

May 30, 2018

Mr. Paul Harrietha
Chief Executive Officer
OMERS Sponsors Corporation
900 – 100 Adelaide St. West
Toronto, Ontario M5H 0E2

RE: OMERS SPONSORS CORPORATION COMPREHENSIVE PLAN REVIEW

Dear Mr. Harrietha:

The Electricity Distributors Association (EDA) appreciates the opportunity to provide comments on the Comprehensive Plan Review by the OMERS Sponsors Corporation (SC).

INTRODUCTION

As you know, the EDA is the voice of Ontario's local electricity distribution sector, which consists of municipally and privately owned local distribution companies (LDCs). The distribution sector contributes hundreds of millions of dollars annually to municipal and provincial revenues. The EDA's comments were developed through our Human Resources (HR) Council from the employer perspective of LDCs who are OMERS plan sponsors.

GENERAL COMMENTS

The EDA is pleased with the reported 2017 financials of OMERS and agrees the plan remains on the right track. However, we agree that OMERS must be mindful of the challenges and risks that lie ahead, and therefore we support the exercise of the Comprehensive Plan Review. The review is a matter of prudent management, good governance and an opportunity to rethink OMERS in response to realities that are largely beyond our immediate control.

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Looking ahead, the EDA agrees the following challenges are significant enough to warrant OMERS engaging the plan's stakeholders in meaningful consultation.

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- With fewer contributing members to make up for potential investment losses, the plan will become more vulnerable to economic downturns;
- When people collect pensions for longer periods, the result is increased plan liabilities and, by extension, higher plan costs;
- Any decline in membership intensifies maturity challenges – and makes the plan more susceptible to economic shocks;
- OMERS is highly dependent on future investment income; and;
- Canada Pension Plan (CPP) enhancement will increase costs and benefits for both members and employers.

The EDA supports OMERS' goal of discussing and addressing these challenges to ensure that the plan remains sustainable, relevant and affordable for generations to come. The EDA will thoroughly review any resulting plan design proposals by OMERS in the employer interest of Ontario's LDC sector.

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ANSWERS TO 'KEY QUESTIONS'

Looking forward, what is your biggest HR/talent challenge?

The primary human resources and talent challenge for most LDCs is attracting and investing in their future workforces. The LDC sector is evolving from traditional "poles and wires" businesses into more complex modern distribution and energy solutions providers. Many LDCs do not currently possess the appropriately skilled workforce to realize this future and are managing change that will include new technologies and distributed energy resources.

In this environment, OMERS must recognize LDCs are under increased pressure to demonstrate the plan's benefits to new young hires and experienced hires from outside environments without defined benefit pension plans. The EDA encourages OMERS to consider the marketability of the plan as a retention and attraction tool for employers as it considers any measures that change the plan's future benefit.

How much more would your members be willing to contribute to OMERS?

The EDA advises OMERS that the consensus in the LDC sector is that increased contributions by employers and employees are not supported at this time.

Looking forward, do you expect your members to make more or less use of the Plan's early retirement provisions?

There is a range of opinions within the LDC sector as to the future use of employees of the plan's early retirement provisions. Although most LDCs believe there will be more use of the provisions in the short to medium-term, others suggest that in the long-term the sector's workforce will use them less. As the sector continues to evolve and include less long-tenured employees, there is the beginning of a trend that is seeing LDCs recruiting more mid-career hires who will spend less time in OMERS and therefore make less use of early retirement provisions. LDCs also note that they see a medium to long-term trend of employees working longer in the future due to a combination of longer life expectancies along with the continuously rising cost of living and support of dependents.

Given the option, would you support the introduction of conditional indexing, a career average formula, or both?

There is no consensus in the LDC sector on the introduction of one or both of conditional indexing or a career average formula.

In its submission to OMERS in April 2017, the EDA supported the position of proactively responding to market realities by way of the then proposed Modified Inflation Indexing (MII) approach. The EDA supported giving OMERS tools that are in line with most of the other major Ontario pension plans. The use of the MII approach as an "economic safety valve" was appealing if the result alleviated some negative pressures should the plan's 'financial health' begin to falter in the future.

Given CPP enhancements, would you retain the current integrated formula (with adjustments) or move to a flat-rate formula?

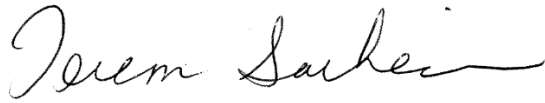
There is no consensus in the LDC sector on retaining the current integrated formula versus a move to a flat-rate formula. More LDCs prefer the flat-rate formula; however, among those LDCs who do not, there are concerns about the potential financial burden the change would put on employees in the first phase of their retirements.

CONCLUSION

The EDA will support OMERS as it provides stakeholders the opportunity to discuss the coming challenges that may impact the sustainability of the plan for future for generations. The association is leading these discussions within the LDC sector as our members have a vested interest in maintaining the health and affordability of the plan as employers. OMERS has contributed to the postretirement benefit of generations of utility workers in Ontario, and the EDA will continue to provide input to OMERS as it proposes and reviews any measure or tool to address future deficiencies.

Please direct any comments about this submission to the EDA's Derek Nardone, Manager, Corporate & Government Affairs at dnardone@eda-on.ca or (905) 265- 5348.

Sincerely,

A handwritten signature in black ink, appearing to read "Teresa Sarkesian". The signature is fluid and cursive, with a long horizontal flourish at the end.

Teresa Sarkesian
President and Chief Executive Officer
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c.c. C.C. (Charlie) Macaluso, OMERS SC Board Director