

# 2013 OMERS SPRING INFORMATION MEETING

Tuesday, April 23, 2013 10:30am



# Rick Miller

Chair, OMERS Administration Corporation



# Agenda

- 10:30am **Welcome and Opening Remarks**  
Rick Miller, Chair, OMERS Administration Corporation
- 10:40am **OMERS Administration Corporation Overview**  
Michael Nobrega, President and CEO
- 10:50am **OMERS Administration Corporation Financial Overview**  
Patrick Crowley, Executive Vice President & CFO
- 11:05am **OMERS Sponsors Corporation Update**  
Brian O’Keefe and Marianne Love, Co-Chairs
- 11:20am **OMERS Governance Review Update**  
Marianne Love, Brian O’Keefe and Rick Miller
- 11:30am **Questions and Answers**  
Moderated by Michael Nobrega
- 11:50am **Closing Remarks**  
Michael Nobrega
- 11:55am **Lunch Reception**

# OAC Board



Monty Baker



David Beatty



Fred Biro



David Carrington



Richard Faber



Michael Fenn



Rick Miller



Laurie Nancekivell



David O'Brien



Jim Phillips



John Sabo



Eugene Swimmer



Sheila Vandenberg



John Weatherup

- Our activities in 2012
- Open and effective dialogue
- Transparency

- 2012 Results
- Funding deficit
- Meeting the challenge

- Pension Plan sustainability
- OMERS value in the economy
- A powerful engine of growth

- OMERS ambassadors
- Supporting OMERS and the Defined Benefit model
- Fact-based responses



- Responding to member priorities
- AVCs at age 71
- Support for change

- Eye on the future
- A fully engaged workforce
- Top 50 Employer
- Support to our communities

# Michael Nobrega

President and Chief Executive Officer



- Economic uncertainty continued through 2012
- OMERS is well positioned to manage these issues
- The importance of a clear vision

- Direct ownership/active management
- Balance public / private assets
- Global diversification

- “Fortress” balance sheet
- Liquidity
- Risk management
- Triple A credit

- Raising capital
- Membership growth
- Strategic alliances
- Regulatory hurdles

- Positioned for the future
- Strength in our strategy



## Patrick Crowley

Executive Vice-President and CFO



- The global investment climate was uncertain due to the US election, European sovereign debt crisis and a slowing global economy
- Major global equity markets posted impressive gains in 2012 primarily as a result of continued central bank easing
- Fixed income indices posted lower returns than in the past few years due to continued low interest rates

# OMERS 2012 Performance Returns (%)

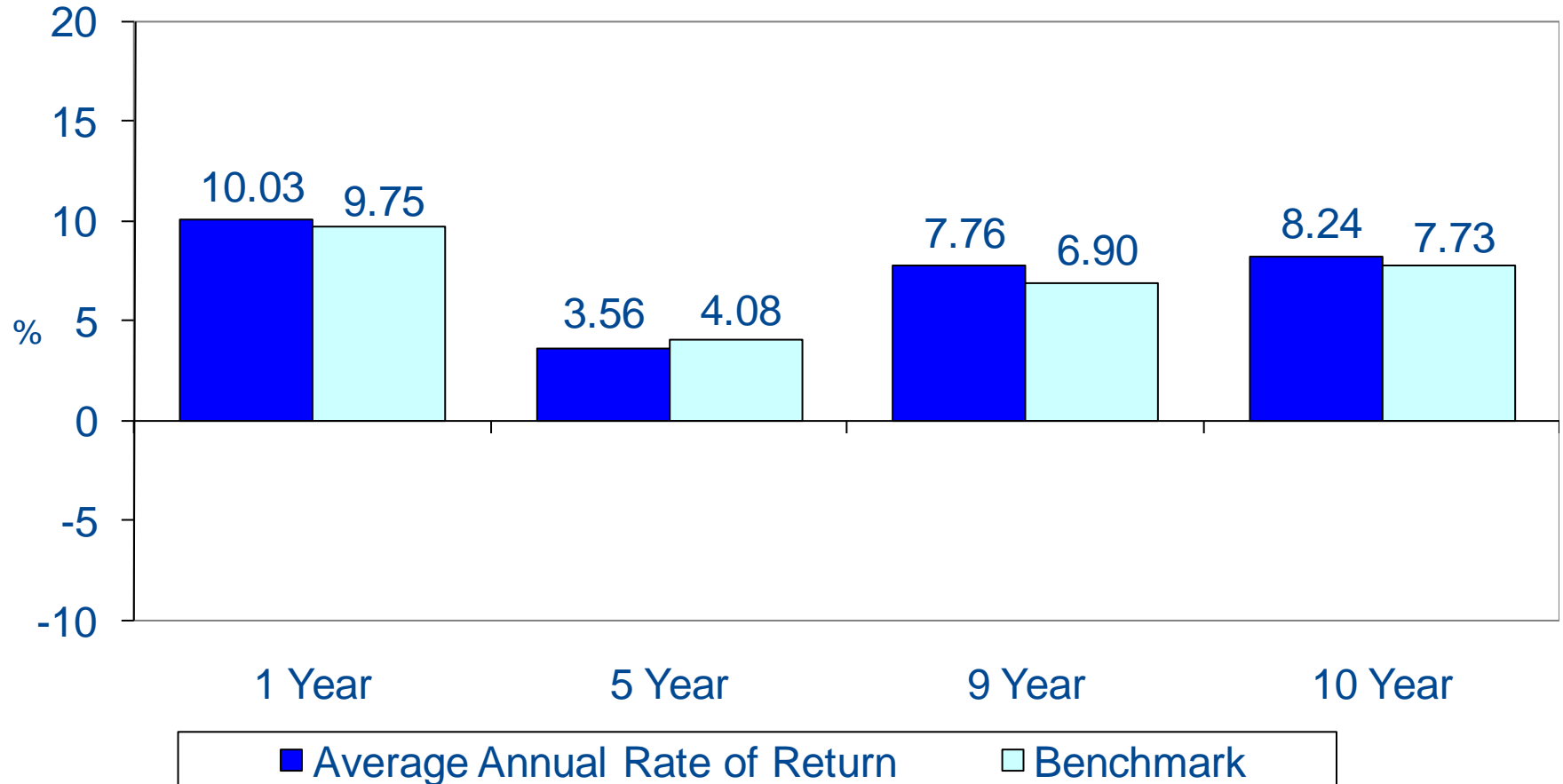
For the year ended December 31, 2012

Investment Entity	Return	Benchmark
OMERS Capital Markets	7.50	8.74
OMERS Private Equity	19.17	22.09
Borealis Infrastrucutre	12.68	8.60
Oxford Properties Group	16.91	7.15
OMERS Strategic Investments	-10.13	8.70
TOTAL PRIVATE MARKETS	13.79	11.38
TOTAL FUND	10.03	9.75

Total Fund Value Added = 28 bps

# Total Fund Long-Term Performance (%)

Annualized returns for the period ending December 31, 2012



# Consolidated Financial Summary

## Net Investment Income/(Loss) for the year ended December 31

<i>(\$ millions)</i>	<b>2012</b>	<b>2011</b>
OCM	\$ 2,253	\$ (296)
Oxford	1,279	610
Borealis	986	674
OPE	962	354
OSI	(201)	121
Net Investment Income	\$ 5,279	\$ 1,463

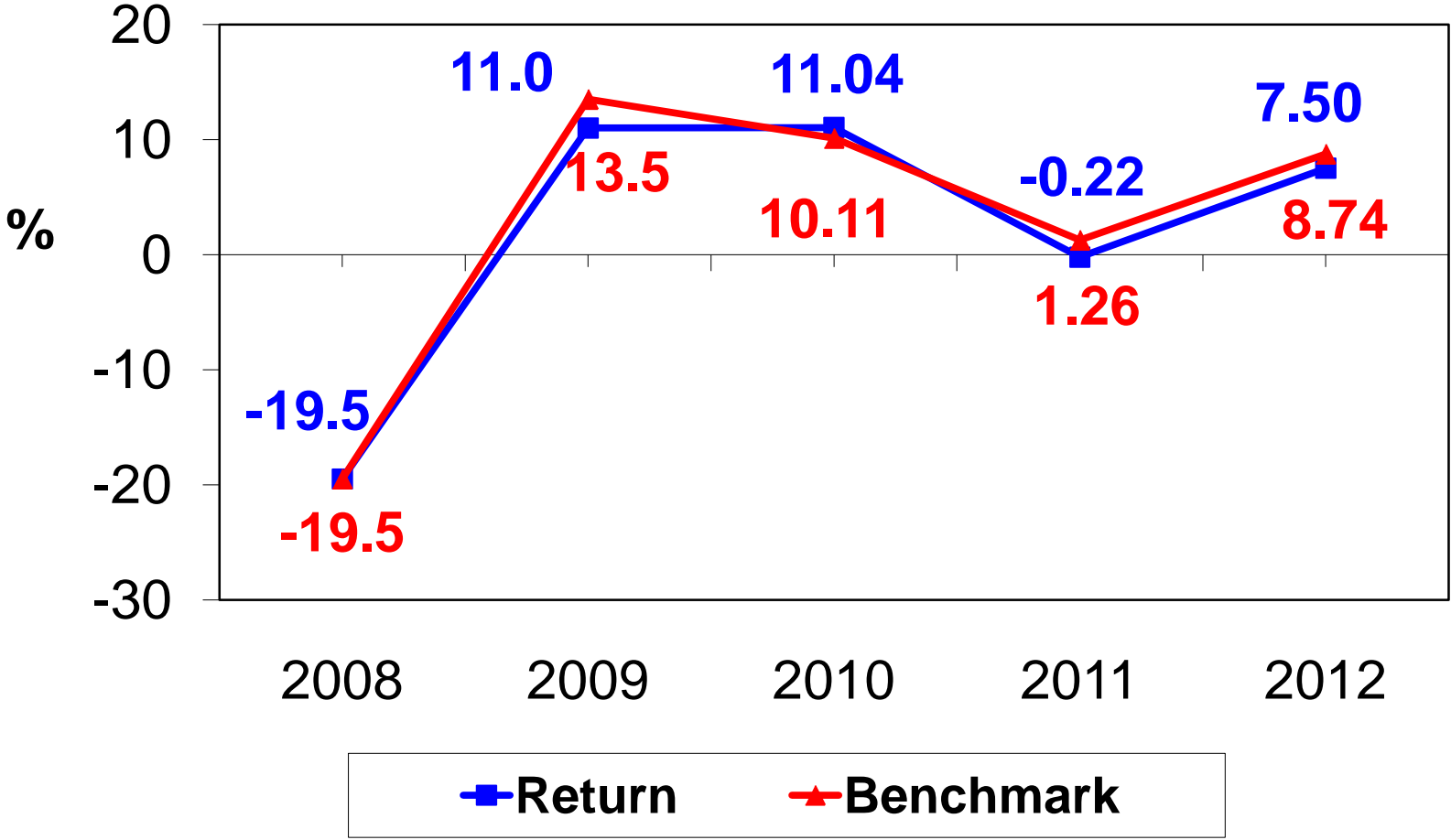
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<b>OCM</b>	<b>2,253</b>	<b>7.50</b>	<b>(296)</b>	<b>(0.22)</b>

\* Net Investment Income

\*\* Gross Return

### Gross Annual Returns vs. Benchmark (%)



Net Investment Income/(Loss)  
for the year ended December 31

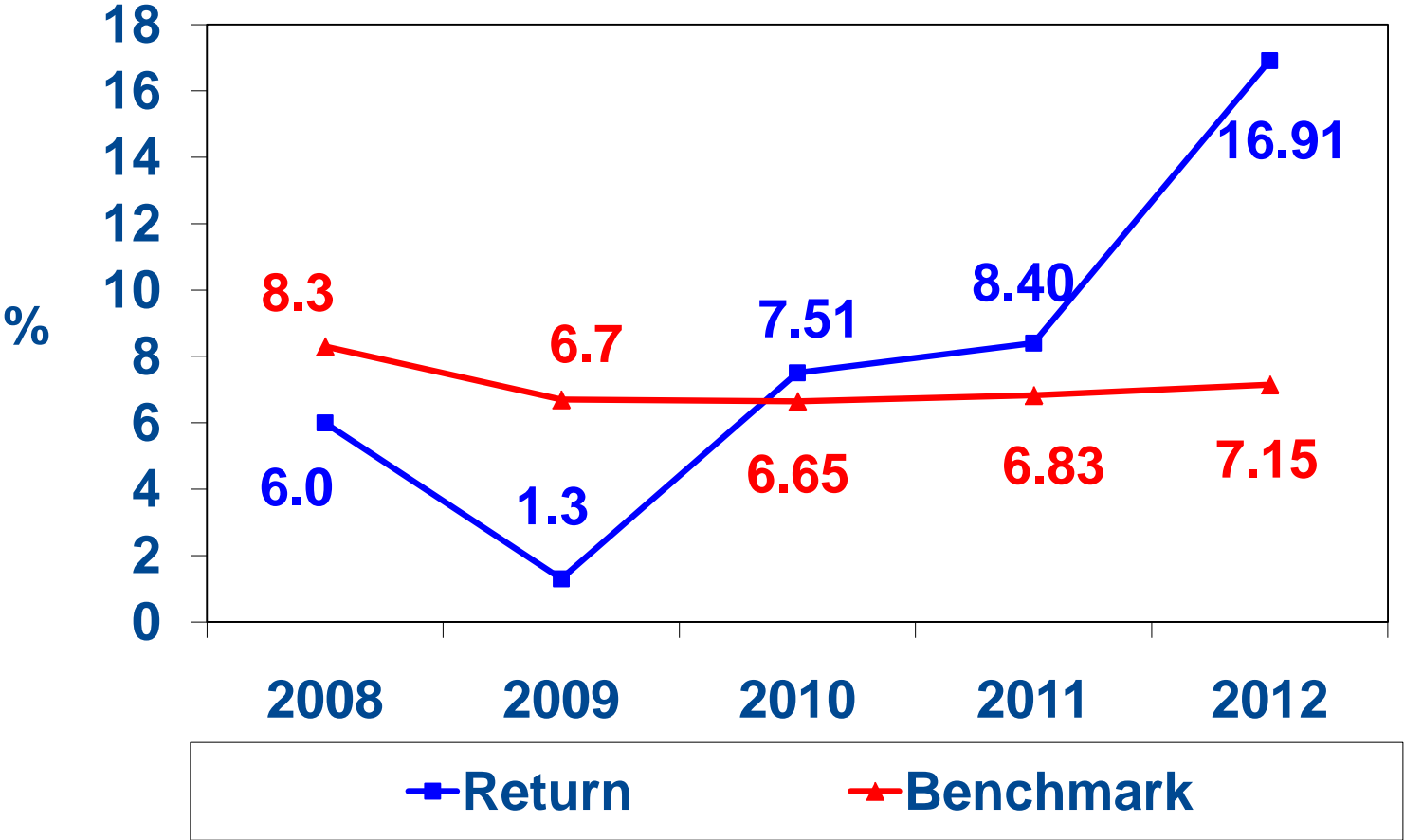
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### Gross Annual Returns vs. Benchmark



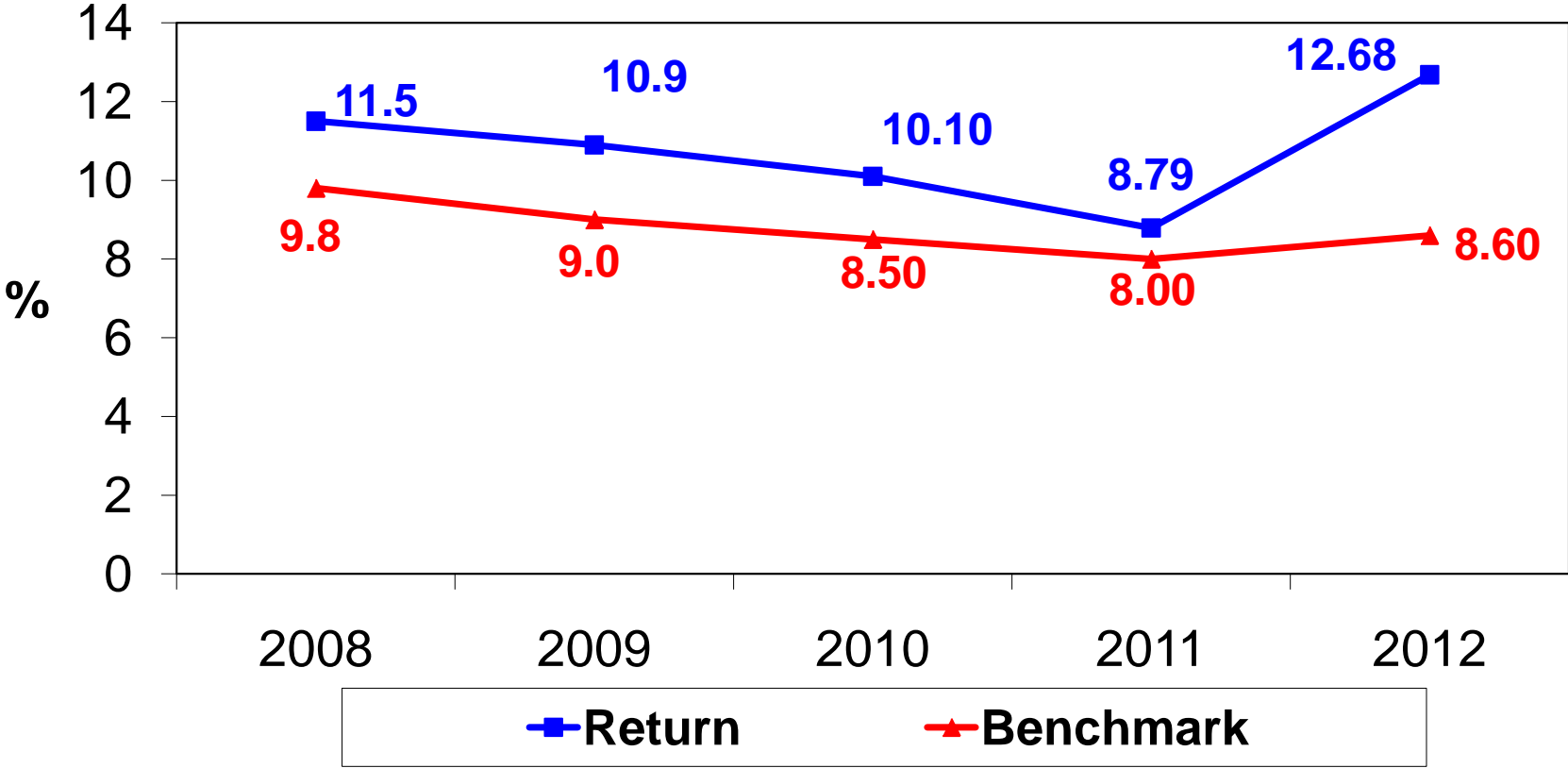
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## Gross Annual Returns vs. Benchmark



# Financial Summary

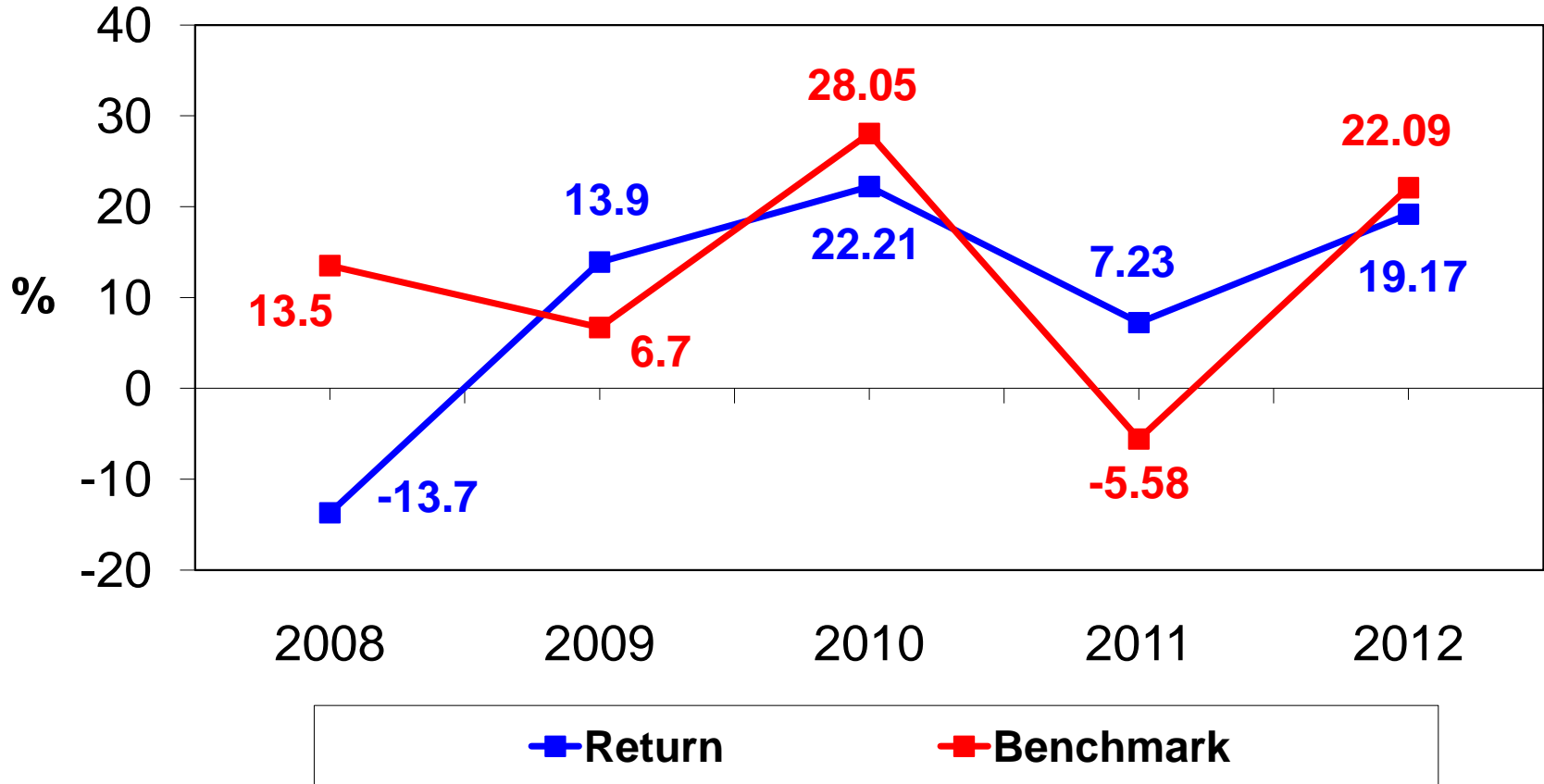
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## Gross Annual Returns vs. Benchmark



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<b>OSI</b>	<b>(201)</b>	<b>(10.13)</b>	<b>121</b>	<b>7.24</b>

\* Net Investment Income

\*\* Gross Return

# Consolidated Financial Summary

## Net Investment Income/(Loss) for the year ended December 31

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OCM	\$ 2,253	\$ (296)
Oxford	1,279	610
Borealis	986	674
OPE	962	354
OSI	(201)	121
	<hr/> 5,279	<hr/> 1,463
Currency Hedging*	-	(79)
Administered Funds**	(79)	(21)
Net Investment Income	<hr/> \$ 5,200	<hr/> \$ 1,363

\* Public equity currency hedging included in OCM income in 2012

\*\* Income credited to Administered Funds – Ryerson, Transit Windsor, Ontario Hydro Guarantee Fund

# Consolidated Financial Summary

## *Change in Net Assets* *For the year ended December 31*

<i>(\$ millions)</i>	<u>2012</u>	<u>2011</u>
Net Assets, beginning of year	\$ 55,083	\$ 53,349
Net Investment income <sup>1</sup>	5,200	1,363
Pension Activity		
Contribution	3,143	2,720
Payments	(2,666)	(2,382)
AVC (Net inflow)	63	92
Administrative Expenses	(56)	(59)
Net Assets, end of year	<u>\$ 60,767</u>	<u>\$ 55,083</u>

1. Before allocation of AVC income



# Consolidated Financial Summary

## Asset Mix Exposure By Asset Class As at December 31,

<i>(\$ millions)</i>	2012		2011	
Public Markets	\$ 36,788	59.9%	\$ 32,111	57.6%
Real Estate	8,129	13.2%	7,337	13.2%
Infrastructure	9,091	14.8%	8,490	15.3%
Private Equity	7,459	12.1%	7,764	13.9%
	61,467	100.0%	55,702	100.0%
Due to Admin. Plans & Other	(700)		(619)	
Net Assets	\$ 60,767		\$ 55,083	

# Consolidated Financial Summary

## *Net Assets*

*As at December 31,*

*(\$ millions)*

	<u>2012</u>	<u>2011</u>
Primary Plan	\$ 60,519	\$ 54,921
AVC	170	94
RCA	78	68
Total	<u>\$ 60,767</u>	<u>\$ 55,083</u>

# Consolidated Financial Summary

## ***Accrued Pension Obligation and Deficit OMERS Primary Pension Plan***

*As at December 31*

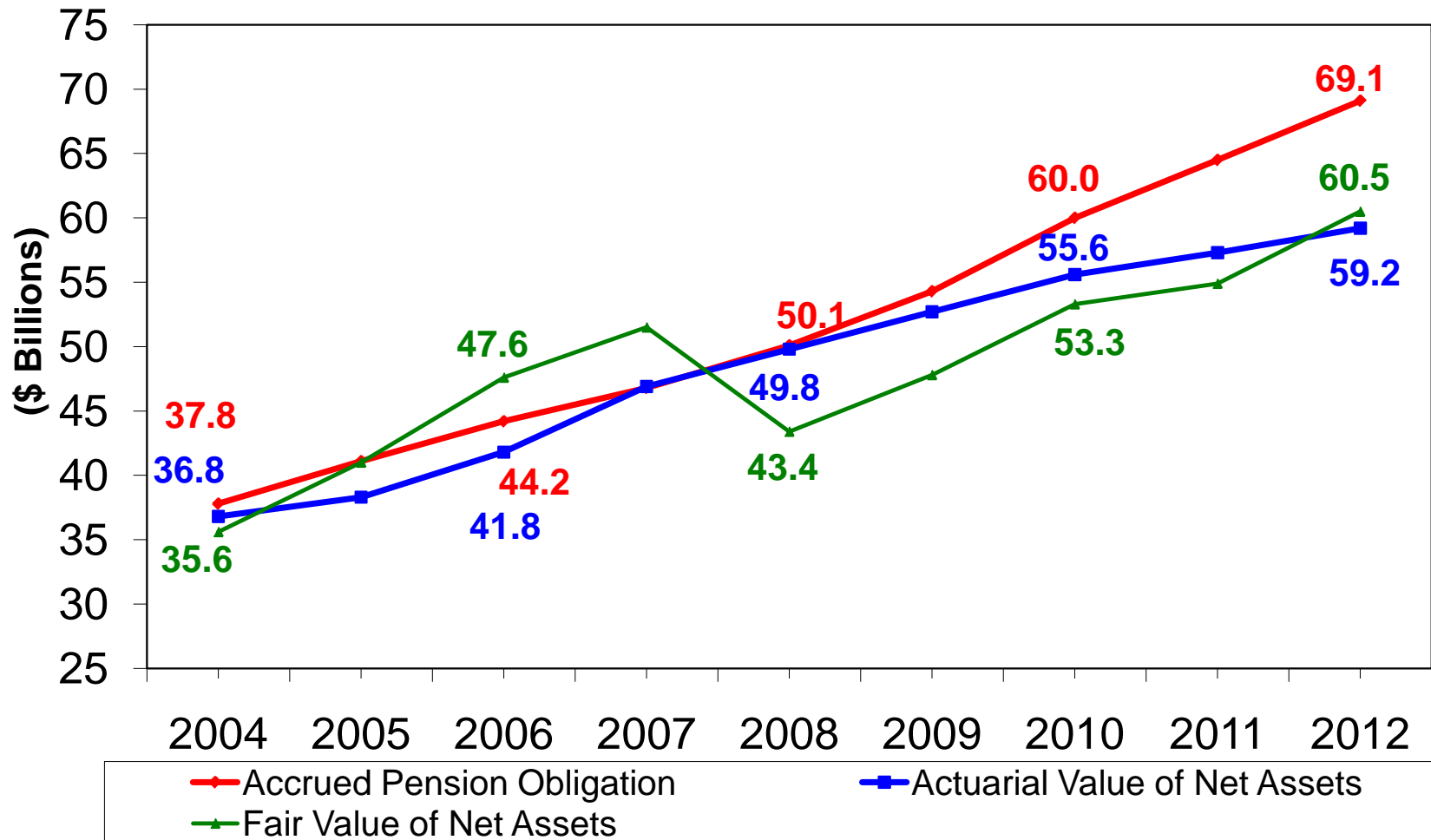
*(\$ millions)*

### **Deferred Benefit Component**

	<u>2012</u>	<u>2011</u>
Net Assets	\$ 60,519	\$ 54,921
Actuarial Asset Value Adjustment	(1,321)	2,337
Actuarial Value of Net Assets	59,198	57,258
Accrued Pension Obligation	69,122	64,548
Funding Deficit	<b>(9,924)</b>	<b>(7,290)</b>
Reverse Actuarial Asset Value Adjustment	1,321	(2,337)
Market Value Deficit	<b>\$ (8,603)</b>	<b>\$ (9,627)</b>

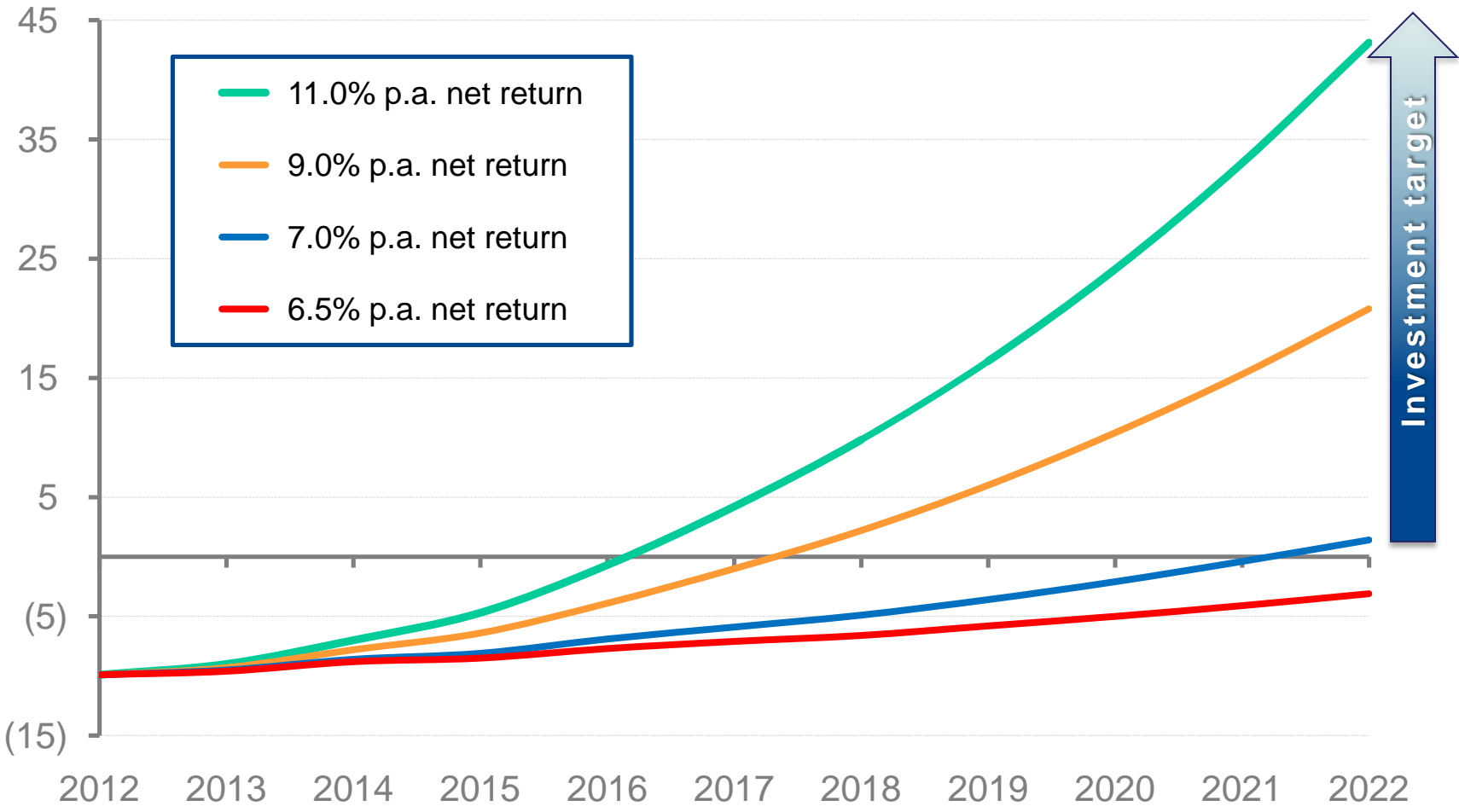
# Summary of Primary Plan Valuation Results

## Going Concern Funded Position – OMERS Primary Pension Plan



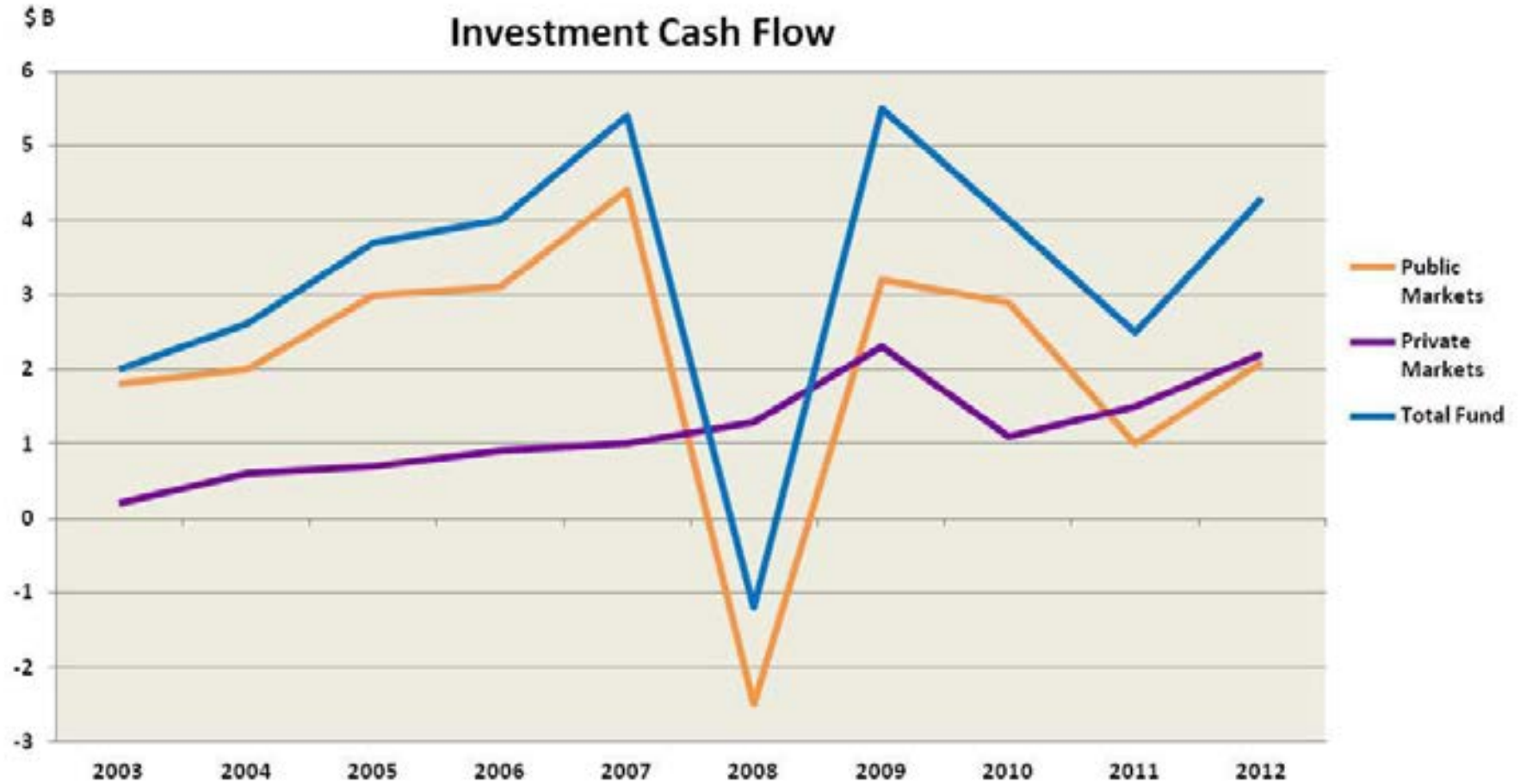
# Primary Plan Valuation

## Projected Financial Position as at December 31 (\$ value in billions)

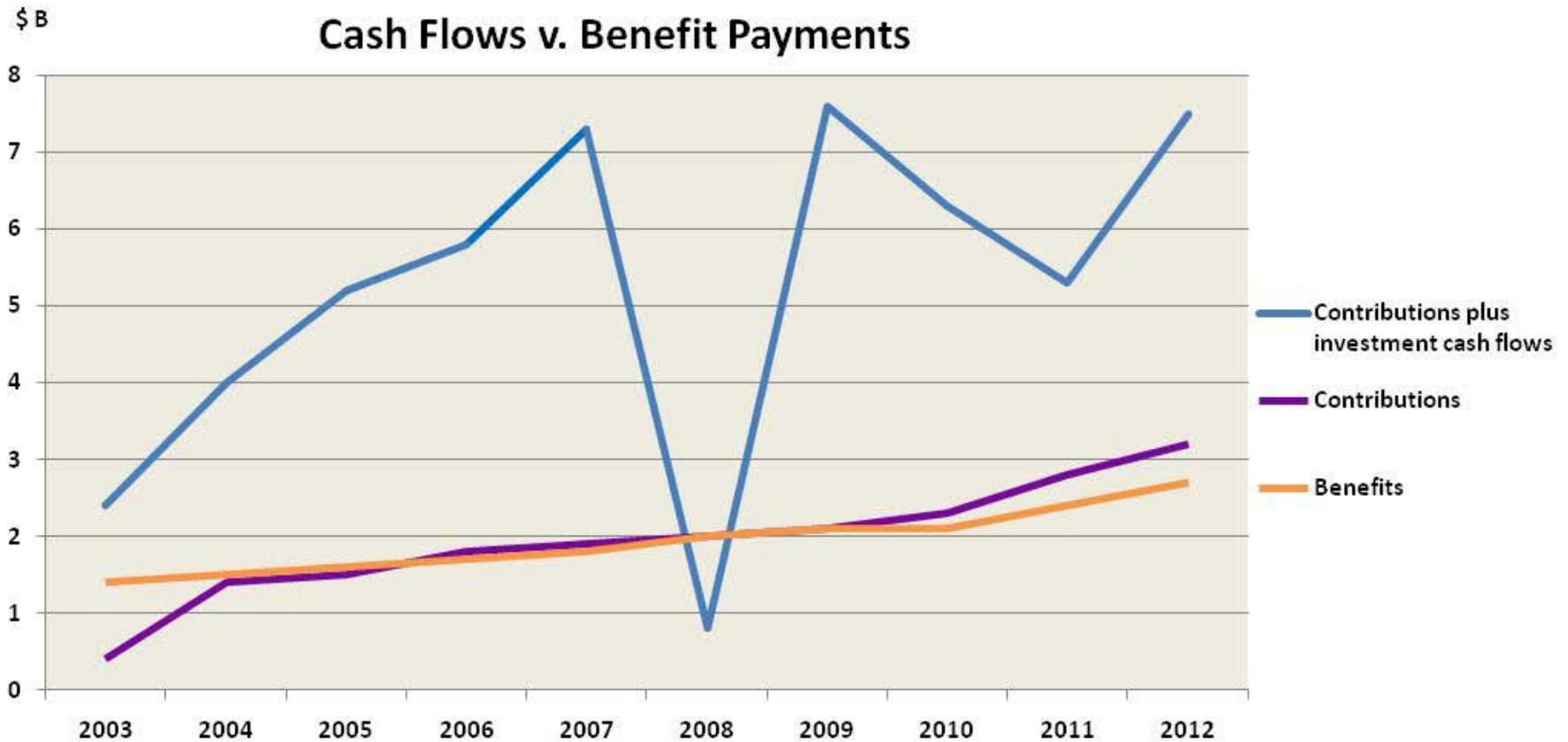


- Quality assets
- Solid cash flow
- Debt financing with “AAA” credit rating
  - able to borrow regardless of market
- Liquidity
  - withstand severe market assaults
- OMERS can meet all current pension payments

# History 2003 – 2012



# History 2003 – 2012 (cont'd)

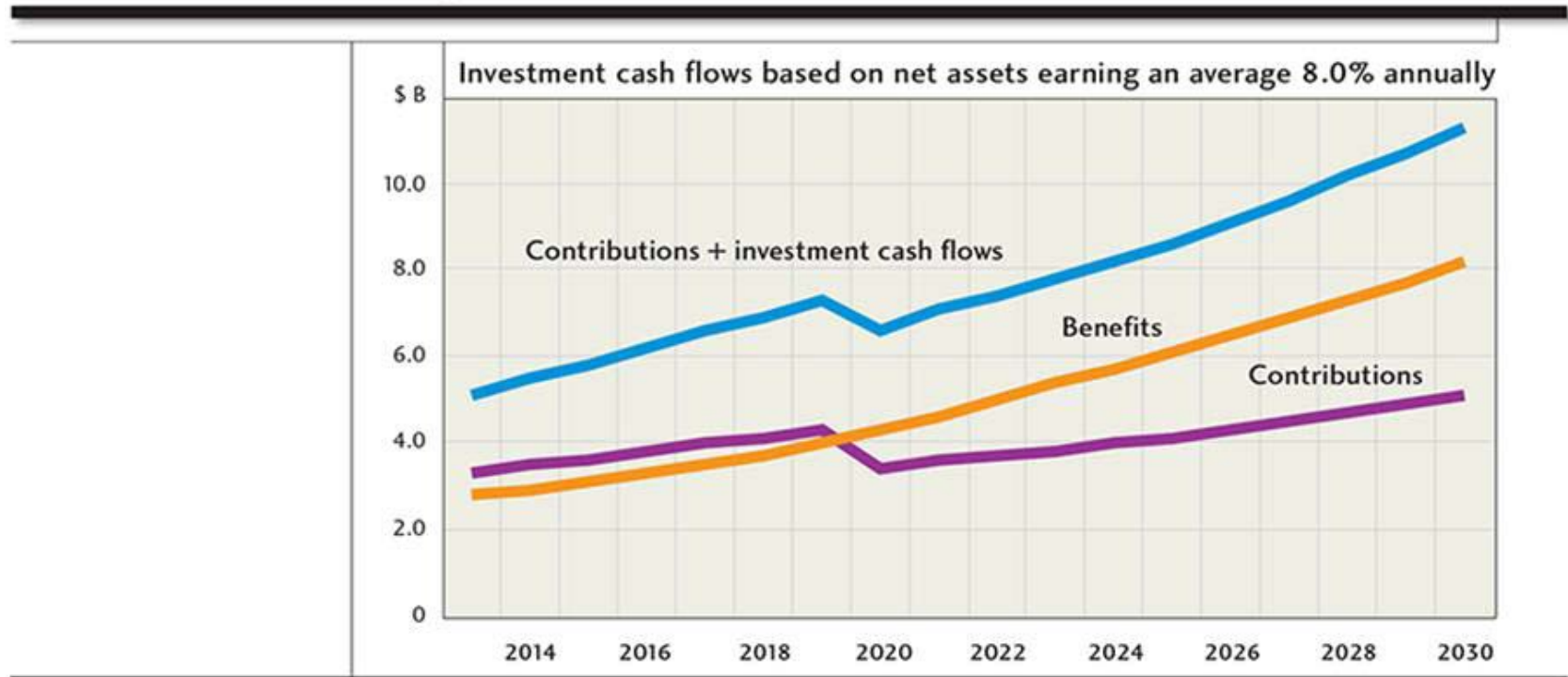


- Historically the Plan earned a net investment return of 8% over the last 10 years
- Based on this continuing, annual cash flow of approximately 3% will be generated



## Cash Flows v. Benefit Payments

### Cash Flows v. Benefit Payments



- Historically the Plan earned a net investment return of 8% over the last 10 years
- Based on this continuing, annual cash flow of approximately 3% will be generated

- Your pensions are secure
- OMERS is a responsible long-term investor
- Our asset mix strategy to shift capital from public to private markets has proven successful in reducing volatility of the Primary Plan returns
- Temporary contribution rate increases and benefit reductions should reduce the deficit over time

# Brian O'Keefe & Marianne Love

Co-Chairs, Sponsors Corporation



# Sponsors Corporation Composition

## Employer Representatives

**Marianne Love** (Co-Chair)  
Association of Municipalities of Ontario

**John Fleming**  
City of Toronto

**Charlie Macaluso**  
Electricity Distributors Association

**Mary McConville**  
Ontario Association of Children's Aid Societies

**Wayne McNally**  
Ontario Catholic School Trustees' Association

**Garth Pierce**  
Ontario Association of Police Services Boards

**Bruce Stewart**  
Association of Municipalities of Ontario

## Plan Member Representatives

**Brian O'Keefe** (Co-Chair)  
CUPE Ontario

**Paul Bailey**  
Retiree – Police Pensioners Association of Ontario

**Diana Clarke**  
Ontario Public Service Employees Union

**Mark Ferguson**  
CUPE Local 416

**Jack Jones**  
Ontario Secondary School Teachers' Federation

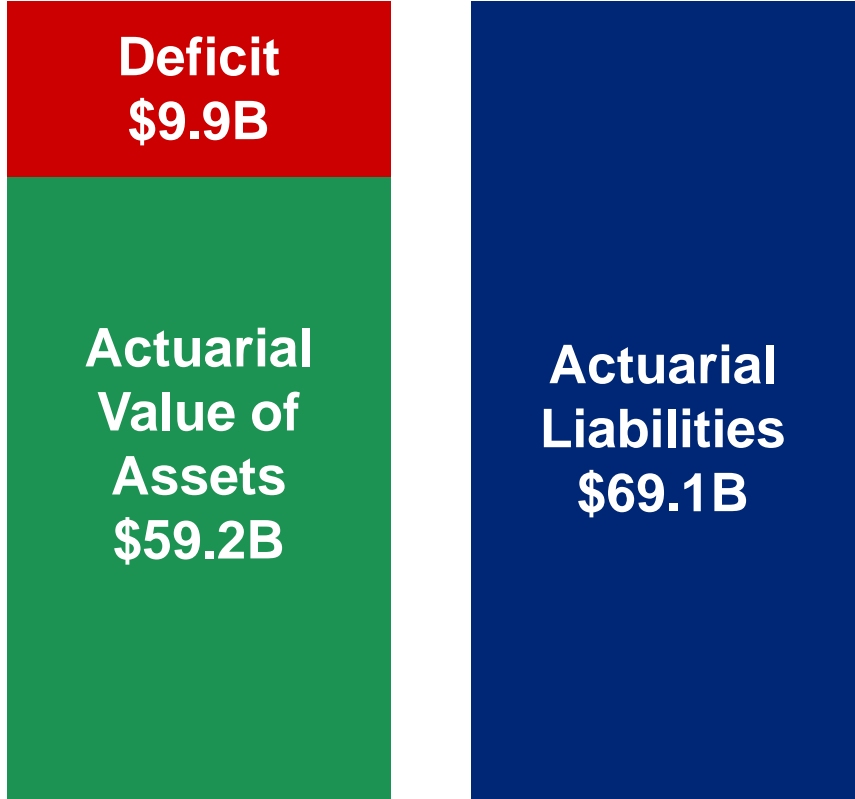
**Bruce Miller**  
Police Association of Ontario

**Frank Ramagnano**  
Ontario Professional Fire Fighters Association

# Primary Plan Funded Status

As at December 31, 2012

## Primary Plan Funded Position

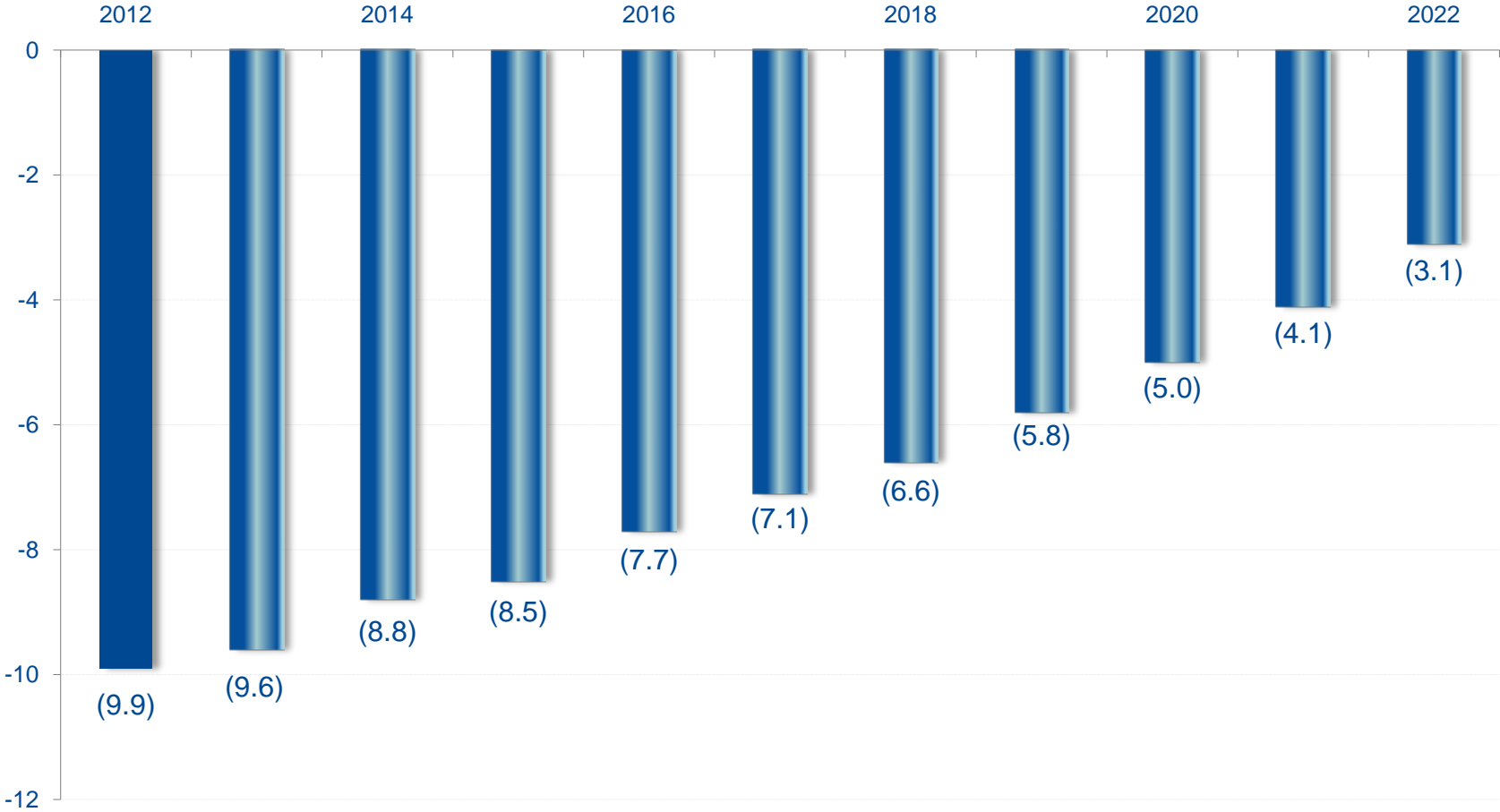


## 2010 Decision:

Beginning in 2011, a three year contribution rate increase totalling 2.9% per side, together with benefit changes, reflecting the requirement by the Plan to address the deficit.

- Fully implemented as of January 1, 2013
  - Sufficient to meet the current funding challenges
  - Best estimate projections show the Plan fully funded in 10 to 15 years
- Monitor and assess whether further changes are required

# Projected Deficit



# Specified Plan Changes (SPCs)

- 1) Changes to contribution rates and benefits are Specified Plan Changes
- 2) Timeline: annual cycle



- 3) Decisions to be made by end of June
- 4) 2/3s vote



- 5 proposals to date
  - Early retirement provisions
  - Indexing provisions
  - Accrual rate
  - 2 related to NRA 60 benefits
- Decisions made by end of June
- May be amended or withdrawn at any time
- [www.omerssc.com](http://www.omerssc.com)

- SC By-Laws #4 and #13
  - SC and OAC Board composition and appointment process
- SC By-Law #6
  - SC and OAC Board compensation
- OMERS Review Act (2012)

- Contribution rates for 2014
  - No change required based on valuation report filings
- Valuation filing decision
- Specified Plan Changes
- By-Law reviews
- Pension reform
- 2012 Review

Marianne Love  
Brian O'Keefe  
Rick Miller



# OMERS Governance Review Progress Report

## OMERS Review Act, 2006

- Mandated an independent review in 2012
- Internal reviews
- Tony Dean appointed May 2012 by Minister of Municipal Affairs and Housing

## Activity in 2012

- Mr. Dean met with Joint Boards
  - September and December
- OMERS Chairs met with Mr. Dean
  - October to December
  - Looking for resolution on series of initiatives without legislative change

**Report Released January 25, 2013**

## **8 Recommendations:**

- Strategic Planning
- Alignment of Roles & Responsibilities
- SC Board Structure
- Stakeholder Engagement
- Representation
- OAC Board Capacity
- Independent OAC Board Chair
- Implementation

## #1. Strategic Planning

- **Recommendation:** One Strategic Plan for OMERS
- **Deliverable:** One strategic vision
- **Status:** In Progress. 2nd Annual Strategic Planning Session scheduled for September 2013, for joint discussion by both Boards



## #2. Alignment of Roles & Responsibilities

- **Recommendation:** Protocols for plan growth, plan changes and actuarial valuations and assumptions
- **Deliverable:** Implement the agreed processes
- **Status:** In progress. A process for plan changes has been implemented. Implementation of the remaining processes are underway

## #3. SC Board Structure

- **Recommendation:** Consider chairing process and implement an agreeable process
- **Deliverable:** Implement the agreed process
- **Status:** In progress. The SC is reviewing the current chairing structure, electing to retain it but implement new voting procedures effective June 2013

## #4. Stakeholder Engagement

- **Recommendation:** Improved communications and engagement with sponsors and stakeholders
- **Deliverable:** Improved communications and provision for improved input on decision making
- **Status:** In progress. The SC and OAC Boards are developing a joint communications and engagement process to address the recommendations

## #5. Representation / Unaffiliated members

- **Recommendation & deliverable:** Associations representing unaffiliated members work together to speak on pension issues collectively, and reach out to members not represented by an association or union
- This recommendation is not directed at the OMERS Boards and is dependent on the actions of unaffiliated Member organizations

## #6. OAC Board Capacity

- **Recommendation & deliverable:** Improved capacity on the OAC Board
- **Status:** In progress
  - The OAC Board provided an updated competency matrix to and gap analysis to the SC;
  - The OAC Board provided its recommendations on the transition plan of the OAC Board, to the SC
  - The SC to consider these inputs to finalize its By-Law # 13 which sets out the composition of the OAC Board and the related nomination and appointment process

## #7. Independent OAC Board Chair

- **Dean recommendation & deliverable:** Recruitment of an Independent Chair for the OAC Board
- **Status:** In progress. The SC and OAC Boards have approved a jointly prepared implementation plan with the intent of the SC appointing an Independent Chair for the OAC Board by the fall of 2013

## #8. Implementation

- **Dean recommendation:** Effective implementation
- **Deliverable:** Quick, but effective, implementation
- **Status:** In progress. The SC Co-Chairs and OAC Chair have scheduled bi-weekly calls and bi-monthly Joint Council meetings to consider the status of goals and to develop detailed timelines

## Next Steps

- Finalize By-Law #13
  - Communicate with Sponsor Organizations
  - Initiate Nomination and Appointment Process
- Appoint an Independent Board Chair
- Finalize and implement the Communication and Engagement Plan
  - More to come at the Fall Information Meeting
- Prepare for September Strategic Planning Session
- Update work plan on our websites
  - [www.omers.com](http://www.omers.com), [www.omerssc.com](http://www.omerssc.com)



# Q & A

Moderator: Michael Nobrega



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