OMERS Update to the City of Toronto

Joe Pennachetti, Director, OMERS Sponsors Corporation
David Beatty, Director, OMERS Administration Corporation

Tuesday, June 5, 2018
OMERS Mission: to deliver secure and sustainable defined benefit pensions to our members.

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
OMERS membership is diverse

OMERS serves almost half a million active, deferred and retired employees of nearly 1,000 municipalities, school boards, libraries, police and fire departments and other local agencies in communities across Ontario.

**Member Demographics**

- **Youngest Member:** 14 years
- **Oldest Pensioner:** 107 years
- **Average age of active members:** 47 years
- **Average age of Pensioners:** 71 years

**Active Members:**

- 73% work full time
- 27% work part time
- 56% women
- 44% men

**Who We Serve**

- **Active Members:** 283,800
- **Deferred Members:** 43,800
- **Pensioners:** 154,400
- **Total:** 482,000

at December 31, 2017
Our 2020 Strategy: driving Plan sustainability

- Funded status
- 7-11% net returns
- Building relationships
- Business model
2017 Results
2017 Highlights

Net Return 11.5%  
Net Assets $95 billion  
Funded Ratio 94%
## Long-term Net Investment Returns

<table>
<thead>
<tr>
<th></th>
<th>3-year</th>
<th>5-year</th>
<th>10-year</th>
<th>20-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Return</td>
<td>9.5%</td>
<td>8.9%</td>
<td>5.9%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

at December 31, 2017
OMERS balance sheet is diversified by asset and geography

2017 Asset Mix

- Public Equity
- Real Estate
- Infrastructure
- Fixed Income
- Private Equity

Geographic Distribution

- United States
- Canada
- Europe
- Rest of the World
- Rest of the World

at December 31, 2017
The funded ratio improved for the fifth consecutive year.

We remain on track to be fully funded on a smoothed basis by 2025 at December 31, 2017.
We continued to reduce the discount rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation Rate</th>
<th>5 basis points</th>
<th>Real Rate</th>
<th>20 basis points</th>
<th>3.75% Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6.25%</td>
<td>2.00%</td>
<td>4.25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>6.20%</td>
<td>2.00%</td>
<td>4.20%</td>
<td>20 basis points</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>6.00%</td>
<td>2.00%</td>
<td>4.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>5.75%</td>
<td>2.00%</td>
<td>3.75%</td>
<td></td>
<td>Target</td>
</tr>
</tbody>
</table>

at December 31, 2017
OMERS FUNDING IN CONTEXT

Per Side Contribution Rates and Funded Status

Funding improvement – but still not recovered
FUNDED STATUS

- 3.25% real discount rate used for normalized funded ratios (versus 4.0% used by OMERS at year end 2017)

Note: HOOPP, OPTrust and OMERS results are updated to the end of 2017; OTPP and OPB results are as of the end of 2016.

If OMERS was 110% funded with a discount rate of 5.75%, we would still not compare well.
Five key factors that could impact OMERS:

- Plan maturity
- Longevity
- Economic factors
- Workforce trends
- CPP enhancement
### Comprehensive Plan Review

#### Defining “sustainability”
- Consistently deliver – through both favourable and adverse circumstances – an appropriate range of benefits within an acceptable range of costs and across generations

#### Guiding principles
- Secure
- Relevant
- Affordable
- Equitable
- Simple

#### The design challenge
- Balance the “appropriate range of benefits” with the “appropriate range of costs” – without favouring one generation over another

Our fundamental objective is to ensure that the Plan remains viable – and valued by its may constituents – over the next 20, 50 and even 100 years
SC Decision-Making Process

1. Decision-in-principle – June

2. Communication and Engagement – June to October
   • Sponsors, stakeholders, unions, employers, members

3. Final decision – November

Clarity and Transparency
Other Update
OMERS and the City of Toronto have been working together on the consolidation of up to five (5) pre-OMERS City of Toronto pension plans into OMERS.

The projected closing date for the consolidation of the first of these plans (the York Plan) is December 2018 or January 2019, subject to regulatory approval.

Strong collaboration between OMERS and the City of Toronto.
Thank You.
Appendices
A more conservative approach

- Developed by independent actuaries and validated by OAC Management

As the discount rate drops

- 2017: 6.0% → 17.4%
- 2050: 4.8% → 22.5%

The normal cost increases

- In 30 years, we expect the total contribution rate to exceed current maximums
FUNDING MANAGEMENT STRATEGY: A FOCUS ON DISCIPLINE

- **Surplus management**
  - > 110%
  - Maintain the funded status at or above 110%
  - Consider benefit enhancements / lower contributions

- **Reserve management**
  - 100% - 110%
  - Enhance the funded position to 110%
  - Use reserve to mitigate undesirable events
  - Restore benefits and stabilize contribution rates

- **Deficit management**
  - < 100%
  - Return the plan to a fully funded position
  - Benefit reductions or contribution increases, if necessary