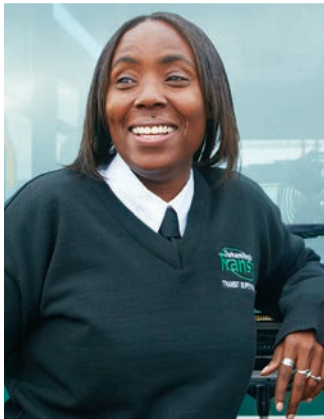
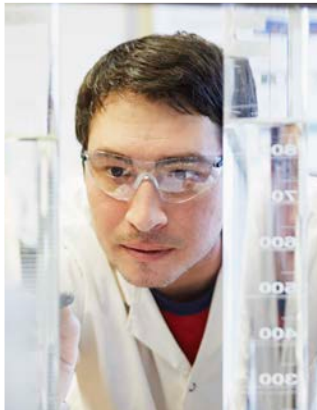




OMERS

2017 Report to Employers



In 2017:

- We made progress on our employer satisfaction, improving to 85% from 80% in 2016
- Member satisfaction remained high at 92%
- Our funded ratio increased to 94%, reflecting improvement for the fifth consecutive year
- Our investment return was 11.5%, exceeding our benchmark of 7.3% and our 2016 investment return of 10.3%

Since the first year of our 2020 Strategy in 2015:

- We achieved our objective of reducing the real discount rate used to calculate our pension obligations by 25 basis points, three years ahead of our 2020 Strategy target
- Investment teams have generated \$7.6 billion of net returns above our discount rate
- Net assets have grown by almost \$18 billion to \$95 billion

We are pleased with these results and yet are mindful of the risks that may lie ahead. Accordingly, in 2017, the Sponsors Corporation initiated a *Comprehensive Plan Review* of the design of the OMERS Pension Plans to ensure OMERS is well-positioned to deliver secure and sustainable defined benefit pensions that meet the needs of you and your employees – at a stable and predictable cost.

Contribution rates remain unchanged for 2018. OMERS is on track for full funding by 2025.

\$30,300

Average annual OMERS pension for members who retired in 2017



94%
Funded



11.5%
Net Rate of Return



\$95 Billion
in Net Assets



85%
Employer Satisfaction



482,000
Members



984
Employers



\$4.0 Billion
in Contributions



\$4.0 Billion
in Pension Payments

Update on 2020 Strategy: Driving Plan Sustainability

Our 2020 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.

Our Strategy is based on four pillars:

1. Protecting our funded status
2. Delivering 7-11% net annual average investment returns
3. Continuing to build quality relationships with members, employers and stakeholders
4. Evolving our capabilities and business model

Protecting Funded Status

The funded ratio of the Primary Plan, a key indicator of the long-term health of the Plan, increased to 94% by the end of 2017, up from 93% the year before. The Plan's funded status improved for the fifth consecutive year. We remain on track to achieve full funding on a smoothed basis by 2025.

To help manage funding risk, in 2017, OMERS reduced the real discount rate by 20 basis points to 4.00%. The real discount rate is used to calculate the present value of future pension obligations. This step was

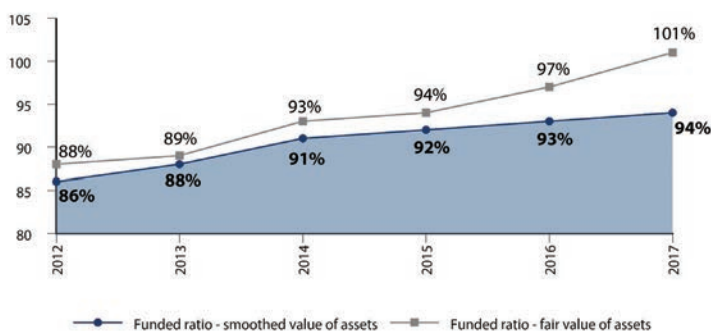
taken to reduce the risk of future contribution rate increases and to provide greater stability for future benefit levels.

OMERS reduces the real discount rate when there is positive Plan experience – when actual results are better than OMERS long-term actuarial assumptions.

In the coming years, we anticipate further reducing our discount rate to protect against investment and liability risk. Our target is to reduce the real discount rate to 3.75%, which will reduce funding risk over time.

The OMERS Plan is funded through the contributions of members and employers, and through the Plan's investment returns. Contribution rates and benefits are of utmost importance. Contributions were unchanged in 2017, and they remain at current levels in 2018. The current average contribution rate paid by members is 10.7% and is matched equally by employers.

Plan Funded Ratio



2018 Member Contribution Rates	Normal Retirement Age 65	Normal Retirement Age 60
On earnings up to \$55,900*	9.0%	9.2%
On earnings above \$55,900*	14.6%	15.8%

*The CPP earnings limit in 2018. There are no changes to contribution rates in 2018.

2017 Progress on the Strategy

In 2017, OMERS continued to advance on the roadmap set out in the 2020 Strategy.

Delivering Investment Returns

In 2017, the Plan achieved a net investment return of 11.5%, exceeding our benchmark of 7.3% and our 2016 net investment return 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.

The Investment Management Expense Ratio was 55 basis points in 2017, compared to 61 basis points for 2016. Over the long term, we are targeting our Management Expense Ratio to be lower than 50 basis points, subject to performance-related expenses. Our Management Expense Ratio will vary and depends on many factors, including actual performance results and asset mix.

Net Investment Return Summary

	2017	2016
Fixed Income	4.3%	6.5%
Public Equity	14.7%	7.1%
Private Equity	11.1%	12.3%
Infrastructure	12.3%	10.9%
Real Estate	11.4%	12.3%

Building Quality Relationships

Our relationships with members, employers, sponsors, unions and associations are important to us. We strive for strong member and employer satisfaction as we work to support an increasing number of our members transitioning into retirement.

As part of our continuing outreach program, in 2017, OMERS senior executives met directly with employers – with more than 60 meetings taking place to discuss OMERS 2020 Strategy, funded status,

investments, workforce trends, Plan demographics and pension administration.

Evolving our Capabilities and Business Model

In 2017, OMERS prepared to launch a new website on a modern platform with an updated look and a new structure to help you, your employees and sponsors find the information you need. You've told us that the OMERS website is a main source of information for you and that you rely on the tools provided on the website to help you with your pension administration needs. We have listened and will continue to evolve the new site to ensure it is easy to use, relevant and accessible.

Significant progress was made in 2017 on the development of OMERS new pension administration system, which will provide high-quality, value-driven service for you and your employees when completed. System quality is of the utmost importance for OMERS, you and your employees, so in-depth testing of the new platform will be the focus for 2018. While we do not anticipate any major impact on how you will transact with us during our system launch, we are getting ready to support you through the transition. We will have dedicated teams in place, and are committed to partnering with you throughout the process.

Pension administration expenses represent a Cost Per Member of \$195 for 2017, compared to \$189 for 2016. We expect that the Cost Per Member will increase in the near term as we renew our pension administration system. In 2018, we will be evaluating the costs and benefits of further systems development which will establish new long-term Cost Per Member targets above the current target of \$185 set out in our 2020 Strategy. We remain focused on deliberate expense management and the value of every dollar in the Plan.

Serving Employers

During 2017, our partnership with you continued to expand, and we provided further employer support offerings.

You told us you wanted more face-to-face administration training, particularly in light of the fact that a number of employer Plan administrators are approaching retirement, and we have responded. In 2017, OMERS hosted 42 employer administration learning forums across the province while introducing e-learning modules, which make online administration training available 24/7. Employers can now experience live, interactive one-on-one support with an OMERS Education and Training Specialist to assist, in real-time, with e-forms and other questions.

In 2017, OMERS simplified the annual reconciliation process and the result was the highest percentage of OMERS employers ever completing and submitting their reporting before the June 30 legislative deadline.

Our dedicated Employer Support Services team remains focused on assisting you with your evolving pension administration needs.

As part of our goal of simplifying our processes and interactions, we undertook a review of our disability administration process in 2017. Many discussions took place to better understand the issues and obstacles that needed to be addressed. You asked for consistent administration processes, additional support tools, more follow-up with members, and automated processes. Work began with the focus on streamlining processes, enhancing education and training materials, and straightforward communications. Improvements will be introduced in 2018.

OMERS handled
202,000

calls from members and employers

700

Employer administrators attended in-person training, workshops and e-tutoring sessions

2,100

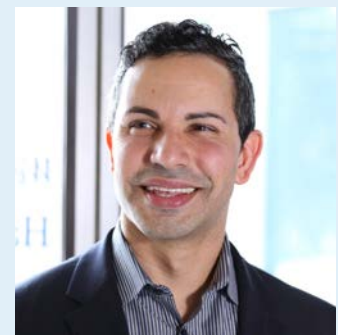
Employer administrators attended 47 webinars

How Employers Can Help

The OMERS Plan helps you attract and retain qualified employees, while also helping to provide members with a secure retirement. Increasing OMERS membership also supports keeping the Plan sustainable.

You can help by encouraging your employees to learn more about the Plan, particularly those non-full-time employees who are eligible for voluntary enrolment. Encourage your employees to find out more by visiting omers.com/jointheplan.

OMERS can save pension transaction costs by having more members interact with us online and through myOMERS. You can help by encouraging your employees to sign up for myOMERS and e-subscription.



Sari, OMERS employer



Sustainable Investing at OMERS

We believe incorporating sustainable investing into our thinking is the right thing to do. OMERS approach to sustainable investing is founded on the belief that well-run organizations with sound environmental, social and governance (ESG) practices will perform better in the long term, and that the consideration of such factors is consistent with our long-term payment obligations to members. By considering the risks and opportunities associated with ESG factors, we believe we will achieve a better understanding of investment opportunities, which will enable us to make and manage better investments over the long term.

Sustainable investing is not something new to OMERS. As stewards of members' capital, we have long believed in the importance of considering sustainable investing in our decisions, and have supported various organizational initiatives over the years. For example, Oxford Properties, OMERS real estate investment company, has been building and strengthening its sustainable investing platform for more than a decade. For four years in a row, Oxford received the top spot in the Global Real Estate Sustainability Benchmark survey (an industry-driven organization committed to assessing the ESG performance of real assets globally) as the North American Regional Sector Leader in the Diversified Office and Retail category.

Committed to Our Communities

OMERS employees are passionate supporters of the communities where we live and work, which is why we established the OMERS Foundation in 2016. Our employees raise the funds, run the events and select the charities to which we provide grants.

In 2017, we raised more than \$1.6 million through employee-led events. Our fundraising efforts and grants are making a difference in our communities. Each of the organizations chosen for grants supports the OMERS Foundation's mission to create healthy and vibrant communities for generations to come.

Our employees have a strong tradition of giving back. In the spirit of community commitment in 2017, participation was high in Volunteer Days in Toronto, New York, London and Sydney. Volunteer Days provide the opportunity for our employees to connect with members and partner with employers to reach out and support our communities.

With our move into a new office in Toronto, we are pleased that 93% of the building's construction waste was recycled. During the move, over 76 tons of used furniture was donated to charity and 99% of the furniture handled by the movers was diverted from landfill.



OMERS Foundation grant recipient, Unity, performing at the OMERS Foundation Annual General Meeting.



OMERS Foundation grant recipient, Youth Philanthropy Initiative Canada.

Looking Ahead

Looking further ahead, there is both an obligation and an opportunity to consider emerging realities, including the fact that we are living longer, the nature of work is changing, the Canada Pension Plan will provide higher pensions in the future, and we are faced with a challenging economic environment.

While we are on track with our 2020 Strategy, and our investment returns are strong, our ongoing commitment is to ensure we are meeting your needs and preparing for the realities of the challenges ahead. Accordingly, the Sponsors Corporation initiated a *Comprehensive Plan Review* in 2017. The goal of this work is to ensure that your pension plan remains sustainable over the long term.

From our outreach, we are aware of the great interest that you have in learning more about the changing nature of the municipal workforce, including changing demographic and retirement trends. In 2017, OMERS continued to assess the underlying forces that can impact the future of our Plan.

We reached out to a cross-section of employers to capture your knowledge, insights and experiences. Along with conducting interviews, a large amount of data was collected and analyzed to identify trends across a range of employers. This research revealed that there are five core drivers of change: technology adoption, evolving fiscal pressures, government interventions, employee influence and talent availability.



Based on the implications of these drivers of change, we have assessed various long-term scenarios that considered the impact of active membership growth or decline. This research provided valuable insights that are being considered in the *Comprehensive Plan Review* as we evaluate potential realities for the decades ahead.

If the *Comprehensive Plan Review* leads to proposals for changes, the Sponsors Corporation Board will determine what, if any, Plan changes will be approved. As always, any specified changes to the Plan require a two-thirds majority vote of the OMERS Sponsors Corporation Board for approval. Advance notice will be provided before any changes take effect.

OMERS Annual Meeting

Monday, April 9, 2018

9 a.m.-11 a.m. EST (light breakfast at 8:30 a.m.)



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

Public parking available

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

Contact Us

Please send feedback about this Report to Employers or general comments to:
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Ana Caçoilo

Senior Vice President
Pension Services