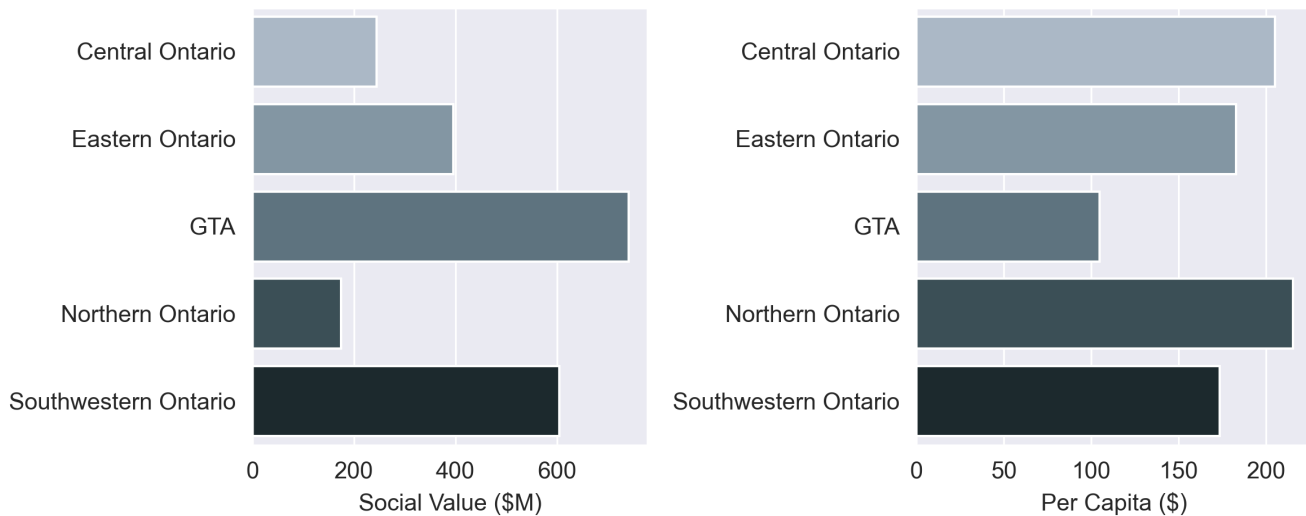
While pension plan participation has been found to yield a range of social value benefits, the ability to express the social value benefits in monetary terms is limited. Given the primary focus was upon the direct differences in satisfaction with life, the necessary data for valuing these results for retirees was available. Turning these results into dollar equivalents is useful when attempting to understand the meaning, significance, and cost-effectiveness of changes in well-being measures such as satisfaction with life.

When retirees report higher satisfaction with life and attribute it to certain aspects of their pension, they are essentially reporting the usefulness and enjoyment they are getting from their pension. In economics, this is the concept of utility, which can be used to estimate worth.

OMERS retirees who live in Ontario received \$4.37 billion in retirement income in 2020. The utility they have expressed, in the form of higher life satisfaction over and above retirees that do not have a pension, amounts to \$2.17 billion in total. The total benefit received by OMERS retirees in 2020 was approximately \$6.57 billion. In aggregate, the higher satisfaction with life is equivalent to about 50% of the annual pensions paid by OMERS, an average of \$12,700 per retired member.

Regionally, the GTA has the greatest total social benefit valuation of \$740 million, driven by its large population, while Northern Ontario has the least with \$175 million. On a per capita basis, OMERS has the largest impact in Northern Ontario, with a social valuation of \$215 per capita compared to \$105 per capita in the GTA. This complements the economic contribution analysis [46], highlighting the importance of OMERS pensions across the province, particularly to more rural communities. In addition to OMERS providing economic support for northern and rural communities, it also provides a greater social value per capita to these communities.

**Figure 27** Regional variation in total social value (left) and social value per capita (right)



### 3.4 OMERS Active Members

Overall, as with retirees, active employees with an OMERS Plan are more satisfied with life than those with no plan, though the overall level of satisfaction is lower for both groups. It is important to note that the number and complexity of factors affecting the overall satisfaction with life is much greater than for retirees. For example, the security of employment, particularly during a pandemic, can confound the decomposition of the results into factors. As a result, the differences between active OMERS members and employees without a pension plan are not solely due to the characteristics of their pension plan.

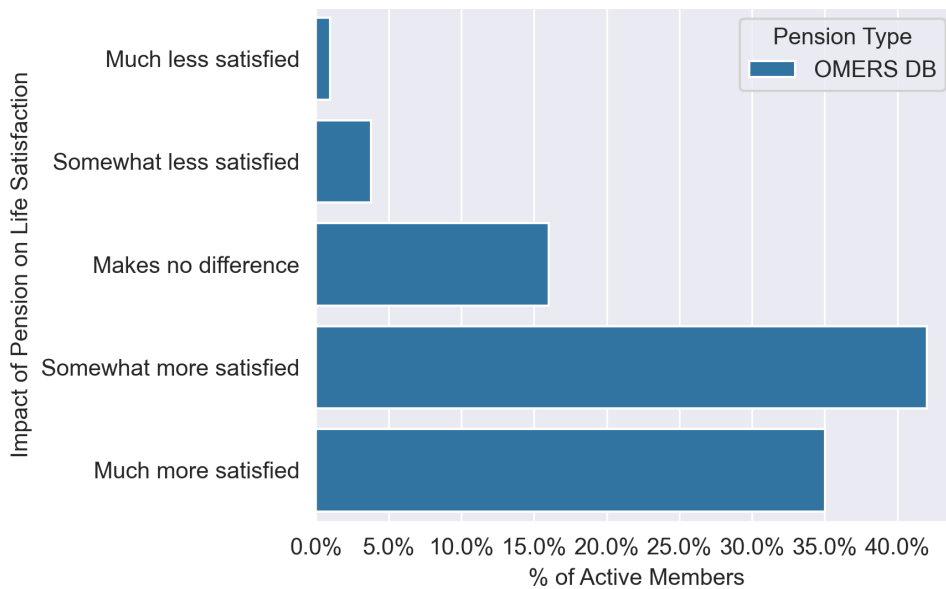
Nonetheless, there are significant differences between employees with an OMERS pension and those with no plan, with OMERS members reporting satisfaction with life 29% greater than those with no plan. Active members were 73% more likely to be more or much more satisfied with life.

**Figure 28** Overall life satisfaction of active members



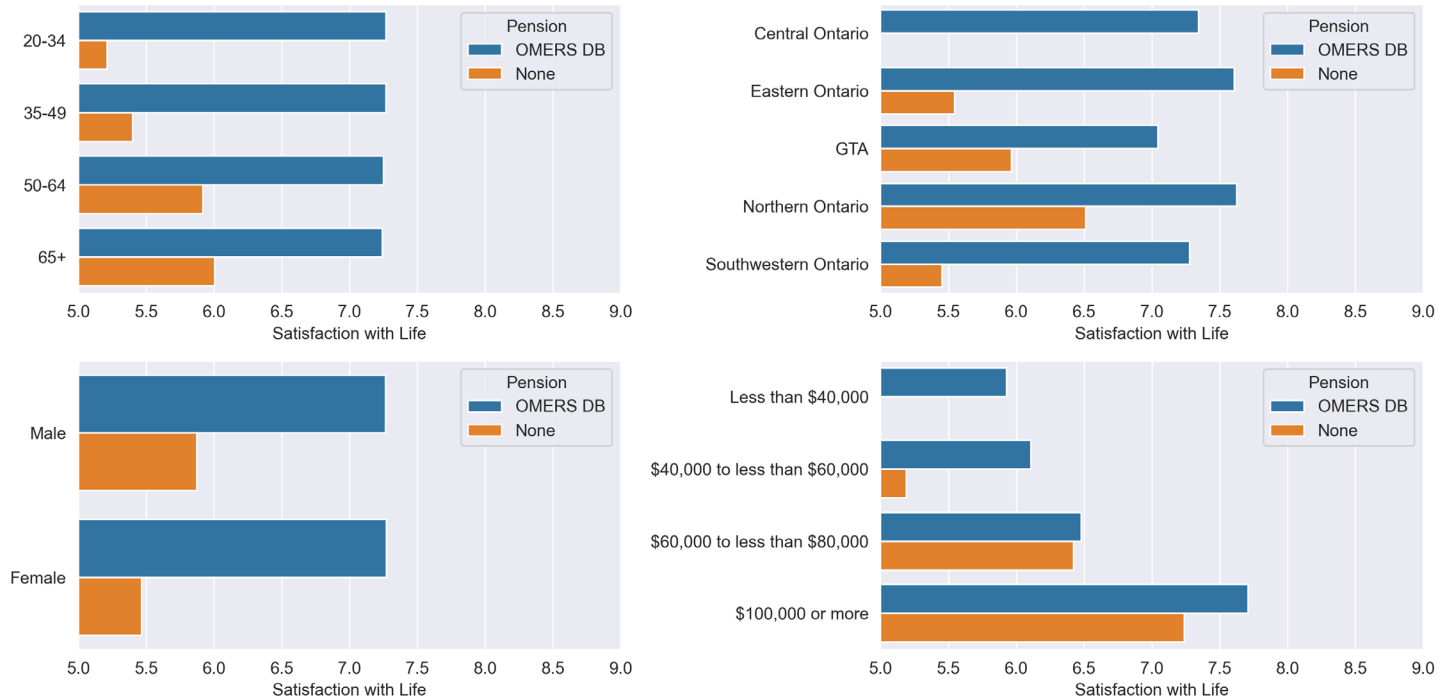
The effect of other factors outside of pension plan membership contributing to the increased satisfaction of active members is supported by the fact that while the increased satisfaction of life is greater than for retirees, just 77% of active members report that the pension plan made a difference (Figure 29) as opposed to 90% for retirees.

**Figure 29** Impact of defined benefit plans on satisfaction of life for active members



As shown in Figure 30, the most pronounced differences between the two cohorts are those at younger ages and lower incomes. Since conditions of retirement are generally not at the top of mind for younger people, there are likely other factors contributing to the difference. For example, a younger member of OMERS may have a high level of satisfaction due to stable employment rather than their future pension.

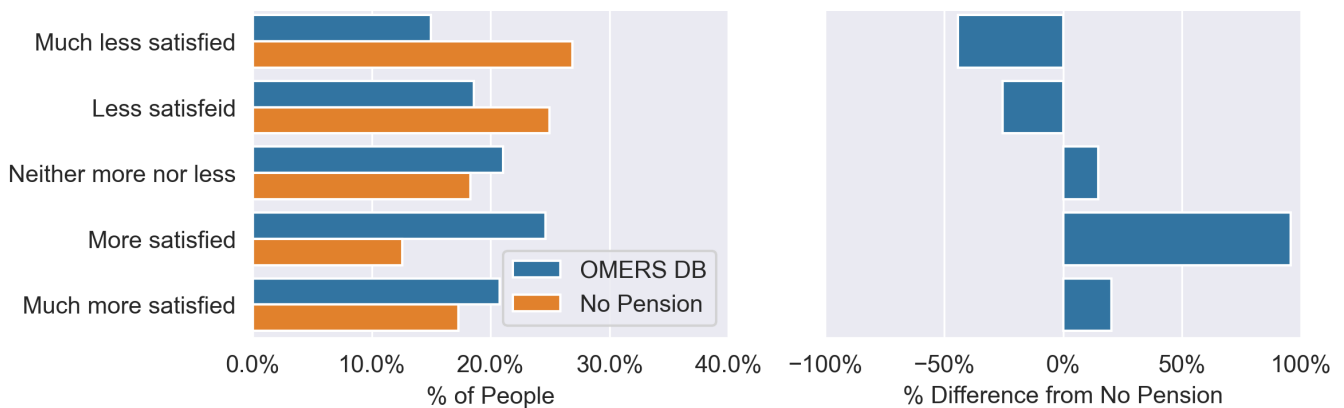
**Figure 30** Overall life satisfaction for active members by age, gender, region, and income



While many other factors beyond pension type affect the satisfaction with life for active members, which do not apply to retirees (such as job security, public or private sector, unionization, etc.), one can still look at contributing factors.

Overall, OMERS active members are more financially secure than those with no pension coverage. However, the level of financial security is considerably lower for both cohorts.

**Figure 31** Overall financial security

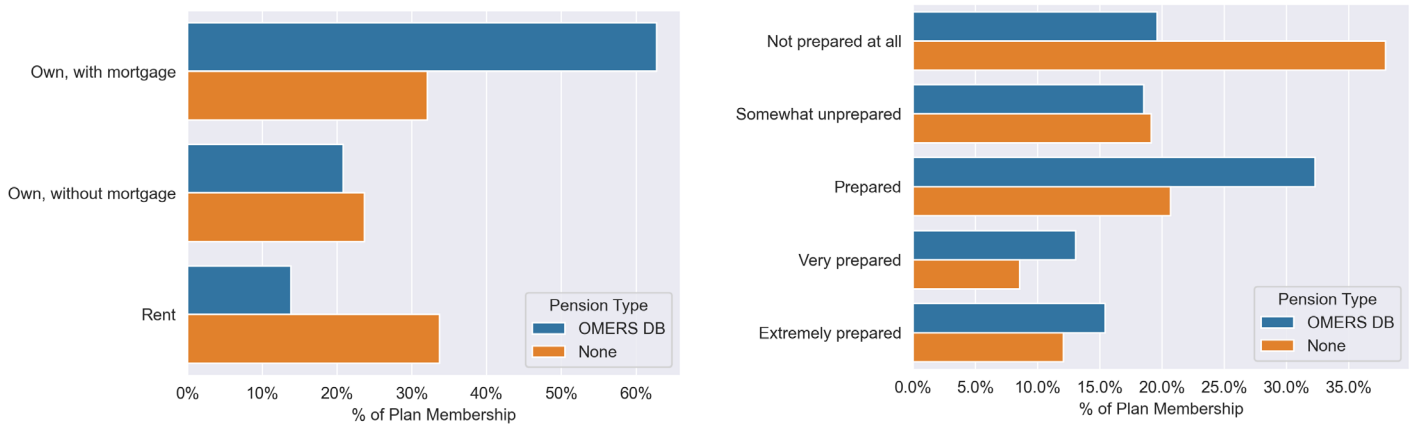


**Figure 32** Financial security by age, gender, region, and income



In addition, home ownership is higher for active defined benefit plan members than for people with no pension coverage (Figure 33). The higher rate of ownership with mortgages indicated a greater degree of financial security to engage in a large, long-term investment. Similarly, OMERS active members are much more prepared for unexpected expenses than those without pension plans.

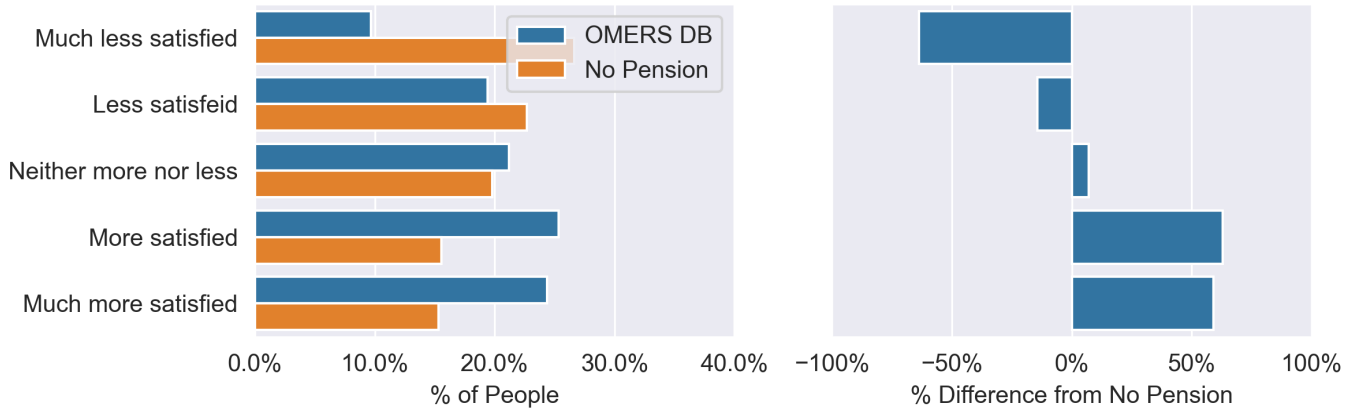
**Figure 33** Ownership and rental status (left) and preparation for unexpected expenses (right)



Active members of OMERS have a greater satisfaction with their health than employees with no pension coverage. Again, this is not necessarily a causal relationship<sup>5</sup>, but there is a strong correlation between employees with OMERS memberships and greater satisfaction with health.

<sup>5</sup> Confounding factors such as job security, public or private sector, unionization may contribute to the difference

**Figure 34** Overall satisfaction with health



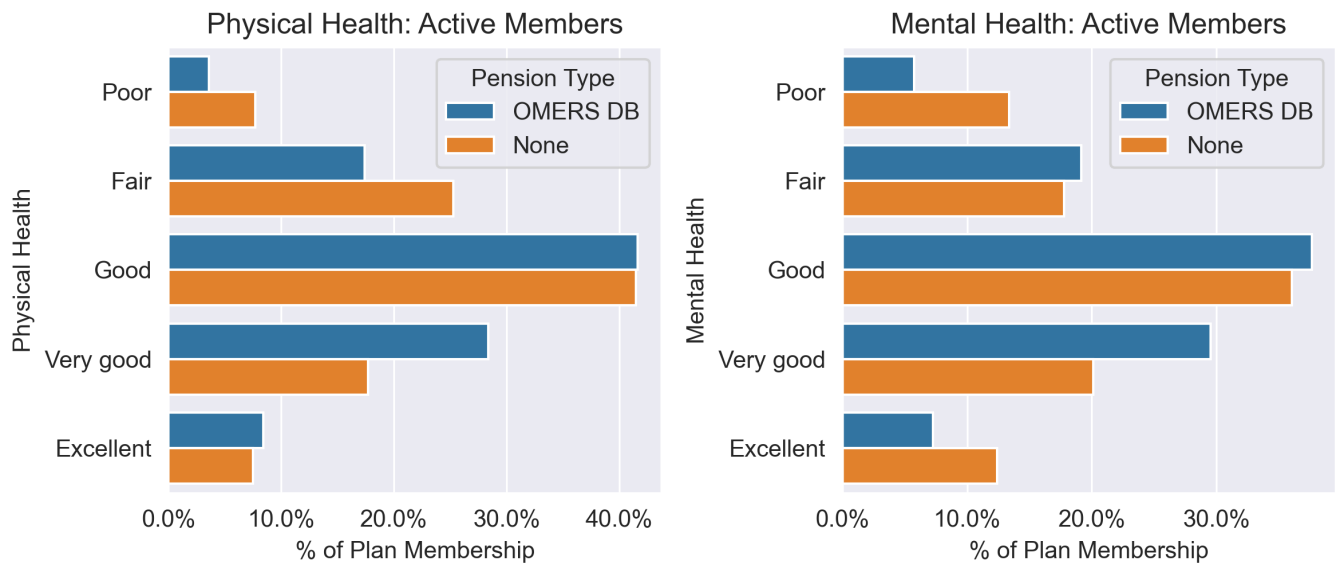
As shown in Figure 35, the higher satisfaction with health persists across all age groups, genders, geographic regions, and incomes.

**Figure 35** Key differences between groups for satisfaction with health



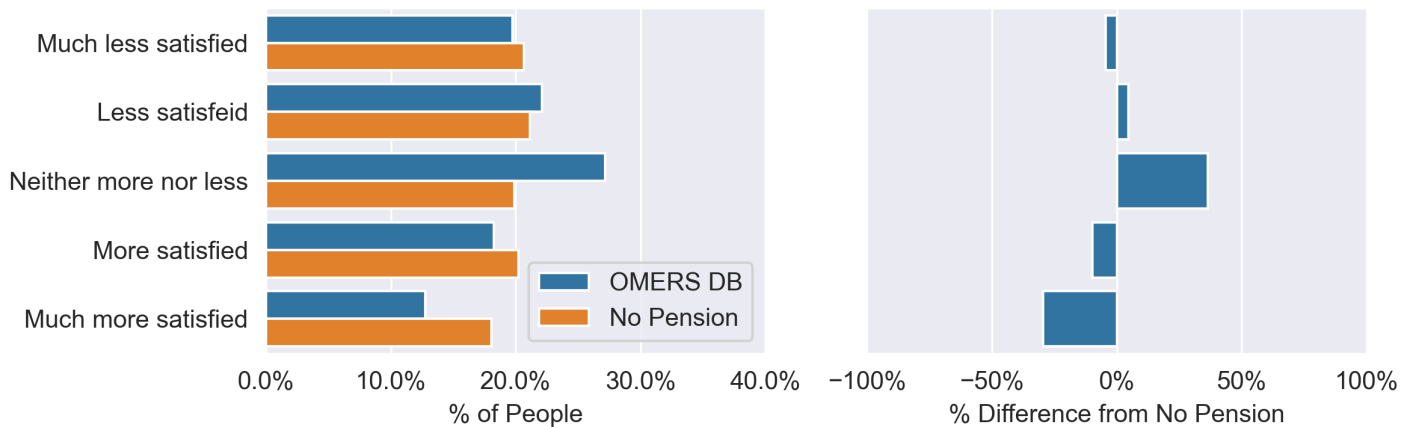
A closer examination shows that 37% of OMERS members rate their physical health as excellent or very good, compared to 25% of those without pension plan coverage. Similarly, 37% of OMERS members rate their mental health as excellent or very good, compared to 33% of those with no pension coverage.

**Figure 36** Physical and mental health of active members



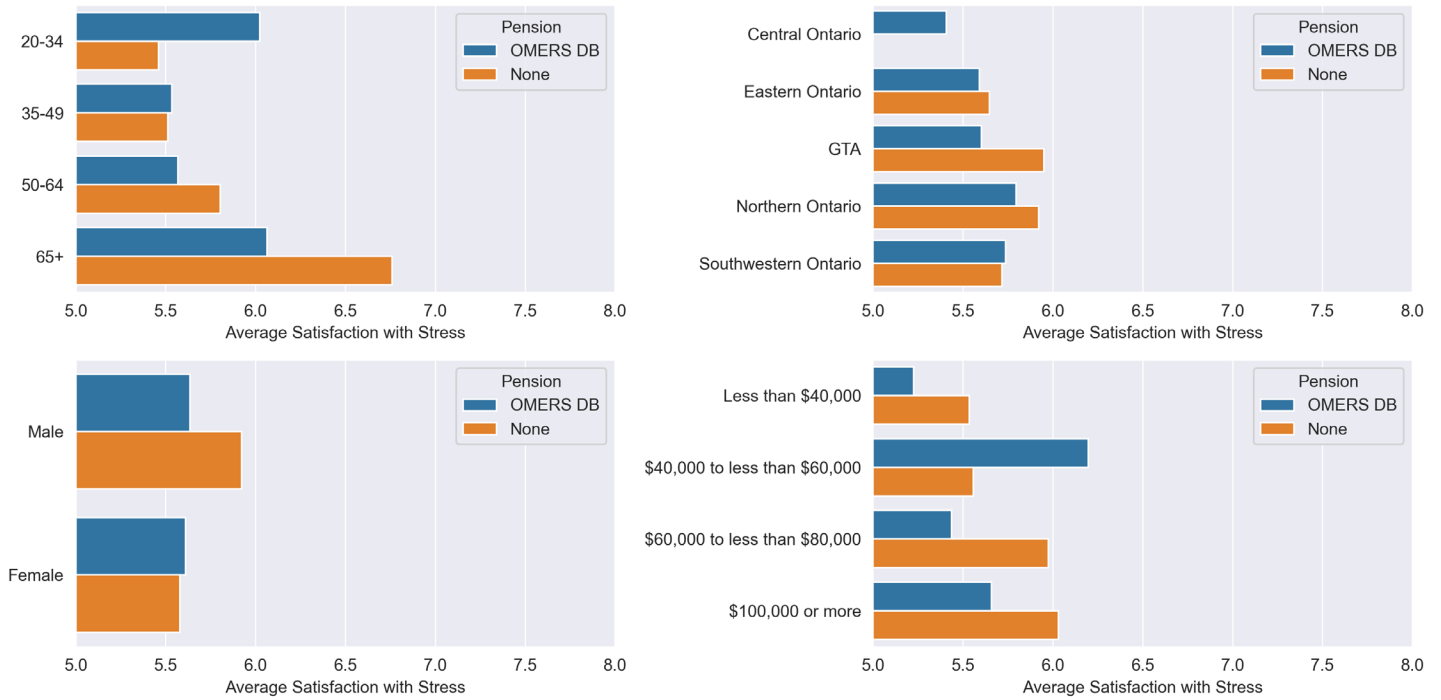
Unlike retirees, the overall levels of stress are similar for OMERS members and employees without pension plans. However, significant differences exist in sub-groups.

**Figure 37** Overall satisfaction stress (lower is greater stress)



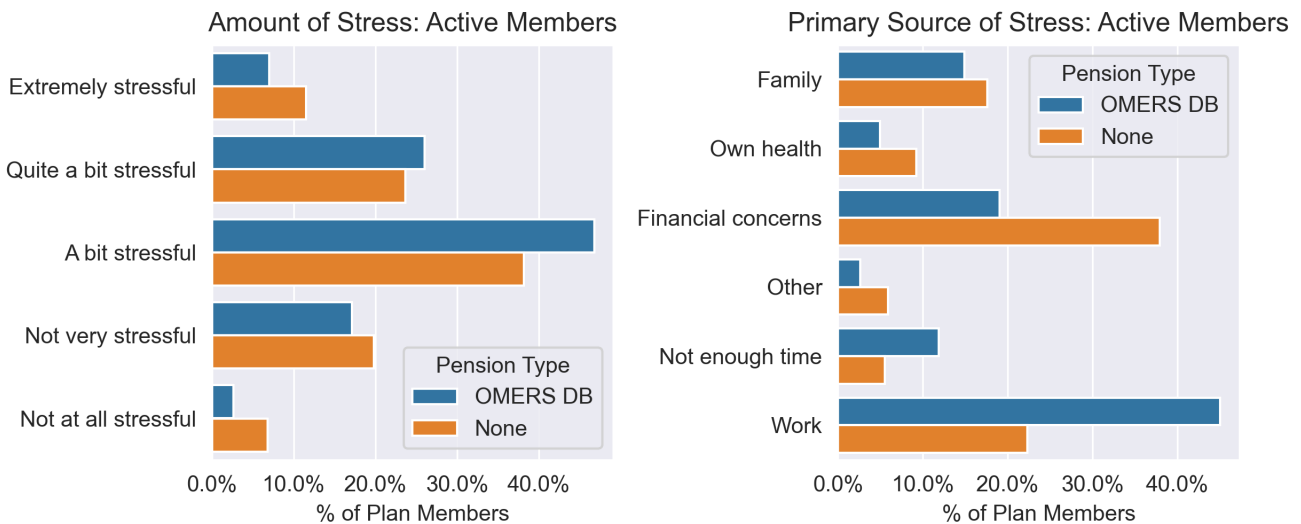
As shown in Figure 38, there are no clear trends in the level of overall stress between OMERS members and employees with no pension coverage by age, income region, or gender. In some cases, OMERS members are reporting more stress compared to those with no pension coverage, while in other cases, those with no pension coverage are reporting more stress.

**Figure 38** Key sources of stress, differences between groups



Among those with stress, there are significant differences in the sources of stress. In particular, financial concerns are the greatest source of stress for those with no pension coverage. Almost 40% of employees with no plans stated financial concerns as the primary source of stress compared to less than 20% of OMERS members.

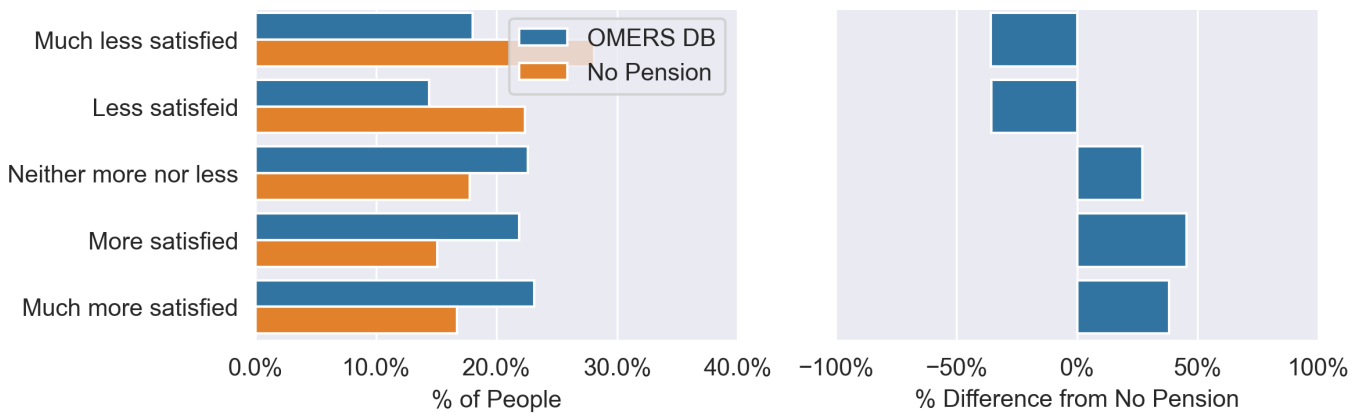
**Figure 39** Levels and sources of stress for active members





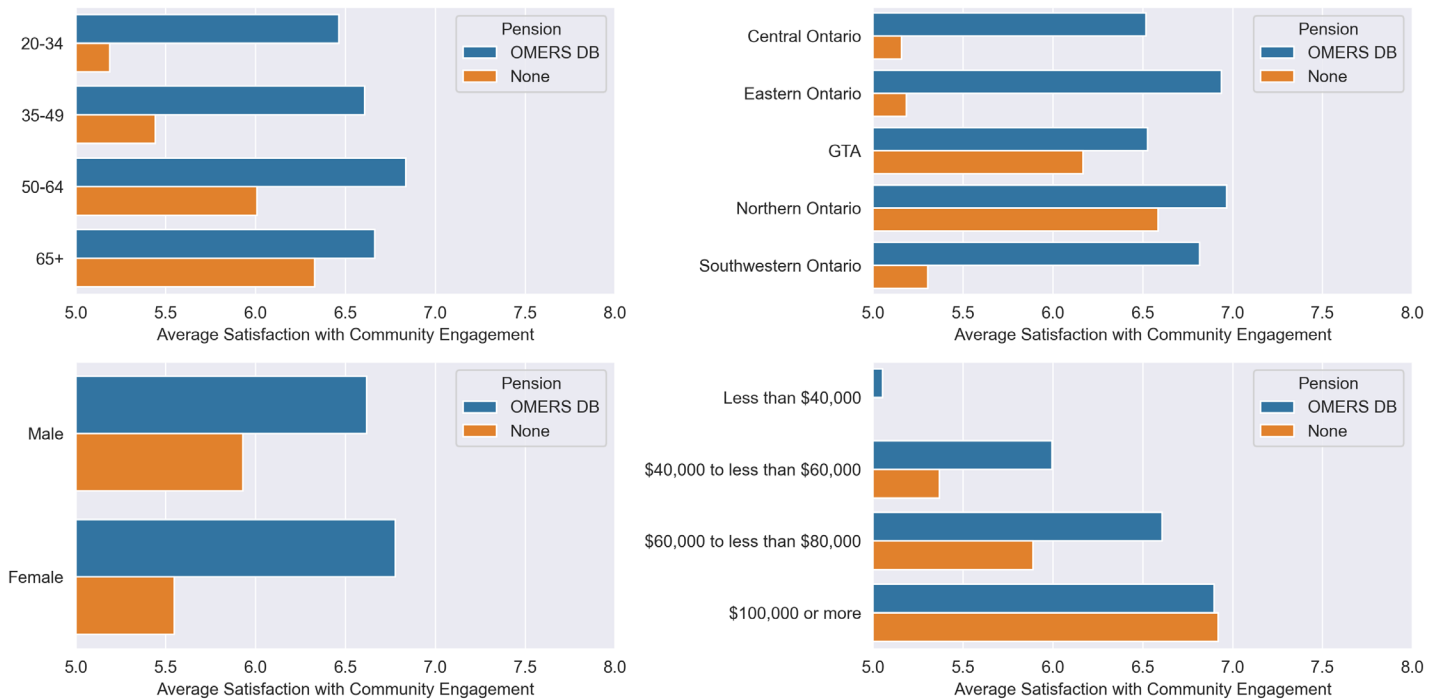
Active OMERS members are more satisfied with their level of community engagement. As with retirees, the factors contributing to overall satisfaction with community engagement are interconnected with other factors, including health, financial security, and stress.

**Figure 40** Satisfaction with community engagement



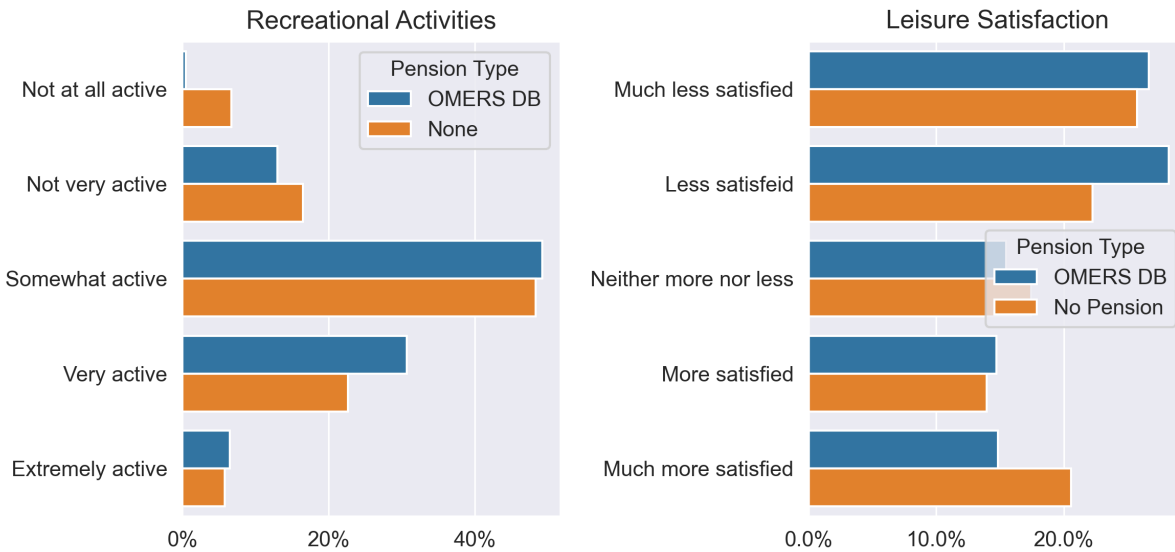
The difference in satisfaction with community engagement varies considerably across age, gender, region, and income. Of particular note is the large shift in the satisfaction with community engagement for women between those with no pension coverage and OMERS members. In addition, employees in Northern Ontario with no pension coverage are much more likely to be more satisfied with their level of community engagement than their peers in other regions.

**Figure 41** Key differences between groups for active members



While OMERS members are slightly more active with hobbies and recreational activities than those with no plan, neither group is very satisfied with the overall amount of leisure time.

**Figure 42** Recreation and hobbies (left) and satisfaction with leisure time (right)



### 3.5 OMERS Employers

Employers that participate in the OMERS Plan also experience indirect social values associated with defined benefit plan membership. These benefits do not arise directly from the payment of pensions by OMERS but indirectly through the expectations and confidence of current active members that they will receive their defined benefit pension in the future. In this analysis, the social value metrics measured for employers included:

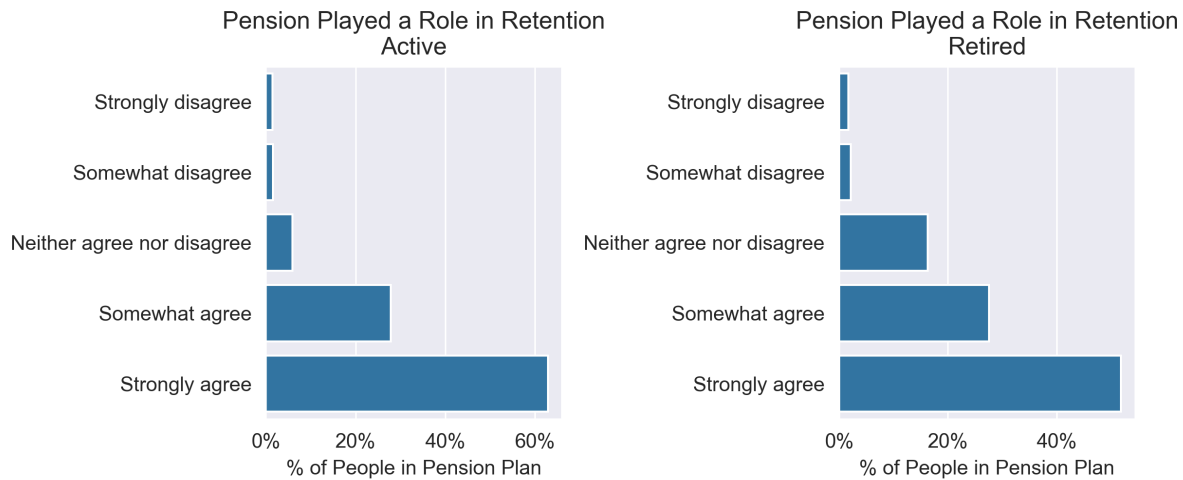
- the impact of OMERS membership on employee retention, and
- the sense of belonging to OMERS employer organizations.

#### 3.5.1 Employee Retention

The retention of employees can benefit both the employees, through less stress of job changes and greater financial stability, and the employer through greater productivity, lower costs and maintaining organizational knowledge [58, 59, 60, 61].

As shown in Figure 43, over 90% of active OMERS members agreed (strongly or somewhat) that their pension plan plays a role in them remaining at their current place of employment. In addition, among retirees, almost 80% of members agreed that pensions played a role in them remaining at their place of employment during their career.

**Figure 43** OMERS Plan and employee retention

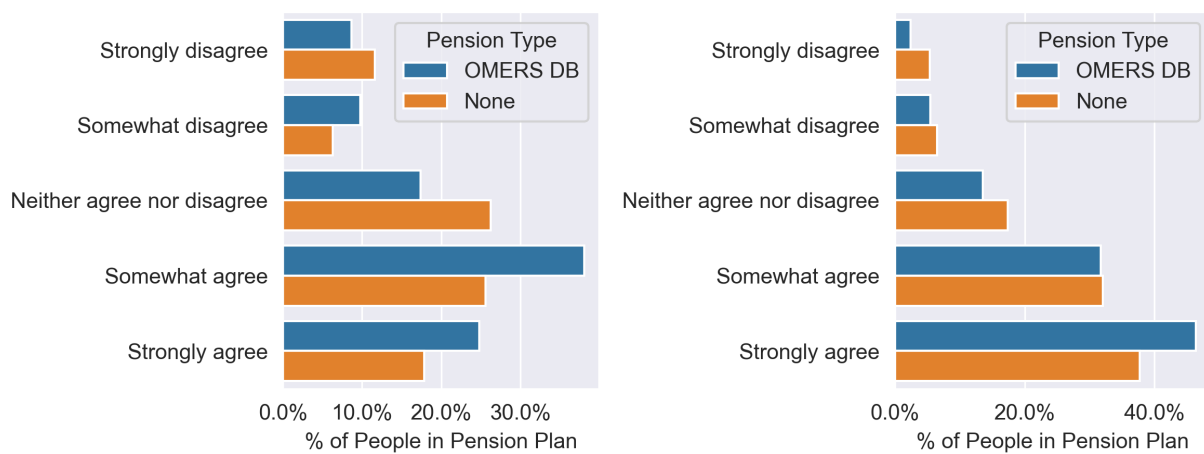


The productivity impacts due to improved retention can be significant, with costs associated with replacing an employee frequently exceeding a half-year's salary [62, 61].

### 3.5.2 Sense of Belonging

Both individual well-being and an organization's productivity are positively affected by a greater sense of belonging. While there are likely factors in addition to OMERS membership contributing to the sense of belonging, 63% of OMERS active members and 78% of OMERS retired members agreed (somewhat or strongly) that they felt a sense of belonging in the organization they worked for. In contrast, only 43% of those employed with no pension coverage and 70% of retirees with no pension coverage agreed.

**Figure 44** Sense of belonging



For current employees, the greater sense of belonging positively affects the productivity of the organizations [45].

### 3.6 Ontario Communities

OMERS supports social benefits to communities in three ways:

1. The activity of OMERS members, both active and retired, contributes to the communities in which they live and work. While the outcomes are not a direct result of membership in OMERS, the improved financial security, better health, and less stress identified in Section 3.2 allow for greater involvement in the community, both through volunteering and donations.
2. OMERS assets in Ontario provide benefits to the communities beyond their financial balance sheets.
3. The economic activity and jobs supported by the spending of retirees and the operations of OMERS provide value across the province.

#### 3.6.1 Government Services

Compared to people with no pension coverage, OMERS retired members are 45% less likely to be in a low satisfaction with life category, 37% more unlikely to be in a low satisfaction with health category and, 24% less likely to be in a high-stress category. The avoidance of these factors is associated with lower future healthcare utilization and costs. In Ontario, the impact of these factors and incomes on health system outcomes has been examined in terms of avoidable hospitalizations [54]. The higher satisfaction with life amongst OMERS members, particularly retirees, saves the health system costs and makes available resources to treat others.

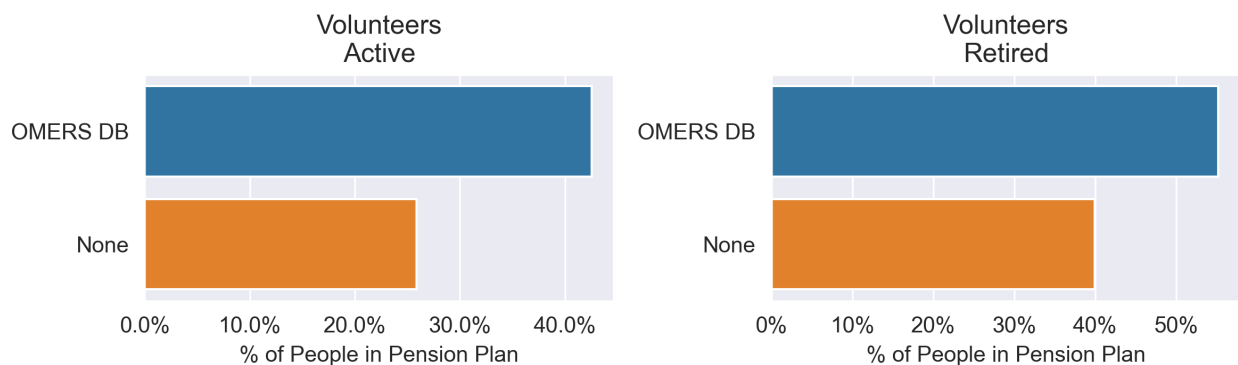
OMERS retired members that are 65 years or older are almost 60% less likely to be dependent upon the Federal Government's Guaranteed Income Supplement than people without pensions. The lower likelihood of reliance upon such a program saves the government and taxpayers costs that can be reinvested into other areas of Canadian communities.

#### 3.6.2 Volunteering and Donating

In addition to the greater satisfaction with life individuals experience when volunteering or donating [47], communities benefit from that activity as well. Volunteering and donating provide social value to the communities.

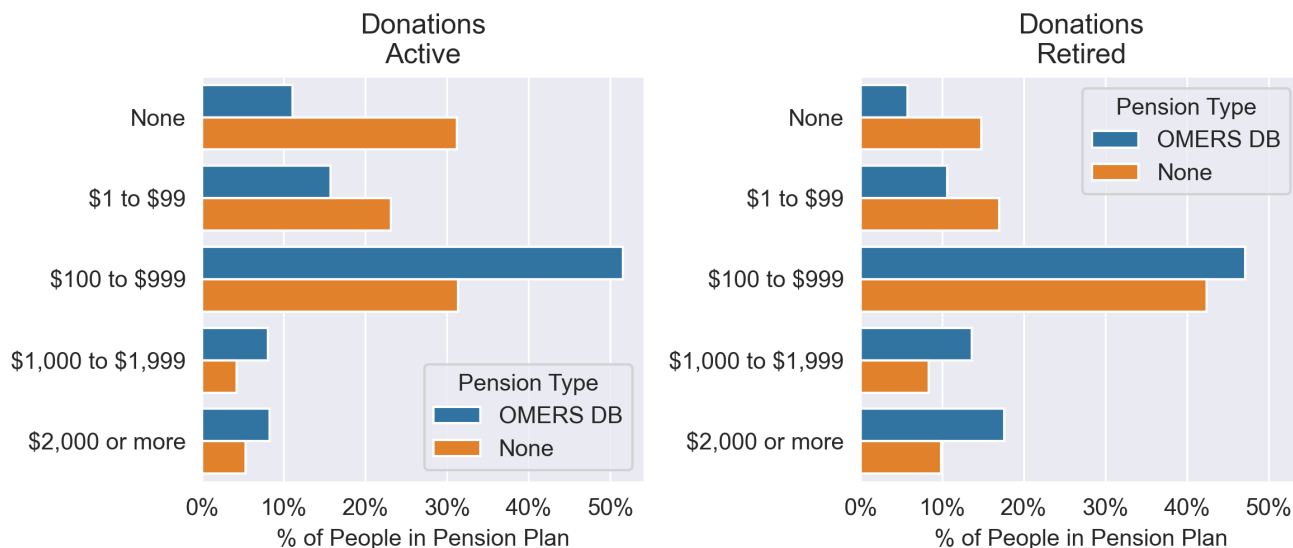
Both OMERS active and retired members are more likely to volunteer than people with no pension coverage (Figure 45). In fact, OMERS active members are 1.6 times more likely to volunteer than those without a pension plan. Across OMERS and people without pensions, the likelihood to volunteer increases with retirement. Over 55% of OMERS retirees volunteer, up from 43% of OMERS active members.

*Figure 45* Volunteering in the community



In addition to the time donated by volunteering, almost 90% of OMERS active members and 94% of OMERS retirees donate financially to charities, not-for-profits, or other causes (Figure 46).

**Figure 46** Donations to charities, non-profits, and other causes



Note that it is not directly the defined benefit plan membership contributing to the community social benefits, but the combination of effects such as improved financial security, better health, and less stress that may allow OMERS members to be more involved in their communities.

### 3.6.3 Assets in the Community

In addition to the social value arising from the activity of OMERS active and retired members, OMERS investments also provide social value to communities across Ontario. Of particular importance, from a social value point of view, is OMERS investments in almost 5,300 purpose-built rental apartments in the province. Dedicated rental units provide housing tenure security for their residents, allowing them to put down roots, have greater financial security, and less stress [42]. In contrast, over 25% of renters of private dwellings (such as condominium units owned by individuals) are not confident they can stay as long as they would like. Long-term private renters frequently have anxiety and fear that their rental agreement may be canceled, which purpose-built rentals mitigate [43].

Another key area of investment in Ontario is in the energy sector. OMERS investments in energy production provide over 30% of Ontario's electricity requirements. The International Energy Agency defines energy security as the uninterrupted availability of energy sources at an affordable price [63]. OMERS investments help ensure energy security for resident households and businesses by providing a reliable source of electricity.

### 3.6.4 Economic Contributions

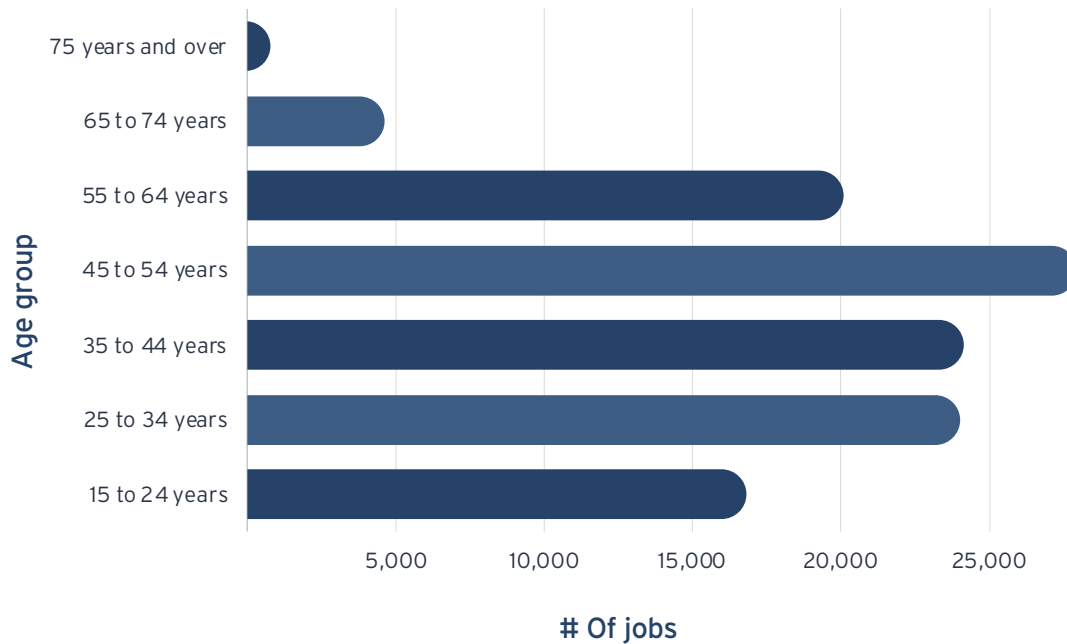
Finally, as OMERS pays its retirees their pensions, and through OMERS operations and investments, it supports jobs across the province, which is a potential source of social value [64]. The Ontario socio-economic contribution of OMERS activities and member spending has been well researched and is significant [46].

Through the spending of retirement incomes in Ontario and specific investments made by OMERS in Ontario, OMERS operations and its members collectively support over 118,300 Ontario jobs with an associated \$5.8 billion in wages [4]. These jobs are held by individuals ranging in age and family composition. The main source of the total contribution to employment by OMERS is pension spending, which supported 65.9% of the total jobs supported by OMERS. The balance of 34.1% of Ontario jobs supported accrues from OMERS investments in healthcare, energy, real estate, and building services, technology, financial services, industrial, and transportation.

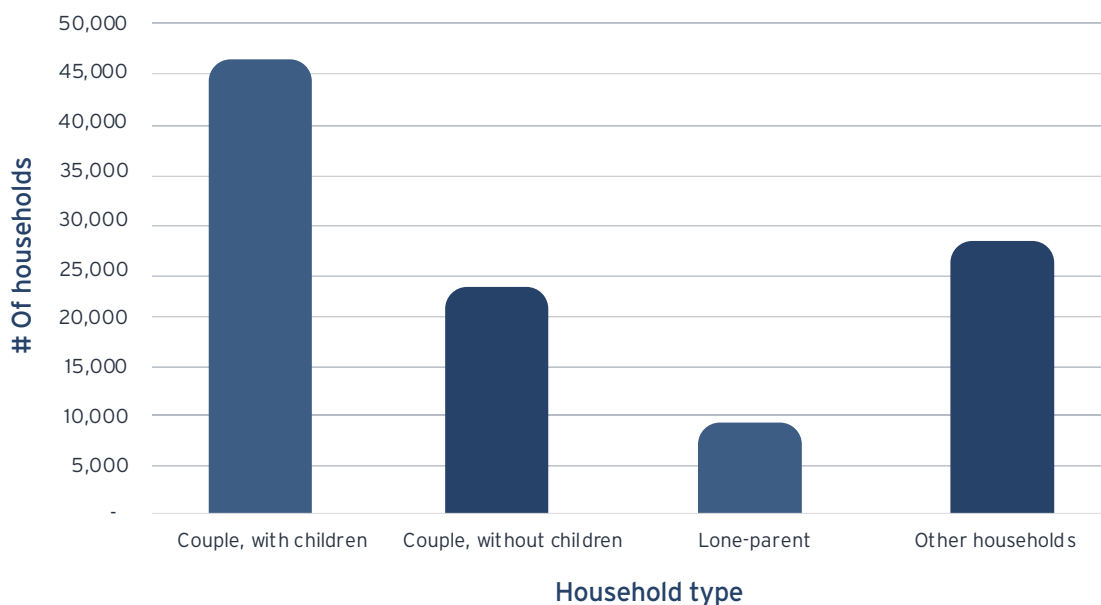
The job contribution affects almost 736,000 people in Ontario, including each person living in a household with someone whose wage was supported by OMERS and each person who received OMERS retirement benefits payments [4]. The number of people affected represents 5% of the population.

Of the people whose employment was supported by OMERS, over 28,700 were young people under the age of 30 (24.3% of the total), although the employment contribution is similar across all age groups, as shown in Figure 6. The employment supported by OMERS contributed to the wages of over 55,500 households with children, as shown in Figure 7.

**Figure 47** Employment supported by OMERS, 2020



**Figure 48** Households with wage income supported by OMERS by type, 2020



The total employment contribution of OMERS in 2020 was distributed across all industries in Ontario. The industries which saw the largest benefit, and together accounted for over 58,240 jobs, were:

**58,240 jobs in four industries**



OMERS activities supported employment in municipalities all across Ontario. The number of jobs supported in each region is shown in Table 1. Supported employment tends to correlate to the size of the local population, meaning that more jobs are supported in places where there are more residents and employed people overall. One significant exception is Bruce County, which saw the largest employment impact relative to its population. In this community, 16% of all the jobs in the area were supported by OMERS activities. The primary source of this contribution is OMERS investment in Bruce Power, which supplies over 30% of Ontario's electricity.

**Table 1** Number of jobs supported by OMERS across Ontario, 2020

Region	Number of Jobs
GTA	57,000
Southwestern Ontario	24,700
Eastern Ontario	15,100
Central Ontario	14,500
Northern Ontario	7,000

The jobs supported contribute to over \$11.9 billion in economic activity annually in Ontario and \$3.3 billion of tax revenue. These jobs and economic activities support the satisfaction with life that is generally associated with employment, while the tax revenue helps support the government services aimed at improving the quality of life for residents in Ontario.

While these jobs could generally support the life satisfaction associated with employment, it is not a foregone conclusion as the nature and quality of the jobs, their income levels, and environmental effects can vary the social value attributed to the jobs [65, 64]. More research would need to be performed given the context-dependency of the social value attributable to jobs.

The COVID-19 pandemic has highlighted the social value that the financial security of a defined benefit pension provides to the community. During the pandemic, OMERS pension payments increased from 1.15% of total employment income to 1.23%. That is, OMERS relevance to the economy during COVID increased by 7% in 2020. OMERS pension payments during the pandemic are equivalent to 17.3% of the lost employment wages in Ontario, or enough to support 69,800 jobs. This points to the value of a stable retirement system in helping local communities cope with economic cycles.

In addition to the increased significance of OMERS pension incomes during the pandemic, savings rates increased for many households due to lockdowns. If OMERS pension recipients saved at the same rates as other households during the pandemic, those savings could support the equivalent of 14.6% of Ontario's annual job creation, equivalent to 16,800 jobs. In other words, if OMERS retirees were to spend their additional savings arising from their pension payments, it could pay the wages for almost 17,000 new jobs in the province.

## 4.0 Conclusions

Access to retirement income provides a significant positive impact on an individual's life satisfaction and overall well-being that extends into the community. The research demonstrates that the value of providing a secure and stable defined benefit pension plan further enhances the sense of well-being with higher life satisfaction for both active and retired members of the OMERS Plan. For retirees, there is a clear link between life satisfaction and the financial security that comes from knowing they will not outlive their pensions. There are also knock-on benefits such as reduced stress and better mental and physical health. For employers, a pension plan helps to build a stronger bond, with a clear benefit in terms of employee retention. The well-being of the individuals, and their sense of financial security, enables OMERS members to play a more active role in their communities through both charitable donations and volunteering and reducing their demand on public services and government programs.

The social value created by OMERS is felt particularly strongly by members, and these benefits permeate more broadly into communities. The pension ecosystem established by retiree spending, pension operations, and investments create broad, stable benefits that contribute to the well-being of every community across the province. The social value demonstrated within this report provides evidence of the benefit in terms of quality of life and reduced stress that could come from further extending pension coverage to more people.



## Findings of Note



54% higher life satisfaction of retirees due to a combination of financial security, physical and mental health, stress, community involvement, and leisure



90% attribute higher life satisfaction with being part of a defined benefit pension plan



48% of retirees felt they had saved well to meet their retirement needs, and 20% of retirees had a higher feeling of financial security



22% of retirees were more likely to report lower levels of stress, and 29% were less likely to report stress due to financial concerns



15% of retirees had higher satisfaction with their health putting less demand on public services, 42% rate their physical health as very good or excellent



OMERS retirees were 50% less likely to experience a decrease in financial security due to unexpected expenses, such as during the pandemic



Over 90% of OMERS active and retired members donate to charities or other causes



38% more likely for OMERS retirees to volunteer their time within their community



91% of active members said their OMERS membership is an important factor in their decision to stay with their employer



87% of members under 35 places high importance on their OMERS pension, with high levels of importance noted across all ages

Comparative figures based against people without pensions

## A. Survey Methodology

### A.1. Members survey methodology

The OMERS Member survey data is from an online survey prepared by CANCEA of 4,010 OMERS Members. The conduct of the online survey was independently performed by Innovative Research Group between July 29th and August 9th, 2021.

Members who live in Ontario and receive e-mail communications from OMERS were invited to complete the online survey. A unique URL for each invited member was provided to OMERS. URLs were distributed by OMERS via an email invitation. Only invited members were able to complete the survey, and they could only complete the survey once.

The final sample was weighted to n=2,500 by gender, age, region, employer type, membership status, and income/pension level. Results are weighted to ensure that the overall sample's composition reflects that of the actual population of all members in the target population to account for any non-response biases or differences introduced by communications opt-outs. The margin of error for the overall sample is  $\pm 1.96\%$ , 19 times out of 20. Margins of error will be larger for each sub-sample presented in the report.

### A.2. Members sample distribution: Demographics

The sample is weighted by gender, age, region, employer type, membership status, and income/pension level to be representative of the full membership population. A summary of the unweighted and weighted distributions is provided in the tables below.

		Unweighted (n)	Unweighted (%)	Weighted (n)	Weighted (%)
Gender	Men	1977	49.3%	1121	44.8%
	Women	2033	50.7%	1379	55.2%
Age	20 to 39	264	6.6%	547	21.9%
	40 to 54	741	18.5%	733	29.3%
	55 to 64	1150	28.7%	585	23.4%
	65 to 74	1323	33.0%	410	16.4%
	75+	532	13.3%	226	9.0%
Region	GTA	1251	31.2%	872	34.9%
	South	461	11.5%	272	10.9%
	West	945	23.6%	535	21.4%
	East	679	16.9%	406	16.2%
	North	494	12.3%	286	11.4%
	Far North	180	4.5%	129	5.2%

		Unweighted (n)	Unweighted (%)	Weighted (n)	Weighted (%)
Employer Type	Municipality	2044	51.0%	1187	47.5%
	School Board	927	23.1%	703	28.1%
	Police	342	8.5%	177	7.1%
Membership Status	Other	697	17.4%	433	17.3%
	Active	1482	37.0%	1474	59.0%
	Pension	2327	58.0%	774	31.0%
	Disability	66	1.6%	49	2.0%
Income/ Pension Level	Other	135	3.4%	203	8.1%
	Less than \$20,000	973	24.3%	737	29.5%
	\$20,000 to under \$60,000	1620	40.4%	860	34.4%
	\$60,000 to under \$100,000	971	24.2%	614	24.6%
	\$100,000 or more	424	10.6%	263	10.5%
	Not available	22	.5%	26	1.1%

### A.3. Online panel (Ontario adults) survey methodology

The Ontario adult survey data is from an online survey prepared by CANCEA of 1,057 Ontario adults conducted by Innovative Research Group between July 27th and August 8th, 2021.

Respondents were recruited from a panel managed by Dynata, a leading provider of online samples. The survey is administered to a randomly selected sample from the panel and weighted to ensure that the overall sample's composition reflects that of the actual Ontario population, according to Census data from Statistics Canada, to provide results intended to approximate a probability sample.

The results are weighted to n=1,000 by age, gender, region to ensure that the sample's overall composition reflects that of the actual Ontario population according to Census data.

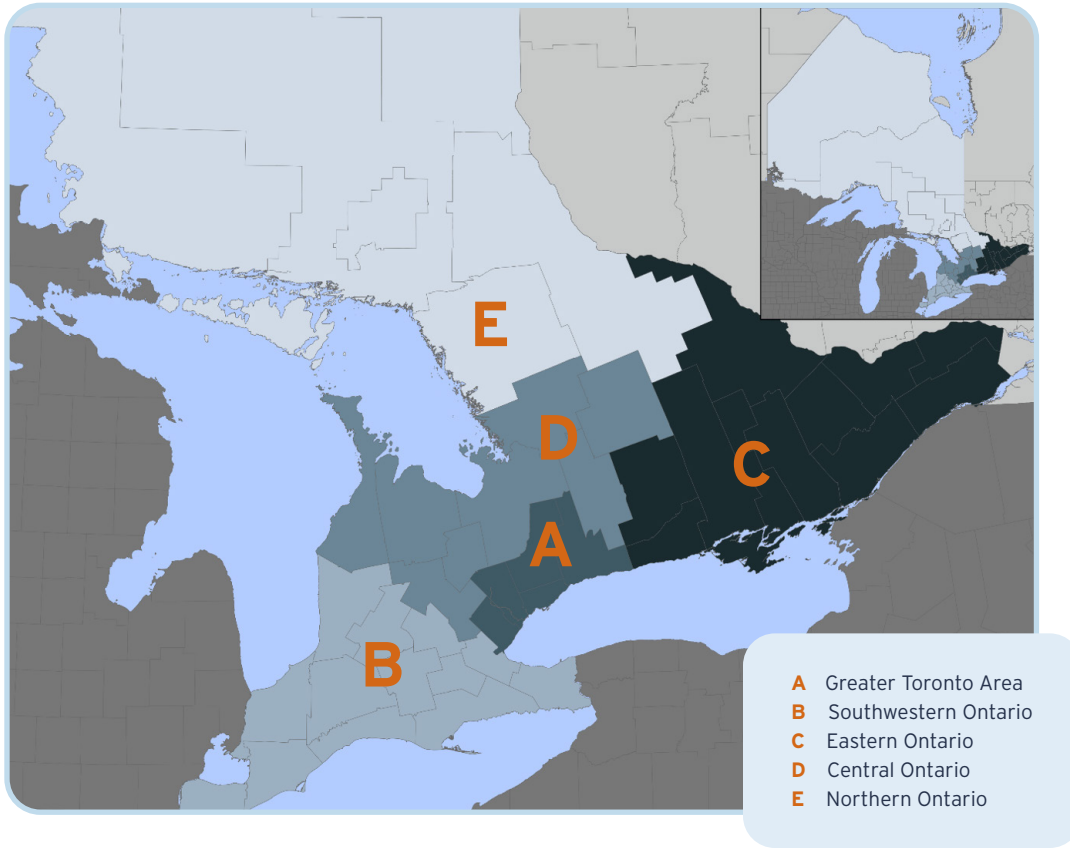
This is a representative sample. However, since the online survey is not a random probability-based sample, a traditional margin of error cannot be calculated. Statements about margins of sampling error or population estimates do not apply to most online panels.

#### A.4. General population sample distribution: Demographics

The sample is weighted by gender, age, region, and income to be representative of the Ontario population. A summary of the unweighted and weighted distributions is provided in the tables below.

		Unweighted (n)	Unweighted (%)	Weighted (n)	Weighted (%)
<b>Gender &amp; Age</b>	M 18-34	132	12.5%	137	13.8%
	M 35-54	178	16.9%	165	16.6%
	M 55+	189	18.0%	176	17.7%
	W 18-34	142	13.5%	137	13.8%
	W 35-54	188	17.9%	177	17.8%
	W 55+	223	21.2%	202	20.3%
<b>Region</b>	Centre Toronto	123	11.6%	107	10.7%
	Outer Toronto	125	11.8%	102	10.2%
	West Metro Belt	140	13.2%	136	13.6%
	North/East Metro Belt	134	12.7%	124	12.4%
	South West	114	10.8%	115	11.5%
	South Central	150	14.2%	143	14.3%
	East	132	12.5%	126	12.6%
	Central	73	6.9%	83	8.3%
	North	66	6.2%	63	6.3%
<b>Income</b>	Less than \$60,000	374	38.0%	370	39.7%
	\$60,000 to under \$100,000	326	33.1%	233	25.0%
	\$100,000 to under \$160,000	203	20.6%	208	22.3%
	\$160,000 or more	82	8.3%	121	13.0%

## B. Geographic Regions



<b>A</b> Greater Toronto Area	<b>B</b> Southwestern Ontario	<b>C</b> Eastern Ontario	<b>D</b> Central Ontario	<b>E</b> Northern Ontario
Durham Halton Peel Toronto York	Brant Chatham-Kent Elgin Essex Haldimand-Norfolk Hamilton Huron Lambton Middlesex Niagara Oxford Perth Waterloo	Frontenac Hastings Lanark Leeds and Grenville Lennox and Addington Northumberland Ottawa Peterborough Prescott and Russell Prince Edward Renfrew Stormont, Dundas and Glengarry	Bruce Dufferin Grey Haliburton Kawartha Lakes Muskoka Simcoe Wellington	Algoma Cochrane Greater Sudbury / Grand Sudbury Kenora Manitoulin Nipissing Parry Sound Rainy River Sudbury Thunder Bay Timiskaming

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