

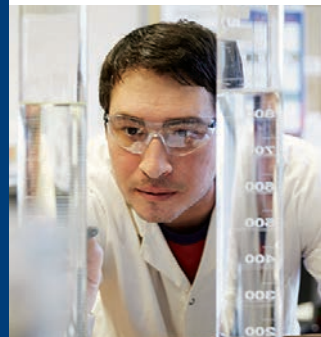
2016 OMERS Report to
MEMBERS



Strategic

Secure

Strong



We are OMERS, the defined benefit pension plan for over 470,000 active, deferred and retired employees from nearly 1,000 municipalities, school boards, libraries, police and fire departments, and other local agencies in communities across Ontario.

PICTURED ON FRONT COVER:

1. Anita, member, Town of Richmond Hill
2. Jim, retiree and Joan, spouse
3. Jay, member, Regional Municipality of Durham

The interests of OMERS Plan members, employers, sponsors and other stakeholders are represented by two corporations with separate and distinct mandates:

OMERS Sponsors Corporation (SC) provides strategic oversight and decision-making with regard to designing benefits, setting contribution levels, and determining the composition of the two OMERS Boards.

OMERS Administration Corporation (OAC) provides strategic and operational management in serving Plan members and employers, collecting contributions and paying pensions, and investing the Plan funds.

This bicameral (two-part) structure provides for the effective operation of OMERS as a whole. Specifically, it helps to ensure broad input into decision-making by considering the interests of a large number of stakeholders – and focused expertise in key areas, including Plan design, member service, and Plan investments.

The two corporations and their Boards work together, closely and collaboratively, to meet a singular goal: the delivery of secure, sustainable and affordable benefits that address the needs of both members and employers.

2016 HIGHLIGHTS



93.4% FUNDED



10.3% NET RATE OF RETURN



NO CHANGES TO CONTRIBUTION RATES



\$85.2 BILLION IN NET ASSETS



\$3.9 BILLION IN CONTRIBUTIONS



\$3.6 BILLION IN BENEFIT PAYMENTS



470,000 MEMBERS



Your OMERS Pension Has Value and Security

Your OMERS pension can be one of your most valuable and secure assets.

The average annual pension for OMERS members who retired in 2016 was \$29,600. Payments include inflation protection, survivor benefits and a bridge pension payable to age 65. As life expectancy continues to increase, on average, an OMERS member retiring in 2016 can expect to live to age 88. That means a potential total pension received of approximately \$770,000, plus any pension payable to a surviving spouse.

Your pension will be there for you, for life, giving you security in retirement. With an OMERS pension, you have peace of mind knowing that you are taking steps to save for your retirement. OMERS pensions are backed by \$85.2 billion of high-quality, well-diversified investments.

The funded ratio, a key indicator of the long-term health of the Plan, increased to 93.4% at the end of 2016, up from 91.5% the year before. The Plan's funded status improved in 2016 for the fourth consecutive year. We remain on track to achieve full funding by 2025.

Our Strategy, which sets out a five-year roadmap, is advancing OMERS toward our vision of being a leading model for defined benefit pension plan sustainability.

This Strategy recognizes challenges facing OMERS in the coming years, including:

- A maturing Plan as the number of retired members increases relative to contributing members
- A challenging investment environment
- An evolving pension landscape as retirement security remains a priority for governments

Our 2020 Strategy addresses Plan maturity by continuing to explore strategies for reducing

funding risk. In 2016, OMERS continued to assess various options for sharing funding risk more equitably in the future, across the broader population of active and retired members. One of those options is the possible introduction of Modified Inflation Indexing, following formal consultation with key stakeholder groups. While this innovative approach to managing funding risk would have no immediate impact on the Plan, including contribution rates or benefit levels, it would give the OMERS Sponsors Corporation Board some flexibility to alter future levels of indexation, if necessary, and subject to normal governance procedures and a two-thirds supporting vote.

A challenging investment environment is being addressed by continuing to strengthen OMERS investments, and also adjusting our asset mix to ensure investments are allocated in a way that maximizes our ability to return to full funding, minimizes the need for unexpected Plan design changes, and maximizes OMERS ability to pay pensions.

The evolving pension landscape requires an expanded OMERS outreach program for developing deeper relationships with members, employers, stakeholders and government so OMERS can help shape the regulatory framework for defined benefit pension plans.

Our Goals:

- Achieve full funding and protect the Plan from market volatility, with stable and predictable contribution rates and benefit levels.
- Earn a consistently high satisfaction rate – provide high-quality service to members, employers and stakeholders.
- Manage costs effectively – both our Management Expense Ratio (MER) and our Cost Per Member (CPM).

Funding

The OMERS Plan is funded through the contributions of members and employers, and through the Plan's net investment returns. There are no changes in 2017 to contribution rates. Your contributions are matched equally by your employer. Contribution rates vary depending on your earnings and normal retirement age.

OMERS had a net investment return in 2016 of 10.3%. OMERS continues to build a diversified portfolio of high-quality investments. Our experienced in-house teams directly and actively manage most of the Plan's investments, which allows us to maximize opportunities.

2017 Member Contribution Rates	Normal Retirement Age 65	Normal Retirement Age 60	Average
On earnings up to CPP earnings limit*	9.0%	9.2%	10.7%
On earnings above CPP earnings limit*	14.6%	15.8%	

*The CPP earnings limit for 2017 is \$55,300.

INVESTMENT HIGHLIGHTS



PORT OF MELBOURNE

OMERS, as part of a consortium, signed its first investment in Australia with the acquisition of the Port of Melbourne, which is an important link between Australia and its major trading partners. The Port is Australia's largest container, automotive and general cargo port which recently upgraded its facilities. This investment represents further geographic diversification in OMERS portfolio.



YORKDALE

OMERS retail real estate investments are focused on dominant shopping centres in major markets, which provide a complete shopping, dining and entertainment experience. There is no better example of this than Yorkdale in Toronto. In October 2016, we opened a 300,000 square foot expansion at the shopping centre with approximately 30 new stores, including Nordstrom. Yorkdale continues to be among the highest sales productivity leaders in the North American retail industry.



CENTENNIAL PLACE IN CALGARY

During 2016, OMERS sold a 50%, non-managing interest in a 4.2 million square foot portfolio of high-quality office assets in Calgary and Toronto. This was one of the largest real estate transactions in Canadian history. This transaction allows us to reinvest in new opportunities, while continuing to drive superior returns at the properties for the benefit of OMERS and our investment partner through our retained ownership and management position.



Visit www.omers.com/infosessions to register for a webinar.

High-quality service to members

OMERS continuously strives to improve service to our members. We provide ongoing opportunities for you to learn more about your OMERS pension, and to get the information required to make informed decisions about your retirement. Serving you also means listening to you to ensure that we consistently meet your needs.

Members have told us that they want more opportunities to learn about their pension. In 2016, OMERS provided 430 information sessions across the province, and 20,900

active members and retired members attended. We also held webinars on a range of topics, including how to maximize retirement income.

In helping you make informed decisions about your pension, OMERS support begins when you join the Plan and continues throughout your working life and into your retirement years.

To provide important information in convenient and accessible ways, we are growing our digital capabilities.



We provide convenient access to personal pension information through myOMERS.

In 2015, 3 out of 4 members surveyed said they were willing to switch to digital.

Join the 44,000 members who have signed up for e-subscription, and benefit from the speed and convenience of electronic communications.



OMERS made it easier for you to learn about the Plan by launching an interactive, digital version of *Member News*.

Visit omers.com/pensions



125,000 pension estimates were produced through the myOMERS Retirement Income Estimator in 2016. This is a convenient tool for helping members estimate their retirement income.

myOMERS

is your personalized, online pension management tool. Obtain secure access to important information whenever you need it. Also, by choosing myOMERS e-subscription service, you receive timely pension information online.



Advantages of myOMERS



View and Estimate
your pension benefits



Manage
your AVC account



Switch
to e-delivery of your pension information



Update
your contact information

OMERS survey results said...

85% of members believe that their OMERS pension provides good value and, from members who interacted with us, we received a **92%** satisfaction rating.



IMPORTANT NEWS:

Additional Voluntary Contribution (AVC) Income Option

AVCs returned

10.3%

in 2016.

We were pleased to announce a change to the Additional Voluntary Contribution program in 2016 with the addition of a new feature of an income option. For “non-locked-in funds,” this feature allows members to keep funds in an AVC account after reaching age 71. This is a significant development for members who can now withdraw funds over their lifetime, as long as they meet the minimum withdrawal requirements set out in the *Income Tax Act*.



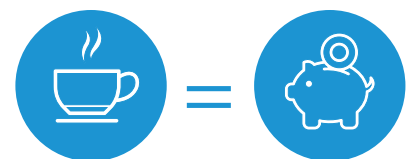
OMERS member, Kent, and his spouse, Emily, are expecting their first child. Kent says, “AVCs are the right option for me and my family.”

Two Ways to Contribute to an AVC Account

Automatic Contributions
through pre-authorized debit or payroll deduction (some employers)

Lump-sum Fund Transfer
from a registered retirement savings vehicle

See if AVCs are right for you.
Visit omers.com/avcs



By saving the equivalent of one cup of coffee a day, you may save enough for a monthly contribution to your AVC.

Similar to RRSPs in many ways, funds in an AVC account are invested in the OMERS Plan, a globally diverse portfolio of high-quality investments. Contributions to an AVC account receive the same net investment returns as the OMERS Fund. In addition, AVCs are a low-cost investment.

omers.com/avcs



Managing Costs Effectively

OMERS is highly committed to delivering value for pension dollars. In 2016, OMERS focused on initiatives that reflected this commitment, including developing a new pension administration system and investing in information technology capabilities.

We expect our Cost Per Member to increase over the near term – as we invest today to achieve cost efficiencies in the long run – then come down again.

The initiatives introduced in 2016 help ensure OMERS will achieve our cost objectives by 2020, reducing our Investment Management Expense Ratio to below 50 basis points and moving our pension administration Cost Per Member to our target of \$185. The Investment Management Expense Ratio was 61 basis points in 2016, compared to 57 basis points in 2015. The Cost Per Member was \$189 in 2016, compared to \$161 the year before.



Consultation and Inclusion

In 2015, the Sponsors Corporation consulted with representatives of member organizations about representation on the OMERS Boards.

Subsequently, the Sponsors Corporation decided to expand a series of structured meetings to ensure targeted and meaningful engagement with OMERS members who are not affiliated with the organizations which currently nominate or appoint directors to the OMERS Boards. In December 2016, OMERS hosted the first of these meetings with representatives

of small unions and representatives of organizations of management who are not union members.

The purpose of these meetings is to share information and seek input at the appropriate times with regard to key OMERS decisions and activities, such as strategic direction and benefit design. OMERS encourages all members to become knowledgeable about the Plan and to provide feedback through client@omers.com.

OMERS 2020 Strategy will continue to guide us as we make further progress on our vision to make OMERS a leading model for defined benefit pension plan sustainability.



OMERS Annual Spring Meeting

Where:

Metro Toronto Convention Centre
North Building, Level 100, Room 105
255 Front Street West, Toronto, ON
Public parking available

OR

Register for video webcast
Visit omers.com or omerssc.com

When: Monday, April 10th, 2017
Light breakfast 8:30 a.m. EST
Meeting 9 a.m. - 11 a.m. EST

REGISTER NOW



Contact Us

Please send feedback about this Report to Members or general comments to:
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