



Mr. Barry Brown
Chair – OMERS Sponsors Corporation (SC)
900 – 100 Adelaide Street West
Toronto, Ontario
M5H 0E2

Attention: Laurie Hutchinson

Re: COTAPSA comments on OMERS Sponsors Corporation (SC) "Plan Risk Assessment"

Dear SC Board Members:

As a fund with \$124.2 billion in assets and accrued pension obligations of \$128.8 billion, OMERS' ability to meet its obligations has been a source of significant concern for COTAPSA for many years now. OMERS inability to address its chronic funding deficit over the years has now resulted in the need for extraordinary measures on members and employers to address the problem through potential contribution rate increases and/or benefit reductions for future retirees. If OMERS had addressed these problems head-on when they first arose, like the Ontario Teachers' Pension Plan did in 2010 through direct consultation with members, we would not be in the difficult situation we are today.

OMERS investment returns consistently lag those of its Ontario peers, and the fund's annual Management Expense Ratio (MER) exceeds 60 basis points — a figure that is too high. The costs related to governance, investment management, pension administration, and compensation are exorbitant and unwarranted. The SC alone has been escalating its expenditures (reaching \$4.5 million in 2022), with little to show in terms of tangible action or benefits to members and employers. With OMERS facing a persistent funding deficit, it's critical that improving internal operations and controlling internal costs be part of any measures to reduce the funding deficit. A concerted effort is also necessary to discourage members from cashing out their pensions prematurely, and to encourage them to remain in the Plan, which could save billions of dollars that have been withdrawn by former members.

This financial imbalance has been particularly worrying for our younger pension members. They fear that their contributions are predominantly financing the retirees' pensions, with potential repercussions for their own financial future. There's a growing concern that this could lead to diminished retirement benefits for them and an increase in their own future costs, a situation that needs to be addressed directly with members.

The current plan risk assessment, which has been ongoing for over 18 months, aims to address the financial health and sustainability of the Plan, resilience as the Plan matures, and paths to improve resilience. While we appreciate the intent behind the assessment, there are concerns regarding its generality and vagueness. It is crucial to understand the extent of transparency and meaningful insights that will be shared during this process.

Why is the OMERS SC's plan risk assessment, at three years, taking so long? Public disclosures suggest that larger pension funds, with over 1 million members and double the assets under management, typically take 3 to 6 months to complete a plan risk assessment. Again, the inability of OMERS to address issues when they first arose, now places additional burden on members and employers to fix the problem through potential contribution rate increases and/or benefit reductions for future retirees.

To better understand the scope of your work, we have considered the elements of a typical plan risk assessment, including evaluations of governance, funding, investment strategy, liability profile, and the impacts of economic and demographic uncertainties. While we have received some generic information that has been provided in the past, we would appreciate more complete information about your assessment. Further, we need explicit projections and assumptions of the fund's revenues and expenditures over the next 5 and 10 years. This will provide members with a clearer understanding of the financial health and future prospects of their pension fund.

On behalf of COTAPSA and the thousands of non-union management employees of the City of Toronto, we thank you for considering our concerns and comments. Addressing the concerns raised by pension contributors is crucial for the long-term success of the OMERS pension plan.

Yours truly,

A handwritten signature in black ink that reads "M. MAJOR". The letters are bold and slightly slanted, with a casual, cursive-like style.

Mike Major
Executive Director, COTAPSA