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Speaking Notes
2010 Spring Information Meeting
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Thank you, John.

Good morning, everyone.

As I look around the room, I see some familiar faces with us today from our membership. Thank you all for coming.

Our membership is one of our strengths at OMERS. We passed the 400,000 mark this year.

We are confident that we will continue to grow and be an integral part and voice of the pension industry and pension reforms in Canada.

You will have no doubt noticed that pension reform has gone from the back page to the front page, in a relatively short period of time. The perfect storm of an aging population and the market collapse of 2008 have positioned the pension industry squarely in the media spotlight.

OMERS is doing its part to be a player at the table, as finance ministers at both the federal and provincial level consider reforms to the pension system.

OMERS is helping lead the conversation. We have done so by making recommendations to the Ontario Expert Commission on Pensions, led by Harry Arthurs.

And we will continue to do so through the recently created Ontario Advisory Council on Pensions and Retirement Income, on which Jennifer Brown, our Chief Pension Officer, has a seat -- and a voice.

We have, therefore, been pro-active in advocating our position. The OMERS Administration Corporation's position is that we support pension reform that does no harm to OMERS.

We support pension reform that encourages innovation and growth at large, actively managed pension plans.

We support pension reform that offers coverage to Canadians who lack pension coverage.

We will, however, oppose pension reform which does not offer competitive choices on a national basis in accessing pension solutions that best meet their needs.

At the end of the day, will there be pension reform as the economy recovers from the 2008 great recession? Who knows for sure!!

As we stand today, there are many political and economic uncertainties as to what form -- if any -- pension reform in Canada will take.

I have been on record that pension reform should be incremental and not be a "big bang" and that the tweaking of the legislation of existing pension plans should be a first step in pension reform.

We will have more to say as pension reform evolves, but I want you to know that we will be very watchful to ensure that the OMERS Fund remains sustainable over the long term and to protect the interests of OMERS members.

Let me turn briefly to our investment performance.

Today, OMERS investment performance is brighter than it was a year ago, but we are not out of the woods yet.

Our CFO, Patrick Crowley, will go into more detail on our 2009 returns shortly, but I want to give you a broad outline of our performance this past year.

The OMERS Primary Pension Plan had a return of 10.6 per cent in 2009. This exceeded the 6.5 per cent average annual investment target required over the long term to match assets with the cost of the accrued benefit obligation.

There are funds which will have higher returns in 2009, but you have to analyze our long-term results to obtain a true evaluation of our investment performance if you wish to compare our performance to that of other pension funds.

Over the past five years, including the substantial negative returns experienced in 2008, OMERS annual returns have averaged 6.6 per cent. This was the highest return of any major Canadian pension fund for the five-year period ended on December 31, 2008.

More compelling is that over the past 20 years, OMERS annual returns have averaged 8.1 per cent, including the significant investment losses incurred in 2008.

Despite the return to positive results in 2009, OMERS faces a significant actuarial deficit which will surface in the years ahead as the 2008 investment losses are recognized.

The OMERS Investment Group recognizes that strong and consistent investment returns in the years ahead will be a key component to resolving and addressing this actuarial deficit.

But, as everyone knows, the investment markets are not as they once were.

The economic landscape has fundamentally changed following the credit crisis of 2008 and the subsequent stock market meltdown.

On the bright side, the public markets have stabilized and economic recovery is underway, but growth is sluggish and overall debt is at record levels in major economies – and growing.

The developed economies will have no choice but to reduce debt and achieve a "new normal" between debt and GDP in order to generate growth, improve investment returns and bring the jobless rate down.

The "new normal" will require significant de-leveraging and more (volatile) business cycles as debt levels contract to more sustainable levels.

"How will we at OMERS respond to the "new normal"?

"How will we respond to the de-leveraging and ongoing volatility?

Fortunately, OMERS anticipated the "new normal" and established a rolling Five-Year Enterprise-Wide Strategic Plan back in June 2008.

The essence of this Strategic Plan is to turn OMERS into a nimble, fully integrated investment organization and a professional services entity for its plan members to take advantage of the de-leveraging and more frequent business cycles.

Let me briefly touch on four strategic initiatives that form the core of our Strategic Plan:

First, our **Asset Mix Policy**
— The "new normal" requires OMERS to reduce its volatility to the public markets and seek long-term sustainable cash yields through the ownership of private market assets.

We have commenced the process to adjust to the “new normal” through our asset mix policy.

Ten years ago, OMERS invested 83% of the Fund in public markets and 17% in private markets. Today, that ratio is 60% /40% - with a target of 50% / 50% by 2012.

Secondly, our **Direct Drive Active Management**

— The “new normal” requires our investment group to be more active and nimble with the Fund’s investments to create value-add above the passive returns of market indices. OMERS is doing this by adopting a direct drive active management approach to our investments to add value to our assets and reduce third party management costs.

On the pension side, the “new normal” requires us to have in-house expertise to meet the increasing needs of our plan members and the “threats” to our plan through pension reform.

We have elevated the pension services group to a best-in-class professional services team which has the breadth and depth in pension administration, customer service and actuarial expertise.

Thirdly… **Access to Capital**

— The “new normal” provides us with the opportunity to seek out and secure large scale preferential assets that will generate attractive and stable long-term cash flows. Ownership of preferential assets will avoid the re-investment risks inherent in volatility and frequent business cycles that will be the “new normal.”

The reality is that to take advantage of this “new normal”, and to pursue and secure these large scale preferential assets, OMERS capital base must grow.

We are seeking to increase our capital growth on many fronts. Let me mention a few of these capital raising initiatives.

In June 2009, the Ontario government granted OMERS expanded powers to offer fee-based investment management services to third party pension funds and other institutions.

To pursue third party management contracts, we created OMERS Investment Management Inc., which became operational on January 1, 2010.

We will also introduce Additional Voluntary Contributions, or AVCs on January 1, 2011 to OMERS plan members. Jennifer Brown will speak more about the AVCs later in the program and its potential to add capital to OMERS.

We are also committed to forging relationships with like-minded foreign investors to co-invest in the large scale preferential assets in infrastructure and real estate opportunities. Our primary vehicle for these relationships will be our Global Strategic Investment Alliance, or otherwise known as the GSIA.

We have already cultivated relationships with 20 to 30 foreign institutional investors, many of whom are keen to invest under the GSIA or co-invest alongside it.

And Forthly, **Updated Regulations:**
-- the “new normal” also requires OMERS to persuade governments at the federal and provincial level to streamline its regulations.

We need to eliminate outdated rules and regulations that were written in another period when pension organizations were seen as little more than passive crown agencies.

For instance, we are working with governments to amend the solvency regulations and relax many restrictive investment rules.

Our early response to the “new normal” has made OMERS a very different organization and one that is well-positioned to respond quickly to changing economic, pension reform and regulatory initiatives.

So, as we look ahead, the implementation of the four drivers of OMERS Strategic Plan (asset mix, active management, access to capital and updated regulations) is critical for OMERS to prosper in the “new normal”, to secure the long-term growth and sustainability of the Fund and to ensure the security of the pension promise.

Thank you and I look forward to taking any of your questions at the end of the formal presentations.

I would now like to introduce Patrick Crowley, OMERS CFO, to provide an overview of the 2009 financial results.