

Report of the OMERS Administration Corporation Board

Human Resources Committee

Members in 2018

Monty Baker (Chair)	Darcie Beggs
Bill Aziz	David Tsubouchi
David Beatty	George Cooke (ex officio)

Our Human Resources Committee (HR Committee) assists the OAC Board in meeting its fiduciary oversight and related obligations by: (i) attracting, engaging and retaining excellent leadership at the senior executive level who are committed to the OAC Mission Statement, Core Values and Leadership Principles; (ii) overseeing a robust succession management process for the position of Chief Executive Officer (CEO) and the C-Suite executives; and (iii) overseeing CEO performance, compensation and compensation policies.

In 2018, the HR Committee's work included:

- oversight of an annual performance assessment process for the CEO;
- making recommendations to the OAC Board on compensation for the CEO;
- reviewing the candidates for CEO and C-Suite executives' succession as part of the succession management process, including discussion of development plans;
- successful advancement of the CEO succession plan;
- reviewing compensation awards for the C-Suite executives;
- reviewing performance assessments for the C-Suite executives;
- reviewing the talent management strategy;
- reviewing compensation plans to ensure appropriate strategic linkages and risk mitigation;
- approving compensation-related disclosure in public documents; and
- continued focus on HR governance matters, including compensation reporting.

Independent Compensation Adviser

The HR Committee engages an independent compensation adviser to provide advice and assistance in executing its responsibilities. Hugessen Consulting (Hugessen) is directly retained and instructed by, and reports directly to, the HR Committee. All work is pre-approved by the HR Committee, and Hugessen did not provide any non-Board-approved services to the organization during 2018.

During 2018, the independent adviser's scope of services included the following:

- i. supporting the HR Committee in reviewing CEO pay and performance outcomes;
- ii. providing independent executive compensation advice pertaining to the CEO and C-Suite executives (i.e., compensation philosophy, comparator groups, competitive pay positioning and pay mix);
- iii. ensuring the HR Committee understood and was comfortable with the current compensation program for the CEO and C-Suite executives;
- iv. providing counsel to the HR Committee on any recommendations made by Management;
- v. reviewing proposals for new compensation plan designs; and
- vi. assisting with any other items that the HR Committee requested.

The HR Committee has sole authority to approve the amount of the independent compensation adviser's fees. Executive compensation-related fees paid to our adviser in 2018 reflect the services as described above. The following table outlines the fees paid for services provided in 2018 and 2017:

Adviser	Executive Compensation-Related Fees		All Other Fees	
	2018	2017	2018	2017
Hugessen Consulting	\$196,215	\$133,570	Nil	Nil

HR Committee Composition and Meetings

Members of the HR Committee are appointed by the OAC Board from among the Board's members and are independent of Management. As a cohesive unit, HR Committee members have skills, knowledge and experience in investment management, pensions, economics and public policy, executive leadership and strategy, risk management, talent management, and executive compensation. The HR Committee had four regular meetings and two special meetings during 2018 to review key items according to its mandate and annual work plan. At the invitation of the Chair of the HR Committee, members of Management, including the CEO, and the HR Committee's independent adviser, attended the meetings. At each meeting, there was an *in camera* session without Management present.

Chair of the Human Resources Committee Letter to Plan Members

2018 Year in Review

In our 2020 Strategy, one of the four pillars is centred on evolving our capabilities, which includes ensuring that we attract, engage, develop, retain and reward top talent. In 2018, we continued to do that in various ways, including:

- development programs with a global focus;
- development of a senior leadership pipeline;
- focus on succession management processes, with identification and development of leaders for key positions;
- focus on high-performance culture;
- increasing focus on inclusion and diversity; and
- advancement of our compensation philosophy and our pay-for-performance culture.

This year, several changes were made to our Senior Executive Team effective April 1, which align with our priority of promoting from within, and developing the senior leadership of our organization. Satish Rai was appointed Chief Investment Officer, Blake Hutcheson was appointed President and Chief Pension Officer, Michael Rolland was appointed President and Chief Operating Officer, Asia-Pacific Region and Michelle Banik was appointed Chief People Officer.

Compensation Governance and Risk

Our compensation plans are designed to align with business objectives, while ensuring we deliver competitive compensation that rewards for performance and differentiates across markets. We ensure our plans also continue to reflect leading governance principles by incorporating risk considerations. This allows the HR Committee to appropriately reward behaviours consistent with our desired risk culture. Our aim is to achieve a balance between risk and reward so that employees are aligned with the long-term investment strategy of OMERS.

Furthermore, to ensure compensation and risk outcomes are symmetrical, the OAC Board has the discretion to withhold awards to reflect significant unexpected or unusual events. It also has the ability to claw back any variable compensation awarded in the event of a material misrepresentation of results in the prior three years. To align executive interests with those of Plan members, and to motivate the creation of long-term value, a significant portion of total compensation is deferred and aligned with enterprise-wide performance measures over the deferral period.

Compensation Highlights

The following factors influenced year-end compensation awards:

- Our compensation plans are based on three year returns to ensure alignment with achievement of long-term returns. The 2018 Total Plan net return of 2.3% was below our absolute return benchmark of 7.3%. However, the Total Plan net absolute returns of 8.0% for the three year period 2016 to 2018

exceeded the three-year absolute return benchmark of 7.5%, primarily due to strong results in private investments. This resulted in 2018 business performance factors above target levels.

- In addition, our risk assessments concluded that business risk was being managed consistently with our desired risk culture, resulting in neutral (0%) compensation plan risk adjustments across all our compensation plans.

We review our Total Rewards programs regularly to ensure they remain relevant. As part of the 2018 review, Management established a discretionary compensation framework to ensure flexibility to reward and engage talent as appropriate.

Conclusion

We continue to dedicate significant attention to talent management, ensuring that we have the right people in the right roles to deliver long-term value for Plan members. We are confident that our approach to compensation attracts and engages talented leadership through strong governance practices, while achieving the appropriate balance of protecting against incenting excessive risk-taking, and paying for performance.

Our HR Committee remains committed to a pay-for-performance approach, being a leader in compensation governance, and providing clear and transparent disclosure to Plan members, employers, sponsors and other stakeholders.



Monty Baker

2018 Chair of the Human Resources Committee

Compensation Discussion and Analysis

This Compensation Discussion and Analysis section describes our executive compensation program and awards for the Named Executive Officers. The Named Executive Officers include the CEO, Chief Financial Officer (CFO) and the three highest-paid C-Suite executives.

Approach to Compensation

OMERS is committed to a pay-for-performance approach for all employees. To achieve this, the compensation programs are designed to incent the right behaviour in the delivery of our business objectives within the appropriate risk parameters.

Compensation Principles

The executive compensation program is based on the following principles:

- Align with the interests of Plan members: Align employee and executive interests with Plan member interests through effective compensation plan design.
- Align with OMERS Strategy: Focus employee efforts on critical performance targets and reward for performance results.
- Pay for performance: Promote a pay-for-performance culture where there are clear relationships between pay and performance, ensuring differentiated pay to the reward.
- Effective risk management: Ensure compensation plan design does not incent excessive risk-taking and review plans regularly to ensure they are operating as intended.
- Pay competitively: Reward employees in a manner consistent with competitive market practice to ensure the organization's ability to attract, engage and retain high-performing talent. For total compensation, target-level performance is benchmarked to the 50th percentile, and superior level performance is benchmarked to the 75th percentile in the marketplace.
- Good corporate governance: Strive to be a leader in governance, continually reviewing and incorporating industry-leading compensation practices that align with our governance model.

Elements of Executive Compensation

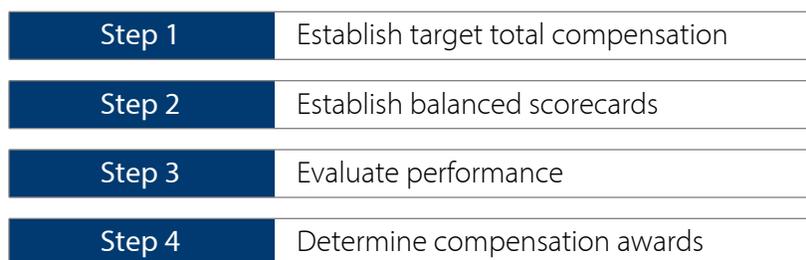
Executive compensation for 2018 consists of the following elements:

- base salary;
- variable compensation - comprising short-term incentives (STIP) and long-term incentives (LTIP); and
- benefit and retirement programs.

Compensation Element	Description	Compensation Type
Base Salary	Based on market benchmarking and reviewed annually.	Fixed
Short-Term Incentives (STIP)	Based on business and individual performance against pre-established objectives.	Variable (At-Risk)
Long-Term Incentives (LTIP)	Based on business and individual performance against pre-established objectives. LTIP awards are deferred and paid at the end of the three-year performance period.	Variable (At-Risk)
Benefits and Retirement Programs	Includes vacation, life and disability insurance, health and dental benefits, and retirement programs.	Fixed

Design of the Executive Compensation Plan

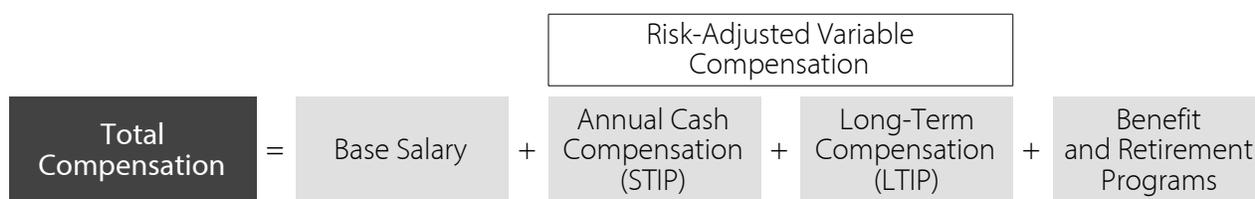
The CEO, CFO and other Named Executive Officers participate in the Executive Compensation Plan. There are four key steps in determining annual variable compensation awards under the Executive Compensation Plan:



The first two steps take place at the beginning of the plan year and establish the foundation through setting target compensation and performance objectives. Steps three and four occur at the end of the year when performance is measured against objectives, and final awards are determined.

Step 1 Establish target total compensation

Target total compensation is determined at the beginning of the year or upon hire, or with changes in roles or responsibilities.



For all executives, target total compensation is reviewed annually, as well as at the time of any material change in roles. Our philosophy is to set target total compensation to reflect the median of the competitive market, on average. Targets for an individual executive may be positioned above or below the median to reflect experience, potential, performance or other factors specific to the executive or role.

The HR Committee, with the advice from its independent adviser, reviews target total compensation for C-Suite executives, while the OAC Board of Directors approves the CEO's total compensation, based on the HR Committee's recommendation.

Step 2 Establish balanced scorecards

At the beginning of the year, a balanced scorecard is established for each participant, made up of their key objectives, and is used to assess performance at the end of the year. The balanced scorecard includes performance against net absolute returns and other key priorities.

The table below outlines the rationale for the inclusion of each performance measure.

Performance Measure	Rationale	2018 Weighting				
		CEO	Chief Investment Officer	Chief Risk Officer	Chief Financial Officer	Other Senior Executives
Investment Returns	Net absolute returns aligning executives with the interests of Plan members.	50%	60%	20%	40%	40%
Key Strategy Execution and Leadership Objectives	Strategic & leadership initiatives based on enterprise and business priorities.	50%	40%	80%	60%	60%

The CEO approves the objectives for each member of the C-Suite which are reviewed by the HR Committee. The HR Committee will recommend the annual balanced scorecard for the CEO to the OAC Board of Directors for approval.

Step 3 Evaluate performance

Following the end of the year, performance is assessed for each member of the C-Suite which determines each individual's balanced scorecard factor within a range of 0% to 200%. The OAC Board of Directors evaluates the performance of the CEO. Commentary on 2018 performance for the CEO is discussed in the section **Compensation of the CEO**.

Step 4 Determine compensation awards

At the end of the year, individual risk-adjusted variable compensation awards are determined as outlined below:

$$\begin{array}{|c|} \hline \text{Risk-Adjusted} \\ \text{Variable} \\ \text{Compensation} \\ \text{Award} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Variable} \\ \text{Compensation} \\ \text{Target} \\ \hline \text{STIP + LTIP} \\ \hline \end{array} \times \left[\begin{array}{|c|} \hline \text{Balanced Scorecard} \\ \text{Factor} \\ \hline \text{0\% - 200\%} \\ \hline \end{array} \pm \begin{array}{|c|} \hline \text{Risk Adjustment} \\ \hline \text{+/- 15\%} \\ \hline \end{array} \right]$$

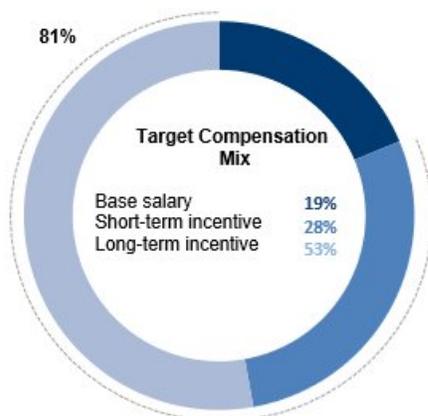
Final awards may range between 0% and 200% of target, based on performance achieved. The HR Committee, with advice from its independent adviser, reviews all variable compensation awards for the C-Suite executives, while the OAC Board of Directors approves the CEO's annual awards based on the HR Committee's recommendation. Once a participant's variable compensation awards are determined, 35% is paid in cash (STIP), and 65% is deferred (LTIP).

Target Compensation Mix

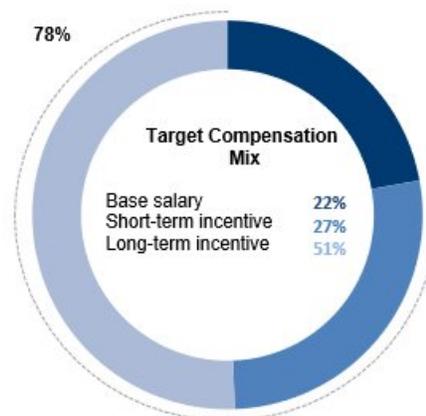
Aligned with OMERS pay-for-performance approach, total compensation for C-Suite executives is comprised primarily of variable compensation tied to investment and individual performance.

The majority of compensation for the CEO and the Named Executive Officer positions is variable and at risk as outlined in the following charts.

CEO



Other Named Executive Officers (Average)



Comparator Groups Used to Set Competitive Pay

OMERS has identified comparator groups for its various businesses in setting competitive compensation to closely reflect the marketplace. The comparator groups are reviewed on a regular basis by the HR Committee.

Typical considerations include other organizations that compete for similar talent, industry-specific organizations, or organizations with similar objectives. OMERS reviews compensation levels of comparable positions, and assesses relative performance, size, geographical scope and complexity.

Compensation Governance

This section outlines key governance-related features to help ensure that compensation aligns with the short- and long-term interests of our Plan members.

OMERS Features	Description
Risk Adjustment	The HR Committee has the ability to modify awards based on how well risk was managed during the year. The adjustment is determined annually and approved by the HR Committee.
Board Discretion	The OAC Board may make the decision to withhold awards of any variable compensation, including the short-term and long-term incentive payments to reflect significant unexpected or unusual events as defined by OMERS at its sole discretion.
Clawback	All variable compensation awards, whether paid or unpaid, are subject to a clawback in the event of a material misrepresentation or financial restatement of results, within a 36-month look-back period. In the event of a material misrepresentation or financial restatement, the HR Committee will determine the extent of the clawback (i.e., who, on an individual or plan basis, will be impacted and to what extent) based on the specific circumstances.

Alignment to Financial Stability Board Principles for Effective Governance of Compensation

The HR Committee has taken steps to further strengthen our approach to compensation, including incorporating the Financial Stability Board Principles (FSB) for Sound Compensation Practices and the associated Implementation Standards. These principles and standards, established in 2009, are intended to ensure effective governance of compensation, alignment of compensation with prudent risk-taking, effective supervisory oversight, and stakeholder engagement in compensation. OMERS continues to adhere to these FSB principles and will continue to review our adherence on an annual basis.

Compensation of the CEO

This section examines the 2018 performance and resulting compensation for the CEO.



Michael Latimer
Chief Executive Officer
OMERS Administration Corporation

2018 Performance

A balanced scorecard was established for Mr. Latimer based on performance achieved against the Total Fund net absolute return (50%) and key strategy execution, and leadership objectives (50%). The OAC Board assessed Mr. Latimer's 2018 performance against the following key individual objectives:

- 2020 Strategy and Implementation;
- 2030 Strategy planning;
- Technology and cyber security;
- Talent management, leadership development, succession and performance management; and
- Effectively managing overall cost effectiveness of OMERS.

Total Compensation Awards

When determining compensation awards, the HR Committee aims to ensure there is a strong link between compensation and performance achieved. In determining Mr. Latimer's annual variable compensation awards for 2018, the OAC Board assessed his performance against specific objectives that were agreed upon by the OAC Board at the beginning of the year. Given the three-year (2016-2018) Total Fund results and his individual performance, the OAC Board approved the variable compensation performance factor of 141% which resulted in the actual awards shown below.

Compensation Element	Target	Award
2018 Salary	\$565,000	\$565,000
2018 Short-Term Incentive	\$856,187	\$1,206,887
2018 Long-Term Incentive	\$1,590,063	\$2,242,113
Total	\$3,011,250	\$4,014,000

Summary Compensation Table

The table below represents disclosure of the compensation paid to or earned by each Named Executive Officer during the three most recently completed financial years.

Name and Principal Position	Year	Salary	Non-Equity Incentive Compensation		Pension Value ⁽ⁱⁱ⁾	All Other Compensation	Total
			Short-Term Incentive Plan (STIP)	Long-Term Incentive Plan (LTIP) ⁽ⁱ⁾			
Michael Latimer CEO	2018	565,000	1,206,887	2,242,113	53,999	58,632	4,126,632
	2017	565,000	1,626,755	3,021,120	53,420	58,518	5,324,813
	2016	565,000	1,583,947	2,941,616	53,033	58,681	5,202,277
Jonathan Simmons Chief Financial Officer	2018	450,000	479,400	895,600	53,999	1,129	1,880,128
	2017	450,000	565,250	1,049,750	53,420	1,026	2,119,446
	2016	450,000	605,000	1,010,000	53,033	2,605	2,120,638
Blake Hutcheson President and Chief Pension Officer	2018	500,000	1,133,038	2,106,962	53,999	53,706	3,847,706
	2017	500,000	1,197,677	2,079,823	53,420	53,592	3,884,512
	2016	500,000	1,197,677	2,077,323	53,033	53,755	3,881,788
Michael Rolland President and Chief Operating Officer, Asia-Pacific Region	2018	500,000	1,201,316	2,038,684	53,999	19,509	3,813,508
	2017	500,000	1,147,125	2,130,375	53,420	19,395	3,850,315
	2016	500,000	1,099,449	1,885,551	53,033	19,218	3,557,251
Satish Rai Chief Investment Officer	2018	500,000	1,039,000	1,931,000	53,999	1,254	3,525,253
	2017	500,000	1,147,125	2,130,375	53,420	1,140	3,832,060
	2016	500,000	1,000,000	1,850,000	53,033	1,302	3,404,335

Notes:

(i) 2016, 2017 and 2018 amounts shown represent the LTIP awards reflecting business and individual performance for the calendar year.

(ii) Reflects matching pension contributions that OMERS makes on behalf of employees. Pension contributions are based on capped pensionable earnings, as described in the Pension Plan Benefits table later in this report.

Incentive Plan Awards Table

The following table presents the target value, award value and forecasted payments for outstanding long-term incentives for each Named Executive Officer. LTIP is granted at target value on January 1 of the year and is adjusted to an LTIP award based on the Balanced Scorecard at the end of the year. The LTIP award vests on December 31 of the third year (three-year vesting period). The actual payments depend on the OMERS Total Fund performance over the three-year performance period relative to a performance hurdle. The performance hurdle is the cumulative three-year Total Fund threshold return, which aligns to our funding discount rate.

Forecasted payments were determined using a Total Fund performance factor over the three-year performance period of 98% and 103% for 2018 and 2017 respectively. The payment amount for 2016 is based on the actual three-year performance period factor of 106%.

The 2016 long-term incentive awards matured at the end of 2018 and were paid out, leaving the 2017 and 2018 long-term incentive awards outstanding. All LTIP awards vest and mature on December 31 of the third year of the plan.

Name	Year	Target Value	Award Value	Vesting Date	Forecasted Payment
Michael Latimer CEO	2018	\$1,590,063	\$2,242,113	December 31, 2020	\$2,197,271
	2017	\$1,590,063	\$3,021,120	December 31, 2019	\$3,111,754
	2016	\$1,590,063	\$2,941,616	December 31, 2018	\$3,118,113
Jonathan Simmons Chief Financial Officer	2018	\$552,500	\$895,600	December 31, 2020	\$877,688
	2017	\$552,500	\$1,049,750	December 31, 2019	\$1,081,243
	2016	\$552,500	\$1,010,000	December 31, 2018	\$1,070,600
Blake Hutcheson President and Chief Pension Officer	2018	\$1,300,000	\$2,106,962	December 31, 2020	\$2,064,823
	2017	\$1,121,250	\$2,079,823	December 31, 2019	\$2,142,218
	2016	\$1,121,250	\$2,077,323	December 31, 2018	\$2,201,962
Michael Rolland President and Chief Operating Officer, Asia-Pacific Region	2018	\$1,300,000	\$2,038,684	December 31, 2020	\$1,997,910
	2017	\$1,121,250	\$2,130,375	December 31, 2019	\$2,194,286
	2016	\$1,121,250	\$1,885,551	December 31, 2018	\$1,998,684
Satish Rai Chief Investment Officer	2018	\$1,300,000	\$1,931,000	December 31, 2020	\$1,892,380
	2017	\$1,121,250	\$2,130,375	December 31, 2019	\$2,194,286
	2016	\$975,000	\$1,850,000	December 31, 2018	\$1,961,000

Pension Plan Benefits

The following section describes the OMERS Plan in which the Named Executive Officers participate:

Pension Formula	2% of "best five" earnings multiplied by years of credited service (maximum of 35 years) less 0.675% of "best five" earnings capped at the five-year average YMPE (Year's Maximum Pensionable Earnings, as set by the Canada Pension Plan).
"Best five" Earnings	The highest average of five consecutive years of pensionable earnings. Pensionable earnings are capped, as follows: <ul style="list-style-type: none"> • Cap on incentive pay: Post-2010 earnings are capped at 150% of contributory earnings calculated before incentive pay. • 7X YMPE Cap: Total contributory earnings are limited to seven times the YMPE (applies to all earnings if the member enrolled on/after January 1, 2014, and to post-2015 earnings if the member enrolled before January 1, 2014).
Normal Retirement Age	65
Early Retirement	Plan members are eligible to retire early when they reach age 55. Each member's unreduced date is the earliest of the date the member attains their 90 Factor (age and qualifying service), attains 30 years of qualifying service, or turns age 65. If a member retires before their unreduced date, there is a 5% reduction factor per year short of their unreduced date.
Form of Pension	The pension is paid monthly for the life of the member, with 66 ² / ₃ % of the member's pension amount continuing to a surviving spouse after the member's death.

Termination Benefits

The treatment under each of the termination scenarios is governed by the terms of the 2018 Executive Compensation Plan, which are summarized in the following table:

	Short-Term Incentive Plan	Long-Term Incentive Plan
Resignation	Forfeited	Forfeited
Retirement (as defined by the compensation plan)	Entitled to a partial award, pro-rated to reflect the period of active employment	Outstanding awards will continue to mature in normal course
Termination without Cause	Entitled to a partial award, pro-rated to reflect the period of active employment	Entitled to a partial award, pro-rated to reflect the period of active employment
Termination with Cause	Forfeited	Forfeited