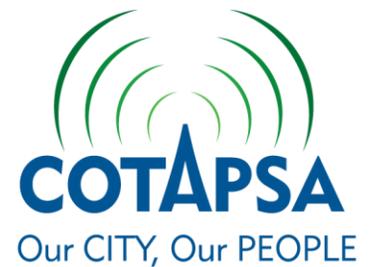


August 27, 2021



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 to express COTAPSA's general support for CUPE's call to review OMERS investment management governance structure and its efficiency and effectiveness in ensuring maximum investment performance while minimizing operating costs and reporting thereon.

COTAPSA believes OMERS is in a new era of scrutiny and disclosure demands by members and employers. CUPE Ontario is correct and well within its obligations to its members to call out OMERS investment performance. The degree of risk OMERS employers and members now bear for the plan's deficit grows each day. Any notion of surplus investment assets is, at best, a decade away. In our opinion, the union leadership has made the right judgement call, as our plan's largest employee sponsor, to break with board solidarity and draw attention to OMERS lagging investment performance.

However, we disagree with their proposed method of conducting a review. OMERS sponsors have no expertise or skills for organizing and conducting a review of this sort. Instead, OMERS professional management and the AC Board of Directors are needed to participate and provide access to materials and information as the basis of a credible assessment and continued accountability to contributors - they need only have the will to move past the current regrettable public impasse.

Despite its current governance, disclosure, and reputational challenges, OMERS is a globally recognized organization with a fund balance of approximately \$114 billion as of June 30, 2021, fulfilling its mandate under Ontario and federal laws. A poorly executed review would cause harm to OMERS' business reputation and member, employer, and employee morale without any improved understanding of its business, strategies, or priorities.

COTAPSA and CUPE are not alone with their concern about OMERS. In July, the City of Toronto Council passed a motion calling for improved reporting and added disclosure measures for OMERS governance and financial management. Toronto's motion requested OMERS to:

"a. implement improved disclosure of investment performance and management measures to ensure the sustainability of the OMERS pension plans and that these measures include specific information on how each OMERS division is effectively fulfilling core functions, achieving performance measures, and verifiable annual plans to improve continuously;"

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.GL24.5>

We request that the AC Board of Directors consider hiring a professional pension investment consulting firm, such as Mercer, to conduct a special examination of OMERS investment governance and decision making over the previous ten-year reporting period, on behalf of OMERS members and employers. The professional examiners will possess sufficient authority and access to conduct an extensive review and assessment of OMERS investment activities, governance, compensation, organizational practices, performance, expenses, and disclosures. The findings and recommendations, inclusive of the AC Board's responses, would be disclosed to all OMERS members, employers, and retirees at the same time as OMERS directors and sponsors to avoid interference or selective editing by OMERS management, its two boards or sponsors.

A well-structured investment governance review should determine whether OMERS' current structure enhances or inhibits investment performance. Publishing the study results, and identifying any enhancements to the governance framework, including an action plan for implementation, would help alleviate growing anxieties amongst members and employers related to OMERS investment management performance and governance.

OMERS members have few options for improving transparency.

The OMERS AC Board and management hold all the investment information, and the SC Board speaks for all members and employers. On the other hand, members and employers only know what they read in official OMERS correspondence. Moreover, OMERS is exempt from salary disclosure and FIPPA access, meaning it has the control and discretion to withhold information from OMERS employers and members. Meanwhile, members and employers have lost considerable access to important information about the governance of their pension plans. So, as news of poor investment performance and actuarial realities emerge from OMERS leading employee sponsor, it is understandable that members might generally support CUPE's blunt instrument because it offers hope that disclosure and communications will improve the efficiency and cost savings of our pension plan.

We are perplexed why OMERS two boards and sponsors would not welcome a verifiable review for member and employer contributors that demonstrates that OMERS is open about its investment management challenges but can effectively fulfill its mandates. Stop resisting talking with members and pretending that you have all the bases covered – it is a mistake.

Put the focus back on contributors' interests, not the Sponsors

The mandate of the AC Board explicitly requires it to establish annual Work Plans to "satisfy the responsibilities" of its accountability and oversight mandate. OMERS contributors would benefit from seeing the AC Board Work Plan for its investment, human resources, governance & risk, and audit & actuarial committees, as well as the internal audit plan regularly. But, instead of contributors' interests, OMERS two board's playbooks seem focused more on managing the inherent tensions and complexities of the 29 personalities selected by its sponsors. Given the immense funding risks and investment uncertainty that OMERS has repeatedly stated in recent annual reports, we think that a special, independent examination of our public pension plan is an excellent tool to ensure operations and expenses are as efficient and effective as possible. All large, jointly sponsored pension plans in Ontario would benefit from standardized examinations of critical operational functions every 48 to 60 months.

20 years of annual reports to match 20-year investment return history

We are not experts in investment management and offer no comment on investment tactics or activities that are the domain of OMERS professionals. However, COTAPSA members want transparency, sound governance, and solid investment performance to meet OMERS long-term expected rate of return. So instead of hearing OMERS board representatives' talking about its unique governance characteristics and complexities, let's see an approach to investment management governance and cost management supported by a well-documented, independently-reviewed process for reporting on general operations, asset management, transactions and pursuits. Provide members with the education and reporting on the decisions you make and what supports them. For instance, COTAPSA has been waiting almost four years for OMERS to disclose 20 years of annual reports to match 20-year investment return history reporting.

OMERS is carrying out its mandate, but investment performance is lagging peers, and governance, investment management and operational expenses continue to be unacceptably high. Thus, a review represents an opportunity for all OMERS members to see and understand that its two boards can maintain an effective investment governance structure and manage costs while fulfilling core functions as we navigate investment risks and uncertainties.

Sincerely,

A handwritten signature in black ink that reads "M. MAJOR". The letters are bold and slightly slanted, with a casual, personal feel.

Mike Major

On behalf of the COTAPSA Board of Directors