Agenda

OMERS Overview – Joe Pennachetti

2016 Annual Report – David Beatty
OMERS Administration Corporation (OAC)
- 15 Board Members
- 7 each from Employee / Employer Sponsors
- An Independent Board Chair

The AC Board is responsible for:
- Pension administration
- Investments
- Plan valuation

OMERS Sponsors Corporation (SC)
- 14 Board Members
- 7 each from Employee / Employer Sponsors
- 2 Co-Chairs (1 representing Employee Sponsors, 1 representing Employer Sponsors)

The SC Board is responsible for:
- Board composition
- Setting contribution rates / reserves
- Plan design

To deliver secure, sustainable and affordable benefits that meet the needs of both members and employers
OMERS membership

470,000 members
280,000 active
43,000 deferred
147,000 retired

27% part-time
73% full-time

17 youngest
111 oldest

44% male
56% female

47 average age of active members
71 average age of retired members
OMERS membership - 2016 Highlights

- **2%** membership growth
- **18,000** new members
- **9,000+** new retirees
- **13** new employers
- **including** 72 members
Funded status – improvement of 1.9%
Contribution rates and benefits remain stable

2016

93.4%
Funded

$5.7 Billion Deficit
OMERS Plan demographics: increasing Plan maturity

- 1976: 8.9:1
- 1986: 4.2:1
- 1996: 2.8:1
- 2006: 2.3:1
- 2016: 1.9:1

Active Members
Retired Members
**Comprehensive Workforce Research** – OMERS is hiring a firm to research trends in the municipal sector:

- Existing workforce
- Forces and trends and their impact on the future workforce, including non-full-time workers
- Impact of trends on employee engagement and retirement needs

**Closed Plans** – ongoing positive discussions between OMERS and City on consolidating pre-OMERS pension plans
Our 2020 Strategy in 2016: four pillars

- **Funded status**: on track
- **7-11% net returns**: 10.3%
- **Strong relationships**: 92% member satisfaction
- **Business model**: creating efficiencies for the long run
### 2016 Highlights

<table>
<thead>
<tr>
<th>Net Return</th>
<th>Net Assets</th>
<th>Funded Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.3%</td>
<td>$85.2B</td>
<td>93.4%</td>
</tr>
</tbody>
</table>

OMERS Update – City of Toronto – May 2017
Funded ratio – improved for the fourth consecutive year

Unrecognized investment gains
$3.4 billion = 3.9%
Funded ratio – improvement of 1.9% driven by returns and contributions

<table>
<thead>
<tr>
<th>Year</th>
<th>Funded Ratio</th>
<th>Deficit</th>
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<tbody>
<tr>
<td>2015</td>
<td>91.5%</td>
<td>$7.0B</td>
</tr>
<tr>
<td>2016</td>
<td>93.4%</td>
<td>$5.7B</td>
</tr>
</tbody>
</table>

- **2015:**
  - 91.5% funded
  - Deficit: $7.0B

- **2016:**
  - 93.4% funded
  - Deficit: $5.7B

- + 1.7% from investment returns
- + 0.8% from contributions
- - 0.7% to fund reduction in Discount Rate
Adjusting the discount rate – in accordance with our 2020 Strategy

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation</th>
<th>Real Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.25%</td>
<td>6.50%</td>
</tr>
<tr>
<td>2015</td>
<td>4.25%</td>
<td>6.25%</td>
</tr>
<tr>
<td>2016</td>
<td>4.2%</td>
<td>6.20%</td>
</tr>
</tbody>
</table>

Inflation:
- 2014: 4.25%
- 2015: 4.25%
- 2016: 4.2%

Real Discount Rate:
- 2014: 2.25%
- 2015: 2.0%
- 2016: 2.0%
Investment returns – exceeded: funding requirement, benchmark, prior year

<table>
<thead>
<tr>
<th></th>
<th>Discount Rate</th>
<th>Benchmark</th>
<th>2015 Net Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.3%</td>
<td>6.20%</td>
<td>7.9%</td>
<td>6.7%</td>
</tr>
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Net Return
All asset classes exceeded 2016 benchmarks

<table>
<thead>
<tr>
<th>Net Return (%)</th>
<th>Public Assets</th>
<th>Private Equity</th>
<th>Infrastructure</th>
<th>Real Estate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>9.5</td>
<td>12.6</td>
<td>11.0</td>
<td>12.4</td>
<td>10.3</td>
</tr>
<tr>
<td>2016 Benchmark</td>
<td>6.6</td>
<td>11.3</td>
<td>10.0</td>
<td>8.3</td>
<td>7.9</td>
</tr>
</tbody>
</table>
Highly diversified – key shifts in asset mix

<table>
<thead>
<tr>
<th>Year</th>
<th>Private Investments</th>
<th>Public Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>2016</td>
<td>45%</td>
<td>55%</td>
</tr>
</tbody>
</table>

- Real Estate
- Infrastructure
- Private Equity
- Public Equity
- Credit
- Government Bonds
- Inflation-Linked Bonds
Key investment objectives

- Fully funded by 2025
- Stable contributions and benefits
- Sufficient liquidity to pay pensions