



2018 Report to Members

on your OMERS Defined Benefit Pension Plan

Please find important information about changes to the Plan on page 9 of this Report.



2018 Highlights



THE SPONSORS CORPORATION

Approved two Plan changes:

- 1. Allow paramedics to negotiate normal retirement age 60 participation in the OMERS Pension Plan
- 2. Eliminate the current 35-year cap for credited service



CONTRIBUTION RATES

Were unchanged in 2018 and will remain unchanged in 2019



96%

Funded
Ratio



2.3%

Net Rate
of Return



\$97

Billion in
Net Assets



91%

Member
Satisfaction



\$4.3

Billion in
Defined Benefit
Pension Payments



496,000

Members



\$31,295

Average Annual
Pension Paid Out for
Members who Retired
in 2018

In 2018, OMERS diversified, high-quality portfolio achieved a positive return of 2.3% or \$2.2 billion. A return of 10.7% from private investments and positive returns on our credit portfolio buffered the impact of public markets in a year when all major indices were lower compared to where they were at the beginning of the year. Our five-year net return was 8.1%.

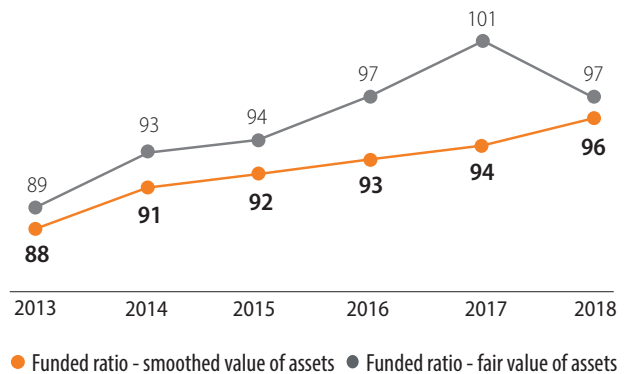
Protecting Our Funded Status

In 2018, our funded ratio increased by two percentage points to 96% on a smoothed basis, reflecting improvement for the sixth consecutive year. The improvement in the funded ratio in 2018 is attributable to the smoothing of strong investment gains from the prior years, together with member and employer contributions, partially offset by an increase in pension liabilities.

On a fair-value basis, the funded ratio declined by four percentage points from 101% to 97%, as the net return in 2018 was below the discount rate of 6%.

A goal of our Strategy is to be fully funded by 2025 as measured on a smoothed basis.

Plan Funded Ratio (%)



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INVESTMENTS

We achieved a positive net return of \$2.2 billion, or 2.3%

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REVIEWING THE PLAN

The Sponsors Corporation (SC) undertook the *Comprehensive Plan Review*

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SERVING OUR MEMBERS

We found new ways to better serve our members

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SOCIAL VALUE AND COMMITMENT TO OUR COMMUNITY

We continued to explore the social value of the OMERS defined benefit pension plan

INVESTMENTS

A photograph of the Yorkdale shopping mall at dusk. The building features a large, curved glass facade on the left and a dark, modern facade on the right with the 'Yorkdale' logo in white script. A large, abstract bronze sculpture is in the foreground. The sky is a deep blue with some clouds.

YORKDALE is a leader in the retail industry. We continue to break sales performance records and attract first-to-market retailers, with more customers visiting us more often than ever before. We focus relentlessly on delivering exceptional experiences to our customers and to connecting with our community. Yorkdale is also a leader in sustainability practices, with state-of-the-art, on-site recycling and composting programs, and a scullery service that has reduced food service waste by 85%. In addition, we have 150,000 square feet of energy-saving green roof, and 600 solar panels that generate enough energy to power 40 residential homes.

DIVERSIFICATION PROTECTED CAPITAL DURING A PERIOD OF MARKET STRESS

OMERS strategy of investing in a high-quality portfolio of well-diversified assets protected members’ retirement savings from the impact of challenging markets.

STRONG PRIVATE INVESTMENTS AND CREDIT BUFFERED THE LOSS IN PUBLIC EQUITY

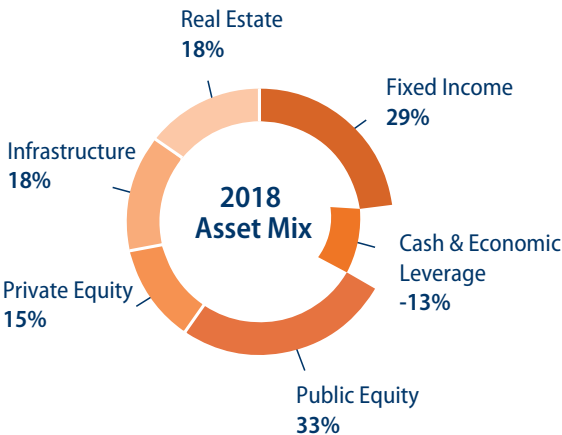
In 2018, the net investment return was 2.3%. This return did not achieve our absolute benchmark of 7.3%, because of the negative 8.3% return from public equity. However, our investment teams delivered positive growth, preserving capital and protecting members’ retirement savings, at a time when major equity, credit, bond and commodity indices were down.

Infrastructure, private equity and real estate extended their long track record of strong returns, which, along with positive returns in our fixed income portfolio, buffered the impact of drawdowns in equity markets.

Over the long term, we remain committed to further diversifying our asset mix by adding high-quality, income-producing investments and gradually expanding the portfolio in high-growth Asian markets.

Net Investment Return Summary

	2018	2017
Fixed Income	1.8%	4.3%
Public Equity	-8.3%	14.7%
Private Equity	13.5%	11.1%
Infrastructure	10.6%	12.3%
Real Estate	8.7%	11.4%



Net Return History

	1-year	3-year	5-year	10-year	20-year
Net Return	2.3%	8.0%	8.1%	8.0%	6.6%

TO ENSURE INVESTMENTS ARE SUSTAINABLE, WE INTEGRATE ESG FACTORS INTO OUR INVESTMENT APPROACH

We believe that well-run organizations with sound environmental, social and governance (ESG) practices will perform better, particularly over the long term.

As OMERS searches the globe for investments that will generate long-term, stable returns, we actively assess each opportunity against a set of factors, including our approach to sustainable investing.



“THE STACK” is the largest office development currently underway in Vancouver, Canada. The property covers 540,000 square feet and will become the tallest commercial tower in downtown Vancouver, with unobstructed panoramic views of the city and mountains. The Stack will feature smart building technology and multi-modal transportation options.



LEEWARD RENEWABLE ENERGY, LLC, a leading asset owner, operator and developer of wind projects in the U.S., was acquired by OMERS in 2018. Leeward owns and operates 19 wind farms across nine states, comprising 1.7 GW. The company plays an important role in the renewable energy future of U.S. power markets.



ERM, a leading global provider of environmental, safety, risk and social consulting services, has sustainability at the heart of its business, as the core of the company's service offering and business operations. ERM delivers this by focusing on their own internal sustainability performance and how this contributes to the company's sustainable development goals. They also partner with their clients and other leading organizations to advance ESG agendas.



BRUCE POWER, which provides one-third of Ontario's energy, is at the centre of the largest climate-change initiative in North America. Its clean nuclear generation enabled Ontario's phase-out of coal-fired electricity, leading to a reduction of smog days. We are proud of our long-term investment in Bruce Power, which has been part of the OMERS portfolio for more than 15 years. Bruce Power, and the clean energy it produces, represents a key part of the province's overall energy mix. In 2018, OMERS continued to provide significant investment for Bruce Power's multi-year life extension plan.



Oxford GRESB Recognition

In 2018, Oxford Properties, our real estate investing arm, was again named a Sector Leader in the GRESB Real Estate Assessment for outstanding leadership in sustainability, finishing in first place in the diversified office/retail North American (non-listed) group, ranking in the top 3% globally.

REVIEWING THE PLAN



THE SC UNDERTOOK THE *COMPREHENSIVE PLAN REVIEW*

We recently advanced important research and discussions about the long-term financial health of the OMERS defined benefit pension plan. This rigorous assessment of the challenges, which could impact the long-term health of the OMERS Plan, provides an opportunity for the SC Board to consider options for mitigating the longer-term risks on behalf of current and future members.

The SC met with sponsors, unions, associations, employers and members through in-person forums, webcasts and electronic updates to discuss headwinds facing the Plan.



Plan maturity



Economic factors



Longevity



CPP enhancement



Workforce trends

Two changes to the Plan were approved by the SC to:

- provide the option for paramedics to have a normal retirement age of 60 (subject to negotiation) starting on January 1, 2021; and
- remove the 35-year cap on credited service for members with less than 35 years of credited service prior to January 1, 2021.

Members who are retired or deferred prior to January 1, 2021, are not impacted by the changes.

Moving forward, we will need to continue to assess potential changes to Plan design, and our funding and investment strategies, to ensure the long-term financial health of the Plan.

SERVING OUR MEMBERS



WE CONTINUE TO WORK HARD TO BETTER SERVE OUR MEMBERS

Our members have an increasing expectation for immediate connection and easy, real-time access to information. Working in service of members is our priority.

In 2018, we:



helped members save more for retirement, with over \$1 billion now in Additional Voluntary Contributions



received more than 209,000 member calls and hosted more than 20,000 attendees at information sessions and webinars across Ontario



achieved high member satisfaction, at 91%.



WE EXPANDED OUR DIGITAL-FIRST STRATEGY

We are working to help members have more options to connect with us.

- ✓ We launched a *Retirement Expense Estimator* on **OMERS.com**, and we provided over 150,000 pension estimates through **myOMERS.com** to help members with their retirement planning.
- ✓ We changed **myOMERS.com** to make it easier for members to update their contact information online.
- ✓ We launched a new digital onboarding process, resulting in a high percentage of new members choosing to go paperless.
- ✓ We launched a new **OMERS.com** website that is easier to navigate and delivers a more modern and intuitive experience.
- ✓ We became more active in social media, including Facebook. Follow us for updates.



The most convenient and readily available tool to support you with your pension information needs is **myOMERS**, a secure online pension management tool.



Advantages of myOMERS



View and Estimate
your pension
benefits



Manage
your AVC
account



Go Paperless
for e-delivery
of your pension
information



Update
your contact
information

EVOLVING OUR CAPABILITIES & GROWING RESPONSIBLY

To continue to be successful, we recognize the importance of attracting and engaging the right people, so our talent agenda remains a key priority across the organization.

As we grow, with operations around the world, and continue to diversify our portfolio, we are hiring and developing professionals with the skills and knowledge that enable us to invest in new ways, who can provide exceptional member and employer experiences, and who can contribute insights to advance the long-term health of the Plan.

In 2018, we strengthened our commitment to supporting an inclusive and diverse workplace. We continued to advance the role of women in leadership both inside OMERS and in our industry, and we were recognized for the steps we have taken.



SOCIAL VALUE AND COMMITMENT TO COMMUNITY







OMERS employees share our members' commitment to our communities. We contribute through Volunteer Days and fundraising that support local, community-based charities where we live and work.

WE ARE COMMITTED TO OUR COMMUNITIES AND TO MAKING A POSITIVE IMPACT


OMERS members are dedicated to public service and spend their careers building our communities.

Research, conducted by Deloitte, confirmed that the greater certainty of income that comes with the OMERS defined benefit (DB) pension plan generates social value for our communities and governments.

KEY HIGHLIGHTS OF SOCIAL VALUE RESEARCH		OMERS Members	Others without a DB Plan
	Management of health Describe current state of health as excellent or very good	51%	40%
	Are extremely or very active in recreational activities and interests	42%	32%
	Community engagement Volunteer, provide care for others, or mentor others in the community	45%	32%
	Made monetary donations in the past three years	71%	59%
	Financial stability Feel extremely or very well-saved to meet retirement income needs	50%	30%
	Self-reliance Live in a home they own	76%	66%
	Receive government retirement benefits from the Guaranteed Income Supplement*	4%	21%

*Not controlled for income

WE ARE INSPIRED BY AND CELEBRATE THE STORIES OF OUR MEMBERS



Volunteering is an important part of my life; I have something to do that keeps my mind and body active, and I'm giving back to the community. I was previously Vice President of the board for a local women's shelter and recently returned to that because it's a worthy cause. I also volunteer there a couple of days a week.

John Fleck



I'm very active in my community and have been volunteering for over 40 years. I currently teach a chair and muscle fit exercise program at the local YMCA for individuals with mobility issues. I also really enjoy playing the steel pan at church functions and nursing homes. The look of pleasure and joy on a senior's face when I do a cultural dance warms my heart. It is important to me to help others, especially newcomers, by providing information about the community and teaching English as a second language.

Bev Dixon

A man with short dark hair and a beard, wearing a purple and white patterned button-down shirt, is shown in profile from the chest up. He is holding a black tablet with both hands and looking at the screen. The tablet displays the OMERS website, which features a header with the OMERS logo, a main image of a person, and the text "A Plan for Your Future". Below this, there are several buttons and a link to "OMERS strong 2017 performance and Annual Report". The background is a blurred office setting with a yellow desk and a black office chair.

For more information about
OMERS, including the full
2018 Annual Report please visit
www.omers.com.



OMERS Annual Meeting

APRIL 18, 2019
METRO TORONTO CONVENTION CENTRE,
SOUTH BUILDING

Enter from Bremner Boulevard

9:00 a.m. – 11:00 a.m.
Light breakfast at 8:30 a.m.

This meeting is open to members, employers,
participating unions and sponsors of the OMERS Plans.

Please register to attend the meeting
or to view the live webcast, at **www.omers.com**.



Contact Us:

Please send feedback
about this *Report to Members*
or general comments to:
client@omers.com
+1 416.369.2444
+1 800.387.0813

