

Q&A follow-up from 2009 Spring Information Meeting

At the Spring Information Meeting on March 27, 2009, there was a Q and A session following the main presentation. For some questions, we said we would follow up with responses and post them on the OMERS website.

Below are questions followed by responses.

AC Questions

Q: How does OMERS determine executive compensation?

A: Executive compensation is the responsibility of the AC Board. OMERS consulted with third-party independent external advisors in developing its senior management compensation strategy and believe it reflects the environment in which our management team works and competes.

The strategy has three elements, including base salary, short-term incentives and long-term incentives. This structure allows OMERS to reward performance over one year, while recognizing the critical need to retain our teams using long-term incentives that provide a reward opportunity for investment performance over a three or five-year average. These compensation measures were approved and put in place by the OMERS AC Board, with oversight by the Leadership Resources & Compensation Committee.

Q: Does OMERS have a code of conduct for its board members?

A: OMERS board members are required to act according to their fiduciary duty in the best interests of The Plan. All Board members are aware of their responsibilities to the OMERS Pension Plan and those responsibilities are clearly articulated to all directors. Each Board member is provided training related to confidentiality and code of conduct. Any alleged breaches of those agreed upon conditions will be investigated by the Board and will be handled within the authority of the Board.

Q: Does OMERS conduct third-party management of smaller pension plans?

A: OMERS has managed third-party pension plans for more than 40 years and has a well-deserved reputation for expertise and service in this regard. The Ontario government, in its most recent budget, in March 2009, recognized this experience and expertise and supports the idea of increased third-party management of smaller plans by existing pension plans such as OMERS. OMERS will continue to look for growth opportunities in this area.

Q: Can you do something to discourage the media and public perception of public-sector defined benefit plans such as OMERS as “gold-plated, government plans”?

A: As we learned last year, no pension plan — public or private, defined benefit or defined contribution — is immune to the forces of the marketplace. When the opportunities arise, we will do the best we can to explain the benefits of a multi-sponsor, defined benefit plan such as OMERS, including our active management philosophy. If there is a perception that some plans like OMERS are stronger than others, we believe it is because we have the right people with the right skills in the right positions to maintain the sustainability of the pension promise to our members.

Q: Can you publicize hotels, shopping centres, retail investments OMERS owns so members can support them?

A: OMERS has a diversified portfolio of assets in classes such as infrastructure (Confederation Bridge, Detroit River Rail Tunnel), private equity (Golf Town) and real estate (TD Canada Trust Tower, The Fairmont Banff Springs Hotel). For a complete list, please visit www.omers.com and click on “Investments.”

Q: How does OMERS determine its benchmarks?

A: On the public markets, OMERS uses well-recognized indices that are measured on a daily basis to determine its benchmarks. For interest-bearing assets, there is the blended DEX 30-day Treasury Bill Indices and the DEX Universe. For real return bonds, OMERS uses the DEX Real Return Bond Index. For Canadian public equities, it's the S&P/TSX Composite Index. For non-public markets, including real estate, infrastructure and private equity, each one of the investment entities prepares, on an annual basis, an operating plan that is reviewed by senior management and approved by the Board. That happens a year in advance and that becomes the target for the private entities.

Q: Are our pensions insured by a third party or the Canadian government?

A: The OMERS pension is not insured by any third party or the Canadian Government or by the Ontario Pension Benefits Guarantee Fund. OMERS must meet legislative requirements to disclose its funded status and the OMERS Sponsors are responsible for decisions to ensure a strong funded position going forward.

Q: Will OMERS be one of the public pension plans that will be receiving an extended time period of 10 years per the Ontario budget vs. the current 5 years to meet any funding deficits?

A: The extension of funding deficits from 5 years to 10 years as allowed by the most recent Ontario budget applies only to the funding of solvency deficit. OMERS does not have any solvency funding requirement.