

# Report of the OMERS Administration Corporation Board Human Resources Committee

## Members in 2016

Monty Baker (Chair)	Sheila Vandenberg
Bill Aziz	John Weatherup
David Beatty	George Cooke (ex officio)
David Tsubouchi	

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 programs.

In the 2016 fiscal year, 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 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 annual reviews of HR governance and risk reports, as well as additional compensation reporting.

## Independent Compensation Advisor

The HR Committee engages an independent compensation advisor, to provide advice and assistance in executing its responsibilities. As part of good governance practice, the HR Committee reviews its relationship with its independent advisor from time to time. Such a review took place in 2016 and the HR Committee invited proposals from several firms to act as advisor. The HR Committee compared the proposals against a set of criteria, and Hugessen Consulting (Hugessen) was chosen as the new independent advisor. Global Governance Advisors (GGA) and Hugessen acted as the HR Committee's advisor from January 1, 2016 to May 31, 2016 and June 1, 2016 to December 31, 2016, respectively.

The advisor is directly retained and instructed by, and reports directly to, the HR Committee. All work is pre-approved by the HR Committee, and neither GGA nor Hugessen provided any non-Board-approved services to the organization during 2016.

During 2016, the independent advisor's scope of services included the following:

- (i) 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);
- (ii) ensuring the HR Committee understood and was comfortable with the current compensation program for the CEO and C-Suite executives;
- (iii) providing counsel to the HR Committee on any recommendations made by Management;
- (iv) reviewing proposals for new compensation designs; and

(v) assisting with any other items that the HR Committee requested.

The HR Committee has sole authority to approve the amount of the independent compensation advisor's fees. Executive compensation-related fees paid to our advisor in 2016 reflect the services as described above. The following table outlines the fees paid for services provided in 2016 and 2015:

Advisor	Executive Compensation - Related Fees		All Other Fees	
	2016	2015 <sup>(1)</sup>	2016	2015
Hugessen Consulting	\$146,940	N/A	Nil	N/A
Global Governance Advisors	\$137,860	\$279,972	Nil	Nil

**Note:**

(1) 2015 Related Fees have been restated to reflect amounts paid in 2016 for items contained in the 2015 workplan.

## 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, they 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 2016 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 President and CEO and the HR Committee's independent advisor attended the meetings. At the end of each meeting there was an *in camera* session without Management present.

## 2016 Year in Review

Our 2020 Strategy sets out our five-year roadmap and reflects our vision to be a leading model for defined benefit pension plan sustainability. It positions us to protect our funded status by using a robust approach to funding management, deliver 7-11% net average investment returns, build quality relationships with all stakeholders and develop our business model and capabilities in order to deliver value for pension dollars. This is evident through the investment we make in our people through such programs as leadership development and total rewards.

In 2016, we continued to invest in our people through:

- Continued focus on succession management processes, identifying and developing leaders for key positions. This ensures that we have the right talent in place to deliver on our strategic priorities and lead OMERS into the future.
- Continued development of a senior leadership pipeline to ensure OMERS is well-positioned with the right leadership talent for the future. Developing this pipeline provides an excellent view of the talent at OMERS as well as highlights key strengths and development areas that are necessary for our future growth.
- Our leadership development programs that help leaders gain a greater understanding of OMERS business and growth strategy, as well as build and strengthen leadership capability and capacity, while demonstrating OMERS Leadership Principles.
- Our OMERS People Plan which articulates how we carry out our talent agenda by creating an organization that is diverse and inclusive, with leaders who recognize contributions, reward with market competitive compensation and benefits, and create development opportunities for our people.
- Ongoing evolution of our compensation philosophy and our pay-for-performance culture which supports our talent strategy to attract, engage and reward top talent.

## Compensation Governance and Risk

Our compensation plans are designed to align with business objectives, while ensuring we deliver market-competitive compensation that rewards for performance and differentiates across markets. We keep compensation plan design simple, while ensuring the plans also continue to reflect leading governance principles. We ensure that the consideration of risk is incorporated in our plans, allowing 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 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.

### **Business Performance Highlights**

In 2016, our performance results indicated that we are on course to reach fully funded status by 2025. Here are some of our performance highlights:

- OMERS 2016 net investment return was 10.3%, compared to a net return of 6.7% in 2015, and our 2016 benchmark of 7.9%;
- Net assets grew \$8.1 billion in 2016 to \$85.2 billion;
- In 2016, the Plan's funded ratio improved to 93.4%;
- OMERS Member Satisfaction score improved to 92% in the face of increased correspondence, phone calls and pension transactions related to a significant increase in member retirements; and
- Members of OMERS Senior Executive Team met directly with employers, as well as sponsors and other stakeholders throughout the year. These meetings provided an opportunity to achieve a deeper understanding of issues of importance, to build stronger relationships, and to further partner in connecting with members and our community.

### **Compensation Highlights**

After assessing our 2016 performance, the following factors influenced year-end compensation awards:

- An average salary increase of 2% was approved for employees below the executive level;
- Salary increases were not provided to employees in executive positions, other than for promotion or changes in scope or responsibility as we believe that our market benchmarking for executives continues to position them appropriately;
- 2016 business performance factors in our compensation plans were above target, reflecting above-target performance in both public and private asset classes leading to a Total Fund net absolute return of 10.3%; and
- Risk assessments concluded that our business units are managing risks consistent with our desired risk culture resulting in compensation plan risk adjustments of 0% across all plans.

### **Looking Ahead to 2017 and Beyond**

OMERS 2020 Strategy remains our playbook for the next few years. We have made progress and continue to keep focused on it and execute against it. We work to ensure our approach to compensation:

- Remains aligned with the 2020 Strategy;
- Remains aligned with the interests of our Plan members;
- Continues to be market competitive; and
- Remains anchored in a strong governance framework.

We review our Total Rewards programs regularly to ensure they remain relevant to our compensation approach. As a result of such a review, in 2017, we will continue to transition our plans to a multiple-year return for calculating variable compensation awards. Shifting to a multiple-year return measure aligns the interest of our executives to our Plan members by focusing them on long-term sustainable growth while still maintaining a focus on annual returns.

## Conclusion

We continue to dedicate a significant amount of time to talent management, ensuring that OMERS has the right leaders and people to produce results that deliver long-term value to 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 being a leader in compensation governance within the pension industry, and will continue to provide clear and transparent disclosure to Plan members and stakeholders.



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**Monty Baker**  
2016 Chair of the Human Resources Committee

# Compensation Discussion and Analysis

OMERS Administration Corporation is committed to maintaining transparency with our stakeholders on all facets of our executive compensation program. As part of this commitment, our goal is to provide information that is clear, relevant and appropriate. This Compensation Discussion and Analysis section highlights OMERS 2016 performance, reviews our executive compensation program in detail, and describes the compensation awards for the Named Executive Officers. The Named Executive Officers include the President and CEO, Chief Financial Officer (CFO) and the three highest-paid members of the C-Suite Executives.

## Approach to Compensation

OMERS is committed to a pay-for-performance approach for all employees, including the senior leaders. This philosophy supports the execution of the OMERS 2020 Strategy and the commitment to help ensure the sustainability of the Plan's funding by delivering realistic risk-adjusted returns over the long-term.

As a result, the compensation programs are designed to attract, engage and retain high-performing people and help ensure they are motivated to pursue OMERS investment goal of earning returns that meet or exceed the Plan's long-term requirements. OMERS recognizes that this must be done with an acceptable level of risk, and the HR Committee is responsible for helping ensure that our compensation programs and practices do not encourage undue risk taking. As a result, OMERS compensation programs align with the long-term investment strategy and investment risk limits, measured against pre-established Board-approved benchmarks, and are communicated to and understood by Management and employees.

## 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 the interests of the Plan members through effective compensation plan design;
- **Align with OMERS strategy.** Focus employee efforts on critical performance targets and reward for superior performance in achieving results in order to deliver on our commitment to meet the pension promise;
- **Pay for performance.** Promote a pay-for-performance culture where there are clear relationships between pay and performance, ensuring differentiated pay to reward and retain top talent;
- **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 improve the organization's ability to attract, engage and retain high-performing talent. For total compensation, target-level performance is benchmarked to the median and superior level performance is benchmarked to the 75<sup>th</sup> percentile in the marketplace; and
- **Good corporate governance.** Strive to be a leader on governance and continually review and incorporate industry-leading compensation practices that align with our governance model.

## Elements of Executive Compensation

Executive compensation for 2016 consists of the following elements:

- Base salary;
- Variable compensation - comprising annual cash compensation in the form of short-term incentives (STIP) and long-term incentives (LTIP); and
- Benefits and retirement programs.

These elements provide a total compensation package designed to attract highly qualified individuals, provide strong incentive to align efforts with OMERS objectives and motivate to deliver performance that creates sustainable outcomes for our Plan members.

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 President and CEO, CFO and other Named Executive Officers, participate in the Executive Compensation Plan. The plan has been designed to support the OMERS 2020 Strategy, compensation principles and continued alignment with the interests of Plan members. There are four key steps in determining annual variable compensation awards under the Executive Compensation Plan:

<b>Step 1</b>	Establish target total compensation
<b>Step 2</b>	Establish balanced scorecards
<b>Step 3</b>	Evaluate performance
<b>Step 4</b>	Determine compensation awards

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.

<b>Step 1</b>	Establish target total compensation
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Target total compensation is determined at the beginning of the year or upon hire, or with changes in roles or responsibilities. An individual's target total compensation consists of base salary plus risk-adjusted variable compensation, which includes annual cash compensation (STIP) and long-term compensation (LTIP), and benefit and retirement programs.



**Risk-adjusted variable compensation** refers to the elements of total compensation that can change from year to year based on business and individual performance. A significant portion of each executive's total compensation is performance based and a substantial percentage is deferred in the form of long-term incentive awards to align compensation with the interests of our Plan members.

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 advisor, reviews target total compensation for C-Suite executives, while the OAC Board of Directors approves the President and 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 his or her 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	2016 Weighting			
		President and CEO	Chief Investment Officer	Chief Financial Officer / Chief Operating Officer	Chief Risk Officer
Investment Returns	The combination of Total Fund and/or Business Unit net absolute returns measures the actual value added to the OMERS Plan and aligns executives with the interests of Plan members.	50%	60%	40%	20%
Key Strategy Execution and Leadership Objectives	This component of the scorecard includes the following measures:  1. Strategic initiatives based on enterprise and business priorities that drive sustainable growth of the OMERS Plan so we can achieve ongoing investment performance.  2. Leadership objectives critical to our success; they focus on initiatives that will drive continued successful performance of the business and our people.	50%	40%	60%	80%

The President and 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 President and CEO to the OAC Board of Directors for approval.

To ensure appropriate alignment with results, the net absolute return measure for the President and CEO and Corporate executives is based on enterprise-wide performance (Total Fund). C-Suite members who lead an asset class (Chief Investment Officers) are assessed against both Total Fund performance and the specific returns for their business unit. In 2016, Total Fund performance was added to the Chief Investment Officers' scorecards to further enhance the alignment across OMERS in the interests of our Plan members.

**Step 3**

Evaluate performance

Following the end of the year, financial performance is determined and performance against other key objectives is assessed for the President and CEO and each member of the C-Suite. This combined performance will determine each individual's balanced scorecard factor within a range of 0% to 200%. The OAC Board of Directors evaluates the performance of the President and CEO relative to his objectives, and the President and CEO evaluates performance for members of the C-Suite. Commentary on 2016 performance for the President and CEO is discussed in the section Compensation of the President and CEO.

**Step 4**

Determine compensation awards

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

$$\text{Risk-Adjusted Variable Compensation Award} = \frac{\text{Variable Compensation Target}}{\text{STIP + LTIP}} \times \left[ \frac{\text{Balanced Scorecard Factor}}{0\% - 200\%} +/\text{-} \frac{\text{Risk Adjustment}}{+/- 15\%} \right]$$

The **risk adjustment** is determined annually by the HR Committee and applied to each executive's balanced scorecard factor. The outcome is based on an assessment of how well risk was managed over the performance period and its impact on incenting risk-taking behaviour.

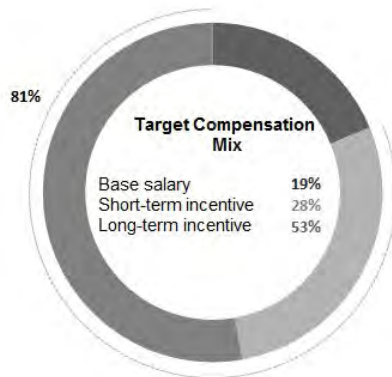
Final awards may range between 0% and 200% of target, based on performance achieved. The HR Committee, with advice from its independent advisor, reviews all variable compensation awards for the C-Suite executives, while the OAC Board of Directors approves the President and CEO's annual awards based on 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

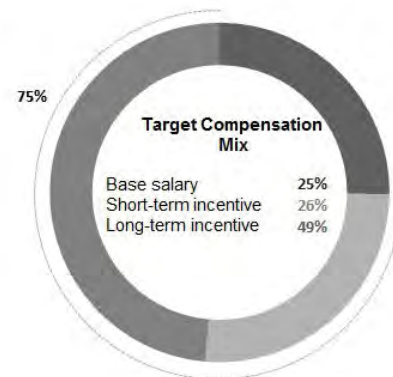
Aligned with OMERS pay-for-performance approach, total compensation for all members of the C-Suite is composed primarily of variable compensation tied to investment and individual performance.

The following charts present the target compensation mix for the President and CEO and Named Executive Officer positions (CFO and three highest-paid executives).

**President and 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. Within these comparator groups, OMERS reviews compensation levels of comparable positions and assesses relative performance and size of the comparator groups. Annually, the compensation comparator groups are used to benchmark compensation for positions across the enterprise. The following chart captures the general parameters used to develop the annual comparator groups:

	<b>Sample Organizations</b>
<b>Corporate Functions</b>	General industry organizations with revenues greater than \$1 billion.
<b>Pensions Services</b>	Pension funds, consulting firms, general industry organizations with revenues greater than \$1 billion.
<b>Investment Teams</b>	Investment management organizations, including pension funds, asset management firms, banking and insurance. Local organizations for locations outside of Canada.
<b>Oxford Properties</b>	Real Estate organizations and investment management organizations, including pension funds, asset management firms and banking. Local organizations for locations outside of Canada.

## Compensation Governance

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

<b>OMERS Program</b>	<b>Description</b>
<b>Risk Adjustment</b>	The Executive Compensation Plan incorporates a risk adjustment that gives the HR Committee the ability to modify awards to reflect risk. The risk adjustment reflects how well risk was managed over the performance period and can impact all variable compensation awards within $\pm 15\%$ range. The adjustment is determined annually and approved by the HR Committee.
<b>Board Discretion</b>	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.
<b>Clawback</b>	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 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. The following table highlights how OMERS approach to compensation is aligned with these principles and standards.

<b>Financial Stability Board Principles</b>	<b>Compensation Practices at OMERS</b>
1. Active oversight of the compensation design and operation	<b>ALIGNED</b> The HR Committee of the OAC Board has oversight over the Executive Compensation Plan including the review and approval of material changes to the plan design, as well as an annual review of the total compensation to be awarded each year under the plan.
2. Board of Directors monitors and reviews the compensation plan to ensure it operates as intended	<b>ALIGNED</b> The HR Committee has a formal and comprehensive process for approving the design of compensation plans across the organization. On an annual basis, the HR Committee approves the performance measures, weightings and targets at the beginning of the year. The HR Committee receives forecasted performance and payments under the plans throughout the year, and a final review of payments at the end of the year.
3. Finance, risk and other control function employees are compensated independent of the business	<b>PARTIALLY ALIGNED</b> The compensation for executives in corporate control functions (risk, audit and compliance) is based exclusively on enterprise performance, and excludes specific business segment level metrics. Compensation for control functions in the business units will be reviewed in future.
4. Compensation is adjusted for all types of risk	<b>ALIGNED</b> The majority of compensation plans reviewed or designed after 2011 include a comprehensive review of risk measures. All new compensation plans have a discretionary element (risk adjustment) that allows the HR Committee to appropriately consider risk when determining final awards, based on an annual risk assessment. The assessment evaluates risks taken during the year against OMERS risk framework, as well as the prospective direction of risk in future years.
5. Compensation and risk outcomes are symmetrical	<b>ALIGNED</b> A significant portion of our executive compensation is variable and at risk. All variable compensation awards are dependent on the performance results based on pre-determined Board-approved measures and the level of risk taken in achieving results. In addition, the following mechanisms have been put in place to help ensure that compensation awarded under the plan is symmetric with risk outcomes: <ul style="list-style-type: none"> <li>• The Board, at its discretion, has the ability to withhold variable compensation awards to reflect significant unexpected or unusual events as defined by OMERS.</li> <li>• In the event of a material misrepresentation of results in the prior 36 months (three years), the Board may require plan participants to return any variable compensation awarded.</li> </ul>
6. Compensation payouts are sensitive to time horizon of risks	<b>ALIGNED</b> To align compensation with the risk-time horizon and motivate plan participants to create longer-term value, a significant portion of total compensation is deferred and aligned with OMERS Total Fund return over the deferral period.  Deferred awards cliff vest at the end of three years, helping ensure sufficient time for the payment to incorporate the impact of risks taken.
7. The mix of cash and deferred compensation is consistent with risk alignment	<b>ALIGNED</b> A significant portion of pay at risk is deferred to align compensation with the risk-time horizon and to motivate plan participants to create longer-term value.

## 2016 Performance and Compensation

Under Michael Latimer's leadership, OMERS continues to be a dynamic organization that thinks strategically and embraces innovation.

Our Strategy sets out how we protect our funded status by using a robust approach to funding management, deliver 7-11% average net investment returns, build quality relationships with all stakeholders and evolve our business model and capabilities in order to deliver value for pension dollars.

In 2016, Pension Services continued to achieve strong client services results by providing good value to members through the continued expansion of online services such as myOMERS, frequent webcasts, and face-to-face meetings to ensure that members have high-quality service that is accessible, flexible, and tailored to their needs. We also continue to make progress on the redevelopment of our pension services systems which will simplify processes and enhance reporting capabilities.

Long-term sustainable growth is critical to meeting the pension promise as OMERS must produce investment returns that exceed the actuarially assumed rate of return within an acceptable risk tolerance. For compensation purposes, our asset classes are measured against net absolute returns. At the beginning of the year, the OAC Board approved target returns for the asset classes in which OMERS invests. This year, OMERS had a return, net of expenses, of 10.3%, compared to our funding discount rate of 6.25% and 2016 benchmark of 7.9%. The benefits of our diversified asset classes were evident.

Ultimately, we have a responsibility to members to make the best possible use of every pension dollar they contribute. Creating value for pension dollars is about sustaining a culture of managing costs and making wise choices, so that we can focus on our main goal of providing secure and sustainable defined benefit pensions over the long term.

The strategic initiatives and results for each investment platform are further discussed in the Management Discussion and Analysis section of this Annual Report.

Based on 2016 results, the HR Committee believes that the compensation awarded to the Named Executive Officers appropriately reflects overall performance during the year.

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### Compensation of the President and CEO

This section examines the compensation provided in 2016 to the President and CEO.



**MICHAEL LATIMER**

**President and CEO**

Reporting to the Board of Directors of OMERS, the President and CEO is responsible for the overall strategic and operational leadership of the enterprise which includes responsibility for overall organizational effectiveness, developing and effectively implementing the 2020 Strategy, overseeing interactions with external stakeholders and providing leadership to, and management of, employees ensuring the enterprise's ability to compete in a global economy to meet the pension promise.

#### Performance in 2016

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 2016 performance against the following key individual objectives:

- Effectively engage and lead the Senior Executive Team in the achievement of 2016 Strategy milestones while actively evolving OMERS culture towards the desired state;
- Complete the asset-liability study and employ strategic discount rate margins as approved by the Administration Corporation and Sponsors Corporation Boards;
- Prepare Senior Executive Team to engage with employers and stakeholders more actively;
- Actively oversees the implementation of the new OMERS pension administration system;
- Evolve leadership development programs to support OMERS strategy and target culture; continue to deepen leadership capability creating future succession potential across all levels of leadership including the CEO; and

- Effectively manage OMERS Cost Per Member, and OMERS Management Expense Ratio as approved by the Administration Corporation Board; evolve the OMERS business model by focusing on key processes to improve efficiency and effectiveness of operations, consolidating duplicate functions across the enterprise where possible.

#### 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 2016, 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 2016 Total Fund results and his individual performance, the OAC Board approved the variable compensation performance factor of 185% which resulted in actual awards shown below.

Compensation Element	Target	Award
2016 Salary	\$565,000	\$565,000
2016 Short-Term Incentive	\$856,187	\$1,583,947
2016 Long-Term Incentive	\$1,590,063	\$2,941,616
<b>Total</b>	<b>\$3,011,250</b>	<b>\$5,090,563</b>

## 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.

We continue to review our compensation disclosure on an annual basis to ensure greater clarity and transparency. To that end, we have elected to enhance our disclosure around LTIP. For 2016 and going forward, amounts in this column represent LTIP awards, incorporating individual and business performance for the 2016 year. The 2015 and 2014 LTIP represents the target values set at the beginning of the year without the annual performance adjustment.

Name and Principal Position	Year	Non-Equity Incentive Compensation (\$)				Pension Value (\$)	All Other Compensation (\$)	Total (\$)
		Salary (\$)	Short-Term Incentive Plan (STIP)	Long-Term Incentive Plan (LTIP) <sup>(1)(2)</sup>				
<b>Michael Latimer</b> President and CEO	<b>2016</b>	<b>\$ 565,000</b>	<b>\$ 1,583,947</b>	<b>\$ 2,941,616</b>	<b>\$ 53,033</b>	<b>\$ 58,681</b>	<b>\$ 5,202,277</b>	
	2015	\$ 565,000	\$ 1,044,750	\$ 1,590,063	\$ 134,848	\$ 58,863	\$ 3,393,524	
	2014	\$ 558,825	\$ 1,534,003	\$ 1,590,063	\$ 128,381	\$ 40,816	\$ 3,852,088	
<b>Jonathan Simmons</b> Chief Financial Officer	<b>2016</b>	<b>\$ 450,000</b>	<b>\$ 605,000</b>	<b>\$ 1,010,000</b>	<b>\$ 53,033</b>	<b>\$ 2,605</b>	<b>\$ 2,120,638</b>	
	2015	\$ 450,000	\$ 402,500	\$ 552,500	\$ 98,529	\$ 2,970	\$ 1,506,499	
	2014	\$ 450,000	\$ 750,000	\$ 300,000	\$ 96,096	\$ 2,217	\$ 1,598,313	
<b>Blake Hutcheson</b> Chief Investment Officer, Real Estate and Platform Investments	<b>2016</b>	<b>\$ 500,000</b>	<b>\$ 1,197,677</b>	<b>\$ 2,077,323</b>	<b>\$ 53,033</b>	<b>\$ 53,755</b>	<b>\$ 3,881,788</b>	
	2015	\$ 500,000	\$ 1,025,500	\$ 1,121,250	\$ 51,776	\$ 53,937	\$ 2,752,463	
	2014	\$ 515,000	\$ 939,750	\$ 1,021,313	\$ 45,750	\$ 54,575	\$ 2,576,388	
<b>Michael Rolland</b> Chief Investment Officer, Private Markets	<b>2016</b>	<b>\$ 500,000</b>	<b>\$ 1,099,449</b>	<b>\$ 1,885,551</b>	<b>\$ 53,033</b>	<b>\$ 19,218</b>	<b>\$ 3,557,251</b>	
	2015	\$ 500,000	\$ 1,001,000	\$ 1,121,250	\$ 51,776	\$ 19,194	\$ 2,693,220	
	2014	\$ 470,500	\$ 1,025,325	\$ 1,039,155	n/a	\$ 40,501	\$ 2,575,481	
<b>Satish Rai</b> Chief Investment Officer, Capital Markets	<b>2016</b>	<b>\$ 500,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,850,000</b>	<b>\$ 53,033</b>	<b>\$ 1,302</b>	<b>\$ 3,404,335</b>	
	2015	\$ 500,000	\$ 681,878	\$ 1,266,344	\$ 49,860	\$ 1,485	\$ 2,499,567	
	2014	-	-	-	-	-	-	

### Notes:

- (1) 2016 amounts shown represent the LTIP awards reflecting business and individual performance for the calendar year.
- (2) 2014 and 2015 amounts shown represent the LTIP targets as granted on January 1<sup>st</sup> of each year. 2014 and 2015 LTIP awards for Mr. Latimer were \$2,848,862 and \$1,940,250 respectively. For more details on LTIP targets and awards for the Named Executive Officers, refer to the Incentive Plan Awards Table.

## Incentive Plan Awards

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 1st 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 31st 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 107% and 106% for 2016 and 2015 respectively. The payment amount for 2014 is based on the actual three-year performance period factor of 109%.

Name	Year	Target Value (\$)	Award Value (\$)	Vesting Date	Forecasted Payment (\$)
<b>Michael Latimer</b> President and CEO	2016	\$ 1,590,063	\$ 2,941,616	December 31, 2018	\$ 3,147,529
	2015	\$ 1,590,063	\$ 1,940,250	December 31, 2017	\$ 2,056,665
	<b>2014</b>	<b>\$ 1,590,063</b>	<b>\$ 2,848,862</b>	<b>December 31, 2016</b>	<b>\$ 3,105,260</b>
<b>Jonathan Simmons</b> Chief Financial Officer	2016	\$ 552,500	\$ 1,010,000	December 31, 2018	\$ 1,080,700
	2015	\$ 552,500	\$ 747,500	December 31, 2017	\$ 792,350
	<b>2014</b>	<b>\$ 300,000</b>	<b>\$ 500,000</b>	<b>December 31, 2016</b>	<b>\$ 545,000</b>
<b>Blake Hutcheson</b> Chief Investment Officer, Real Estate and Platform Investments	2016	\$ 1,121,250	\$ 2,077,323	December 31, 2018	\$ 2,222,736
	2015	\$ 1,121,250	\$ 1,904,500	December 31, 2017	\$ 2,018,770
	<b>2014</b>	<b>\$ 1,021,313</b>	<b>\$ 1,745,250</b>	<b>December 31, 2016</b>	<b>\$ 1,902,323</b>
<b>Michael Rolland</b> Chief Investment Officer, Private Markets	2016	\$ 1,121,250	\$ 1,885,551	December 31, 2018	\$ 2,017,540
	2015	\$ 1,121,250	\$ 1,859,000	December 31, 2017	\$ 1,970,540
	<b>2014</b>	<b>\$ 1,039,155</b>	<b>\$ 1,904,175</b>	<b>December 31, 2016</b>	<b>\$ 2,075,551</b>
<b>Satish Rai</b> Chief Investment Officer, Capital Markets	2016	\$ 975,000	\$ 1,850,000	December 31, 2018	\$ 1,979,500
	2015	\$ 1,266,344	\$ 1,266,344	December 31, 2017	\$ 1,342,325
		-	-	-	-

The 2014 long-term incentive awards matured at the end of 2016 and were paid out, leaving the 2015 and 2016 long-term incentive awards outstanding. All long-term incentive (LTIP) awards vest and mature on December 31 of the third year of the plan.

## 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"> <li>• Cap on incentive pay: Post-2010 earnings are capped at 150% of contributory earnings calculated before incentive pay.</li> <li>• 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).</li> </ul>
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 his or her 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 <sup>2/3</sup> % of the member's pension amount continuing to a surviving spouse after the member's death.

## Defined Benefit Pension Plan

The table below represents disclosure of estimated pension information for the Named Executive Officers as at December 31, 2016.

Name	Number of Years of Credited Service (#)	Annual Benefits Payable (\$)		Opening Present Value of Defined Benefit Obligation (\$)	Compensatory Change (\$)	Non-Compensatory Change (\$)	Closing Present Value of Defined Benefit Obligation (\$)
		At Age 65, Assuming Years of Service up to December 31, 2016	At Age 65, Assuming Years of Service Projected up to Age 65				
<b>Michael Latimer</b> President and CEO	11.8	\$ 297,866	\$ 297,866	\$ 3,437,261	\$ 213,497	\$ 292,363	\$ 3,943,121
<b>Jonathan Simmons<sup>(1)</sup></b> Chief Financial Officer	5.5	\$ 41,490	\$ 239,614	\$ 182,898	\$ 5,097	\$ 68,228	\$ 256,223
<b>Blake Hutcheson</b> Chief Investment Officer, Real Estate and Platform Investments	2.0	\$ 14,482	\$ 81,657	\$ 69,669	\$ 18,328	\$ 59,121	\$ 147,118
<b>Michael Rolland</b> Chief Investment Officer, Private Markets	2.0	\$ 14,479	\$ 55,426	\$ 77,823	\$ 25,657	\$ 59,509	\$ 162,989
<b>Satish Rai</b> Chief Investment Officer, Capital Markets	2.0	\$ 14,396	\$ 96,089	\$ 65,004	\$ 13,842	\$ 58,986	\$ 137,832

**Note:**

(1) In 2014, Mr. Simmons purchased an additional 2.5 years of credited service.

## Termination Benefits

The treatment under each of the termination scenarios is governed by the terms of the 2016 Executive Compensation Plan, which are summarized in the following table.

	Short-Term Incentive Plan	Long-Term Incentive Plan
Resignation	Forfeited	Forfeited
Retirement <i>(as defined by the compensation plan)</i>	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

## Conclusion

All OMERS employees are committed to delivering appropriate risk-adjusted returns over the long-term to meet the pension promise to Plan members. The approach to executive compensation motivates executives to achieve OMERS strategic objectives prudently by encouraging an appropriate balance between risk and reward. OMERS remains committed to ensuring our compensation programs support our talent management strategy to continue to attract, engage and retain high-performing people who will produce the results that deliver value to our Plan members.