GENERAL GOVERNMENT SERVICES COMMITTEE AGENDA

Thursday, November 25, 2021 at 11:00 a.m.

By video conference – The meeting will be live streamed on YouTube at the following link: https://www.youtube.com/channel/UCCx9vXkywflJr0LUVkKnYWQ

Land Acknowledgement Statement

We would like to begin by respectfully acknowledging that Dufferin County resides within the traditional territory and ancestral lands of the Tionontati (Petun), Attawandaron (Neutral), Haudenosaunee (Six Nations), and Anishinaabe peoples.

We also acknowledge that various municipalities within the County of Dufferin reside within the treaty lands named under the Haldimand Deed of 1784 and two of the Williams Treaties of 1818: Treaty 18: the Nottawasaga Purchase, and Treaty 19: The Ajetance Treaty.

These traditional territories upon which we live and learn, are steeped in rich Indigenous history and traditions. It is with this statement that we declare to honour and respect the past and present connection of Indigenous peoples with this land, its waterways and resources.

Roll Call

Declarations of Pecuniary Interest by Members

PUBLIC QUESTION PERIOD

Questions can be submitted to info@dufferincounty.ca or 519-941-2816 x2500 prior to 4:30 p.m. on November 24, 2021.

REPORTS

1. GENERAL GOVERNMENT SERVICES – November 25, 2021 – ITEM #1
   Municipal Emergency Readiness Fund Grant Request - Grand Valley

   A report from the Emergency Management Coordinator, dated November 25, 2021, to present a grant request to committee and council for funding to assist with acquisition and installation of a back-up generator and automatic transfer switch at the Grand Valley and District Community Centre.

Recommendations:

THAT the report of the Emergency Management Coordinator dated November 25, 2021, regarding a Municipal Emergency Readiness Fund Grant Request – Grand Valley be received;

AND THAT, a grant in the amount of $10,000 to purchase and install a back up generator and automatic transfer switch for the Town of Grand Valley, be approved.

2. GENERAL GOVERNMENT SERVICES – November 25, 2021 – ITEM #2
Streamline County IT/GIS Services with Local Municipalities

A report from the Manager of Information Technology & Geographic Information Systems, dated November 25, 2021, to provide Council with an update on Strategic Action Plan Item Service Efficiency and Value 2.2. Streamline County IT/GIS Services with local municipalities.

Recommendations:

THAT the Report from the Manager of Information Technology & Geographic Information Systems dated November 25, 2021 titled Streamline County IT/GIS services with local municipalities, be received;

AND THAT the an updated IT cost recovery model be adopted;

AND THAT a permanent IT/GIS partner working group be established and that the terms of reference includes an annual report to committee;

AND THAT new memoranda of understanding with municipal partners be created reflecting the new costing model;

AND THAT the Manager of Information Technology & Geographic Information Systems continue to work with the current partners to determine options to phase in the new agreements;

AND THAT staff report back to the committee with an update in January 2022.

3. GENERAL GOVERNMENT SERVICES – November 25, 2021 – ITEM #3
<u>2022 Development Charge Indexing</u>

A report from the Manager of Corporate Finance, Treasurer, dated November 25, 2021, to provide Council with information related to the 2022 Development Charge Index.

Recommendation:

THAT the report of the Manager of Corporate Finance, Treasurer, dated November 25, 2021, regarding 2022 Development Charge Indexing be received.

4. GENERAL GOVERNMENT SERVICES – November 25, 2021 – ITEM #4
<u>OMERS Performance 2020</u>

A report from the Chief Administrative Officer, dated November 25, 2021, to provide Committee and Council with information regarding concerns about OMERS investment performance in 2020.

Recommendations:

THAT the Report from the Chief Administrative Officer dated November 25, 2021 with respect to OMERS performance 2020 be received;

AND THAT Dufferin County Council support the call from the City of Toronto on July 14, 2021 for greater disclosure from OMERS with respect to investment performance and management;

AND THAT, staff be directed to notify OMERS and CUPE Ontario of Council's support for the City of Toronto resolution;

AND THAT, staff be directed to notify CUPE Ontario that Council does not also support the request for an independent third party review.

<u>Next Meeting</u>
To Be Determined
Video Conference

REPORT TO COMMITTEE

To: Chair Creelman and Members of the General Government Services Committee

From: Steve Murphy, Emergency Management Coordinator

Date: November 25, 2021

Subject: **Municipal Emergency Readiness Fund Grant Request - Grand Valley**

In Support of Strategic Priorities:

Good Governance (GG) - ensure transparency, clear communication, prudent financial management
Sustainable Environment and Infrastructure (SEI)- protect assets both in the natural and built environment

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PURPOSE:

The purpose of this report is to present a grant request to committee and council for funding to assist with acquisition and installation of a back-up generator and automatic transfer switch at the Grand Valley and District Community Centre.

BACKGROUND & DISCUSSION:

The installation of back-up generators at designated critical facilities is a significant step toward community resilience. In the case of the Grand Valley and District Community Centre such an upgrade will allow the building to serve as an emergency shelter, logistics hub, staging facility or other critical centre during any critical event.

Following the cancellation of the Joint Emergency Preparedness Program by the federal government in 2013 County Council began exploring ways to provide financial support to the member municipalities undertaking projects to better prepare for emergencies. In 2015 Council approved the Municipal Emergency Readiness Fund and criteria was established that permitted member municipalities to apply for funding for the following projects:

- Emergency Operations Centre - Includes construction/renovation, mapping, communications, furnishings, display screens, projectors, etc.

- Generators - A fixed or towable generator used to power a primary or alternate EOC, shelter or municipally owned critical infrastructure.
- Public Alerting System - Includes an automated system designed to alert members of a community to the presence of a hazard through telephone, email, SMS or other electronic means.
- Specialized Training - Includes training that is directly related to emergency preparedness but is not available locally.
- Telecommunications - Includes radios, repeaters, telephones, fax machine, television, video conferencing, EOC software and satellite communications equipment.

The fund provides funding for 50% of an approved project cost up to $10,000 and each application is brought to committee and council for approval before the project commences.

The Town of Grand Valley is requesting a MERF grant in the amount of $10,000 which is the maximum amount permitted.

Staff has reviewed the submission and this project meets the criteria established by Council for the Municipal Emergency Response Fund.

Financial Impact:
There is a sufficient balance in the fund to accommodate this request.

Recommendation:

THAT the report of the Emergency Management Coordinator dated November 25, 2021, regarding a Municipal Emergency Readiness Fund Grant Request – Grand Valley be received;

AND THAT, a grant in the amount of $10,000 to purchase and install a back up generator and automatic transfer switch for the Town of Grand Valley, be approved.

Respectfully submitted,

Steve Murphy
Emergency Management Coordinator

Reviewed by: Sonya Pritchard, Chief Administrative Officer

Dufferin county

APPLICATION TO THE MUNICIPAL EMERGENCY READINESS FUND

Applicant Corporation of the Town of Grand Valley	
Address: 5 Main Street North, Grand Valley L9W 5S6	Phone: 519 928 5652
Contact Name: Meghan Townsend	Email: mtownsend@townofgrandvalley.ca
Project Name: Community Centre Emergency Generator	
$ Amount Requested: $10,000 (or maximum under MERF)	Estimated Project Cost: $75,000

Description of Project (attach supporting documents, diagrams, quotes, specifications, etc.):
Install a diesel generator and automatic transfer switch at the Grand Valley and District Community Centre. The generator will supply back-up power to the common areas of the building for use in case of the need for an emergency shelter.
Engineered drawing attached.
The tender has been awarded on October 26, 2021 to F. Wilson Electric. Work will be completed when the generator is available but will be finished before December 1, 2022.

Criteria	Yes	No	Criteria	Yes	No
Does this project align with the County's Emergency Management Program?	x		Has your municipality received funding from this program in the past 36 months?		x
Does this project meet the 'Approved Projects' criteria?	x		Has work on this project already begun?		x
Will this project enhance the resilience of the community as a whole?	x		Will this project be completed and a final report submitted before December 1st?	x	
Has the Municipal Council approved this project?	x		Has the Municipal Council approved this funding request?	x	

Signature – Senior Municipal Official M Townsend	Signature – Head of Council

Fund Administration Use

Application brought to committee on:	Committee approved as submitted [ ] Yes [ ] No
Application brought before Council on:	Council approved as submitted [ ] Yes [ ] No
Notes:	

Send completed application and any supporting documentation to:
Clerk – County of Dufferin 55 Zina St. Orangeville, ON L9W 1E5

GRAND VALLEY

THE CORPORATION OF THE TOWN OF GRAND VALLEY

RESOLUTION NUMBER 2021-11-9

DATE November 9, 2021

MOVED BY: P. Latam

SECONDED BY: R. Taylor

BE IT RESOLVED THAT Council receives Report – Grant for Generator Project;

AND THAT Council approves the application to the County of Dufferin's Municipal Emergency Readiness Fund for assistance with the cost of installing an emergency generator at the Grand Valley and District Community Centre.

Defeated [ ]   Carried [✓]   Head of Council

Recorded Vote	Yea	Nay	Abstain
Councillor Paul Latam	[ ]	[ ]	[ ]
Councillor Stephen Miles	[ ]	[ ]	[ ]
Councillor Rick Taylor	[ ]	[ ]	[ ]
Deputy Mayor Philip Rentsch	[ ]	[ ]	[ ]
Mayor Steve Soloman	[ ]	[ ]	[ ]

2021-10-27

Moved by S Miles, Seconded by R Taylor

BE IT RESOLVED THAT Council receives Report – Arena Generator Tender;

AND THAT Council accepts the tender from F.Wilson Electric for the installation of the generator and transfer switch in the amount of $72,085.00 plus applicable taxes.

CARRIED

9.1.10. Remembrance Day Ceremony

VanGerven advised Council that planning is almost finalized for the service this year.

9.2. Public Works Superintendent

9.2.1. Verbal Update

- New Full-time Roads Employee started this week
- Culvert replacement on Sideroad 27-28 will be done within the week
- Splash Pad Shelter complete and inspection passed – Winterizing the system will be completed this week

10. Planner's Report

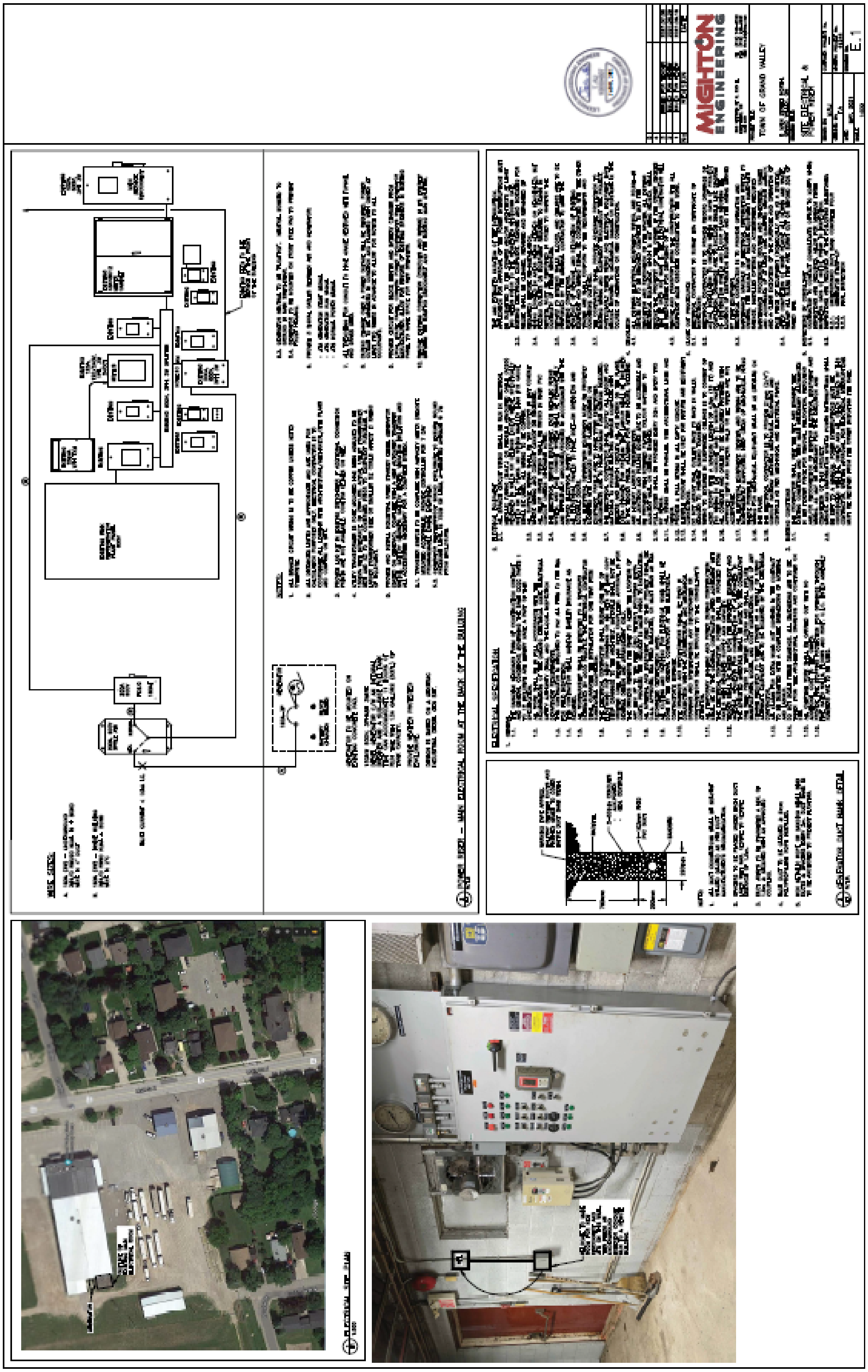
10.1. Planning Update

Applications Received:

- 22T-202101 & Z12-2021 – 152 Main Street - Infill Townhouse Development Public Meeting scheduled for November 23rd

Current File Update:

- Z11-2021 – Leonardo - Zoning By-law Amendment (sea container) – Public meeting scheduled for November 23rd
- Z10-20221 – Kamphuis – on agenda
- B7-2021 & Z9-2021 – Graham – on agenda
- Z8-2021 – Amato – notice mailed out on October 13th appeal period over November 2nd
- B5-2021 – Tupling – clearing conditions
- Z1-2021 & B4-2021 – Greenwood – no appeals received period ended
- B6-2021 – Miles – no appeals received period ended
- SPA03-2021 – Thomasfield Block 43 Phase 3A – pending 3rd submission
- B3-2021 – 122 Water Street – pending sale closing – Land Registry Office to certify the Name Change
- SPA2-2018 & Z4-2018 – Golden Canadian Homes – pending financing from CMHC, then registration of Site Plan Agreement, followed by


MIGHTON
ENGINEERING
E.1

REPORT TO COMMITTEE

To: Chair Creelman and Members of General Government Services

From: Peter Routledge, Manager of Information Technology & Geographic Information Systems

Meeting Date: November 25th, 2021

Subject: **Streamline County IT/GIS Services with Local Municipalities**

In Support of Strategic Plan Priorities and Objectives:
Good Governance - ensure transparency, clear communication, prudent financial management
Service Efficiency and Value (SEV) - determine the right services for the right price

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Purpose

The purpose of this report is to provide Council with an update on Strategic Action Plan Item Service Efficiency and Value 2.2. Streamline County IT/GIS Services with local municipalities.

Background & Discussion

The County of Dufferin provides IT and GIS services to four lower tier municipal partners (Townships of Amaranth, East Garafraxa and Melancthon and the Town of Shelburne) as well as three other affiliated organizations (Centre Dufferin Recreation Complex, Shelburne Fire Department, and Grand Valley & District Fire Department). There are unique memoranda of understanding (MOUs) with each organization and the County of Dufferin.

This report outlines the efforts underway to modify how the County provides IT services to local municipalities and organizations. The efforts include the creation of a working group to establish guidelines and procedures; the development of a sustainable cost recovery model; and the updating of the memoranda of understanding to reflect the modifications. The establishment of the working group and the development of a new cost recovery model were both opportunities identified in the County of Dufferin Service Delivery Review, Part A7: Information Technology Services.

Under the existing MOUs, the IT/GIS team provides technical services at a rate of $60/ hour on a broke/fix basis as opposed to the holistic service which it has naturally evolved into. This is evident in the technical services that are currently being provided, listed in the cost recovery model, that were not specifically identified in the original MOUs. A broke/fix support arrangement is reactive (i.e., a service ticket is submitted and it is dealt with to resolution), is limited in scope, and requires less time; whereas, a holistic support service is proactive (i.e. verifying, without a request, that devices are compliant whether it be encryption or that a device has the appropriate security patch level), requires that there is a deep understanding of the client operational environment, and requires more time.

The service has naturally shifted to a holistic support model, less and less of the IT/GIS team's time has been accounted for because the majority of the work requirements would not traditionally be requested. It is the work that is needed to be done to make sure that our partner IT operations are running smoothly and are compliant. Compounding this problem is the fact that requests that are resolved in under 15 minutes do not get charged to the client as agreed to in our MOUs. This may not seem like a lot but over the last 2 years it is approximately $12,000 in lost revenue or "free service"; however, even with this additional recovered cost it would still fall far short of cost of the efforts required to manage the additional IT operational environments of the four partners.

The IT operational environments of the four partners receiving support increases the user and device base (from the County's own) by over 25%. On the systems side the IT/GIS team is also required to support applications not native to the County, must maintain multiple Active Directories, understand multiple enterprise solutions, and must know and understand multiple environments. This has become more and more unmanageable with the current staffing levels as the demands have increased. What this means to the County is that the there is less time to devote to the County of Dufferin's operations and priorities because the team is spread too thin. This adds to the increased importance of the development of a sustainable cost recovery model.

Meetings with the lower tier partners began as a group (as well as two 1:1 meetings) in September 2021 to discuss modifications to the MOUs to accurately identify the services that are being provided and to agree on a more equitable and sustainable cost recovery model.

During these meetings a new costing model was agreed to in principle (see attachment); however, there has not been consensus on the actual cost adjustments. The model is based on an industry standard that charges per user and per device, a monitoring fee, and has other recovery costs built-in. This moves away from the broke-fix model that is currently in practice to a holistic model that will allow alignment of skills and growth within the County IT team to the partner's requirements in a more sustainable, manageable, and equitable way. There is still work to develop the proper metrics to allow adjustments from year-to-year to the model, so the "working group" should be formalized and continue to meet regularly.

The municipal partners have been asked to determine what they believe they should be paying and what is equitable with respect to IT/GIS service costs. The current situation is inequitable as it currently exists as the County is heavily subsidizing the IT/GIS services costs for these four partners; whereas the other four lower tier municipalities either have in-house IT/GIS services or have partnered with an external vendor (i.e., thereby assuming the full cost of their IT/GIS services).

An initial fee of $100 per month, applied to users, devices, and monitoring, within the proposed model results in costs of $204,000, which is approximately 1% of the overall revenue across the four partner municipalities. A small to medium sized organization typically would pay, on average, 5-7% of their gross revenue toward information technology; keeping this in mind, the 1% cost appears to be more fair.

It is understood that to go from a few hundred dollars for IT services to the new model may require a period of adjustment for our lower tier partners. For this reason, the committee may want to consider a phased approach to the adoption of the new model. This would also provide time to formalize the working group and to develop the appropriate metrics.

Recommendations

THAT the Report from the Manager of Information Technology & Geographic Information Systems dated November 25, 2021 titled Streamline County IT/GIS services with local municipalities, be received;

AND THAT the an updated IT cost recovery model be adopted;

AND THAT a permanent IT/GIS partner working group be established and that the terms of reference includes an annual report to committee;

AND THAT new memoranda of understanding with municipal partners be created reflecting the new costing model;

AND THAT the Manager of Information Technology & Geographic Information Systems continue to work with the current partners to determine options to phase in the new agreements;

AND THAT staff report back to the committee with an update in January 2022.

Respectfully Submitted By:

Peter Routledge
Manager of Information Technology & Geographic Information Systems

Reviewed by:
Sonya Pritchard
Chief Administrative Officer

REPORT TO COUNCIL/ COMMITTEE

To: Chair Creelman and Members of General Government Services Committee

From: Aimee Raves, Manager of Corporate Finance, Treasurer

Meeting Date: November 25, 2021

Subject: **2022 Development Charge Indexing**

In Support of Strategic Plan Priorities and Objectives:
Good Governance – ensure transparency, clear communication, prudent financial management

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Purpose

The purpose of this report is to provide Council with information related to the 2022 Development Charge Index.

Background & Discussion

As per Bylaw 2017-37 Development Charges, Section 18:

Development charges…shall be adjusted annually as of January 1, without amendment to this by-law, in accordance with the most recent twelve month change in the Statistics Canada Quarterly, "Construction Price Statistics".

The *Development Charges Act, 1997* (s.5 (1) (10)) and *O. Reg. (82/98* (s.7) prescribe one index for adjusting development charge rates for inflation: the Statistics Canada Non-residential Building Construction Price Index. This index measures the change in the contractors' selling price of new non-residential construction projects. It includes both general and trade contractors work and excludes the cost of land, design and real estate fees. Dufferin County uses the 3rd Quarter Annual change to index Development Charges for January 1. The chart below summarizes the indices since Q1 2020.

	Actual Index	% Change
Q1 – 2020	110.6	3.0%
Q2 – 2020	111.1	2.6%
Q3 – 2020	111.9	2.5%
Q4 – 2020	112.1	2.2%
Q1 – 2021	114.2	3.3%
Q2 – 2021	119.9	7.9%
Q3 - 2021	**124.9**	**11.6%**

Financial, Staffing, Legal, or IT Considerations

Per the Development Charge Bylaw, staff will be indexing County Development Charges by 11.6% for January 1st. The charts below summarize the current and revised rates:

2021

Service Component	Single & Semi-Detached	Multiples	Apartments	Non-Residential (per square metre)
Roads & Bridges	$916.00	$732.00	$415.00	$4.93
Other	$2,663.00	$2,130.00	$1,207.00	$3.54
Totals:	**$3,579.00**	**$2,862.00**	**$1,622.00**	**$8.47**

2022

Service Component	Single & Semi-Detached	Multiples	Apartments	Non-Residential (per square metre)
Roads & Bridges	$1,022.00	$817.00	$463.00	$5.50
Other	$2,972.00	$2,377.00	$1,347.00	$3.95
Totals:	**$3,994.00**	**$3,194.00**	**$1,810.00**	**$9.45**

Recommendation:

THAT the report of the Manager of Corporate Finance, Treasurer, dated November 25, 2021, regarding 2022 Development Charge Indexing be received.

Respectfully Submitted By:

Aimee Raves, CPA, CMA
Manager of Corporate Finance, Treasurer

REPORT TO COMMITTEE

To: Chair Creelman and Members of General Government Services

From: Sonya Pritchard, Chief Administrative Officer

Meeting Date: November 25th, 2021

Subject: **OMERS Performance 2020**

In Support of Strategic Plan Priorities and Objectives:
Good Governance - ensure transparency, clear communication, prudent financial management

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Purpose

The purpose of this report is to provide Committee and Council with information regarding concerns about OMERS investment performance in 2020.

Background & Discussion

The OMERS Pension Plan has come under scrutiny following significant investment losses in 2020 totalling about $3 billion or 2.7%.

A number of OMERS stakeholders have demanded an explanation for the poor performance. The City of Toronto passed a resolution in July 2021 (attached) requesting OMERS to improve its disclosure and provide additional detail around investment decisions and costs. CUPE Ontario has requested an independent third party review of OMERS Investment performance (letter attached) and is seeking support for this from municipal Councils.

AMO and MEPCO do not support CUPE's request. MEPCO is a non-profit corporation created by AMO to provide pension expertise and resources to AMO's employer representatives on the OMERS Sponsors Corporation and Administration Corporation.

According to recent correspondence from MEPCO to municipal employers, "AMO and MEPCO believe the role of all Plan sponsors is to ensure that individuals with expertise in governance, finance, and pension administration are appointed to the OMERS Boards. Through MEPCO, AMO appointees to the OMERS Sponsors Corporation (SC) and Administration Corporation (AC) Boards have access to the resources, intelligence, and analysis they need to fulfill their governance responsibilities in a way that is fully informed by the priorities, realities, and aspirations of Ontario's municipal employers. AMO and MEPCO do not have a role in guiding or scrutinizing OMERS AC's investment decisions or strategies, nor should they.

OMERS recently released its results for the first half of 2021. The results are very good, with a net return of 8.8% in the first six months of this year. That net investment income of $9.2 billion, over six months, brings the Fund's value up to $114 billion. Over the twelve months ending June 30, 2021, the Plan earned a net investment return of 18.2%. The results demonstrate a significant improvement over the 2020 results which reflected a net loss of 2.7%.

AMO and MEPCO have full confidence in both the AC and SC Boards to ensure the $114 billion OMERS Plan remains affordable, sustainable, and meaningful in the decades ahead. Achieving that goal will be very challenging in the face of changing demographics, Plan maturity and market instability.

AMO and MEPCO are committed to working with all OMERS Plan sponsors to achieve that goal."

Established under the OMERS Act in 2006, the Sponsors Corporation (SC) works closely and collaboratively with the Administration Corporation (AC) to represent the interests of sponsors, stakeholders, members and beneficiaries of the OMERS Pension Plans. The overriding objective is to ensure – through informed decision-making and leading governance practices – that the OMERS Pension Plans remain affordable, meaningful and sustainable. The SC Board comprises 14 members, half of whom are appointed by employer groups and half of whom are appointed by unions and associations.

The OMERS Administration Corporation (AC) is responsible for pension services and administration, investments, and plan valuation. The AC Board of Directors consists of 14 members nominated by OMERS employer sponsors and nominated by employee sponsors. The AC also has an independent Board Chair for a total of 15 members. OMERS Sponsors Corporation (SC) makes all appointments to the AC Board.

More information on OMERS governance and the role of the two boards is available on the OMERS website.

Last week the Ontario Municipal Administrators Association (OMAA) received a response from OMERS with respect to a list of 5 questions the group submitted. The questions and responses are attached.

The issues around OMERS performance and the lack of disclosure and transparency are concerning. OMERS serves as the guardian retirement income of more than half a million active, deferred and retired municipal employees from communities across Ontario. More than 1000 employers contribute to the OMERS pension fund. Both employers and employees should have confidence in the AC and SC to manage the fund to keep them informed.

CUPE is the only member of the SC to request an independent third party review. The other 14 sponsors have not declared support for the review and believe that the steps that have been taken to explain the loss incurred in 2020 (see Highlights of the Annual Report) and that the overall strategy going forward is sound. At the same time the appeal for greater disclosure as requested by the City of Toronto are warranted.

Recommendations

THAT the Report from the Chief Administrative Officer dated November 25, 2021 with respect to OMERS performance 2020 be received;

AND THAT Dufferin County Council support the call from the City of Toronto on July 14, 2021 for greater disclosure from OMERS with respect to investment performance and management;

AND THAT, staff be directed to notify OMERS and CUPE Ontario of Council's support for the City of Toronto resolution;

AND THAT, staff be directed to notify CUPE Ontario that Council does not also support the request for an independent third party review.

Respectfully Submitted By:

Sonya Pritchard
Chief Administrative Officer

Attachments:

City of Toronto resolution July 14, 2021
CUPE correspondence
OMAA correspondence

TORONTO **Item**

Tracking Status

- City Council adopted this item on July 14, 2021 without amendments and without debate.
- This item was considered by General Government and Licensing Committee on June 29, 2021 and was adopted with amendments. It will be considered by City Council on July 14, 2021.

City Council consideration on July 14, 2021

GL24.5	ACTION	Adopted on Consent		Ward: All

Annual Update on OMERS as it Relates to the City's Employer Contributions

City Council Decision

City Council on July 14, 15 and 16, 2021, adopted the following:

1. City Council request that the OMERS Administration Board of Directors:

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;

b. advise the OMERS Sponsors Corporation Board of Directors on improved disclosure surrounding its decisions and expenses;

c. publish, annually, the OMERS investment performance and actuarial valuation and share with all OMERS employers, members and retirees;

d. request permanent annual financial reporting on how OMERS performs on one, three, five, ten and twenty-year bases;

e. compare the performance and disclosure measurements against its Ontario and Canadian public pension fund managing peers, including unedited results from any participation in the CEM Pension Administration Benchmarking Study that measures peer pension funds' efficiency in delivering benefits;

f. make this resolution available to all OMERS employers, sponsors, unions and non-union municipal workers, non-teaching staff of school boards and employees of children's aid societies, transit systems and electrical utilities; and

g. report back to the General Government and Licensing Committee in December 2021, and continue to report to the General Government and Licensing Committee twice a year.

2. City Council request the appropriate City staff to include the enhancements to information, in Part 1 above, in future reports to the General Government and Licensing Committee, including investment performance trends over time and other comparison benchmarks.

Background Information (Committee)

(June 15, 2021) Report and Attachments 1 - 5 from the Controller on Annual Update on OMERS as it Relates to the City's Employer Contributions
(http://www.toronto.ca/legdocs/mmis/2021/gl/bgrd/backgroundfile-168267.pdf)
(June 29, 2021) Presentation from the Director, OMERS Sponsors Corporation and the Director, OMERS Administration Corporation on Annual Update on OMERS as it Relates to the City's Employer Contributions
(http://www.toronto.ca/legdocs/mmis/2021/gl/bgrd/backgroundfile-168846.pdf)

General Government and Licensing Committee consideration on June 29, 2021

CUPE SCFP Ontario

80 Commerce Valley Drive E, Suite 1
Markham, ON L3T 0B2
Phone: 905-739-9739 • *Fax:* 905-739-9740
Web: cupe.on.ca *E-mail:* info@cupe.on.ca

Dear County of Dufferin Council:

On behalf of CUPE Ontario's nearly 125,000 active members of the Ontario Municipal Employees Retirement System (OMERS), I am writing today to express our serious concerns with OMERS' investment performance.

In 2020, OMERS posted a net loss 2.7%, representing three billion dollars in losses. This was during a year that comparable defined benefit pension plans and funds in Canada posted substantial investment gains. CUPE Ontario investigated further and tracked investment returns at OMERS for ten years. We found that OMERS has underperformed relative to other large pension plans and funds, as well as relative to its own benchmarks. We also found that OMERS no longer shares this critical information in their annual reporting, making it difficult for plan members to hold their investment managers accountable.

Attached you will find a report detailing OMERS investment underperformance. Also attached, you will find the analysis of a third-party actuary (PBI Actuarial consultants) who confirmed that our reasoning and conclusions were sound.

CUPE Ontario believes plan members and employers have the right to know why OMERS' investments have, over a ten-year period, underperformed other large defined benefit pension plans and funds. If OMERS had performed in line with the average large Canadian public pension plan, it would have a substantial, multi-billion-dollar surplus, versus the deficit it currently faces.

Considering the significant impact such underperformance could have on plan members and on all sponsors who hold the liabilities of the plan, **we are calling on OMERS to cooperate fully with an independent and transparent third-party review of its investment performance** transparent and accountable to plan members, sponsors like CUPE Ontario, other unions, and employers like the County of Dufferin.

We are hoping that the County of Dufferin Council will join our call for an independent expert review of OMERS. **We are asking you, and other municipal councils across the province, to debate the following motion or to pass a similar motion calling for a third-party expert review of OMERS.** The terms of such a review would need to be agreed upon by sponsors and they could explore whether reasonable costs could be funded from the plan.

We simply cannot afford another decade of investment returns so far below other pension plans and funds. We know that ensuring strong investment returns is a goal shared by employers like the County of Dufferin and by unions like CUPE.

CUPE Ontario staff person Liam Bedard is available to answer any questions you may have. He can be reached at lbedard@cupe.on.ca.

All materials are available in French at cupe.on.ca/francaisomers.

It's time for all of us to work together to #FixOMERS.

Thank you,

Fred Hahn
President of CUPE Ontario

Proposed Motion – Independent Review of OMERS' Investment Performance

1. The County of Dufferin Council is calling for an immediate, comprehensive and independent third-party expert review of OMERS' investment performance and practices over the past ten years, conducted by the OMERS Pension Plan's sponsors and stakeholders.

2. Such a review would, at a minimum:

   a. Compare OMERS plan-level, and asset class-level performance to other comparable defined benefit pension plans and funds, OMERS internal benchmarks, and market-based benchmarks.
   b. Examine OMERS decision-making processes around the timing of various investment decisions.
   c. Assess the risk management policies and protocols that were in place and determine if they were followed and/or if they were sufficient to protect the plan from undue risk.
   d. Assess whether the disclosures provided to the OMERS Administrative and Sponsorship Boards were sufficient evidence to allow the Boards to respond appropriately and in a timely manner.
   e. Examine executive compensation, investment fees and investment costs at OMERS in comparison to other major defined benefit pension plans and funds.
   f. Examine other relevant issues identified by the third-party expert review.
   g. Make recommendations for changes at OMERS to ensure stronger returns moving forward.
   h. Issue their final report and recommendations in a timely manner.
   i. Publicly release its full report and recommendations to ensure that it is available to OMERS sponsors, stakeholders, and plan members.

3. The County of Dufferin Council further calls on the OMERS Administrative Corporation to:

   a. Provide all requested data, documentation and information required of the review panel to fulfill its mandate.
   b. Establish a step-by-step plan, with OMERS sponsors and stakeholders, to implement any recommendations set out in the review report.

PBI

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April 27, 2021

To: Fred Hahn, President CUPE Ontario
CUPE Ontario

From: Bradley Hough

Subject: **OMERS Performance Review**

Scope of review

CUPE has asked PBI to review "CUPE Ontario Concerns With OMERS Investment Returns". PBI has reviewed the performance data, methods, and comparisons of OMERS with peer pension plans and funds in CUPE's report.

The intention of our review is to determine:

a) if comparisons made between the pension plans and funds and their respective benchmarks are reasonable; and
b) if the analysis completed by CUPE supports the conclusions of their report.

We have reviewed the performance comparisons in CUPE's report by reviewing public information provided by the plans and funds referenced. Statements of investment policies and procedures, actuarial valuation reports, annual reports and other governance documents were reviewed to add as much context around plan performance as possible with the public information available.

Summary

We conclude that the comparisons made by CUPE are reasonable and show that there is a significant gap in performance between OMERS and other comparable public pension plans and funds. In our opinion, public information is unable to fully explain the performance gap. More information is required to truly understand why performance is so different between OMERS and comparable public pension plans and funds.

In our opinion, the comparisons and analysis in the report support CUPE's request for further review of performance.

Review

Is the choice of peer universe reasonable?

CUPE has chosen a universe of large public sector defined benefit plans ("plans"), or public sector investment managers managing assets ("funds") including, but not exclusively, defined benefit pension plans. Scale gives public plans and funds a different opportunity set versus smaller private sector plans as a result of the size of assets and also investment opportunities. We therefore believe that CUPE's approach of focusing on a limited universe of public sector peers rather than a broader pension plan universe is reasonable and fair.

Of the universe supplied, HOOPP, OTPP, BCMPP and LAPP are easier to directly compare given they are pension plans rather than funds; however, the public sector investment managers referenced by CUPE are still useful points of reference when looking at comparable performance. Performance of funds such as PSP, CDPQ, BCI and AIMCO suggests that client defined benefit plans are likely to have higher absolute returns than OMERS for 2020.

LAPP and AIMCO have not published full performance information for 2020.

Would conclusions change if the universe of plans was expanded?

Defined benefit plans have different benefits, contributions, funding policies, and member demographics. Making comparisons across universes of defined benefit plans requires caution and it is difficult to draw firm conclusions. However, it is worth noting that OMERS performance is significantly below not only public peers, but wider universes of defined benefit plans.

RBC's universe of pension plans shows a median return of 9.2% for 2020[1]. PBI has access to the Northern Trust universe of Canadian defined benefit pension plans[2] and note that the median return is similar to RBC (full year 2020 median return is 9.9%). The lowest return in the Northern Trust Universe is 5% for 2020. We are not aware of an absolute return for PBI clients below 5%.

Could 'context' such as different asset mixes driven by Plan demographics or situation explain OMERS performance?

a. **Asset Mix**
   We compared asset mixes with HOOPP, BCMPP and OTPP. HOOPP has a liability driven investment strategy and has a higher fixed income allocation. BCMPP and OTPP are return focused like OMERS. OMERS has a higher proportion in real assets and credit than these plans and lower fixed income assets. OTPP has a specific inflation management strategy. However, at a high level, asset allocations between OMERS, BCMPP and OTPP make use of similar asset classes and are comparable.

Asset Class	OMERS	BCMPP	OTPP	HOOPP
Public Equity	31%	33%	19%	23%
Fixed Income	6%	21%	16%	86%
Private Equity	14%	10%	19%	13%
Real Assets	34%	27%	21%	15%
Credit/Mortgages	17%	6%	8%	0%
Inflation Sensitive	0%	0%	17%	0%
Innovation	0%	0%	2%	0%
Absolute Return Strategies	0%	0%	6%	0%
Money Market	-2%	2%	-8%	-37%

Source: annual reports as of December 31, 2020, except for BCMPP, which is as of December 31, 2019.

[1] The RBC pension plan universe is published by RBC Investor and Treasury Services. "All Plan Universe" currently tracks the performance and asset allocation of a cross-section of assets under management across Canadian defined benefit pension plans.

[2] The Northern Trust universe of defined benefit plans is provided to PBI by Northern Trust. It consists of 34 defined benefit plans ranging from $16.4M to $8.7B in size. Average plan assets are $1.9B, median plan assets are $627M as of December 31, 2020.

As the differences in performance are so large between OMERS and two plans with comparable asset mixes (albeit with some differences), more information on specific strategies within each asset class, such as style of equity manager, exposure to office, retail, and industrial real estate within real assets, use of leverage/overlay strategies and derivatives, currency hedging, and approach to liquidity management would be required to explain differences in performance.

We note that on page 43 of the OMERS 2020 Annual Report, losses were incurred on foreign currency hedging positions due to actions taken to protect liquidity. This contributed $2.2B to the overall loss. Again, this indicates that a review, significantly beyond simple asset mix comparisons, is required to truly understand performance differentials.

Finally, understanding the role of the 'Total Portfolio Management' approach in determining asset allocations and strategies would be helpful to putting context around the asset mix choices and investment strategies.

b. Membership Demographics

We note that BCMPP and HOOPP have broadly similar membership demographics to OMERS. OTPP is more mature with a greater proportion of retirees. PBI does not believe plan demographics are different enough to render comparisons between the plans invalid.

Comments on CUPE's five principal findings:

1) **OMERS 10-year annualized performance was below peer group as of December 31, 2019**. PBI believes the comparisons made are reasonable and agree with the conclusion.
2) **OMERS performance in 2020 was significantly below peers**. PBI agrees with this conclusion and notes that expanding the peer group adds weight to this conclusion.
3) **OMERS does not report comparisons of its annualized long-term returns to its own benchmarks**

   Page 143 of the 2020 report has a comparison of calendar year returns vs benchmarks to 2011. We could not find a comparison of annualized long term performance vs benchmarks for OMERS.

   We understand benchmarks are set annually by OMERS and approved by the Administration Corporation Board. From the information made public by OMERS, we would need more detail on the methodology used to derive the absolute return benchmark to interpret performance.

4) **5 to 10-year returns versus 5 to 10-year benchmarks.**

   PBI verified the calendar year returns shown by CUPE. We were unable independently to verify the 5 and 10-year performance versus the benchmark as this was provided verbally to CUPE by OMERS and is not published. The peer group of public plans and funds all take different approaches to benchmarking. Some use composites of public market indices/asset class benchmarks according to their target allocations. PSP uses a reference portfolio approach and HOOPP may use a liability focused benchmark. We note that comparisons of relative performance vs stated benchmarks across peer group plans are challenging because of the differences in methodology.

   However, in our opinion the analysis is sufficient to show that OMERS is the only Plan underperforming their internal benchmark over a 10-year horizon. Understanding why requires a deeper understanding of performance and benchmarking methodology beyond the information made public. In our opinion this adds weight to CUPE's request for a review of performance.

5) **OMERS 20-year return is not above its 20-year benchmark.** We were unable to independently verify this point as the performance versus the benchmark was provided verbally to CUPE by OMERS and is not publicly available.

Conclusions

The comparisons made by CUPE are high level and broad by the nature of information made public. However, we believe the comparisons are reasonable and that CUPE has chosen similar public plans and funds as practically possible. Overall, we believe the analysis is sufficient to conclude that OMERS investment performance in 2020 and longer term is significantly lower than other comparable plans.

PBI would require considerably more information than made public on OMERS' total portfolio management approach, investment strategies, third party managers, asset mix policies, liquidity management approach and derivative positions to interpret performance.

In our opinion, the comparisons made demonstrate that the longer-term performance gap between comparable peers is significant and supports CUPE's request for a further, more detailed review of performance beyond the information made public.

Bradley Hough, FIA, ACIA, CAIA

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NOT JUST ONE "TOUGH YEAR": THE NEED FOR A REVIEW OF OMERS INVESTMENT PERFORMANCE

May 2021

CUPE SCFP Ontario

Executive Summary

CUPE Ontario represents nearly half of the 289,000 active members of the Ontario Municipal Employees Retirement System (OMERS) – the province's Defined Benefit (DB) pension plan for municipal, school board and certain other public sector workers.

While most pension plans had strong returns in 2020, OMERS recently reported billions of dollars of losses over the year. This has prompted CUPE Ontario to examine how OMERS investments have performed compared to other large pension plans and funds. We have also looked at how OMERS has performed against its own internal benchmarks.

We find that OMERS underperformance is not a new or a short-term problem. Specifically, we find that:

1) OMERS longer-term performance has significantly lagged behind other large pension funds and plans, in periods both before and after 2020 results were in.

2) OMERS has now fallen behind even some of its own internal longer-term return benchmarks – a troubling fact that, contrary to industry standards, is not disclosed in OMERS Annual Report.

Since investment returns fund the vast majority of pensions paid from the plan, returns are incredibly important to DB plan members. Lower investment returns may lead to members being asked to pay more into the plan, or could result in additional pressure for more benefit cuts.

Despite requests, OMERS has not committed to an independent, transparent review of its investment decisions.

CUPE Ontario feels these issues are so serious that a fully transparent expert review of OMERS investment strategies, returns, and internal performance assessment is urgently needed. This review should be conducted by the plan sponsors and stakeholders themselves (the risk-bearing parties to OMERS) and should be fully independent of OMERS staff, who have a clear conflict of interest in conducting a review of their own performance. We invite the other sponsors of OMERS, including our employer counterparts and the broader community of the plan's organizational stakeholders, to support this proposal and to work with us to conduct this review.

Introduction

CUPE Ontario represents 125,000 plan members of the Ontario Municipal Employees Retirement System (OMERS). We are the largest sponsor in this defined benefit (DB) pension plan that is – at least in theory – jointly-controlled by plan sponsors like CUPE Ontario and other unions and employers.

We continue to strongly believe that DB plans are a model worth not only defending, but extending to all workers.

CUPE Ontario strongly believes that DB pension plans are the best way to provide a decent and secure retirement for our hard-working members. Large public sector DB plans like OMERS allow for an efficient pooling and sharing of costs and risks between employers and plan members. DB plans allow members to know what their pensions will be in retirement. This security is incredibly important for plan members. However, it is not only retirees who benefit from good, secure pension benefits. DB pension plans have been shown to have positive macroeconomic effects on the economy as a whole.[1] The concerns we raise in this report are not concerns with the DB model itself; we continue to strongly believe that DB plans are a model worth not only defending, but extending to all workers.

For a number of years, we have been concerned with the lower level of OMERS pension fund investment returns in comparison to those of other similar plans. OMERS recently reported that the plan had a very bad year in 2020. This has led CUPE Ontario to perform a more in-depth examination of publicly-available annual reporting documents to determine how, in our view, OMERS is performing compared to the seven other large ($50 billion+) pension plans and funds in Canada.[2] OMERS themselves refer to this club of large plans and funds as the "eight leading Canadian pension plan investment managers," and occasionally takes coordinated activity with them.[3]

[1] Conference Board of Canada, "Economic Impact of British Columbia's Public Sector Pension Plans," October 2013; Boston Consulting Group, "Measuring Impact of Canadian Pension Funds," October 2015; Ontario Teachers Pension Plan News Release, "New analysis confirms that defined benefit pensions provide significant benefits to Canadian economy," October 22, 2013.

[2] Unless otherwise specified, the data in this document has been compiled from publicly-available annual reporting of the respective plans. With the exception of CDPQ, returns are as reported in these documents, and are net. CDPQ results were reported gross of some expenses, and have been reduced by 0.2% to best approximate a net return. Longer-term periods are annualized, and are as reported by the respective plans.

[3] OMERS News Release, "CEOs of Eight Leading Canadian Pension Plan Investment Managers Call on Companies and Investors to Help Drive Sustainable and Inclusive Economic Growth," November 25, 2020.

As bad as OMERS performance was in 2020, this is not a new or a short-term problem

Due to their scale, these large pension plans and funds are able to invest in asset classes that are typically not available to smaller investors or individuals. At the same time, we acknowledge that these eight plans are not completely similar: they have their own governance structures, asset mixes, risk appetites, and reporting periods, all of which are described in the public documents of the respective plans. However, we also acknowledge that many of these differences are the result of specific investment decisions made by the respective plans and funds. We therefore believe that there is value in comparing the performance of this small set of large funds, particularly over longer-term periods.

Acronym	Name	Assets Under Management ($ Billion)	Funded Status in Most Recent Annual Report	Most Recent Annual Reporting Date
CPPIB	Canada Pension Plan Investment Board	410	N/A	March 31, 2020
CDPQ	Caisse de dépôt et placement du Québec	366	108% (RREGOP)	Dec 31, 2020
OTPP	Ontario Teachers Pension Plan	221	103%	Dec 31, 2020
PSP	Public Sector Pension Investment Board	170	111% (Public Service Plan)	March 31, 2020
OMERS	Ontario Municipal Employees Retirement System	105	97%	Dec 31, 2020
HOOPP	Healthcare of Ontario Pension Plan	104	119%	Dec 31, 2020
BC MPP	BC Municipal Pension Plan (investments managed by BCI, the BC Investment Management Corporation)	59 (MPP) 171 (BCI)	105%	Dec 31, 2019 (MPP) March 31, 2020 (BCI)
LAPP	Alberta Local Authorities Pension Plan (investments managed by Alberta Investment Management Corporation)	50 (LAPP) 119 (AIMCO)	119%	Dec 31, 2019

In some cases, the pension funds above manage the investments of several pension plans (CDPQ, PSP, BCI, AIMCO are all such cases). In those cases, we look most closely at the returns at an individual plan level for the respective client plan that most closely compares to OMERS.

We have also looked at how OMERS has performed against its own internal benchmarks.

This review has resulted in some very troubling findings which suggest that, as bad as OMERS performance was in 2020, this is not a new or a short-term problem. We found evidence that OMERS longer-term return performance has significantly lagged behind

HIGHER INVESTMENT RETURNS WOULD HAVE BEEN BETTER FOR OMERS PLAN MEMBERS, AND FOR OMERS EMPLOYERS.

other large pension funds and plans. We also found that OMERS has now fallen behind even some of its own internal longer-term return benchmarks – a troubling fact that, contrary to industry standards, is not disclosed in OMERS Annual Report.

Investment results are incredibly important to DB plan members because compounded returns typically fund the vast majority of the pensions that are eventually paid. OMERS indicates that investment returns are expected to fund approximately 70% of the pensions paid by the plan.[4] When investment returns are insufficient, it can put upward pressure on required contribution rates for both members and employers. Most other plans have now returned to pension surpluses since the global financial crisis more than a decade ago, but OMERS continues its long climb out of deficit. Contribution levels were a central talking point from OMERS when plan decision-makers removed guaranteed indexation in 2020. And we expect that, in the months to come, OMERS will once again be looking to plan members to bear the burden of plan funding issues that are, in part, a result of these investment returns. Meanwhile other pension plans, who have had better returns, are currently holding significant surpluses, many have lower contribution rates and some are even improving pension benefits.[5] Higher investment returns would have been better for OMERS plan members, and for OMERS employers.

Despite requests[6], OMERS has not committed to an independent, transparent review of its investment decisions. Any reviews that have taken place have been behind closed doors at OMERS and have not been shared with sponsors or described in any detail. While OMERS has outlined several investment policy changes it plans to make, its overriding message remains: "the fundamentals of our long-term strategy remain sound, and we will continue to advance that strategy."[7]

A FULLY TRANSPARENT EXPERT REVIEW OF OMERS INVESTMENT STRATEGIES, RETURNS, AND INTERNAL PERFORMANCE ASSESSMENT IS URGENTLY NEEDED.

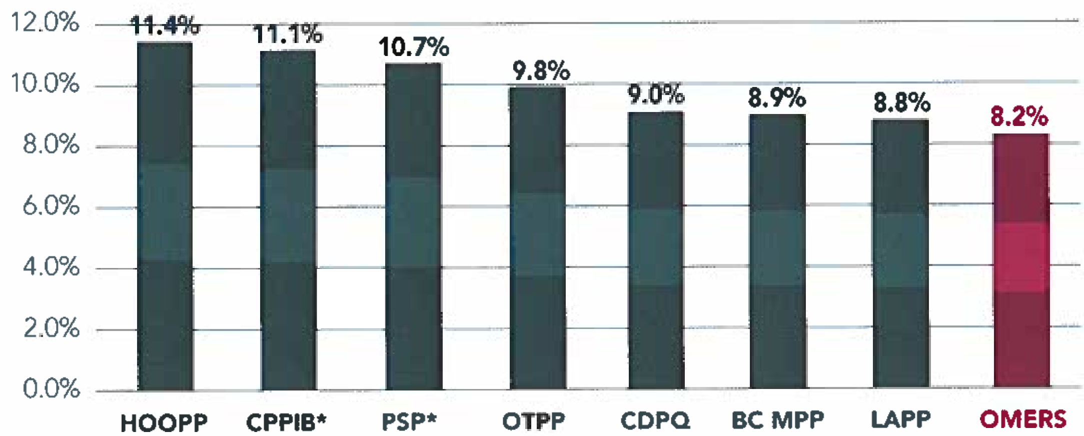
CUPE Ontario feels these issues are so serious that a fully transparent expert review of OMERS investment strategies, returns, and internal performance assessment is urgently needed. This review should be conducted by the plan sponsors and stakeholders themselves (the risk-bearing parties to OMERS) and should be fully independent of OMERS staff, who have a clear conflict of interest in conducting a review of their own performance. We invite the other sponsors of OMERS, including our employer counterparts and the broader community of the plan's organizational stakeholders, to support this proposal and to work with us to conduct this review.

4 OMERS 2020 Annual Report, p. 2.
5 HOOPP News Release, "HOOPP posts 11.42% return in 2020, surpasses $100 billion in assets," March 31, 2021.
6 CUPE Ontario Press Release, "We won't pay for the mistakes of OMERS executives," February 25, 2021.
7 OMERS 2020 Annual Report, p. 23.

Our five principal findings are as follows:

1. **CUPE Ontario's concerns go beyond one "difficult" year in 2020. OMERS 10-year annualized returns trailed those of the other major funds and plans *before* the COVID crisis hit.**

10-Year Annualized Returns at 2019



**To March 31, 2019, otherwise to Dec 31, 2019*
Source: Respective Annual Reports

THIS WAS A HISTORIC ANNUAL UNDER-PERFORMANCE COMPARED TO BENCHMARKS.

2. **OMERS 2020 investment performance was especially poor**

OMERS 2020 annual return (-2.7%) fell far short of the plan's own benchmark for the year of +6.9%. This was a historic annual underperformance compared to benchmarks.

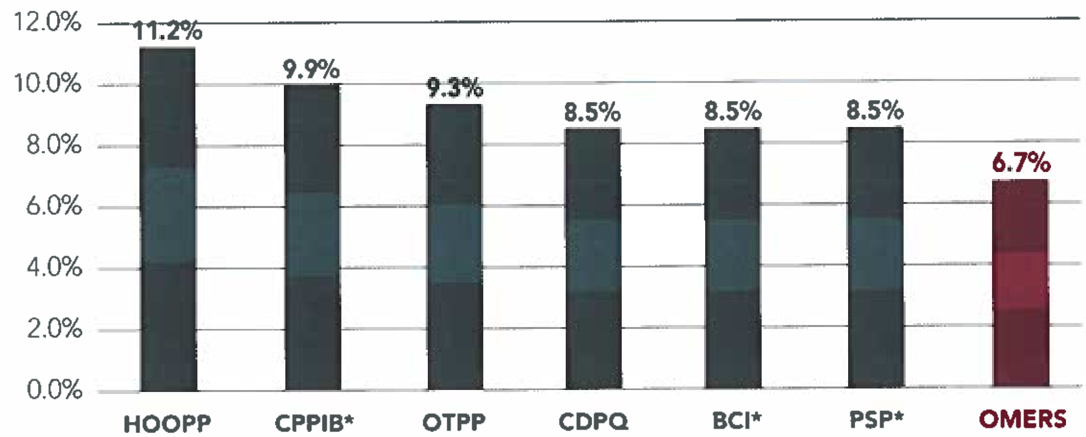
Other plans, however, have reported very strong annual returns for calendar year 2020:

2020 ANNUAL RETURNS	
HOOPP	+ 11.4%
RBC Pension Plan Universe[8]	+ 9.2%
OTPP	+ 8.6%
CDPQ	+ 7.5%
OMERS	- 2.7%

[8] RBC Investor & Treasury Services, "Canadian DB pensions post near-double-digit returns despite historic, turbulent year," January 29, 2021.

This negative result led OMERS 10-year annualized return to fall from 8.2% to 6.7%.

10-Year Annualized Returns at 2020



**To March 31, 2020 otherwise to Dec 31, 2020*

The chart above reports the most recent available return information for the respective funds and plans as disclosed in their annual reports. LAPP and BC MPP have yet to report their December 31, 2020 results. AIMCO has also not fully reported its 2020 results. However, BCI (the investment agent for BC MPP and other BC public sector plans) has reported its March 31, 2020 results and has been included here. The chart can be updated as more plans report their 2020 investment returns.

***OMERS* DOES NOT REPORT CLEAR COMPARISONS OF THE PLAN'S LONG-TERM ANNUALIZED RETURNS TO ITS CORRESPONDING LONG-TERM BENCHMARKS.**

3. OMERS does not report comparisons of its annualized long-term returns to its own benchmarks.

Benchmarking is a common practice where an investment *standard or goal* is set, against which *actual plan returns* are compared for ongoing assessment of investment performance. OMERS itself describes a benchmark as "a point of reference against which the performance of an investment is measured."[9] Comparisons of returns vs. benchmarks are typically done on a 1-year basis, but it is very common for long-term annualized comparisons to also be disclosed. Reporting these benchmarks is standard practice for pension plans and third-party investment managers. Even individual investment vehicles like mutual funds and ETFs typically provide details on how their performance compares to both annual and long-term benchmarks.

The OMERS Administration Corporation (AC) sets OMERS benchmarks each year, as described in the "Performance Management" section of the OMERS investment policy document.[10] OMERS Annual Reports describe how these benchmarks are constructed for each asset class. For many years, these reports stated that "Our goal is to earn stable returns that meet or exceed our benchmarks." OMERS Annual Reports compare OMERS single-year returns to the plan's single-year benchmarks. However, in sections describing investment performance, **OMERS does not report clear comparisons of the plan's long-term annualized returns to its corresponding long-term benchmarks**. While the Annual Report does compare performance to the plan's discount rate and a long-term return expectation set by the AC Board, it omits comparisons of the plan's long-term performance against their own long-term benchmarks.

[9] OMERS 2015 Annual Report, p. 131.
[10] OMERS "Statement of Investment Policies and Procedures – Primary Plan," January 1, 2021.

In the absence of longer-term comparative data, stake-holders face serious obstacles in evaluating performance

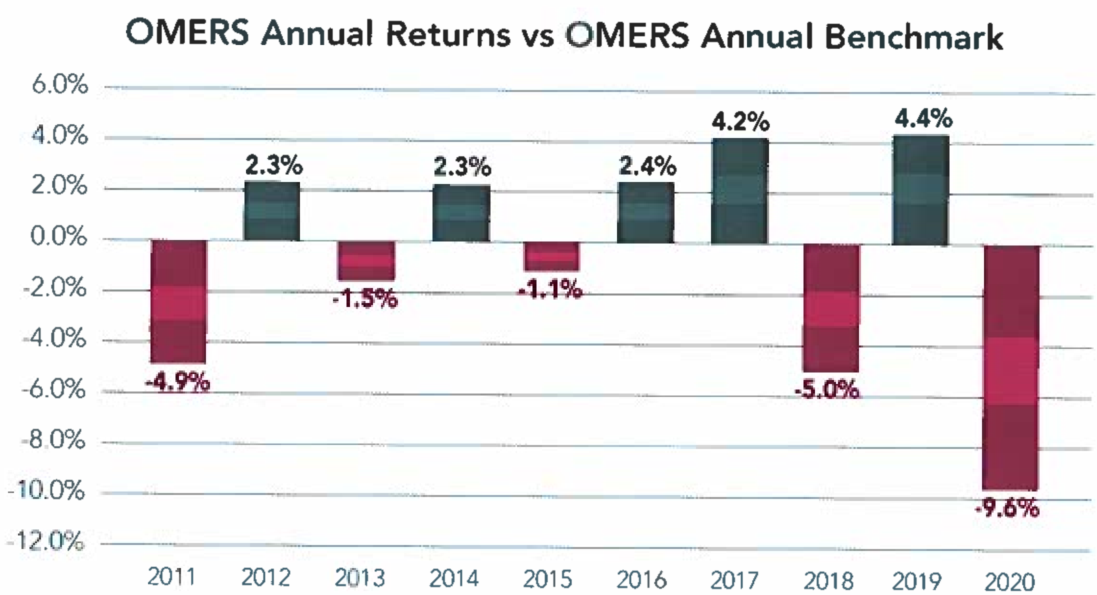
OMERS believes that "paying pensions over decades means a long-term approach."[11] But in the absence of longer-term comparative data, stakeholders face serious obstacles in evaluating performance. A review of historical Annual Reports shows that OMERS had a longstanding practice of reporting these long-term comparisons, but OMERS stopped this reporting, without explanation, in 2013. **This is dramatically out of step with other pension plans and is, in our view, a serious lack of transparency from OMERS.**

	HOOPP	CPPIB	PSP	OTPP	CDPQ	BC MPP	LAPP	OMERS
Does annual report compare annualized longer-term returns to corresponding benchmarks?	YES	YES	YES	YES	YES	YES	YES	NO

This is dramatically out of step with other pension plans and is, in our view, a serious lack of transparency from OMERS.

The OMERS Statement of Investment Policies and Procedures states that "performance reporting is consistent with industry recognized practices."[12] The OMERS Statement of Investment Beliefs says that "articulating our investment goals and performance measures helps ensure clear accountability."[13] We do not believe OMERS is meeting these standards of reporting and accountability on this point.

4. OMERS 5 and 10-Year Returns are now below OMERS own benchmarks for these periods.



Source: OMERS 2020 Annual Report, Ten-Year Financial Review, p. 142.

[11] OMERS News Release, "OMERS Reports 2020 Financial Results: paying pensions over decades means a long-term approach," February 25, 2021.

[12] OMERS "Statement of Investment Policies and Procedures," January 1, 2021. www.omers.com/governance-manual-policies-and-guidelines

[13] OMERS "Statement of Investment Beliefs," January 1, 2020. www.omers.com/governance-manual-policies-and-guidelines

	OMERS Return	OMERS Benchmark	Difference
5-Year Annualized	6.5%	7.4%	-0.9%
10-Year Annualized	6.7%	7.3%	-0.6%

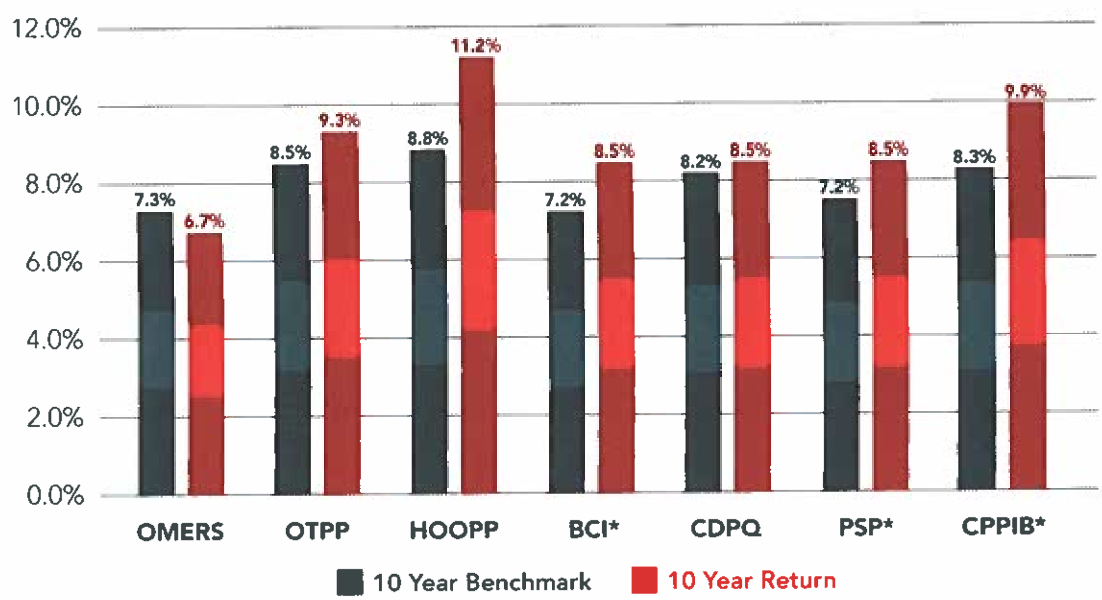
Source: Returns from OMERS 2020 Annual Report
Annualized Long-Term benchmarks not referenced in Annual Report and were reported verbally to CUPE by OMERS on our request.

The 5 and 10-year annualized benchmark figures above were not disclosed in the OMERS 2020 Annual Report. OMERS provided these numbers verbally to CUPE Ontario upon our request. Previous OMERS Annual Reports normally included a statement that "Our goal is to earn stable returns that meet or exceed our benchmarks."[14] This statement appears to have been struck from the 2020 Annual Report.

We also note that, OMERS benchmarks are comparatively low over this period when examined alongside other plans. We believe this is due to a different benchmarking methodology for certain investments at OMERS compared to industry standards. The other major plans and funds that have reported 2020 results, however, are all ahead of their 10-year benchmarks as of their most recent annual reports.

THE OTHER MAJOR PLANS AND FUNDS THAT HAVE REPORTED 2020 RESULTS, HOWEVER, ARE ALL AHEAD OF THEIR 10-YEAR BENCHMARKS AS OF THEIR MOST RECENT ANNUAL REPORTS.

10-Year Returns vs 10 Year Benchmarks to 2020



*To March 31, 2020 otherwise to Dec 31, 2020

[14] 2010 Annual Report p. 27; 2011 Annual Report p. 25; 2012 Annual Report p. 23; 2013 Annual Report p. 22; 2014 Annual Report p. 12; 2015 Annual Report p. 9; 2016 Annual Report p. 33; 2017 Annual Report p. 33; 2018 Annual Report p. 33; 2019 Annual Report p. 42; 2020 Annual Report N/A.

HAD OMERS ACHIEVED THESE BETTER RESULTS, THE PLAN WOULD NOW HOLD A VERY SUBSTANTIAL SURPLUS.

The impact on OMERS of these longer-term below-benchmark returns has been significant. The difference of 0.6% between OMERS actual annualized 10-year investment returns of 6.7% and its benchmark of 7.3% has meant an absolute return outcome that would have been roughly 6% higher after these 10 years (all other factors being equal). Even achieving just this benchmark return on an annualized 10 year basis would have resulted in an asset base of roughly $6 billion higher current plan assets.[15] This better result would have brought OMERS reported funding level into surplus.

This difference is even greater if we were to compare the impact of OMERS investment performance to that of any of these other large plans. For example, had OMERS achieved the actual 10-year annualized returns of the OTPP of 9.3% (just below the average of the other six plans listed above), the OMERS asset base would now be (all other factors being equal) approximately 27% higher than OMERS actual asset level. In dollar-value terms, this difference represents roughly $28 billion more in assets after the 10-year period from 2011 to 2020. Had OMERS achieved these better results, the plan would now hold a very substantial surplus.

5. OMERS 20-year return is not above its 20-year benchmark.

Upon request from CUPE Ontario, OMERS also verbally disclosed that its 20-year return is equal to its 20-year benchmark of 6%. In our view, it is troubling that the plan has not outperformed its benchmark over this long period, and that this comparison is also not disclosed in OMERS annual reporting.

[15] The alternative scenarios for investment performance results outlined in this section are necessarily approximate as they are based on data that is made publicly available by OMERS, and were generated using the reported OMERS asset base as at December 31, 2010 of $53.3 billion.

Conclusion

CUPE Ontario has serious concerns with OMERS investment performance, and with what we believe is a troubling lack of transparency about these issues. In our view, these issues cannot be dismissed as a one-year problem.

THESE ISSUES CANNOT BE DISMISSED AS A ONE-YEAR PROBLEM.

We anticipate that these long-term, below-benchmark investment returns are very likely to lead directly to yet another round of proposals to reduce pension benefits payable to current actives and future retirees. OMERS has already eliminated the guarantee of indexation of pension benefits for service after 2022, and OMERS management has indicated it will be examining further changes in plan design. OMERS has recently stated in writing to CUPE that "the OMERS pension plan has been facing sustainability issues for some time now and the investment results of 2020 have amplified the need to address those issues." At the recent 2021 OMERS AGM, OMERS Sponsors Corporation CEO Michael Rolland stated that "There are no guarantees as to what decisions we will have to make based on our performance…it's a long term performance we need to look at…the results of 2020 did have an impact…and that's why we're taking a look at it."

WE ANTICIPATE THAT THESE LONG-TERM, BELOW-BENCHMARK INVESTMENT RETURNS ARE VERY LIKELY TO LEAD DIRECTLY TO YET ANOTHER ROUND OF PROPOSALS TO REDUCE PENSION BENEFITS PAYABLE TO CURRENT ACTIVES AND FUTURE RETIREES.

CUPE Ontario is the largest sponsor representing plan members in OMERS, with over 125,000 active members in the plan. It is true that CUPE Ontario appoints representatives to both the OMERS Administrative Corporation and the OMERS Sponsors Corporation. However, because of restrictive confidentiality rules at both boards, our representatives are unable to keep CUPE Ontario fully-informed about what is really happening at OMERS governing boards, and the decisions that are being made about our members' hard-earned retirement savings. We do not believe this is how well-governed jointly-sponsored pension plans are supposed to function. The result is that we feel that we are a plan sponsor in name only. Our members are not being well-served by a structure that effectively cuts them out of playing the oversight function they should over their pension plan.

WE ARE NOT CONFIDENT THAT OMERS MANAGEMENT ITSELF HAS TAKEN, OR IS PLANNING TO TAKE, SUFFICIENT STEPS TO CRITICALLY EXAMINE ITS OWN PERFORMANCE.

ENSURING OUR PENSION RETURNS ARE AS STRONG AS THEY CAN BE IS NOT A PARTISAN ISSUE, NOR IS IT AN ISSUE THAT THE MEMBER AND EMPLOYER SIDE OF THE TABLE SHOULD HAVE A DIFFERENCE OF OPINION ON. WE WANT TO WORK WITH OTHER OMERS SPONSORS AND STAKEHOLDERS TO ADDRESS THESE ISSUES FOR THE GOOD OF ALL OMERS MEMBERS.

These barriers will not stop CUPE Ontario from doing everything we can to ensure these concerns about OMERS investment performance are addressed. Based on their public comments to date, we are not confident that OMERS management itself has taken, or is planning to take, sufficient steps to critically examine its own performance, nor are we confident that plan members or sponsors and organizational stakeholders will receive a transparent reporting of any such review.

Therefore, CUPE Ontario is calling on other plan sponsors from both sides of the table to work with us to commission a fully transparent and independent expert review of the investment program at OMERS. This review should be conducted in the open by the sponsors and stakeholders themselves, and not behind closed doors at OMERS. Ensuring our pension returns are as strong as they can be is not a partisan issue, nor is it an issue that the member and employer side of the table should have a difference of opinion on. We want to work with other OMERS sponsors and stakeholders to address these issues for the good of all OMERS members.

OMERS

OMERS Response to OMAA Questions

1. **Can you provide a description as to the general investment philosophy that OMERS follows when making investment decisions?**

   We have published a *Statement of Investment Beliefs*, available on our website. Our investment strategies, governance framework and policies are guided by the values reflected in these investment beliefs and are designed to manage our funding risk and achieve returns and cash flows that meet our long-term financial obligations. Those beliefs articulate that OMERS specific pension liabilities are the key driver of our specific investment strategies. We also believe that a long-term investment horizon is an advantage, and therefore we can tolerate short-term volatility in asset values and returns. We believe that direct-drive, active management enhances investment results, and that our investment goals require us to assume risk and accept that periodic losses can arise.

   We have also published our *Statement of Investment Policies & Procedures*, also available on our website, which sets out long-term return expectations of 7%, as well as our strategic, long-term target asset mix and that we evaluate our investment performance relative to an absolute return, and in certain instances relative, benchmark.

   Our 2020 annual report outlines our specific investment approach for each asset class beginning on page 55.

2. **With respect to the 2020 results, can you identify the primary investments that contributed to that loss and why? Can you also identify for those same primary investments, the forecasted performance for 2021?**

The factors contributing to these results are outlined in our Annual Report and include the following:

- widespread lockdowns which severely affected the business- and consumer-facing investments;
- the loss in value of OMERS portfolio of high-quality public equities in early 2020, which did not fully recover during the market rally in the latter part of 2020; and
- the actions we took proactively to enhance and protect the Plan's liquidity from further possible adverse market events achieved their objectives but resulted in currency losses.

In addition to these three factors, long-term bond yields fell steeply in March and April, leading to strong returns for those assets. OMERS prioritizes short-dated, higher-yielding credit investments, with only a small allocation to long-term bonds, whose fair values can be volatile and whose low (or even negative) cash yield is not enough to meet our long-term investing hurdle rate. Accordingly, our 2020 returns did not materially benefit from these types of gains.

As published in our mid-year financial results, this situation has reversed and we earned $9.2 billion of net investment income in the first six months of 2021.

For the first time, OMERS published in August a mid-year investment update. We reported a net investment return of 8.8% for the first six months of the year, which equates to net investment income of $9.2 billion. At the time, we highlighted the following:

- **Public equities** earned more than $4 billion, reflecting strong gains across the high-quality value stocks that are core to our portfolio;
- Our **private equity** investments delivered a double-digit return, due to the continued recovery of the businesses in our buyout portfolio, the ongoing success of our ventures and growth equity strategies, and the gain we generated through our agreement to sell Environmental Resources Management, a global provider of sustainability consulting services which we originally bought in 2015;
- Our **infrastructure investments** delivered consistent, strong performance, with stable operating income and higher valuations across our portfolio of large-scale businesses;
- Our **real estate** asset class recorded significantly improved performance, driven by strength in Oxford's industrial logistics and residential assets, gains in select office sectors, and progress on development programs;
- Foreign currency movements had a negative impact on our results, and reduced our return by $0.9 billion, as the Canadian dollar strengthened relative to most of the other currencies in which OMERS invests. Our credit asset class return reflects most of this unrealized foreign currency loss for the period.

Our mid-year investment update is available on our website.

3. **What is the reason that OMERS does not report comparisons on its annualized long-term returns to its own benchmarks as it appears to be common practice with other pension plans?**

It has not been OMERS practice to include comparisons of its long-term returns relative to its benchmarks in the annual report. This matter is being considered by the OMERS Administration Corporation (AC) Board as we continue to evolve our reporting.

4. **At the July 14, 2021 meeting of the City of Toronto's General Government & Licensing Committee, the attached Resolution was passed. If OMERS has provided a response to the City of Toronto regarding the Resolution, could you please provide us with a copy? If no response has been provided as of yet, could you please update OMAA on when OMERS will be in a position to do so?**

Representatives from the OMERS Administration Corporation Board of Directors and Sponsors Corporation Board of Directors, supported by OMERS leadership, will be attending the City of Toronto's Government & Licensing Committee meeting on November 30, 2021. OMERS will provide additional information following that meeting.

5. **Given transparency is a core principle for municipal government, can you provide us with your reason for not agreeing to a third-party independent review of the OMERS investment program?**

   OMERS investment strategy and execution is governed by the independent AC Board of Directors, whose professional members are nominated by OMERS sponsors, including two representatives nominated by CUPE. The AC Board frequently and thoroughly reviews investment performance, independently from management, utilizing external experts when appropriate.

   The AC Board of Directors is the independent body responsible for overseeing OMERS investment performance.

   Following the 2020 results, the AC Board of Directors undertook a thorough and extensive review of the OMERS investment strategy and past decisions. The following are comments made by the independent AC Board Chair, George Cooke, on the matter:

   "OMERS investment program is governed by an independent expert board, whose members have been nominated by our sponsors. The board continually and thoroughly reviews investment performance, independent of management, utilizing external experts where appropriate. Following the 2020 results specifically, we undertook a thoughtful look at our investment strategy and past decisions with an open mind. We are confident in our strong new leadership team and have concluded that our current investment strategy is appropriate. An additional third-party independent review is not warranted."