



July 16, 2021

OMERS Administration Corporation (AC) Board of Directors
900 -100 Adelaide Street West
Toronto, ON
M5H 0E2

Attention: Ms. Pat Nolan, Director, Board Secretariat

Dear AC Directors:

We are writing concerning recent media reports involving an OMERS carried-interest program for certain OMERS employees.

We are not interested in the specifics of this lawsuit or other litigation that may emerge. Instead, we request contextual information about the origins and scope of the foundering carried-interest compensation program and why it has remained obscured from OMERS beneficiaries by the OMERS Administration Corporation (AC) directors for so long.

From what we know, this was an eight-year-long administered program and payments with many revisions, presumably by OMERS senior corporate and investment employees with AC directors approving iterations.

However well-intended, the carried-interest program seems not to have worked out how the AC Board and management had planned it would. In 2013 through 2020 annual reports, we can't see whether OMERS referred to the program or payments in official reporting.

AC management and the AC directors are responsible for all investment and administrative operations, including compensation and performance reporting. Therefore, OMERS members should receive a clearly articulated explanation about OMERS investment compensation philosophy and how this led to the AC Board adopting its unique carried-interest program for certain OMERS employees.

We recognize that OMERS enjoys minimum disclosure requirements when reporting to FSRA. However, we feel that OMERS has a higher obligation to members to disclose the context in which this costly and underreported compensation program took place. We do not want personal factors or justification, merely explanations as to why-what-when and how the program evolved, its rationale, and its current status:

- What made OMERS long-time compensation program and incentives, based on portfolio and fund performance, as well as corporate objectives, so passé for already generously compensated OMERS employees?
- What internal and external planning and assessments were completed before the AC directors gave management the go-ahead to implement the carried-interest program?
- Are or were there any other carried-interest-type programs within OMERS investment portfolios?
- Was the carried-interest program intended to address OMERS Private Equity (OPE) retention problems or just driving value creation for OMERS? The answer is essential because OMERS members cannot easily find out how many full-time employees OMERS has at any given time. Further, given that these employees are tasked with

managing the members' pension money, we think OMERS must communicate this organizational information.

- Is the OPE carried-interest program terminated?
- If so, how many individual obligations remain to be paid out and what is the dollar value?
- What liabilities for the OPE carried-interest program remain on OMERS financial statements?
- Why were the carried-interest program and its annual beneficiaries not reported under Related Party Disclosures (NOTE 13) for transactions between OPE and other AC management beneficiaries and OMERS?
- When was the last time external auditors examined the carried-interest program, and what were the results?
- How were carried-interest compensation and liabilities reported in annual submissions to FSRA?
- How was the AC board assured that OMERS beneficiaries' interests were paramount in the timing and value of its private equity asset exits rather than its hyper-incentivized employees' interests?
- How were carried-interest payments administered? For example, were other countries involved and were amounts paid only to named employees?
- What did any AC internal audit conclude about the carried-interest program as initially implemented and afterwards?
- What did the AC's risk assessment of the carried-interest program conclude?
- Name one other jointly sponsored public pension plan, anywhere, with a similar employee carried-interest payment program.

The AC board presumably receives regular reports on the performance of investments both before and after expenses. Thus, we believe all OMERS members will benefit from seeing the criteria and other critical documentation underlying the AC board's decisions to introduce the carried-interest program for OMERS private equity and measure its progress.

Minimally, we want to know the total carried-interest program expenses for each year and the number of OMERS employee recipients. OMERS is responsible for ensuring expected returns on invested assets are monitored against budgeted expenditures, so these figures should not be difficult for the board to produce.

Sincerely,



Mike Major

COTAPSA

cc. OMERS Sponsors Corporation Board of Directors
OMERS Sponsors
FSRA