MANAGING THE BENEFITS AND CONTRIBUTIONS OF THE OMERS PRIMARY PLAN

It is the responsibility of the OMERS Sponsors Corporation (SC) to decide when it's appropriate to change benefits, adjust contribution rates or some combination of both. The level of benefits and contribution rates are the two levers which the SC has available to it for managing the financial health of the OMERS Pension Plans. The SC has adopted a Funding Management Strategy which outlines how benefits and contributions will be modified as the Primary Plan cycles through periods of funding deficit and surplus.

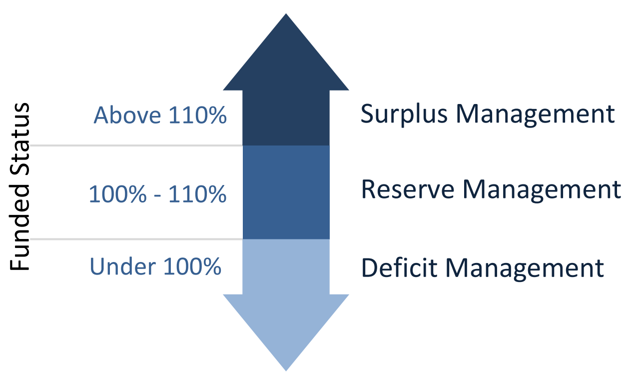
There are other reasons to change and evolve benefits, such as pension legislation, administration matters, etcetera. While OMERS monitors these things very closely, our stakeholders often have a front-line view on administrative and other issues and bring them to our attention.

The decision-making process for dealing with both of these types of change is noted below.

Funding Management Strategy

A primary objective of the SC is to ensure the continuing health and long term viability of the Primary Plan, giving due consideration to the interest of stakeholders. The Funding Management Strategy outlines how the SC intends to achieve that objective.

`There are three management zones defined by the plan's funded status. The funded status represents a snap shot of the plan's current financial health and assists the SC in determining whether action is required to either improve or maintain the current funded status. The management zones are defined as follows:



Each zone has a unique goal and a unique set of actions which are meant to achieve that goal. There is an order of priority - first is to get the plan back to fully funded, then to build the funded status up to 110%. Once the plan is 110% funded, the extra 10% will act as a reserve to mitigate any undesirable events, providing a level of benefit security and a stabilizing effect on contribution rates. The objective at that point will be to maintain the funded status at or above 110%.

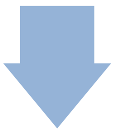
The actions outlined in each management zone are meant to achieve the stated objectives while balancing competing factors such as equity, sustainability, security of benefits and affordability.

The Management Zones:

The actions under the three management zones are outlined below:

- Under **Deficit Management** the objective is to get to 100% funded:

Under 100%



  - Deficits will be funded through a combination of contribution rate increases and benefit reductions – with the need for benefit reductions increasing as contribution rates increase.
  - No benefit reductions are considered when the contribution rate is below 19.5%
  - The blended contribution rate will not be permitted to go above 22.6% (a little more than 1 percentage point higher than the 2014 blended contribution rate).
  - There is flexibility to reduce contribution rates if the plan's funded position improves faster than expected.

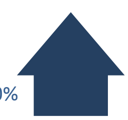
- During **Reserve Management** the objective is to get to 110% funded and begin restoring benefits:

100% - 110%

  - Contribution rates will cover the cost of benefits accruing, plus either: 2% when below 105% funded, or 1% when above 105% funded.
  - Benefit reductions which occurred during Deficit Management will be restored, on a phased basis, beginning when the plan reaches 105% funded. Any remaining restoration occurs when the plan reaches 110% funded. The SC may choose to alter the benefits which are restored, but they'd be of equivalent value.
  - Restoration will be on a prospective basis, which means it will only impact benefits earned in the future, not those that have already accrued.
  - The benefit reductions effective January 1, 2013, although originally expected to be restored when the plan returns to 100% funded status, will be delayed until the funded status reaches 105%.

- During **Surplus Management** the goal is to maintain the 110% funded status and restore benefits:

Above 110%



  - Contribution rates will no longer include the extra 2% or 1% that was included in reserve management.
  - Before any other actions are taken, benefits will be restored retroactively, but only when doing so will not reduce the funded status to below 110%, and it is considered prudent to do so.
  - Additional contribution rate reductions and benefit enhancements may also occur, but only to the extent the funded status is not reduced to below 110%.

For reference, the contribution rate figures noted above (i.e. 19.5%, 22.6%) refer to the average for the entire plan and combine both the amount contributed by the member and employer – this is sometimes referred to as the *blended contribution rate*. The extra 2% or 1% noted above also combines the member and employer amounts (i.e. each would pay an extra 1% or 0.5%).

There are four contributions rates which are unique and depend on the member's normal retirement age (i.e. 60 or 65) and earnings above and below the Years Maximum Pensionable Earnings. The SC has adopted a methodology for allocating the blended contribution rate into the four contribution rates.

Other Changes

OMERS keeps a close eye on the plan to see if plan changes are either required or desirable due to things like changes in the pension environment or a desire to evolve the plan. Such changes are considered on an annual cycle unless, for unforeseen reasons, decisions must be made sooner. In that case the SC will generally, at a minimum, communicate through its website at least 21 days before decision.

The SC continues to welcome ideas and input from stakeholders on ways to make our pension plan better. Visit our website www.omerssc.com for more information, or simply call us at 416-814-6584.

Decision-Making Process

Changes made to the OMERS pension plans must be approved by the SC Board and are not made automatically based on the Funding Management Strategy described above.

Early in a given calendar year the SC receives the valuation results and projections which provide the current and projected funded status. This information helps the SC define the management zone which is relevant for the particular calendar year. Having made that determination the SC will proceed with decision-making as follows:

<table>
<tr><td>Step 1
(March / April)</td><td>By early April the SC will communicate:
The funded status and relevant management zone for the year
Whether or not actions need to be taken
If action needs to be taken - what kind of action
If it is determined that no actions are required, then no changes will be made for funding management purposes – although there may be other reasons to consider plan changes.</td></tr>
<tr><td>Step 2
(May)</td><td>By the end of May, the SC will communicate and provide the following information for any type of plan change being considered:
Funding Management Strategy Proposed Changes (assuming action is required/desired)
Information about each option being considered
The impact of each option and how it achieves the relevant objectives of the Funding Management Strategy
Other Proposed Changes (assuming any are under consideration)
Information about each change being considered
The rationale and objective behind each change
Information on the impact of each option
These changes would have different purposes – it could be to address a change in pension legislation, an administrative matter, etc.</td></tr>
<tr><td>Step 3
(June)</td><td>At its June meeting the SC will make decisions about the changes. Note that the SC may refine the changes if it is appropriate.</td></tr>
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These matters are defined in By-Laws No. 12 and 20 - available at www.omerssc.com/About Us.

Prepared: October 27, 2014